

AG ISSUES UPDATE
Edited by Brad Hollabaugh
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Wolf Vetoes Budget

Gov. Tom Wolf vetoed a budget coming from the Republican-controlled General Assembly that did not raise taxes, but increased spending in several areas including basic education.

Republicans said the \$30.8 billion spending plan addresses critical areas such as human services and education, but Gov. Wolf said he vetoed the plan over concerns about one-time spending to balance the budget, and the fact that it does not address property taxes. Gov. Wolf is also looking for a severance tax on natural gas for education funding.

The Republican budget contained positive news for agriculture, including an increase in funding for the general operations of the Pennsylvania Department of Agriculture and a \$3.3 million boost for Penn State Cooperative Extension, which includes \$2 million for avian influenza preparedness and response. However, Gov. Wolf's veto of the full budget bill will require lawmakers to revisit taxes and spending in all areas.

Pension Reform Bill on Governor's Desk

Members of the Pennsylvania General Assembly sent Gov. Tom Wolf a bill that would move all new state and school district employees away from the state's pension system.

Senate Bill 1, introduced by Sen. Jake Corman, would place new employees into a 401-K style system, which is a *defined contribution* plan versus the completely unsustainable *defined benefit* plan currently in place for public employees. Although this conversion would not instantly fix the problem, it would be an important step toward reducing the liability on PA taxpayers.

Pennsylvania's two public pension systems—one for school district and the other for state government employees—is underfunded by at least \$53 billion due to poor market performance and prior legislative action. All members of the Pennsylvania General Assembly, upon election or reelection, would be enrolled in a defined contribution plan.

Local Tax Bill Passes Pennsylvania Senate

Senate Bill 356, introduced by Sen. Mike Folmer, recently passed the Pennsylvania Senate. It will make the filing of local income taxes consistent with the more simplified methods for reporting and payment of income tax provided under state and federal income tax laws.

Folmer's bill would give farmers the option of making a single filing and payment of estimated taxes, instead of quarterly filings, and allow for "safe harbor" provisions for payment of estimated taxes, based on income from the prior tax year. It would also make the deadlines for local income tax reporting and payment the same as state and federal deadlines. Senate Bill 356 now heads to the House for consideration.

TPA Bill Signed by President

After an initial defeat last month, the Trade Promotion Authority (TPA) bill has been signed into law by President Obama. USApple members lobbied in favor of the legislation during our March Capitol Hill Day and USApple staff have since played an active role in an agriculture trade coalition working for passage. Every Administration for the past 40 years has had TPA which allows the

President's representatives to fully negotiate trade deals. It is then the responsibility of Congress to ratify or reject the agreements in their entirety.

With an average of 30% of the fresh apple crop exported each year, the health and future of the industry is directly related to trade. TPA will allow the Obama Administration to complete negotiations on the Trans Pacific Partnership (TPP), which will open up trade with a number of countries including Vietnam, offering tremendous growth opportunity. The CAFTA-DR Trade Agreement negotiated by the Bush Administration under TPA is an example of the benefits of free trade agreements for apples. The CAFTA-DR region is now the number one export market for Pennsylvania and Michigan apples. (*Diane Kurrle, USApple*)

Attorneys General Sues EPA and Army Corps over Water Rule

Attorneys General from more than 20 states, not including Pennsylvania, are suing the Environmental Protection Agency and the U.S. Army Corps of Engineers over the flawed "waters of the U.S." rule. Led by Wayne Stenehjem, North Dakota attorney general, the lawsuit contends the EPA's actions violate the Clean Water Act, the National Environmental Policy Act and the Constitution.

The EPA's "water of the U.S." rule significantly expands their authority under the Clean Water Act to include ditches and even dry land. The agency contends that these features act as tributaries to "navigable" bodies of water, and therefore fall under federal jurisdiction. The Clean Water Act limits federal oversight to rivers and streams considered navigable.

"This case involves yet another attempt by the federal government to expand its reach and regulatory authority over issues that are primarily reserved to the States," said Stenehjem.

Farmers are concerned the rule could result in the need to obtain federal permits for routine tasks such as crop treatment or nutrient application.

Supreme Court Rules on Obamacare

The Supreme Court ruled recently 6-3 that Affordable Care Act (ACA) health insurance subsidies for individuals can continue for residents of states that are using the federal exchange. Over 6 million people currently receive subsidies through the federal exchange in 34 states. The challenge argued that financial assistance was only allowed in states that operated their own insurance exchanges.

Farm Bureau will continue to advocate for legislation that modifies the ACA to make insurance more affordable and easier to offer to employees.

- **STARS ACT:** H.R. 863 would help large employers (50 full-time workers) comply with the ACA by aligning the definitions of seasonal worker and seasonal employee as a worker who is employed on a seasonal basis for six months or less during the calendar year. The ACA requires large employers to offer insurance to full-time employees.
- **HEALTH INSURANCE TAX (HIT):** H.R. 928 and S. 183 would repeal the premium-based tax on health insurance companies that drives up the cost of insurance for farmers and ranchers because the tax is routinely passed on to policy holders.
- **40 HOUR WORK WEEK:** H.R. 30 would repeal the 30-hour definition of "full-time employment" in the ACA and replace it with the traditional 40-hour definition. The ACA requires large employers (50 full-time workers) to offer insurance to full-time employees.

- **H-2A EXEMPTION:** H.R. 1387 would exclude H-2A workers from the mandate that requires large employers (50 full-time workers) to offer insurance to full time workers.

Crop Insurance Programs to Benefit Diversified Farmers

Producers applying for loans through the Farm Service Agency will have the option of enrolling in a new crop insurance program created for diversified farmers. FSA loan applicants will be eligible to enroll in the Noninsured Crop Disaster Assistance Programs (NAP). The program is tailored for farmers who grow non-insurable crops like some fruits, vegetables and other specialty crops.

“FSA is opening its doors wider so that more specialty farmers know of our array of services,” said Bill Wehry, Pennsylvania FSA executive director. “And new, underserved and limited income specialty growers who apply for farm loans could qualify for basic loss coverage at no cost, or higher coverage for a discounted premium.”

The basic program protects 55 percent of the market price of crop losses exceeding 50 percent of production. Crops covered through the program include vegetables, fruits, mushrooms, aquaculture, honey, maple syrup, grazing and energy crops. FSA will also allow beginning or limited income farmers to get NAP coverage for up to 90 days after the normal application closing date when they apply for FSA credit.

Beginning or limited income producers are also eligible for a 50 percent discount on premiums for higher levels of coverage that can protect up to 65 percent of expected production at 100 percent of the average market price. To learn more, contact your local FSA office.

New Slate of FFA Officers Selected

The Pennsylvania FFA Association selected a new slate of State Officers for the 2015-2016 school year. The new officers are: State President—Lily Guthrie, Perry County; State Vice President—Tyler Watkins, Huntingdon County; State Secretary—Rachel Greig, Crawford County; State Treasurer—Elizabeth Winklosky, Westmoreland County; State Reporter—Katie Sharrer, Adams County; State Sentinel—Luke Kerstetter, Snyder County and State Chaplain—Jonathan Noss, Perry County. The new officers were chosen during the 86th PA FFA Convention held recently in State College. Officers give up a year of their post-high school career to travel the state promoting agriculture.

Bill Introduced to Address Post-Production Costs

A state representative introduced legislation that would require gas companies to pay the state minimum royalty rate to landowners, regardless of the cost of accessing and moving gas to market. House Bill 1391, introduced by Rep. Garth Everett and supported by PFB, would require that gas companies pay 12.5 percent as set by state law. Some natural gas companies are taking out so-called post-production costs, reducing the amount that landowners are receiving.

“Some Pennsylvania farmers with gas wells on their properties have been receiving royalty payments far lower than the state guaranteed rate, because gas well companies have been claiming deductions for costs associated with the capture and transmission of gas from the wells,” said PFB President Rick Ebert.

Everett, who represents portions of Lycoming and Union counties, said the state’s Guaranteed Minimum Royalty Act of 1979 has largely worked throughout its history. However in the past few years with the advent of gas drilling in the Marcellus Shale formation, some companies have

charged post-production costs, thereby reducing landowner payments. Many of them were under the impression they were owed the state's minimum royalty payment, he said.

Farm Bureau Encourages Farm Exemption in Energy Generation Rules

Pennsylvania Farm Bureau is asking the Pennsylvania Utility Commission to carve out a specific exemption for farms as the commission crafts regulations on energy generation. The PUC is looking to put limits on the amount of energy that home owners or farmers can generate out of concerns that energy companies might be masquerading as "customer generators."

However, PFB is concerned the move could seriously hamper a farmers ability to pay for renewable energy projects, such as wind, solar and methane digesters, that allow producers to use marginal lands, barn roofs and manure for electricity production. The PUC has proposed that future energy projects created by "customer generators," (those not considered a utility company) to be allowed to produce no more than 200 percent of their actual electricity consumption. PUC's proposed regulations would not place limits on existing farm energy projects. Farms operating manure digesters, or that have placed solar panels on barn roofs, are considered customer generators.

Pennsylvania Farm Bureau believes any cap on what a farm can generate in electricity will significantly curtail the development of renewable energy projects. Installing systems like solar panels or methane digesters are expensive, and being able to sell electricity back to the grid can help a farmer offset their costs. Farmers have also turned to methane digesters as a way to manage nutrients and potential environmental impacts, while also reducing issues of odor or runoff. Farmers have also used solar panels or wind turbines on marginal land, leading to better management of crop land.

PFB is asking the PUC to make a clear exemption for farms operating energy systems, and for those planning to do so in the future.