



Circumventing the Federal Budget Process: Crop Insurance Premium Subsidies

Carl Zulauf

Department of Agricultural, Environmental and Development Economics
Ohio State University

December 10, 2025

farmdoc daily (15): 227

Gardner Policy Series

Recommended citation format: Zulauf, C. "Circumventing the Federal Budget Process: Crop Insurance Premium Subsidies." *farmdoc daily* (15): 227, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, December 10, 2025.

Permalink: <https://farmdocdaily.illinois.edu/2025/12/circumventing-the-federal-budget-process-crop-insurance-premium-subsidies.html>

Over the last two years, Federal crop insurance premium subsidies have been raised far more by procedures outside the Farm Bill than inside the Farm Bill. Two USDA (US Department of Agriculture) administrative actions raised the premium subsidy rate for ECO (Enhanced Coverage Option) insurance to 80%. They conservatively are estimated to raise Federal premium subsidies by \$13.2 billion over 10 FYs (Federal Fiscal Years). The 2025 Farm Bill was scored as raising Federal premium subsidies over 10 FYs by \$4.4 billion for individual farm insurance units and SCO (Supplemental Coverage Option) insurance. This case study illustrates how the Federal budget process can be circumvented, calling into question its fiscal integrity and usefulness.

2025 Farm Bill - Insurance Unit Premium Subsidy

A 2025 Farm Bill provision authorized higher Federal premium subsidy rates for basic and optional individual farm insurance units as follows:

Coverage Level	CAT	50%	55%	60%	65%	70%	75%	80%	85%
2025 crop subsidy	100	67	64	64	59	59	55	48	38
2026 crop subsidy	100	67	69	69	64	64	60	51	41

This provision also raises subsidy rates for some enterprise and whole farm insurance units. US law requires that enterprise and whole farm insurance units have the same dollar premium subsidy per acre, capped at an 80% subsidy, as the equivalent basic or optional unit.

We request all readers, electronic media and others follow our citation guidelines when re-posting articles from *farmdoc daily*. Guidelines are available on our [citation policy page](#). The *farmdoc daily* website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois [Copyright Information and Policies](#).

CBO (Congressional Budget Office) projected that, collectively, these changes would increase Federal outlays for premium subsidies by \$3 billion over 10 FYs.

2025 Farm Bill - SCO Premium Subsidy

The 2025 Farm Bill raised the Federal premium subsidy rate for SCO area add-up insurance to 80% from 65%. SCO coverage level was also raised to 90% from 86%, meaning SCO coverage ranges from 90% to whatever coverage level a farmer buys for the underlying multi-peril insurance product. CBO scored these changes as increasing Federal premium subsidies by \$1.4 billion over 10 FYs.

USDA, RMA - ECO Premium Subsidy

In an administrative action dated August 20, 2025, USDA, RMA (Risk Management Agency) raised the premium subsidy rate for ECO area add-up insurance to 80% for crops harvested in 2026 from 65% for crops harvested in 2025. The 65% subsidy rate for 2025 was an increase, via administrative action dated July 29, 2024, from 44% (51%) when combining ECO with individual farm revenue (yield) insurance. ECO coverage range is 86%-90% or 86%-95%, with the latter overwhelming bought.

The higher ECO premium subsidy rate for 2025 crops resulted in ECO acres increasing to 61.8 million from 15.6 million in 2024. ECO premium subsidies increased six-fold, from \$0.2 billion in 2024 to \$1.2 billion in 2025. Assuming farmers make the same insurance decisions (i.e. no response to raising the subsidy rate from 65% to 80%), the combined increase in ECO Federal premium subsidy rates over the 2024 subsidy rates is estimated to increase Federal premium subsidies over 10 FYs by \$13.2 billion (see Data Note).

Policy Discussion

The 2025 Farm Bill raised projected 10-year spending on Federal crop insurance premium subsidies by \$4.4 billion, according to CBO. The increase reflected higher subsidy rates for individual farm insurance units and SCO, as well as a higher SCO coverage level.

A larger expansion in Federal premium subsidies occurred outside the Farm Bill process than within the process that arguably was intended to set subsidy rates. USDA, RMA administrative actions in 2024 and 2015 on ECO subsidy rates are conservatively estimated to increase Federal premium subsidies by \$13.2 billion, triple the 2025 Farm Bill increase.

This case study illustrates how administrative actions can be used to circumvent the Federal budget scoring process, calling the fiscal integrity and usefulness of the Federal budgeting process into question.

Data Note

The \$13.2 billion increase in ECO premium subsidies over 10 FYs is estimated as follows using data from USDA, RMA *Summary of Business*: $\{[(2025 \text{ ECO total premiums of } \$1.9 \text{ billion times } 80\% \text{ subsidy rate}) \text{ minus } 2024 \text{ ECO subsidies of } \$0.2 \text{ billion}] \text{ times } 10 \text{ years}\}$.

References

Congressional Budget Office. Accessed November 2025. Details About Baseline Projections for Selected Program: USDA Mandatory Farm Programs for 2024 and 2025. <https://www.cbo.gov/data/baseline-projections-selected-programs>

Congressional Budget Office. July 21, 2025. Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline. Cost Estimate, <https://www.cbo.gov/publication/61570>

US Congress (119th). Accessed November 2025. *H.R. 1 – One Big Beautiful Bill*. CONGRESS.GOV <https://www.congress.gov/bill/119th-congress/house-bill/1>.

US Department of Agriculture, Risk Management Agency. November 2025. *Summary of Business*. <http://www.rma.usda.gov>

US Department of Agriculture, Risk Management Agency. August 20, 2025. *MGR-25-006: One Big Beautiful Bill Act Amendment*. <https://www.rma.usda.gov/policy-procedure/bulletins-memos/managers-bulletin/mgr-25-006-one-big-beautiful-bill-act-amendment>

US Department of Agriculture, Risk Management Agency. July 29, 2024. *USDA Announces Changes to Enhanced Coverage Option Insurance Program*. News Release. <https://www.rma.usda.gov/news-events/news/2024/washington-dc/usda-announces-changes-enhanced-coverage-option-insurance>