

State Association Weekly Washington Report

Trump Budget Whacks USDA 20%, EPA 31%, Likely DOA on Hill

President Trump's first formal budget proposal takes a sharp knife to domestic spending programs to pay for a major increase in defense spending, but when the dust clears, his \$4.1-trillion FY2018 budget wish list is more political than economic, likely to get little attention on Capitol Hill.

Congressional reaction to the Trump budget proposal was swift and bipartisan. Agriculture Secretary Sonny Perdue, appearing this week before the House Appropriations Committee's subcommittee on ag/FDA, had a tough road to hoe in defending a budget crafted before he was confirmed as secretary. Democrats roundly criticized the Trump budget as an attack on the poorest Americans, and GOP lawmakers were equally dismayed.

"Many in agriculture and rural America are likely to find little to celebrate within this budget request," said appropriations subcommittee chair Rep. Robert Aderholt (R, AL). Senate Republican stalwarts moved quickly put the budget proposal in context. Sen. Mike Enzi (D, WY), chair of the Senate Budget Committee, called the administration plan "a suggestion," and said Congress will ultimately decide how the government will spend tax dollars. The White House plan is "dead on arrival," said Sen. John Cornyn (R, TX), adding "all POTUS budgets are."

Overall, the White House's "New Foundation for American Greatness" budget plan proposes \$1.5 trillion in domestic discretionary spending cuts over 10 years. Medicaid takes another \$1.4-trillion hit – Medicare retirement benefits and social security are largely untouched – while defense spending gets a \$500-billion boost over the next decade.

House Speaker Paul Ryan (R, WI) said, "We can finally turn the page on the Obama era of bloated budgets that never balance. (The Trump budget plan) prioritizes American taxpayers over bureaucrats...while making our military stronger...we look forward to pass(ing) a balanced budget."

Quietly included in the White House budget is about \$5 billion for FY2018 as a down payment on the president's proposed \$1-trillion national infrastructure plan, with heavy emphasis by reference to public-private partnerships as the formula for paying for the program. Transportation Secretary Elaine Chao said a legislative package will be unveiled later this year, adding the information included in the budget recommendations include "the main key principles. I think they are simple, and yet quite profound." The budget includes a 10-year, \$200-billion plan for direct federal spending, but provided scant details on how the money would be spent.

USDA – USDA's FY2018 spending would be cut \$137 billion, a 20% reduction from current discretionary levels and an 8% cut overall. Crop insurance premium subsidies and federal food stamps come in for major decreases, and the budget cuts overall would likely require about 5,200 jobs – 5.5% of the total USDA workforce – to be lost.

"There's no sugarcoating what we'll face," said Agriculture Secretary Sonny Perdue. "USDA will likely see a significant reduction in funding by the time this process is complete. This shouldn't be a surprise to anyone."

House Agriculture Committee Chair Mike Conaway (R, TX) said in a statement released just before the budget plan was unveiled, "The 2014 Farm Bill is on target to save taxpayers \$104 billion over 10 years

despite a 50% drop in net farm income and hard times in farm and ranch country. I anticipate Congress will produce a final budget that reflects these conditions and enables us to craft an effective, efficient Farm Bill."

"We're just not going to do that (cut USDA 20%)...it looks like they went down the laundry list of everything that is absolutely vital to farmers and rural America," said Senate Agriculture Committee Chair Pat Roberts (R, KS).

Federal crop insurance premium subsidies would be capped at \$40,000 per farmer, and only producers with less than \$500,000 in annual adjusted gross income would qualify for a premium subsidy. The approach is not original to Trump – both GOP and Democrat lawmakers have targeted insurance premium subsidies, as well as insurance company operating subsidies, for years. The Government Accountability Office (GAO) says capping premium subsidies would save \$16.2 billion over 10 years. Eliminating the Harvest Price Option (HPO), the White House says, would save another \$12 billion.

Federal food stamp spending would be reduced 30% by shifting many of the program controls to the states, and the reduction would be paid for by charging food retailers a new "application fee," said to generate \$2.4 billion in new monies in the next 10 years. Conservation and rural development programs would also take major hits, amounting to about \$6.5 billion over a decade, with unspecified "small programs" at USDA taking another \$3.1 billion cut.

Roberts and Conaway issued a joint statement offering the White House tepid support. "We support the Trump administration's goal of achieving 3% economic growth for our nation. USDA's latest estimates find agriculture, food and related industries contribute \$992 billion to our economy. As we debate the budget and the next Farm Bill, we will fight to ensure farmers have a strong safety net so this key segment of our economy can weather current hard times. As part of Farm Bill discussions, we need to take a look at our nutrition assistance programs to ensure that they are helping the most vulnerable in our society."

EPA – As expected, the administration's FY2018 budget plan would slash EPA spending by about 31%, allocating the agency about \$5.6 billion, down from FY2017's \$8.2 billion. The agency's pesticide licensing program takes a \$90.5-million hit if the White House gets its way, making companies awaiting product approvals nervous delays will get longer. The budget also eliminates the Chesapeake Bay and Great Lakes Restoration projects. A Trump priority is funding an additional \$4.3 million to the Drinking Water and Clean Water State Revolving Funds. Water Infrastructure Finance & Innovation Act spending is stable at \$20 million a year. Overall state and tribal assistance grants would be cut \$96 million from the \$2.4 billion spent this fiscal year. Flint, Michigan would receive a one-time grant of \$100 million to fix its water system problems. State environmental "categorical grants" would be cut by \$481 million from \$1.08 billion, with grants for radon, lead, pollution prevention, beach protection, and nonpoint source pollution zeroed out. Superfund enforcement and cleanup would be reduced by nearly \$195 million.

CFTC – The White House budget proposal follows the pattern of enacted appropriations bills over the last few years when it comes to effectively freezing operating funds for the Commodity Futures Trading Commission (CFTC), requesting about \$281 million for FY2018. GOP lawmakers "punished" the CFTC for what they deemed to be heavy-handed Dodd-Frank regulations of the finance industry. However, the CFTC took the very unusual step of sending its own formal spending request to Congress, asking

appropriators to increase the White House recommendation by \$31.5 million for the coming fiscal year. “The \$31.5 million...over FY2017 is not a formulaic or superficial number, but a thorough and informed assessment of what the CFTC needs to execute its mission in FY2018,” said acting Chair Chris Giancarlo.

FDA – FDA overall would get \$5.1 billion in FY2018, a slight increase from FY2017, per the White House plan. However, the same plan would take away \$84 million in food safety spending, a major hit as the agency continues to struggle with implementation of the Food Safety Modernization Act (FSMA). The cut is ironic given Congress approved and the president signed a FY2017 omnibus spending package that carried a food safety spending increase of about \$40 million. Again, the White House assumes it can get new user fee authority – about \$42 million more than the current \$26 million in fee authority – so the agency to replace program cuts, and said it wants to reduce total employee numbers through attrition.

NAFTA Talks Set to Begin; House Ag, USDA, USTR Hold Trade Roundtable, USTR Sets June Hearing

The White House notified Congress it's set to begin talks to “modernize” the North American Free Trade Agreement (NAFTA), Mexico and Canada are raring to go, but for ag traders fingers are collectively crossed that the talks will indeed lead to a better agreement as there's a universe more to lose than gain if NAFTA is tossed on the scrap heap, as many fear.

This week, in a move designed to calm ragged agriculture group nerves related to President Trump's sometimes confusing trade policy, House Agriculture Committee Chair Mike Conaway (R, TX), ranking panel member Rep. Collin Peterson (D, MN), U.S. Special Trade Representative (USTR) Ambassador Robert Lighthizer and Secretary of Agriculture Sonny Perdue met with other members of the agriculture committee in an executive roundtable discussion of Trump administration policy and trade initiatives.

“Where American agriculture products can compete on a level playing field, they will succeed and they will lead the way,” Perdue said in a statement. Last week, on learning the White House had been formally notified of the NAFTA renegotiations, he said, “While NAFTA has been an overall positive for American agriculture, any trade deal can always be improved. I am confident (renegotiating) will result in a better deal for our farmers, ranchers, foresters and producers.”

Lighthizer told the ag committee members his office is actively engaged in discussions with Japan and other countries to make sure potential trading partners are aware the U.S. is actively seeking bilateral trade treaty partners.

The governments of Mexico and Canada reacted mildly to word Congress has been formally notified by the White House of its intent to begin NAFTA talks.

“We are at an important juncture that offers us an opportunity to determine how we can best align NAFTA to new realities,” the Canadian government said in a statement. The Mexican government said NATA has been an “immense benefit” to all three nations. “We reaffirm our willingness to update the agreement in order to successfully address the challenges of the 21st century. Our countries deserve a modern instrument to regulate our trading and economic relationship. We look forward to a constructive process,” the government said in a prepared statement.

In preparation for the talks, tentatively set to begin in July, USTR announced it will hold a June 27 hearing at the International Trade Commission (ITC) in Washington, DC, to gather “public comments on matters relevant to the modernization of NAFTA in order to inform development of U.S. negotiating

positions.” The hearing will continue on June 28, if necessary, USTR said. The trade office has a long list of areas for which it wants information, including general and product-specific negotiating objectives, customs and trade facilitation, barriers to trade in services, rules of origin, environmental and labor issues and digital trade.

To testify in person, USTR must be notified in writing and a summary of comments provided by June 12. Written comments must also be submitted for the record by the same day. To enter submissions, go to www.regulations.gov, and find docket number USTR-2017-0006.

Branstad Confirmed as U.S. Ambassador to PRC

As expected, Iowa Gov. Terry Branstad, the nation’s longest serving state chief executive, was confirmed this week as U.S. ambassador to the People’s Republic of China.

In announcing the 82-13 vote, Senate Majority Leader Mitch McConnell (R, KY) said, “Gov. Branstad will be tasked with a portfolio that is important not only for our diplomatic relationship with China, but also for our trade policy. Branstad has developed a strong understanding of agriculture and trade and other key national interests.”

Branstad also brings the unique advantage of having known Chinese President Xi Jinping for more than 30 years. The two met him when Xi, then a provincial leader, brought a delegation of corn processors to Iowa, and Branstad hosted them at the governor’s mansion.

EPA Notes

NPDES Permit Legislation Passes House – Again – A bill that would unravel a duplicate permitting mess for pesticide applicators who spray near bodies of water was approved this week by the House – for the third time in as many congresses. The bill – the Reducing Regulatory Burdens Act – says there is no need for an applicator to obtain a NPDES permit for a chemical already permitted under FIFRA, was approved along party lines. While supporters say the bill reduces duplicative permitting and registrations, opponents say it’s simply a matter of two different safety laws requiring permitting for separate reasons. While similar bills have cleared the House “multiple times” in the past, the Senate has never acted despite a major bipartisan push led by Senate Agriculture Committee Chair Pat Roberts (R, KS).

Trump Budget Eyes Pesticide Licensing Fee Hike, but How Much? – While most agree President Trump’s FY2018 budget is pretty much dead on arrival on Capitol Hill, insiders continue to comb through the document for clues as to the administration’s position on heretofore unspoken issues, including pesticide licensing fees. However, in the EPA portion of the administration budget released this week there are several references to relying upon “expanded use of pesticide licensing fees” to the tune of about \$29 million over 10 years. Folks are confused because today industry pays about \$27 million in user fees, and that amount would creep to \$31 million in separate legislation reauthorizing the pesticide registration process. The House has passed that bill, the Senate has not, and industry is awaiting clarification of the numbers.

FDA Sued Over GRAS Program

A group of food safety, environmental and self-described consumer groups this week filed suit in federal court alleging FDA does not adequately review and regulate food and feed additives. The groups’ suit,

filed in the U.S. District Court for the Southern District of New York, alleges the agency illegally allows food and chemical makers to decide which food/feed additives are “safe.”

At the center of the controversy is the agency’s long-standing, albeit controversial “generally recognized as safe” (GRAS) program. Under the GRAS program a company puts together a packet of information relative to the safety of a long-standing, conventionally used ingredient or additive. FDA will review that submission, and if it formally notifies the applicant it has no further questions, the ingredient is given GRAS status and can be used legally in human and animal foods. However, there is an extension of the basic GRAS program under which a company can “self-affirm” or self-certify an ingredient has GRAS status, and the plaintiffs contend in this week’s suit filing that allowing such action without notification to FDA or the public is “unconstitutional and illegal.”

“The GRAS rule allows FDA to abdicate its core duty...to be responsible for the safety of the food supply,” the groups wrote in their complaint. “FDA’s practice on GRAS additives flouts the law and leaves the agency unaware of what chemicals are being added to our food, and with no way to ensure that these additives – and the food that contains them – are safe.”

The agency, in finalizing its 2016 update of the GRAS rule, said it encourages companies to keep it apprised of GRAS actions, but stressed it can take enforcement action against a GRAS self-affirmation whether the agency has been formally notified or not.

The suit was filed by the Center for Food Safety (CFS), Breast Cancer Prevention Partners, Center for Science in the Public Interest (CSPI), the Environmental Defense Fund (EDF), the Environmental Working Group (EWG) and Earthjustice.