

# Capitol Reflections

ISSUE 2

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"Man is not free unless government is limited. There's a clear cause and effect here that is as neat and predictable as a law of physics: As government expands, liberty contracts."

– President Ronald Reagan

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## **Inmate Trainees Help Reduce Idaho Agricultural Labor Shortages**

Idaho farmers have suffered from agricultural labor shortages for several years, and all attempts to allow more migrant guest-workers into the country have failed in Congress. During the 2018 legislative session, Senator Patti Anne Lodge sponsored Senate Bill 1208 to amend Idaho Code 20-413A allowing farmers more access to inmate trainees to address the labor shortages.

Idaho Code 20-413A allows Idaho Correctional Industries (ICI) to contract with private agricultural employers "for the use of inmate labor in the production, harvesting, and processing of perishable agricultural food products [...]." SB 1208 attempted to remove the words "perishable" and "food" from the statute to allow inmate trainees to participate in the production, harvesting, and processing of any agricultural product—not just perishable food products. This would have allowed inmate trainees to receive training in dry farming, horticulture, and many other agricultural areas.

Senator Lodge's bill passed the Senate unanimously but was amended in the House of Representatives to require the farmers contracting with ICI to provide worker's compensation coverage for the inmate trainees on their farms. The Senate did not agree to the amendments and SB 1208 died.

Once again, Senator Lodge is sponsoring a bill to address Idaho's agricultural labor shortages. The 2019 bill has two objectives. First, the bill removes the words "perishable" and "food" from IC 20-413A to allow inmate trainees to receive training in more areas of agriculture than just perishable food products. Second, the bill will clarify the language of the statute to make clear that inmates are trainees and not employees of the farmer or ICI. Accordingly, farmers contracting with ICI for inmate training programs will not be required to provide worker's compensation coverage for the trainees.

These clarifying changes will make the statute reflect what is actually happening in the ICI Training Programs, allow peace of mind for farmers and ranchers contracting with ICI for these training programs, and avoid potential equal protection law suits by inmate trainees in training programs inside the prison who do not receive worker's compensation coverage. According to Kevin Mickelson, General Manager of Idaho Correctional Industries, ICI already provides inmate trainees with multiple forms of healthcare coverage in the event of an injury, so there is no need to have farmers provide it as well.

IFBF supports Senator Lodge's bill.

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## **Artesian Wells, Cost-sharing Program**

On Monday, the Senate Resource & Environment Committee introduced a bill (S1001) sponsored by the Idaho Department of Water Resources (IDWR or Department). S1001 would remove obsolete dates stated in Idaho Code 42-1607 regarding the promulgation of rules to create a cost-sharing program for the repair and plugging of leaking artesian wells. The five-year period specified in the statute expired over 25 years ago, with the Department never promulgating rules and the Legislature never appropriating funds for the program. IDWR would like to clean up the statute as it prepares to activate initiatives this year in at least two hydrologic basins to repair or plug leaking artesian wells.

Idaho Code 42-1607 establishes that the owners of flowing artesian wells who waste water without beneficial use are responsible to prevent the waste of the resource through repair, or if necessary, by plugging the wells. Idaho Farm Bureau supports the law, if adequate funding for the cost-sharing of well repairs is provided. Staff is working with IDWR and legislators to clean-up the statute – as desired by the Department – while maintaining language that would allow the Department to administer a cost-share program if the Legislature appropriates funding for this purpose. Idaho Farm Bureau does not support the wasting of this shared water resource and is supportive of the state's aid in conserving it.

Idaho Farm Bureau is opposed to S1001 as currently written; however, staff is working with IDWR and legislators to find a reasonable and common-sense solution.

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## **Agricultural Land Assessment Rules Put on Hold**

This week updates to Rules 613 & 614 were presented by the Tax Commission before the House Revenue and Taxation Committee. The rules are meant to provide guidance to County Assessors as they determine the value of agricultural land for property tax purposes.

The updates were proposed by members of the Twin Falls County Farm Bureau after many farmers in that county realized their assessor at the time was not assessing their farm ground in the correct manner; resulting in their property taxes being higher than necessary. When they questioned the County Assessor, he told the farmers he was following the law as he read it. Clearly, there was a difference of opinion and a need for clarification.

Those farmers went to work researching the law and the supporting rules. They proposed new language to clarify the rules so there was less ambiguity. This language was presented to the Tax Commission last summer. All commodity groups had the opportunity to review it and provide comments. County assessors were also involved in the process and reviewed the new language as well.

Specifically, the language would require county assessors to use local data regarding cash rents and crop share rents when it is made available by local farmers. If insufficient local data is available, only then could assessors use statewide average data. Also, irrigation equipment has long been exempted from property tax; therefore, property values must be adjusted to remove the value attributable to irrigation equipment. It was discovered that many assessors were not doing this, so the Tax Commission proposed language to the rule to clarify how this should be done, including examples of calculations.

Unfortunately, after the rules had already gone through the negotiating process, some assessors –who have been incorrectly over generous in calculating the value of the irrigation equipment in their counties— have come forward opposing the rules since they say the new rules will require them to increase ag land values and property taxes on farmers in their counties. This further illustrates the issue that there is no uniformity across the state amongst assessors, leading to inequities across county lines.

Due to these conflicting accounts of what the updated rules would do, and questions about who would gain and who would lose, the committee decided to put the rules on hold for a week and try to seek additional information. IFBF will continue to provide information to committee members and attempt to ensure there is uniformity and equity across the state in the way that ag land values are calculated.

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## **Freshman Legislators Receive Trespass Presentation**

Nearly all the Freshman legislators attended a presentation regarding the new Idaho trespass law that was passed last year. Members of the Idaho Private Property Rights Coalition presented the information to help the law-makers understand the different aspects and requirements of the law. Many legislators receive questions on the topic from their constituents, and it's important they can provide factual and accurate information.

For those individuals looking for a summary and additional information regarding the new trespass law, click [here](#) to review IFBF's overview pamphlet.

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## Idaho Trade Presentation Recap

Last week the Senate Commerce & Human Resources Committee heard a presentation on Idaho trade from the Idaho Department of Commerce and the Idaho State Department of Agriculture. In the presentation, titled "Global Trade is Working for Idaho," the committee heard presenters from the State of Idaho's Trade Offices in China, Taiwan and Mexico, along with company testimonies from Agribeef and Aviation Specialties Unlimited, on how much trade has impacted their companies.

The presentation started with some Idaho trade statistics presented by Director Kealey from Idaho Commerce. This information reports that Idaho exports to 150 countries internationally, with an anticipated \$4 billion in total exports for 2018. Lara Johnson, from ISDA, went on to talk about specific food and agriculture exports, and the importance of trade for Idaho Agriculture. Some of the information given to the Legislature included: 1 in 6 rows of Idaho potatoes are exported, 1 in 7 tankers of milk are sold internationally, and 50% of Idaho's wheat is exported to foreign markets. This information was followed by presentations from different trade offices around the world, highlighted points from these presentations are listed below:

CHINA: Tara Qu, Chief Representative, presented on trade with China and how it impacts both the U.S. and the state of Idaho. As for the relationship between U.S. and China, she highlighted 3 major issues that the U.S. has with China currently. The first being technology transfer, second, intellectual property rights, and third, cyber security/safety. As for the tariffs, she mentioned the recent trade truce when President Trump and Xi Jinping agreed to delay their planned increases in tariffs at G20 on December 1, 2018. Another high-level meeting has been spoken of, but she is not sure of a concrete date. In the meantime, China is preparing a celebration to celebrate 40 years of a working relationship with the U.S., which Qu believed was a good sign for trade relationships moving forward. As for the state of Idaho, China is our 3<sup>rd</sup> largest export market totaling \$357.1 billion for January-October 2018. This is a small increase over the \$353.3 billion total export in 2017. As Qu explained, "Trade has not stopped but (is) slower."

TAIWAN: Eddie Yen, State of Idaho Asia Trade Office Representative, spoke positively of trade calling Taiwan a "very friendly market not just for U.S., but for Idaho products." He went on to tell the committee that Taiwan currently has close to 1,000 U.S. fast food chains and has also recently received a Costco

store, with plans of building two more in the near future. Taiwan was the #2 export market for Idaho products in 2017, with the first 10 months of 2018 surpassing all of 2017. Yen told the committee he was especially excited for some top prospects from Idaho products moving forward, stating humus and hops from the state are now being bought in Taiwan. This is good news since Idaho recently surpassed Oregon in hop production and is now 2<sup>nd</sup> in the country. The specific humus company mentioned is a small Idaho company named Zacca Hummus, they export some of their product to Taiwan. Yen listed this company along with many others for what he labeled "2018 Successes."

MEXICO: Fabiola McClellan, Chief Representative for the Mexico and Central America office, covered tariffs in detail. One slide in her presentation laid out the impacts we are seeing in Idaho from trade tariffs. Specifically, it is costing \$15.4 million in potatoes, \$14.4 million in cheese and whey, and \$1.1 million in pork and ham. McClellan said, "Tariffs are not expected to change until tariffs on steel are lifted," referring to the U.S. tariff placed on Mexican steel. McClellan covered key changes between the U.S. and Mexico trade provisions with newly negotiated United States-Mexico-Canada Agreement (USMCA) versus the North American Free Trade Agreement (NAFTA).

Some highlights are that USMCA has labor provisions for Mexico to increase its minimum wage and calls for sanction on labor violations, whereas NAFTA had no labor sanctions. These changes help the U.S. compete, since currently Mexico can offer cheaper labor for many industries. Another change increases the protection of intellectual property and digital trade to 70 years with USMCA from the 50-year protection that came with NAFTA. There was an adjustment to country of origin rules that McClellan noted as well. Automobiles made in Mexico must now use more U.S. made parts in their production, a nearly 70% increase in U.S. parts used. Under NAFTA, the rule was that it simply had to be NAFTA made parts.

There were some exciting prospects for Idaho and Mexico mentioned in the presentation, including aerospace, environmental technologies, construction and lumber, and safety and security products. There are prospective opportunities for agriculture as well. With a growing number of mothers going to work, Mexico is seeing more concern for easy to use products, along with consumers becoming more conscience of healthy products, which is growing the organic market. Mexico also has seen growth in the demand for dairy products, such as cheese and yogurt, but currently is in a dairy deficit where producers cannot produce enough milk to keep up with demand. Therefore, they are currently needing to import dairy at a higher rate. Similar to Taiwan, there is an increasing opportunity for hops exports to the growing craft beer market in Mexico as well.

Idaho Farm Bureau Federation (IFBF) policy no. 4 and 6 supports expansion of Idaho agricultural markets both domestic and foreign, and fair trade.

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## **Resource Conservation and Rangeland Development Program Rule Changes**

This Monday, Terry Hoebelheinrich from the Soil and Water Conservation Commission, presented rule changes to the House Agricultural Affairs Committee. The rule changes apply to the Resource Conservation and Rangeland Development Program. Hoebelheinrich explained the goal of the rule changes were to help expand loan activity in the program and streamline the process for obtaining a loan through the program.

To accomplish this, he laid out five areas of intent within the rule changes. The first resolves inconsistencies between the original statute and the rule, allowing the rule to go back to the statute's original legislative intent. Part of this change was to clarify eligible applicants who can apply under the rule. The rule change opens the opportunity up to private and public entities, such as irrigation districts and canal companies, to apply for a loan, which the current wording makes nearly impossible.

The second intent was to streamline the process to obtain a loan, to do this they wanted to update the rule to accurately reflect the current processes they undergo. Another streamline change allows the districts to pre-rank projects ahead of time. Currently, the loans must have a conservation plan outlining an understanding of the problem and the proposed solution. This plan must be reviewed by the district and ranked before it can be moved forward within the program. This rule change still requires the plan, but instead of the Commission having to wait on the district to meet (which could be months out), the districts have pre-ranked each projects' importance in the district so the Commission can work off of this list.

The third change updates the credit guidelines to be less restrictive. This need went back to the overall intent of wanting to help grow the program and expand loan activity, because that is what they are there for. Fourth removes the max on loan limits, helping large projects be able to come in and use this program

as a resource as well. This change would help create more loans to different entities, accomplishing what the legislative intent was.

The fifth and final change is simply technical, correcting ambiguous terms and definitions. After Terry answered a couple questions from House committee members, a unanimous vote approved the rules changes the Commission asked for.

Terry later told Farm Bureau the purpose of the proposed rule changes was to “put it to use for what it was intended for” and to help facilitate more conservation projects. He also went on to mention how he hopes farmers and ranchers are able to use the program as a resource as well. One of the most common agriculture projects they have helped farmers with is changing from flood or furrow irrigation to a sprinkler or center pivot system. It is projects similar to this that the program wants to help more entities and individuals with.

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