The CCC Anomaly in an FY2020 Continuing Resolution

September 17, 2019

In late August 2019, the Office of Management and Budget (OMB) requested a special provision for the Commodity Credit Corporation (CCC) among its list of appropriations issues for Congress to consider under a continuing resolution (CR). In addition to the general provisions that extend the previous year’s appropriation for a specific term, CRs often include provisions that are specific to certain agencies, accounts, or programs. These “anomalies” are departures from a CR that modify the timing, amount, or purpose for which any referenced funding is extended. OMB cites the need for additional language in the CR to address the CCC anomaly and prevent the corporation from reaching its borrowing limit of $30 billion. The anomaly in a CR would provide CCC with its appropriation immediately upon enactment of the CR, instead of upon the usual schedule (i.e., after the completion of CCC’s annual financial statement, which is typically in November). Without the anomaly in FY2020, CCC would still receive its appropriation under a CR, but it would be one to two months after enactment, which could potentially delay CCC-funded programming, including the Trump Administration’s trade assistance to farmers affected by tariffs and 2018 farm bill payments.

CCC Overview

CCC is a wholly owned government corporation that exists solely to finance authorized programs that support U.S. agriculture. It is federally chartered by the CCC Charter Act of 1948 (P.L. 80-806; 15 U.S.C. §714 et seq.), as amended, and subject to the supervision and direction of the Secretary of Agriculture at U.S. Department of Agriculture (USDA). CCC is responsible for the direct (mandatory) spending and credit guarantees used to finance the federal government’s agricultural commodity price support and related activities that are undertaken by authority of agricultural legislation (such as farm bills) or the CCC Charter Act itself. Most CCC-funded programs are classified as mandatory spending programs and, therefore, do not require annual discretionary appropriations in order to operate. CCC instead borrows from the U.S. Treasury to finance its programs. CCC has permanent, indefinite authority to borrow up to $30 billion from the Treasury. Congress replenishes the CCC’s borrowing authority through annual appropriations based on the “net realized loss” as provided in the corporation’s financial statement at the close of each fiscal year (15 U.S.C. §713a-11).
Timing of Reimbursement

Congress annually appropriates CCC funding to cover its net realized losses incurred during a fiscal year (e.g., conservation and farm support program payments). The total amount appropriated is based on the required financial statement and audit of the CCC at the end of the fiscal year that is typically completed in November or December.

The appropriated amount for CCC varies each year based on the net realized loss of the previous year. The change in appropriation does not indicate any action by Congress to change program support. Rather, it reflects farm program payments and other CCC activities that fluctuate based on economic circumstances, weather, and Administration initiatives. Therefore, the FY2020 appropriation would provide reimbursement for the net realized losses incurred by CCC in FY2019.

Many farm program payments are required to be made annually in October (e.g., farm support programs such as Agricultural Risk Coverage and Price Loss Coverage and conservation programs such as the Conservation Stewardship Program and the Conservation Reserve Program). In most years, CCC has enough room within the borrowing authority limit to make these payments before receiving its annual appropriated reimbursement. In years of high farm program expenditures, however, the CCC could reach its borrowing authority limit before receiving its appropriation. If this were to happen, all functions and operations of CCC would be suspended until the borrowing authority is restored through an appropriation, including those activities authorized in the 2018 farm bill and the trade assistance package.

CCC Anomaly

The requested OMB anomaly would allow for CCC to receive its reimbursement for net realized losses prior to the completion of required financial reports. Similar language was provided in Section 116 of a FY2019 CR (P.L. 115-245) and Section 118 of a FY2017 CR (P.L. 114-223). This anomaly allows CCC to receive its appropriated reimbursement in the intervening one to two months before the financial statements are complete.

Because CCC has a permanent, indefinite funding authority and was funded in the FY2019 Consolidated Appropriations Act (P.L. 116-6), the reimbursement for its previous year’s net realized loss would continue under a regular CR. A CR without the anomaly does not defund the CCC or suspend payments for any one program authorized under CCC. Rather, it would allow existing financial reporting requirements to stand and allow financial statements to be submitted before the reimbursement of net realized loss occurs. This could create a temporary delay in program funding and operation if CCC activities were suspended due to reaching the borrowing authority limit.

Losses Reimbursed in FY2020

The exact amount of net realized losses in FY2019 that would be reimbursed in FY2020 is unknown. The House-passed appropriation (H.R. 3055, H.Rept. 116-107 for H.R. 3164) for FY2020 estimates that the reimbursement of CCC’s net realized losses would be $25.6 billion based on the President’s FY2020 budget estimate and the Congressional Budget Office. Losses in FY2019 are high due in large part to an earlier trade assistance package created by USDA.

During 2018 and 2019, USDA announced two rounds of trade assistance valued at a combined $28 billion. Both 2018 and 2019 trade aid packages are done at the discretion of USDA using the funding authority of the CCC Charter Act and provide direct and indirect assistance for farmers affected by trade damages from retaliatory tariffs. Trade aid payments in FY2019 would be reimbursed in FY2020 and are mostly from the aid package that was announced in 2018.
OMB states that, without the proposed anomaly language, “CCC anticipates it will exceed the statutory limitation on borrowing authority during the period of the CR, and before the close of the fiscal year audit is completed.” This indicates that authorized program payments in October could be delayed—such as conservation and farm program payments and additional trade aid—until financial statements are complete and the annual reimbursement occurs.

Author Information

Megan Stubbs
Specialist in Agricultural Conservation and Natural Resources Policy

Jim Monke
Specialist in Agricultural Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS’s institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.