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Trump Speech Long on Presidential “Style,” Short on Specifics, Ag Reference

President Trump’s speech this week to a joint session of Congress left supporters relieved and critics frustrated as his delivery was all presidential, with none of the off-the-cuff snipes for which he’s become known. The speech, while long on achievements of Trump’s first 40 days in office, was short on details of what’s to come, particularly his FY2018 budget plan. There was also no mention of food, agriculture or specific issues challenging rural America.

Expectations that Trump would talk budget recommendations was fueled this week by an Office of Management & Budget (OMB) media briefing at which it was revealed the president plans to ask for a \$54-billion increase in defense spending, with across-the-board cuts in other non-defense and non-security programs – including foreign aid – to offset the increase. Increases are also expected for the general military, local law enforcement and Customs & Border Patrol. Some outlets report EPA is targeted for a 25% budget cut, with a similar reduction in personnel. Reports indicate Trump is also out to cut the State Department’s budget by 37%, with a similar amount being slashed from the budget of the U.S. Agency for International Development (USAID).

Rep. Tom Cole (R, OK), a senior member of the House Appropriations Committee, told *AgriPulse* this week the president can’t expect to slash the federal budget to pay for a military buildup without “a lot of blowback” from both sides of the aisle. “You’re kidding yourself if you think you can cut that level out of a pot of money that’s roughly \$400 billion and not step on a lot of toes or undercut things like biomedical research...that have passionate defenders,” Cole said. At the same time, the president’s budget is conventionally seen by spending lawmakers as the White House “wish list.” Congress has the last word on spending.

Trump ticked off his campaign promise-keeping actions since January 20, including reviving the Keystone XL and Dakota Access pipelines, and his order that any new pipelines built use U.S. steel; his continued commitment to repealing and replacing/repairing the Affordable Care Act (ACA); withdrawing the U.S. from the Trans-Pacific Partnership (TPP), which he called “disastrous;” establishing new ethics commitments, and creating a multi-level system of regulatory reform, including ordering all federal departments and independent agencies to set up regulatory reform task forces to identify existing rules for elimination.

House Speaker Paul Ryan (R, WI) declared the speech “a home run.” He said the president delivered a “bold, optimistic message to the American people.” “From repealing and replacing Obamacare to revamping our outdated tax code and keeping our country safe from the threat of radical Islam, we are committed to working with the Trump administration to deliver results,” Ryan pledged, pointing to House action to repeal regulations “that have hamstrung our economy.”

The president talked about moving forward with comprehensive federal tax reform in his first year, concentrating on reducing the top corporate rate from 35%, one of the highest in the world, to 15-20%. He also pledged to repatriate over \$1 trillion in U.S. companies’ profits stashed overseas to avoid U.S. taxes, a move he said that would generate the income needed to make the downpayment on his infrastructure program.

When it comes to immigration reform, Trump mellowed his message a bit, signaling he's willing to talk with reform advocates, but said the U.S. must adopt a "merit-based system," similar to systems working in Canada, Australia and several European countries. Drawing the loudest negative reaction from detractors was the president's announcement of his focus on "immigration crime," and the creation at the Department of Homeland Security (DHS) of a new office of Victims of Immigration Crime Engagement (VOICE). He introduced several guests in the House gallery, all of whom had family members who are the victims of crimes committed by undocumented immigrants with criminal records.

North Carolina Senate Staffer Named President's Special Assistant on Ag, Food, Trade

Ray Starling, former chief of staff to Sen. Thom Tillis (R, NC), was named this week by President Trump to be special assistant to the president for food, agriculture and trade. A relatively unknown player outside of the Senate, Starling joins the National Economic Council (NEC), as well.

Starling's name was one of several announced this week, and his job will be to advise the Oval Office on economic policies related to the Farm Bill, food aid, trade, market development and other domestic and international issues. Starling will join Dr. Sam Clovis, senior Trump advisor during the campaign, who now carries the title White House advisor to USDA. President Obama had no such special assistant.

Starling was raised on a North Carolina hog farm. An attorney by education and practice, Starling was general counsel and senior agricultural advisor to Tillis during his stint as speaker of the North Carolina Assembly, and served as general counsel for the state Department of Agriculture & Consumer Services.

Ross, Zinke, Perry Confirmed by Senate; No Word on Perdue Hearings

Billionaire Herbert Ross is the newly confirmed secretary of commerce, and former House member Ryan Zinke (R, MT) takes the reins of the Department of Interior following his successful Senate confirmation vote. And late this week, unsuccessful presidential hopeful and former Texas Gov. Rick Perry was sworn in as the secretary of energy, gaining strong bipartisan support, the biggest criticism being he lacks the academic credentials of his predecessors.

Former Georgia Gov. Sonny Perdue is still waiting for his invitation from the Senate Agriculture Committee to come on up for his confirmation hearing, though the chair of that panel, Sen. Pat Roberts (R, KS). and Perdue's cousin, Sen. David Perdue (R, GA) both say the nomination is still on track.

In a related development to the lack of progress on the Perdue nomination, American Farm Bureau Federation (AFBF) President Zippy Duvall, former head of the Georgia Farm Bureau, sent letters to various media outlets this week informing them that stories run last week alleging Perdue's frustration with a lack of support from the Trump White House were flat wrong. Assembling and transmitting the paperwork – financial disclosures, FBI background check and an ethics review – is the delay. However, the big question how can the paperwork of a nominee who was a two-term governor not be relatively quickly compiled and transmitted?

Ross, a key player on the president's economic and trade team, is the man who will "steer our trade policy," said President Trump. Among the challenges Ross faces is how to renegotiate the North American Free Trade Agreement (NAFTA) with Canada and Mexico, while trying to slash the U.S.'s \$500-billion trade deficit with China and hammering out bilateral trade deals with various Pacific Rim countries, most notably Japan.

Zinke is a fifth generation Montana native and a former Navy Seal, and while he showed up for his first day of work this week riding his horse, while dressed in cowboy duds and wearing a Stetson, he nevertheless has the unenviable job of balancing the president's zeal to increase fossil fuel production from federal lands, while protecting those same public lands, particularly in the West. Zinke is pro-fossil fuel, and has voted against some endangered species protections. Interior administers the Endangered Species Act (ESA), as well as the U.S. Geological Survey, which measures climate change.

Still unconfirmed in addition to Perdue are R. Alexander Acosta to be secretary of labor; Sen. Dan Coats (R, IN) to be director of national intelligence, and Robert Lighthizer to be U.S. Special Trade Representative (STR).

Trump Takes Aim at WOTUS; Likely Rule Rewrite, Not Repeal

President Trump this week made good on another campaign promise, taking the first steps in authorizing EPA to kill the highly controversial waters of the U.S. (WOTUS)" rulemaking. Several members of Congress, a small group of farmers, as well as American Farm Bureau Federation President Zippy Duvall and National Association of Counties Executive Director Matt Chase were at the White House when Trump signed the order.

Trump called WOTUS "one of the worst examples of federal regulation," demonstrating EPA "had truly run amok." "It was a massive power grab," the president said. The final rule has been held in abeyance by federal courts since it was published in the *Federal Register*.

In his executive order issued this week, the president reaffirmed his administration's commitment to cleaning up the nation's waterways, but said EPA must "promot(e) economic growth, minimizing regulatory uncertainty and showing due regard for the roles of the Congress and the States under the Constitution."

Trump ordered EPA and the U.S. Army Corps of Engineers to "review" WOTUS, to make sure it's consistent with the administration's policy as stated in the executive order. He ordered the agencies to publish for public comment a proposed rule rescinding or revising the WOTUS final rule. It also orders the agencies, if they decide to rewrite and republish the rule, to use only the definition of "navigable waters" contained in a 2006 Supreme Court decision. In that decision, the late Justice Antonin Scalia wrote for the majority that the Clean Water Act (CWA) grants jurisdiction to EPA and the Corps over "relatively permanent bodies of water."

It appears the most likely route to be taken by the administration will be to rewrite and reissue the rule, a move with which many supporters in Congress will be comfortable. EPA Administrator Scott Pruitt said this week the new WOTUS rule his agency will write will be limited in reach and easier to administer. A lot will depend, he said, on how much of the existing rule can be used and how much must be redeveloped. However it goes, more stakeholder input will be gathered, and because of the work involved, Pruitt refused to give a time line for reissuing the rule.

Pruitt told the American Farm Bureau Federation's (AFBF) Advocacy Conference Washington, DC, this week he's already begun the process of withdrawing WOTUS, telling the assembled farmers, "it's on the way, relief is on the way." AFBF led the agricultural charge against the rule from the day it was first proposed, subsequently declaring the death of the rule its number one regulatory priority.

House Agriculture Committee Chair Mike Conaway (R, TX) praised the White House action. "Over the past eight years, EPA and the Army Corps of Engineers have repeatedly ignored the concerns of our nation's farmers and ranchers in their quest to implement the WOTUS rule," Conaway said in a statement. "I applaud President Trump for taking the first steps to dismantle this egregious example of government overreach."

While nearly every agriculture, agribusiness and general business group praised the Trump order, Democrats and environmental groups condemned the action, accusing Trump of abandoning consumer protection in favor of partisan politics. Sen. Tom Carper (D, DE), ranking member of the Environment & Public Works Committee, said Trump should have told EPA to rewrite and reissue the rule, not contemplate simply rescinding the action.

House Ag Panel Continues to "Listen" on Farm Bill Issues; Conservation, Budget Big Topics

The House Agriculture Committee continued this week its series of "listening" sessions on how to write the 2018 Farm Bill, focusing on conservation programs. At the same time, a senior farm state Senator weighed into the conservation debate, while the House ag panel chair coordinated efforts to convince leadership the omnibus farm package needs more money.

Here are the Farm Bill nuggets from the past week:

Conservation program reform: Former ag committee chair Rep. Frank Lucas (R, OK), chair of the panel's subcommittee on conservation and forestry, held his first hearing on how the 2014 Farm Bill conservation programs are working and how well USDA is implementing them. Lucas said conservation policy will continue to be based on voluntary, incentive-based practices. Committee Chair Mike Conaway (R, TX) pointed out the environmental benefits of voluntary conservation practices, particularly as relates to soil erosion, wetlands, water quality and wildlife habitats. Committee ranking member Rep. Collin Peterson (D, MN) said during the hearing that reducing the Conservation Reserve Program (CRP) rental rates could expand the program citing reports USDA has let the rate go too high compared to what land rental costs in states like Minnesota and Iowa. Others talked of a "grasslands conservation crisis," as well as a need to ease haying and grazing restrictions. Meanwhile, Senate colleague Sen. John Thune (R, SD) introduced this week a bill to create a new, short-term farmland conservation program, providing incentives to producers to take their least-productive land out of production for three to five years, compared to the 10-15-year CRP commitment. Farmers would get 50% of the CRP payment rate, and USDA could terminate the contracts early if necessary. Thune said he's looking at other changes to conservation programs.

Budget letter: Conaway wasted no time this week getting full committee sign-off on the panel's "budget views and estimates letter," a required missive sent by all major committees to the House Budget Committee detailing what the panel thinks it will need to do its business in the coming budget year. As expected, the committee's letter reiterated its call for a "hands-off" approach to the Farm Bill. The committee urged the budget gurus to "consider the \$104 billion in savings from the current Farm Bill, more than four times what previously been pledged," pointing out the savings were achieved during "a bleak and worsening economic outlook in farm country." Conaway told his committee members, "We do not yet know what resources we will need to write an effective, new Farm Bill. But what we do know is that our committee has more than demonstrated our fiscal bona fides, and we have earned the budget flexibility that may be necessary to craft and enact the 2018 Farm Bill." Think tanks and

environmental groups which have historically opposed Farm Bill subsidy spending weighed in with the opposing view.

Research priorities: The Farm Journal Foundation called this week for “refocusing” Farm Bill research priorities given federal ag research spending has “flat-lined.” The foundation said there’s been a two-thirds drop in USDA-funded research spending since 1950, while research outlays in countries like Brazil, India and China have more than doubled. The paper says Congress should double research funding over the next eight to 10 years in order to ensure global competitiveness. The authors of the study said the funding increase can be achieved through increased state and federal commitments, as well as contributions by the broad agriculture sector. The additional spending should be accompanied by a “streamlining of the research network.”

RFS Reform Looks More Certain; White House Denies Icahn Connection

Following senior House Energy & Commerce Committee public commitment to efforts to “reform” the Renewable Fuel Standard (RFS) prior to its 2022 expiration, that committee this week reinforced its plan of action when the panel chair, Rep. Greg Walden (R, OR) joined the chorus calling for RFS reform in this Congress.

Adding additional controversy to the push on the RFS are media reports this week quoting Renewable Fuels Assn. (RFA) President Bob Dinneen about an expected move by the White House to change the RFS “point of obligation” – that part of the fuel chain responsible for seeing that federal gasoline blending mandates are met – from refiners to fuel wholesalers and has more to do with billionaire investor Carl Icahn than the RFS program.

Rep. John Shimkus (R, IL) leads the House RFS revamp effort, along with Rep. Bill Flores (R, TX) and Rep. Peter Welch (D, VT). Flores and Welch introduced legislation in the past to cap the amount of ethanol in the national fuel supply at 9.7%, a move supported strongly by the American Petroleum Institute. (API). Rep. Bob Goodlatte (R, VA) reintroduced his bill to limit the use of corn for ethanol through a “trigger” pegged to the USDA stocks-to-use ratio, and would cap corn ethanol/gasoline blends at 10%. A bipartisan Senate group told EPA Administrator Scott Pruitt to stay hands off on the RFS and its “obligation.”

Shimkus’ willingness to participate is significant. He’s a senior member of the House Energy & Commerce Committee, which oversees the RFS, sitting as chair of the panel’s subcommittee on environment/economy, and as a member of the energy and power subcommittee.

The House effort effectively hopes to strike a compromise on how the RFS can be modernized, again to create “certainty” in the industry by ending the feedstock battles, ethanol volume harangues, Renewable Identification Number (RIN) controversies and mileage standard debates. Shimkus told the media, “This is going to be very hard to do. Sometimes I think we can get there, and sometimes...well, I think this will be hard to do.”

The key date is 2022 when the current law expires ending congressionally set blending levels. At that point, blending authority reverts to EPA. Shimkus said if various stakeholders want certainty, they need to weigh in now. Committee member Rep. Kevin Cramer (R, ND) said the goal is setting annual targets for biofuels so that EPA does not take over that role.

House leadership is willing to take up an RFS fix if one can be hammered out, possibly as part of any infrastructure investment bill that may move through the chamber. However, the Senate future is unclear given it's less a political issue than one that pits farmers against farmers, oil against agriculture and so forth.

On the RFA/Dinneen/Icahn front – Icahn is a long-time Trump supporter and was recently named “special advisor” on regulatory reform, and owns oil refiner CVR Energy – *Politico* also reported Dinneen said the RFS point of obligation is due to be shifted by presidential action from the refiners to gasoline wholesalers. Icahn has been a vocal proponent of the move, along with other oil refining companies, most notably Valero.

Dinneen said he was contacted by the White House regarding the expected RFS point of obligation executive order. When told the order was inevitable, he said his group could likely support the move if EPA would allow ethanol/gasoline blends at 15% to be used all year instead of only during colder months. The current blend maximum is 10%. That move would be widely opposed by the oil and gas industry.

The White House refused to confirm the Dinneen story, saying, “when we have something to comment on, we’ll let you know.” However, in the aftermath of the *Politico* story, Fuels America, a coalition of ethanol makers, farmers and associations which strongly supports the RFS, voted this week to drop Dinneen’s association from its membership, citing the coalition’s opposition to Icahn and Valero’s push to shift the point of obligation.

In the Senate, Sens. Joni Ernst (R, IA), Deb Fischer (R, NE), Ed Markey (D, MA) and Tammy Duckworth (D, IL) sent EPA Administrator Scott Pruitt a letter last week asking the new administrator to not change the point of obligation, arguing that changing anything now creates an administrative burden for the agency, and “needlessly injects uncertainty into the fuels market and deters future investment in biofuels.”

The RFS has been controversial since it was created by federal law in 2007. Supporters say it’s necessary to create demand for new and growing biofuels makers, while opponents contend it creates arbitrary demand and an artificial market for biofuels that distorts prices for biofuels’ feedstocks, including corn for ethanol production. For farm state lawmakers, the RFS is a difficult issue, putting them squarely between their livestock and poultry producers and their corn and soybean producers. Oil and gas state lawmakers have never been happy with the RFS.

New National Food Safety Strategy Needed: GAO

With responsibility for the nation’s food safety spread across 16 different federal agencies and departments – many with overlapping and redundant jurisdictions – it’s time to rethink this scenario and come up with new national strategy to deal with these fragmented systems, the Government Accountability Office (GAO) said this week.

The underlying message is the country needs or at least should consider combining programs into a single food safety agency. Legislation has been introduced for two decades calling for a single food agency, but turf wars and the pure politics of the appropriations process have killed the effort.

GAO in 2015 recommended that USDA's Food Safety & Inspection Service (FSIS) and FDA, overseen by the Department of Health & Human Services (HHS), come up with a plan to address the fragmentation challenge. While some steps have been taken, GAO said, these departments, along with Office of Management & Budget (OMB) haven't addressed broad government planning.

However, USDA responded to GAO that it's not on board with GAO's approach to a national strategy and criticized the report for undervaluing existing collaborations, while not recognizing new collaborative efforts now underway.

Plaguing efforts to maintain food safety are differences in statutory authority between FDA and FSIS, translating into different approaches to inspections, while federal appropriations to both groups don't reflect the true risk of food-borne illness. While FDA oversees 70-80% of the food supply, and FSIS regulates about 20%, FDA received about \$1 billion in FY2016, while FSIS received \$1.2 billion.

Rail Exec Says Static Gas Tax Equals Trucking "Subsidy"

Not raising the federal highway gasoline tax is like handing the commercial trucking industry a "subsidy," BNSF Executive Chair Matt Rose told the Senate Commerce, Science & Transportation Committee last week, according to an item in the most recent NITLeague newsletter.

The current federal gas tax is 18.4 cents per gallon, while the tax on diesel is 24.4 cents per gallon. Neither has been increased by Congress since 1993 given the political unpopularity of such a move. Even during the battles over how to fund the federal highway reauthorization bill in the last Congress, any mention of raising the federal gas tax, which funds the Highway Trust Fund, was immediately discounted.

Rose told the lawmakers that failure to increase the fuel taxes will result in more trucks on already-crowded highways. He said taking general Treasury funds to prop up the Highway Trust Fund is like giving "free money" to the trucking industry, while undercutting rails' advantage on long-haul freight movements.

Name New USDA Under Secretary for Trade, Foreign Agriculture, Groups Say

President Trump has received a letter from 28 national farm, ranch, feed, grain, processing and export organizations urging him to quickly establish a new subcabinet job, namely under secretary for trade and foreign agriculture. The position was authorized in the 2014 Farm Bill, but the Obama administration never implemented the new authority.

The renewed pressure comes in the wake of a somewhat confusing picture of where the new administration wants to go on trade. Industry was caught short when the president announced his nomination of billionaire Wilbur Ross to be secretary of commerce, if only because Trump said Ross would "steer" his administration's trade programs, backstopped by the U.S. Special Trade Representative (USTR) and the new White House National Trade Council. Traditionally, USTR is in charge.

One of Trump's first actions was to formally pull the U.S. out of the Trans-Pacific Partnership (TPP), while backing off a bit on his campaign pledge to "renegotiate" the North American Free Trade Agreement (NAFTA). This week, USTR released a report – "The President's Trade Policy Agenda for 2017" – which

also hints at more shifts in administration trade policy broadly, particularly as they may relate to the World Trade Organization (WTO).

“International trade is critically important to the economic vitality of the U.S. agriculture and food industry, and a major engine of economic growth,” the groups wrote. “However, despite enormous (export expansion) success, the trade organizational structure at USDA has remained unchanged since it was last reorganized in 1978.”

The new under secretary position “will bring a unified high level representative to key trade negotiations with senior foreign officials and within the Executive branch,” the groups said.