



Legislative Update

January 7, 2015

National Grange Policy Update and Recent News

The New Congress Begins

Congress arrived back in Washington this week for the First Session of the 114th Congress. Newly elected Senators and Representatives were sworn in, got seated on committees, found their assigned desk (Senate) or seat (House) on the Senate or House floor in the Capitol Building and began their trek to become Washington "insiders". Both sides of Capitol Hill are now controlled by Republican majorities for 2015-2016, 54-46 in the Senate and 247-188 in the House. This greatly increases the likelihood that more bills will pass both chambers and be sent to the President. It also increases the likelihood that the President will keep his veto pen handy. During the recent 113th Congress with Democrats controlling the Senate and Republicans controlling the House and neither party willing to compromise, bills seldom reached the President's desk to be signed into law or to be vetoed.

The 114th Congress will be the most diverse in history. A record number of 104 female lawmakers will serve with 46 black lawmakers, 33 Hispanic lawmakers, twelve Asian-American lawmakers and two of Native American ancestry. The vast majority are Protestant or Catholic, along with 16 Mormons, 28 Jewish-Americans, two Buddhists, two Muslims and one Hindu. Professionally, lawyers lead the pack at 184; 27 have healthcare backgrounds, 13 come from agriculture and three are former aviators including the first female pilot to fly in combat. Many have served in other public service positions; 10 have been governors, 32 were mayors and 251 served in state legislatures.

Major Issues on the Agenda

Cuba

Last month, the President called for ending the embargo on Cuba and announced a series of executive actions to increase trade that would allow Cuba, with an abysmal credit record, to pay for agricultural commodities through a third-country bank. Several U.S. agricultural, cooperative and agribusiness groups have formed the U.S. Agriculture Coalition for Cuba to support the initiative. There remains strong resistance in Congress to ending the embargo. Senator Bob Menendez (D-NJ), the son of Cuban immigrants and outgoing chairman of the Senate Foreign Relations Committee, is critical of the "secret diplomacy" negotiations that gave up things the Castro regime wanted without securing assurances for human rights and political dissidence there. Establishing diplomatic relations right now will be difficult.

Keystone Pipeline

The oil pipeline's first three construction phases from Canada to the Gulf are practically complete. Current controversy centers on phase four known as Keystone XL which is proposed to connect Hardisty, Alberta to Steele City, Nebraska with a 36 inch pipe transporting up to 830,000 barrels of crude per day from Canada, Montana and North Dakota to refineries in Illinois and Texas. This final phase has generated controversy because of routing over the Ogallala Aquifer in Nebraska and complaints from landowners of eminent domain abuse. The President has threatened veto of legislation approving XL.

Affordable Care Act (Obamacare)

After five years, major components of the law are being worked out for the first time. Persons who do not have health care insurance by February 15 face a fine of \$325 or two percent of family income, whichever is higher. Businesses with at least 100 employees will be forced to offer insurance in 2015 and companies with 50-100 employees must follow suit in 2016. Family doctors who treat Medicaid patients will see reimbursements drop 43% starting now causing some doctors to turn away patients. More than 270,000 doctors and 200 hospitals are experiencing funding cuts for failing to meet new government mandates for electronic medical records. The stakes are high in 2015. While chances of repeal are slim, expect Congress to attempt substantial changes to the Affordable Care Act.

Food

The 114th Congress will deal with more than the food on their plates. A thorough review of school lunch requirements under the 2010 Healthy Hunger-Free Kids Act will be a high priority. In implementing this Act, the USDA required schools to serve more vegetables, fruits and whole grains with much less fat, salt and sweeteners. The unintended consequences coming to light now are huge increases in plate waste, reductions in students' usage of cafeteria services and operating losses on food operations for school districts. School cafeteria professionals are asking for more flexibility.

The government issues dietary guidelines every five years to encourage Americans to eat healthier. These guidelines are routinely integrated into school lunch meal patterns and other federal feeding programs. This year's version may include what's supposedly healthy for the environment as well. An advisory panel to USDA and Health and Human Services is expected to recommend "compatibility and overlap" between what's good for health and good for the environment. Introducing undefined "sustainability" into nutrition guidance by the federal government raises scientific and policy issues for Congress oversight.

Food labeling will be on the agenda for several Congressional committees. The Food and Drug Administration (FDA) will have to defend its new rule requiring calorie labeling at chain restaurants, grocery stores, convenience stores and theaters. The Genetically Modified Organism (GMO) labeling debate will certainly continue. Following Vermont's passage of mandatory GMO labeling requirements and several close votes on state ballot initiatives, several Democrat and Republican members of the House are considering legislation would prevent states from setting their own standards while reiterating FDA's authority over food labeling. At the same time, public policy gurus are asking that instead of demanding foods be labeled as possibly containing GMOs, why are activists not asking for labels on foods that can be certified not contain GMO ingredients?

Trade

Trade agreements may be the most promising area of cooperation between the President and both Republicans and Democrats on the Hill. Washington has not been able to agree on a major bipartisan trade agreement in the last 20 years. Fast-track Trade Promotion Authority (TPA), the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) all have a shot of moving in 2015. The U.S. food production chain from producers to agribusiness to processors and manufacturers are mostly quite supportive trade pacts that give the American business a fair opportunity to buy and sell abroad.

Tax Reform

Tax reform has bipartisan support around the idea that existing tax laws need major reform. How those reforms will take place, though, is another question. Can Republicans, Democrats and the White House agree in some of the most controversial areas needing major reform? Three specific tax provisions will likely get the most attention over the next couple years.

Corporate Tax Rates. Republican leaders and President Obama both support reducing the current top tax rate of 35%, which is the highest among nations with the world's largest economies, to the 25-28% range. The devil will be in the details and the specific ways to keep the various proposals overall impact revenue-neutral could become major sticking points.

International Taxes. Tax treatment of multinational corporations has become a huge issue. Major multinational U.S. corporations are using tax-motivated strategies to shift their tax homes, and therefore their taxes on profits, to more favorable foreign jurisdictions. Any tax reform package will likely seek long term solutions to this loop hole.

Individual Income Taxes. The Republican Congress wants to restore the lower individual tax rates that expired at the end of 2012. Yet the general population appears to be sharply divided on whether tax hikes or cuts make better economic policy at this time. The last major comprehensive tax reform compromise back in 1986 used a combination of lower rates and reduced tax breaks to spur both sides to the bargaining table.

Gas Taxes. Congress may be open to negotiating a gas tax increase in order to pay for the highway infrastructure bill that expires in May.

Immigration

Immigration activists on all sides will be pushing Congress to legislate comprehensive immigration reform. Last month, a federal judge in Pennsylvania ruled parts of President Obama's immigration executive actions violated the separation of powers provided for in the Constitution. Several more legal challenges, including one by two-dozen states, are pending before federal courts.

Perspective

Most major legislative initiatives will be offered early in 2015. Some will be confrontational between the President and Congress but the two ends of Pennsylvania will likely agree on others. The biggest window of opportunity to actually get something done is between now and the August recess. Several loose legislative ends will get wrapped up this fall. Politics and legislative opportunities take odd turns in a presidential election year and 2016 is a presidential election year. In addition, several senators and governors will be in the presidential hunt and unwilling to take unnecessary political risks. Do not expect a lot of major policies to be adopted in 2016.