

<h2 style="margin: 0;">Regulatory Analysis Form</h2> <p style="margin: 0;">(Completed by Promulgating Agency)</p> <p style="margin: 0;">(All Comments submitted on this regulation will appear on IRRC's website)</p>	<p><b>INDEPENDENT REGULATORY REVIEW COMMISSION</b></p>
<p>(1) Agency     <b>Pennsylvania Milk Marketing Board</b></p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">2017 OCT 31 P 2:26</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">RECEIVED IRRC</p>
<p>(2) Agency Number:     <b>47</b></p> <p>      Identification Number:     <b>17</b></p>	
<p>(3) PA Code Cite:   <b>7 Pa. Code § 149.43 and §149.46</b></p>	
<p>(4) Short Title:   <b>Uniform System of Accounts: Cost centers and operating accounts; Cooperative cost centers</b></p>	
<p>(5) Agency Contacts (List Telephone Number and Email Address):</p> <p>Primary Contact:   <b>Tim Moyer, Secretary – 717.787.4194</b></p> <p>Secondary Contact: <b>Andy Saylor, Staff Attorney – 717.787.4374</b></p>	
<p>(6) Type of Rulemaking (check applicable box):</p> <p><input type="checkbox"/> Proposed Regulation</p> <p><input checked="" type="checkbox"/> Final Regulation</p> <p><input type="checkbox"/> Final Omitted Regulation</p>	<p><input type="checkbox"/> Emergency Certification Regulation;</p> <p><input type="checkbox"/> Certification by the Governor</p> <p><input type="checkbox"/> Certification by the Attorney General</p>
<p>(7) Briefly explain the regulation in clear and nontechnical language. (100 words or less)</p> <p><b>The Board sets minimum milk prices in Pennsylvania at each level: producers (farmers and cooperatives), wholesale (milk dealers), and retail (stores). Cost reporting by the various parties is an important component of setting the prices. The modifications to Section 149.43 delete dealer cost categories that have become outdated, add new categories, and clarify category descriptions. The new section 149.46 provides a framework for cooperatives to report costs they were not previously reporting, so that the Board can determine the relevance of those costs to its price-setting function and to its general responsibility to regulate the Pennsylvania dairy industry.</b></p>	
<p>(8) State the statutory authority for the regulation. Include <u>specific</u> statutory citation.</p> <p><b>Section 301 of the Pennsylvania Milk Marketing Law (“Law”) (31 P.S. § 700j-301) gives the Board the authority to “supervise, investigate, and regulate the entire milk industry of the Commonwealth, including the production, transportation, disposal, manufacture, processing, storage, distribution, delivery, handling, bailment, brokerage, consignment, purchase and sale and milk and milk products in this Commonwealth, and including the establishment of reasonable trade practices, systems of production control and marketing area committees in connection therewith...” Section 307 of the Law (31 P.S. § 700j-307) gives the Board the authority to adopt and enforce regulations necessary or appropriate to carry out the provisions of the Law. Section 702 of the Law requires</b></p>	

**milk dealers to file reports of matters within the scope of the purposes and intent of the Law (31 P.S. § 700j-702). Section 704 of the Law requires the Board to promulgate a uniform system of accounts (31 P.S. § 700j-704).**

**(9) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there any relevant state or federal court decisions? If yes, cite the specific law, case or regulation as well as, any deadlines for action. No**

**(10) State why the regulation is needed. Explain the compelling public interest that justifies the regulation. Describe who will benefit from the regulation. Quantify the benefits as completely as possible and approximate the number of people who will benefit.**

**All milk dealers currently file reports. This includes processing milk dealers (those that bottle fluid milk for drinking) and those that manufacture cheese, butter, powder, yogurt, etc. This also includes dairy farmer cooperatives, which are defined to be milk dealers by the Law (definition of "milk dealer" or "handler" 31 P.S. § 700j-103). The Board's regulations already have an extensive accounting system for milk dealers, but that system was established to facilitate reporting and regulation of processing and manufacturing dealers. The operation and accounting systems of cooperatives are different in some respects than the processing and manufacturing dealers', and the current regulations do not allow the Board to gather comparable data from cooperatives. The Board has determined that regulations and a reporting mechanism are appropriate for the Board to accurately determine relevant cooperative costs. Cooperatives market a majority of the milk produced in Pennsylvania.**

**The Board is required by the Law to establish minimum producer, wholesale, and retail prices based on the costs incurred by a representative cross section of producers, dealers, and stores doing business in each milk marketing area (31 P.S. §§ 700j-801-802). For the wholesale (dealer) costs, the Board and interested parties determine the cross section costs based on the financial reports filed by a representative cross section of processing dealers. To provide the opportunity to capture the detail necessary for the Board to exercise its price-setting mandate, the cross section dealers voluntarily file a more detailed financial report than that generally otherwise required by the Board. No processing milk dealer is required to complete the more detailed financial reporting form; processing dealers invited to participate in the area cross sections voluntarily complete the more detailed form.**

**Currently, there is not a more detailed financial reporting form for those dealers operating as cooperatives. A group of cooperatives requested that the Board establish the more detailed financial reporting system that Section 149.46 would implement. Cooperatives currently file the report filed by processing and manufacturing dealers that are not part of area cross sections. Reports filed based on Section 149.46 will provide the Board with more detailed cost information. Cooperatives market the majority of milk in Pennsylvania. More detailed cooperative cost information may potentially be used by the Board to meet the minimum price-setting requirements of the Law. More detailed cooperative cost information will allow the Board to more effectively regulate the dairy industry. No cooperative will be required to complete the more detailed financial reporting form; cooperatives invited to participate in the area cross sections will voluntarily complete the more detailed form.**

**The amendments to Section 149.43 delete dealer cost categories that have become outdated, add new categories, and clarify category descriptions. The deletion of some categories does not mean that those costs are no longer reported, but rather that separate categories for those costs were no longer justified; the costs will be reported in other categories.**

**The compelling public interest for adopting section 149.46 lies in the Board having more detailed cost information for a major and highly important segment of the dairy industry that the Board does not currently have. Cooperatives market the majority of milk in Pennsylvania and there is no framework to adequately capture and analyze the costs incurred by cooperatives. The Board will be able to more effectively regulate the dairy industry with this information, which will benefit all segments of the Pennsylvania dairy industry and ultimately will benefit all Pennsylvania consumers.**

**Similarly, amending Section 149.43 will benefit all segments of the dairy industry and all Pennsylvania milk consumers by more accurately reflecting processing milk dealer costs used to develop evidence on which minimum prices are established.**

**(11) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulations.**

**The federal government regulates minimum prices paid to producers for milk marketed under federal milk marketing orders. The Board has regulated minimum milk prices in Pennsylvania since the Law (or its successor) was originally passed more than 80 years ago. Time has shown the value of the Commonwealth having a separate regimen for establishing minimum milk prices at all three levels (producer/farmer, wholesale, retail). More detailed reporting of cooperative costs is necessary and consistent with the Board's role of obtaining milk procurement and production costs, in order to effectively regulate the industry and establish minimum prices.**

**(12) How does this regulation compare with those of the other states? How will this affect Pennsylvania's ability to compete with other states? No other state has a comparable regulation to our knowledge. This co-op reporting is indicative of the Board's ability and willingness to respond to developments and trends in the dairy industry when appropriate, which is beneficial to the Pennsylvania dairy industry's competitiveness.**

**(13) Will the regulation affect any other regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.**

**This regulation is being incorporated into Chapter 149 (Uniform System of Accounts) of the Board's regulations but does not directly affect any other regulations.**

**(14) Describe the communications with and solicitation of input from the public, any advisory council/group, small businesses and groups representing small businesses in the development and**

drafting of the regulation. List the specific persons and/or groups who were involved. ("Small business" is defined in Section 3 of the Regulatory Review Act, Act 76 of 2012.)

**A draft of the regulations was emailed on January 21, 2016 to all the interested parties from the hearing which had been requested by the dairy cooperatives' association about co-op costs. The interested parties were invited to a public meeting at the Board offices on February 3, 2016 to discuss the draft regulations. The participants included the Board Secretary and Chief Counsel, Board Staff and Staff Counsel; the Pennsylvania Association of Dairy Cooperatives (PADC) attorney, accountants, and representatives; the Pennsylvania Association of Milk Dealers (PAMD) attorney and accountant; a large milk dealer's attorney; the Pennsylvania Farm Bureau (PFB) attorney; and a Pennsylvania Department of Agriculture (PDA) attorney. (A representative of the US Department of Agriculture and the attorney for the Pennsylvania Food Merchants Association (PFMA) received the draft but did not attend the meeting.)**

**Following that meeting, the regulations were revised, and the revision was emailed to the interested parties on February 18, 2016. The revised regulations were posted on the Board website ([www.mmb.pa.gov](http://www.mmb.pa.gov)). The "Notice of Hearing – Amendment to 7 Pa. Code Chapter 149 – Uniform System of Accounts" was published at 46 Pa. Bulletin 1103 on February 27, 2016. The Board hearing about these regulations was held on March 23, 2016. Testimony was given by Board staff, the PAMD accountant, a PADC representative, and the PADC accountant. Others in attendance included the PAMD attorney and Executive Vice President, a Deputy Secretary and an attorney from PDA, the PFMA attorney, the PADC attorney and another PADC accountant, a milk dealer, the PFB attorney, a newspaper reporter, the Board Secretary and Chief Counsel, Staff Counsel, and the Board (one member participated by phone).**

**Following that meeting, the regulations were revised, and the revisions were sent to the interested parties on April 14, 2016, inviting any final comments before submission of the proposed regulations to the regulatory review process.**

**The proposed regulations were published in the Pennsylvania Bulletin on July 9, 2016 at 46 Pa.B. 3655. Comments were received from the Pennsylvania Association of Milk Dealers (PAMD), the Pennsylvania Food Merchants Association (PFMA), the Pennsylvania Association of Dairy Cooperatives (PADC), the Independent Regulatory Review Commission (IRRC), the Pennsylvania Department of Agriculture (PDA), and the Pennsylvania Institute of Certified Public Accountants (PICPA). The Board also received a comment from the Professional Dairy Managers of Pennsylvania (PDMP) after the close of the public comment period.**

(15) Identify the types and number of persons, businesses, small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012) and organizations which will be affected by the regulation. How are they affected?

**The new Section 149.46 provides a framework for cooperatives licensed by the Board to voluntarily report certain additional information to the Board. This may involve some additional accounting, especially at the beginning when the cooperatives are segregating the required cost information in a way that they might not have been doing before. However, it is likely that only four cooperatives will provide the detailed report upon being invited to participate in area cross sections. The cooperatives likely to be included in the reporting cross section are the following:**

**Dairy Farmers of America, Inc., Dairy Marketing Services, LLC, Lanco Dairy Farms Co-op, Inc. dba Lanco-Pennland Quality Milk Producers, and Maryland & Virginia Milk Producers Cooperative Association, Inc. These are not small businesses as defined in the Regulatory Review Act – their annual receipts far exceed \$750,000.00. The amendments to section 149.43 essentially bring the regulations up to date to correspond to how the dealers currently report, and therefore are not expected to significantly affect the dealers.**

(16) List the persons, groups or entities, including small businesses, that will be required to comply with the regulation. Approximate the number that will be required to comply.

**Cooperatives licensed by the Board that are invited to participate in cross sections will voluntarily provide the information described in the regulations. It is likely that only four cooperatives will comprise area cross sections and therefore provide the report. The cooperatives likely to be included in the reporting cross-section are the following: Dairy Farmers of America, Inc., Dairy Marketing Services, LLC, Lanco Dairy Farms Co-op, Inc. dba Lanco-Pennland Quality Milk Producers, and Maryland & Virginia Milk Producers Cooperative Association, Inc. These cooperatives requested the more detailed accounting and reporting framework. These are not small businesses as defined in the Regulatory Review Act – their annual receipts far exceed \$750,000.00. The amendments to Section 149.43 essentially bring the regulations up to date to correspond to how the dealers currently report, and therefore are not expected to significantly affect the dealers.**

(17) Identify the financial, economic and social impact of the regulation on individuals, small businesses, businesses and labor communities and other public and private organizations. Evaluate the benefits expected as a result of the regulation.

**The reporting of the information provides the Board with more comprehensive information about the milk industry in Pennsylvania, which in itself enhances the Board's ability to effectively and positively impact the milk industry at all three levels (producer/farmer, wholesale, and retail). More effective administration of the Law will benefit the entire Pennsylvania dairy industry and all Pennsylvania milk consumers. The cooperatives likely to be included in the reporting cross-section are most, if not all, of the following: Dairy Farmers of America, Inc., Dairy Marketing Services, LLC, Lanco Dairy Farms Co-op, Inc. dba Lanco-Pennland Quality Milk Producers, and Maryland & Virginia Milk Producers Cooperative Association, Inc. These are not small businesses as defined in the Regulatory Review Act – their annual receipts far exceed \$750,000.00. The amendments to section 149.43 essentially bring the regulations up to date to correspond to how the dealers currently report, and therefore are not expected to significantly affect the dealers.**

(18) Explain how the benefits of the regulation outweigh any cost and adverse effects.

**The regulated community (the cooperatives) requested a process which would make it possible to determine and recognize certain of their costs. The Board determined that the current framework used to determine processing milk dealer costs was effective and would serve as an appropriate model to develop a method to determine certain cooperative costs. This regulation will provide**

**relevant cost information; whether and how to recognize the costs is a matter for hearings, not regulations. The cooperatives have acknowledged their willingness to bear the cost by requesting this process. The compilation of the information is also beneficial to the Board in its general fulfillment of its responsibilities; Section 801 of the Law requires that minimum milk prices are to be based “upon all conditions affecting the milk industry” and the cooperatives are certainly a major component of the Pennsylvania milk industry, in fact marketing the majority of producer milk. The updated section 149.43 is not expected to create any significant costs or adverse effects.**

**(19) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived. The regulated community (the cooperatives which will likely comprise the cross section) which will be reporting under new section 149.46 was invited to estimate their reporting costs. Their estimates for the total cost for the group are \$15,000.00 for the first year and \$9,200.00 for subsequent years. The four cooperatives likely to be in the reporting cross-section independently projected the cost for the personnel and time that would be needed. These projections were reported to an independent accounting firm who compiled them. These cooperatives have done a “dry run” of the accounting and reporting framework and their cost estimates were accurate. The revisions to section 149.43 are not expected to create any significant new costs for the regulated community (dealers) because they are already reporting, and the revisions are simply bringing up to date the list of categories in which they report to more accurately reflect current reporting practices. Some dealers will be invited to voluntarily report their costs in the categories listed in new Section 149.46, which may require some segregation of costs different than their usual categorization, but we expect the cost to do so will not be significant and in any event is voluntary.**

**(20) Provide a specific estimate of the costs and/or savings to the local governments associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived. There are no estimated costs or savings to local governments.**

**(21) Provide a specific estimate of the costs and/or savings to the state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required. Explain how the dollar estimates were derived.**

**Board Staff has worked with the cooperatives in conjunction with the “dry run” of the Section 149.46 accounting and reporting framework. Board Staff will be engaged in new auditing of cooperative costs in conjunction with Section 149.46, but based on our experience to date, we will not add any personnel and do not expect to incur significant new costs. Section 149.46 for cooperatives is based on Section 149.43 for processing milk dealers; Board Staff has decades of experience auditing the processing dealer reports and will bring that experience to the more detailed cooperative reports.**

**(22) For each of the groups and entities identified in items (19)-(21) above, submit a statement of legal, accounting or consulting procedures and additional reporting, recordkeeping or other paperwork, including copies of forms or reports, which will be required for implementation of the regulation and an**

explanation of measures which have been taken to minimize these requirements.

The reporting form for the costs related to new Section 149.46 is attached (Cooperative 60c Cost Report). The preliminary use of this form with the cross-section cooperatives has been successful and no modifications have been needed. Cooperatives that are not in the reporting cross-section will use a less detailed short form, which is similar to the form that cooperatives who are classified as dealers have already been using, modified to correspond more closely to the categories in section 149.46. The short form cost report is also attached (Cooperative 60c-1 Cost Report). The amendments to section 149.43 essentially bring the regulations up to date to correspond to how the dealers currently report, and therefore are not expected to significantly affect the dealers. The Board worked in conjunction with the industry to make the accounting and reporting framework as efficient as possible to minimize the burden of both the required and voluntary reporting requirements.

(22a) Are forms required for implementation of the regulation? Yes

(22b) If forms are required for implementation of the regulation, attach copies of the forms here. If your agency uses electronic forms, provide links to each form or a detailed description of the information required to be reported. Failure to attach forms, provide links, or provide a detailed description of the information to be reported will constitute a faulty delivery of the regulation.

(23) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
<b>SAVINGS:</b>						
Regulated Community	n/a	n/a	n/a	n/a	n/a	n/a
Local Government	n/a	n/a	n/a	n/a	n/a	n/a
State Government	n/a	n/a	n/a	n/a	n/a	n/a
Total Savings	n/a	n/a	n/a	n/a	n/a	n/a
<b>COSTS:</b>						
Regulated Community	\$15,000.00	\$9,200.00	\$9,200.00	\$9,200.00	\$9,200.00	\$9,200.00
Local Government	n/a	n/a	n/a	n/a	n/a	n/a
State Government	n/a	n/a	n/a	n/a	n/a	n/a
Total Costs	\$15,000.00	\$9,200.00	\$9,200.00	\$9,200.00	\$9,200.00	\$9,200.00
<b>REVENUE LOSSES:</b>						
Regulated Community	n/a	n/a	n/a	n/a	n/a	n/a
Local Government	n/a	n/a	n/a	n/a	n/a	n/a
State Government	n/a	n/a	n/a	n/a	n/a	n/a

<b>Total Revenue Losses</b>	n/a	n/a	n/a	n/a	n/a	n/a
<p>(23a) Provide the past three year expenditure history for programs affected by the regulation. <b>Not applicable.</b></p>						
<p>(24) For any regulation that may have an adverse impact on small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012), provide an economic impact statement that includes the following:</p> <ul style="list-style-type: none"> <li>(a) An identification and estimate of the number of small businesses subject to the regulation.</li> <li>(b) The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record.</li> <li>(c) A statement of probable effect on impacted small businesses.</li> <li>(d) A description of any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation.</li> </ul> <p><b>The cross section of cooperatives which will be reporting under new Section 149.46 are not small businesses as defined by the Regulatory Review Act (which incorporates the federal definition, which for the dairy cattle and milk production category is maximum annual receipts of \$750,000.00). Even if any impacted businesses would qualify as small businesses, the cost impact is reasonable, as stated above in section 19. The agency has endeavored to minimize the intrusion and cost of achieving the purpose of the regulation, and we believe no less intrusive or costly method would achieve the purpose.</b></p>						
<p>(25) List any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, the elderly, small businesses, and farmers.</p> <p><b>The cooperatives are comprised of dairy farmers. The agency is at all times aware of the impact of its activities and the Board is at all times aware of the impact of its decisions on farmers, cooperatives, dealers, stores, and consumers. The development of these regulations was no exception. The regulations do not adversely impact the particular needs of minorities or the elderly, or any other groups or persons of which we are aware.</b></p>						
<p>(26) Include a description of any alternative regulatory provisions which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.</p> <p><b>The Board believes the regulation is the least burdensome acceptable alternative. The Board received input from the regulated community in the development of the regulations. The role of cooperatives in the industry has evolved enormously since the Law's adoption. The cooperatives have not provided this detailed level of reporting in the past. The cooperatives have requested a framework be developed to provide for this more detailed reporting and the Board considers this information important and significant. The Board is required to develop a uniform system of accounting, which does require the imposition of uniformity on the cooperative reporting, which requires a measure of retooling of their accounting methodology; it must be adequate to report consistently and accurately. Therefore some measure of burden is placed upon the cooperatives;</b></p>						

**but once the methodology is in the place, the burden should be limited.**

(27) In conducting a regulatory flexibility analysis, explain whether regulatory methods were considered that will minimize any adverse impact on small businesses (as defined in Section 3 of the Regulatory Review Act, Act 76 of 2012), including:

- a) The establishment of less stringent compliance or reporting requirements for small businesses;
- b) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
- c) The consolidation or simplification of compliance or reporting requirements for small businesses;
- d) The establishment of performance standards for small businesses to replace design or operational standards required in the regulation; and
- e) The exemption of small businesses from all or any part of the requirements contained in the regulation.

**The cooperatives likely to be included in the reporting cross-section are most, if not all, of the following: Dairy Farmers of America, Inc., Dairy Marketing Services, LLC, Lanco Dairy Farms Co-op, Inc. dba Lanco-Pennland Quality Milk Producers, and Maryland & Virginia Milk Producers Cooperative Association, Inc. These are not small businesses as defined in the Regulatory Review Act – their annual receipts far exceed \$750,000.00. The Board has amended the regulations to state that cooperatives or dealers which are not in the reporting cross-sections will submit a less detailed report. Dealers that are not in the dealer cross section and cooperatives who qualify as dealers have already been submitting a “short form” report. The cost reporting form that cooperatives that are not in the reporting cross-section will use has been modified to correspond more closely to the categories in section 149.46 (Cooperative 60C-1 Cost Report, lines 25 to 32, attached).**

(28) If data is the basis for this regulation, please provide a description of the data, explain in detail how the data was obtained, and how it meets the acceptability standard for empirical, replicable and testable data that is supported by documentation, statistics, reports, studies or research. Please submit data or supporting materials with the regulatory package. If the material exceeds 50 pages, please provide it in a searchable electronic format or provide a list of citations and internet links that, where possible, can be accessed in a searchable format in lieu of the actual material. If other data was considered but not used, please explain why that data was determined not to be acceptable. **These regulations are for the purpose of gathering data, they are not based on data.**

(29) Include a schedule for review of the regulation including:

- |   |   |
|---|---|
| A. The length of the public comment period:                                 | <b>not applicable to final regulation</b> |
| B. The date or dates on which any public meetings or hearings will be held: | <b>not applicable to final regulation</b> |

- |   |   |
|---|---|
| C. The expected date of delivery of the final-form regulation:                                | <b>October 31, 2017</b>                             |
| D. The expected effective date of the final-form regulation:                                  | <b>upon publication</b>                             |
| E. The expected date by which compliance with the final-form regulation will be required:     | <b>by reporting dates stated in the regulations</b> |
| F. The expected date by which required permits, licenses or other approvals must be obtained: | <b>not applicable</b>                               |

(30) Describe the plan developed for evaluating the continuing effectiveness of the regulations after its implementation.

**As the annual reporting proceeds in accordance with the regulations, and the agency audits the reporting, the Board will monitor whether the regulations are producing accurate and reliable information. Comparing the reporting of the various cooperatives, and comparing the cooperative reporting with dealer reporting where applicable, will help to identify whether there are anomalies or inconsistencies that require correction. This generally corresponds with current practice regarding more detailed reporting completed by cross section processing dealers, which has proven to be effective.**



**COOPERATIVE PMMB 60C-1 COST REPORT**

For year ended December 31 \_\_\_\_\_

Line No.	Account Name	Account Code	Total Amount (\$)
<b>GROSS SALES:</b>			
1	Product Sales	41005	
2	Other Sales	41007	
3	Bulk Milk	41010	
4	Bulk Cream	41015	
5	Condensed & Powder	41020	
6	Wholesale Delivered by Ice Cream Equipment	41025	
7	Processing Services Income	41035	
8	Sub Dealers (Net of Discounts)	41040	
9	Other Dealers (Net of Discounts)	41045	
10	<b>TOTAL GROSS SALES (Add Lines 1 thru 9)</b>		\$ -
<b>DISCOUNTS &amp; RETURNS:</b>			
11	Fluid Milk Product Returns & Discounts	42005	
12	Ice Cream and Other Returns and Discounts	42030	
13	<b>TOTAL DISCOUNTS &amp; RETURNS (Line 11 + Line 12)</b>		\$ -
14	<b>NET SALES (Line 10 - Line 13)</b>		\$ -
<b>COST OF SALES:</b>			
15	Purchases of Raw Milk from Producers & Coops	43005	
16	Purchases of Raw Milk from Others	43010	
17	<b>Subtotal - Purch. of Raw Milk (Line 15 + Line 16)</b>		\$ -
18	Purchases of Condensed, Powder and Ingredients - MILK	43015	
19	Purchases of Condensed, Powder and Ingredients - OTHER	43020	
20	Purchases of Packaged Fluid & Other Dairy Products	43025	
21	Purchases of Non-Dairy Products	43030	
22	Containers	43040	
23	<b>TOTAL COST OF SALES (Add Lines 17 thru 22)</b>		\$ -
24	<b>GROSS MARGIN (Line 14 - Line 23)</b>	40000	\$ -
<b>PRODUCTIVE COST CENTER EXPENSES:</b>			
25	Field Services	60500	
26	Laboratory	61000	
27	Producer Payroll	61500	
28	Sales Invoicing	62000	
29	Dispatch, Logistics & Hauling	62500	
30	Calibration Services	63000	
31	Producer Relations	63500	
32	Customer Relations	64000	
33		64500	
34		65000	
35		65500	
36		66000	
37		66500	
38	<b>TOTAL PRODUCTIVE COST CENTER EXPENSES (Add Lines 25 thru 37)</b>	60000	\$ -
39	<b>NET OPERATING INCOME (Line 24 - Line 38)</b>		\$ -
40	Other Income (enter as positive amount)	94000	
41	Other Expenses (enter as positive amount)	85000	
42	<b>NET INCOME BEFORE TAXES (Line 39 + Line 40 - Line 41)</b>		\$ -
43	Provision for Income Taxes (enter as positive amount)	96000	
44	<b>NET INCOME AFTER TAXES (Line 42 - Line 43)</b>		\$ -

CDL-1

**FACE SHEET  
FOR FILING DOCUMENTS  
WITH THE LEGISLATIVE REFERENCE BUREAU**  
(Pursuant to Commonwealth Documents Law)

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2017 OCT 31 P 2:26

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<p>Copy below is hereby approved as to form and legality. Attorney General</p> <p>BY: _____ (DEPUTY ATTORNEY GENERAL)</p> <p>_____ DATE OF APPROVAL</p> <p><input type="checkbox"/> Check if applicable Copy not approved. Objections attached.</p>	<p>Copy below is here by certified to be a true and correct copy of a document issued, prescribed or promulgated by:</p> <p><b>PENNSYLVANIA MILK MARKETING BOARD</b> (AGENCY)</p> <p>DOCUMENT/FISCAL NOTE NO. 47-17 (IRRC No. 3154)</p> <p>DATE OF ADOPTION: <u>10/31/17</u></p> <p>BY: <u>Tim Moyer</u></p> <p>NAME &amp; TITLE: <b>Tim Moyer, Secretary</b></p>	<p>Copy below is hereby approved as to form and legality. Executive or Independent Agencies.</p> <p>BY: <u>Douglas Eberly</u> <b>Douglas Eberly, Chief Counsel</b></p> <p><u>10/31/17</u> DATE OF APPROVAL</p> <p>(Chief Counsel, Independent Agency)</p> <p><input type="checkbox"/> Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>
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# PENNSYLVANIA MILK MARKETING BOARD

[7 PA. CODE CH. 149]

## UNIFORM SYSTEM OF ACCOUNTS

The Pennsylvania Milk Marketing Board (Board) amends § 149.43 (relating to cost centers and operating accounts) and adds § 149.46 (relating to cooperative cost centers).

### *1. Purpose and statutory authority*

The purpose of this final-form regulation is to amend § 149.43 to delete milk dealer cost categories that have become outdated, add new categories and clarify category descriptions, and to add § 149.46 to provide a framework for cooperatives to report costs they are not currently reporting. Section 301 of the Milk Marketing Law (act) (31 P.S. § 700j-301) gives the Board the authority to adopt and enforce regulations necessary or appropriate to carry out the act.

### *2. Summary of public comments*

#### *a. Cost of compliance*

The Pennsylvania Association of Milk Dealers (PAMD) commented that the cost of compliance estimated by the cooperatives appears to be understated, and that there was no statement of the costs that will be incurred by the Board or by interested parties such as PAMD or PFMA in “vetting the cost information” or in compiling dealer information for comparison.

The Pennsylvania Food Merchants Association (PFMA) commented that collection and verification of the data will be prohibitively expensive. The Pennsylvania Association of Dairy Cooperatives (PADC) commented that the cooperatives “are more than willing to bear this expense” incurred in complying with the regulations. The Independent Regulatory Review Commission (IRRC) recommended reviewing the cost of compliance estimates and explaining further how they were developed.

Detailed reporting will be provided by a cross-section of cooperatives. Each of the four cooperatives likely to be in the reporting cross-section independently projected the cost for the personnel and time that would be needed. These projections were reported to an independent accounting firm who compiled them. The cooperatives are willing to incur the projected expense.

PAMD and PFMA have not provided any statement of what their projected costs might be. Those costs would evidently be incurred in their own voluntary comparison reporting and analysis of the accuracy or legitimacy of the cooperative cost reporting, not in complying with the regulations. The Board does not anticipate hiring any additional personnel or incurring significant additional expense related to the cooperative reporting required by the regulations.

*b. GAAP compliance*

PAMD reiterated the testimony of Carl Herbein, CPA at the March 23, 2016 public hearing that the cooperative reporting should comply with generally accepted accounting principles (GAAP). PFMA commented that there was no reason given for not requiring the cooperative reporting to comply with GAAP. IRRC recommended including in the regulations a statement that the reporting must comply with GAAP.

This requirement has been added to § 149.46(b). The already existing dealer reporting regulations did not have a GAAP compliance requirement, so that is also being added as § 149.43(c).

*c. Reporting requirement benefits*

The Pennsylvania Department of Agriculture (PDA) commented that the cost centers “are proper and will allow the Board to accurately determine cooperative procurement costs.” PADC commented that the reporting requirements in the regulation will “fill a gap in the Board’s collection of cost data for milk products from production at the farm to sale to consumers in the store.” The Professional Dairy Managers of Pennsylvania (PDMP) commented that by obtaining cooperative cost information, the Board would “correct what would seem to be an inconsistency in data access as it exercises its price setting authority.”

The Board concurs that this reporting will provide significant, useful information about the industry that the Board regulates.

*d. Reporting requirement clarifications*

PAMD reiterated Mr. Herbein’s testimony at the public hearing that there should be a chart of accounts for the reporting of cooperative costs, and that there is no assurance that relevant costs will be sufficiently segregated and accurate.

IRRC recommended revision of the regulations to clarify the cost categories and other reporting requirements, to state the reporting deadlines, and to remove the language which would give the Board discretion to expand the reporting requirements or set the deadlines. IRRC also commented that the Board should explain how the regulation will produce accurate and reliable cost figures.

Section 149.46(b) has been amended to require that the cooperatives will use the same operating ledger accounts that the dealers use, which are in § 149.43(b). This will further assure accurate and reliable cost figures. The reporting deadlines are stated in newly added § 149.46(d), and the dealer deadlines are being added as a new § 149.43(d). The provisions giving the Board discretion have been deleted.

*e. Cost allocation clarification*

PAMD reiterated the comments of Mr. Herbein at the public hearing that the cost allocation method should be clarified and not left to Board discretion. PFMA commented that the statement in § 149.46(c) that the Board could direct a cost allocation different than the allocation stated in the regulations is impermissible. IRRC recommended deleting “based on an allocation method acceptable to the Board” from § 149.46(a)(9) and “unless otherwise directed by the Board” from § 149.46(c) and instead specify the allocation method.

It is not feasible to impose one allocation method for all entities; that has not been imposed on the processing dealers. While not codified in the regulation, current practice does not impose a single allocation method on all dealers (including PAMD members) but allows allocation methods in accordance with GAAP. Section 149.46(b) has been amended to codify the requirement that the allocation methods are in accordance with GAAP, which assures the legitimacy of any allocation method. This requirement is also being added to the dealer reporting regulations in § 149.43(c). The provisions giving the Board discretion have been deleted.

*f. Forms*

IRRC commented that the relevant forms should be submitted with the regulations, and that the Regulatory Analysis Form (RAF) and this preamble should clarify that the reporting forms will implement (and not usurp or add to) the regulatory reporting requirements.

The Board acknowledges that the reporting forms will implement (and not usurp or add to) the regulatory reporting requirements.

*g. Small business impact*

IRRC recommended that the Board directly address the impact of the regulation on small businesses in the revised RAF.

A statement has been added to § 149.46(b) and to § 149.43(c) that cooperatives or dealers that are not in the reporting cross-section will submit a less detailed cost report, which reflects current practice. This can alleviate the reporting burden on small businesses. Dealers that were not in the dealer cross-section and cooperatives that are classified as dealers have already been submitting a less detailed report. The cooperative “short form” cost reporting has been modified to more closely correspond to the categories in § 149.46.

*h. Cooperative-only cost recovery*

PFMA commented that allowing recovery of cooperative costs is impermissible and would cause independent producers to join cooperatives, giving the cooperatives “monopoly or near-monopoly power” and increasing consumer milk prices; and that whether the Over-Order Premium provides an adequate return to cooperatives should have been addressed.

PAMD commented at length that these reporting requirements could lead to the Board's adoption of a cooperatives-only premium payment, which PAMD believes would be "contrary to the intent of the legislature and the public interest."

These comments are not relevant because the regulations only involve the cooperatives reporting their costs, and do not provide for any recovery of those costs or any cooperatives-only premium. If a cooperatives-only premium or cooperative cost recovery is ever requested or considered, a Board hearing would be required. Any interested party would have the opportunity to participate, and to challenge it at that time. A challenge now, to something that is not authorized or even mentioned in the proposed or final regulations, is premature and irrelevant.

*i. PICPA Comment*

The Pennsylvania Institute of Certified Public Accountants (PICPA) submitted and endorsed Mr. Herbein's March 23, 2016 public hearing testimony, which he gave on behalf of PAMD. Mr. Herbein's testimony was given prior to the issuance of the proposed regulations. PAMD has submitted comments about the proposed regulations which identify particular aspects of Mr. Herbein's testimony. Presumably those aspects were the ones PAMD believed merited comment at this stage of the proceedings.

PICPA did not provide any statement of its own or identify any aspects of Mr. Herbein's testimony to which attention should be directed. The Board therefore infers that PICPA's concerns mirror PAMD's concerns, in whole or in part, particularly the issue that the cost reporting should comply with GAAP. These issues have been addressed above.

*3. Affected persons and parties*

The amendments to § 149.43 essentially bring the amendments up to date to correspond to how the dealers currently report, and therefore are not expected to significantly affect the dealers.

Section 149.46 will affect licensed cooperatives which will be reporting these costs. Only those cooperatives invited to participate in a cross section will submit the detailed cost reports. While participation in cross sections is voluntary, the cooperatives likely to be invited to participate in cross sections are the same cooperatives who requested the opportunity to submit the more detailed reports. Some processing dealers will be invited to voluntarily submit reports like the co-op report for comparison purposes.

*4. Fiscal and administrative impact*

The amendments of § 149.43 are not expected to have significant fiscal or administrative impact on the milk dealers or any other parties. Section 149.46 will have a limited fiscal and administrative impact on the cooperatives in the reporting cross-section, estimated by them to be a total of \$15,000 the first year, and \$9,200 each subsequent year. Based on a "dry run" the

cooperatives have completed of implementing the accounting and reporting framework, these estimates are accurate.

5. *Effective date*

The final-form regulation will be effective upon publication in the *Pennsylvania Bulletin*. There is no sunset provision for these regulations.

6. *Regulatory review*

Under section 5(a) of the Regulatory Review Act (71 P.S. § 745.5(a)), on June 28, 2016, the Board submitted a copy of the notice of proposed rulemaking, published at 46 Pa.B. 3655, to IRRC and the Chairpersons of the House and Senate Committees on Agriculture and Rural Affairs (Committees) for review and comment.

Under section 5(c) of the Regulatory Review Act, the Board shall submit to IRRC and the Committees copies of comments received during the public comment period, as well as other documents when requested. In preparing the final-form rulemaking, the Board has considered all comments from IRRC and the public.

Under section 5.1(j.2) of the Regulatory Review Act (71 P.S. § 745.5a(j.2)), on \_\_\_\_\_, the final-form rulemaking was deemed approved by the Committees. Under section 5.1(e) of the Regulatory Review Act, IRRC met on \_\_\_\_\_, and approved the final-form rulemaking.

7. *Contact person*

Interested persons may obtain information regarding the final-form rulemaking by contacting Douglas Eberly, Chief Counsel, Pennsylvania Milk Marketing Board, 2301 N. Cameron Street, Harrisburg PA 17110, or by email to ra-pmmb@pa.gov within 30 days after publication in the *Pennsylvania Bulletin*. Individuals who require this information in a different format may call the Pennsylvania AT&T Relay Service for TDD users (717) 787-4194 or (800) 654-5984.

8. *Findings*

The Board finds that:

(1) Public notice of proposed rulemaking was given under sections 201 and 202 of the act of July 31, 1968 (P.L. 769, No. 240) (45 P.S. §§ 1201 and 1202) and the regulations promulgated thereunder, 1 Pa. Code §§ 7.1 and 7.2.

(2) A public comment was provided as required by law and all comments were considered.

(3) The amendments to the final-form rulemaking do not enlarge the purpose of the proposed rulemaking published at 46 Pa.B. 3655.

(4) This final-form rulemaking is necessary and appropriate for administration and enforcement of the authorizing act identified in this preamble.

9. *Order*

The Board orders that:

(a) the regulations of the Board, 4 Pa. Code Chapter 149, are amended by amending § 149.43 and adding § 149.46 to read as set forth in Annex A.

(b) The Board shall submit this order and Annex A to the Office of General Counsel and to the Office of Attorney General as required by law.

(c) The Board shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(d) The order shall take effect on publication in the *Pennsylvania Bulletin*.

**Annex A**

**TITLE 7. AGRICULTURE**

**PART VI. MILK MARKETING BOARD**

**CHAPTER 149. UNIFORM SYSTEM OF ACCOUNTS**

**CHART OF ACCOUNTS**

**§ 149.43. Cost [center] centers and operating accounts.**

(a) Cost centers shall be as follows:

(1) *Receiving, laboratory, and field work.*

(2) *Standardization and pasteurization.* Productive cost center, which includes accountable costs associated with standardizing, pasteurizing and homogenizing milk.

(3) *Bottling.* Productive cost center, which includes accountable costs [association] associated with the bottling and packaging of fluid milk and cream items.

(4) *Manufacturing other than ice cream.* Productive cost center, which includes all accountable costs associated with the manufacture of **sour cream**, cottage cheese, dips, and so on.

(5) *Ice cream manufacturing*. Productive cost center, which includes accountable costs associated with the manufacture of ice cream and **other** frozen [dessert] products.

(6) *Ice cream hardening room*. Productive cost center, which includes accountable costs associated with operating the ice cream and frozen [desserts] **products** hardening room.

(7) *Cold room, shipping and loading*. Productive cost center, which includes accountable costs associated with storing finished fluid milk products and other perishable products handled by the licensee, including shipping and loading and unloading of transportation units.

(8) *Delivery*. Productive cost center, which includes accountable costs associated with the delivery of milk, **cream and other products (excluding ice cream and other frozen products)** on routes.

[(9) (Reserved).

(10)] (9) *Delivery, ice cream*. Productive cost center, which includes accountable costs associated with the delivery of ice cream and **other** frozen [dessert] products to customers.

[(11)] (10) *Selling*. Productive cost center, which includes accountable costs associated with selling of the products handled [.] **and shall be separated into the following categories:**

- (i) **Ice cream, which includes ice cream and other frozen products.**
- (ii) **Packaged milk and cream, which includes packaged fluid milk, cream, sour cream and any other products for which the Board sets minimum prices (whether the transaction is controlled or non-controlled).**
- (iii) **Other products, which include items such as drinks, juices, ice cream mix, dips, bulk sales of fluid milk and cream, and any other items not included in subparagraph (i) or (ii).**

[(12)] (11) *Administrative*. Productive cost center, which includes the total accountable costs associated with administering the overall business of the licensee.

[(13) *Processing service*. Includes the cost of services rendered by a processing dealer to a nonprocessing dealer. This is to be used only by a nonprocessing dealer. On its report, processing dealer shall include the cost of such services in the applicable cost centers.

(14)] (12) *Garage*. Service cost center from which all expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the garage renders to other cost centers.

[(15)] (13) *Transportation*. Service cost center which includes accountable costs associated with transporting milk of the licensee from the plant where processed to the distribution point or center of licensee. [Such costs] **Costs** accumulated in this center shall be distributed to the

respective productive cost centers in proportion to the benefit that this cost center renders to the productive cost centers.

[(16)] (14) *Power plant and refrigeration*. Service cost center from which expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the power plant and refrigeration renders to other cost centers.

[(17)] (15) *Warehouse*. Service cost center from which all warehouse expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the warehouse renders to other cost centers.

[(18)] (16) *General plant maintenance*. Service cost center from which all general plant maintenance expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the general plant maintenance renders to other cost centers.

[(19)] (17) *Blow-molder*. Productive cost center which includes accountable costs associated with the production of blow-mold plastic containers.

[(20) *Bottle washer*. Productive cost center which includes accountable costs associated with returnable containers.]

(b) Operating ledger accounts for the operations of the licensed dealer shall be as follows.

(1) *Executive salaries*. Includes salaries, wages, and other forms of compensation assigned to corporate officers, such as president, vice president, secretary and treasurer, partners and single proprietors, but excludes any fringe benefits.

[(2) (Reserved).

(3) Reserved.

[(4)] (2) *Other salaries and wages*. Includes all other salaries and wages paid.

[(5) *Social Security*] (3) *Payroll taxes*. Includes F.I.C.A. tax, Pennsylvania unemployment compensation tax, and Federal unemployment compensation tax.

[(6) *Workmens' compensation insurance*. Includes the premiums paid for workmen's compensation insurance.]

(4) *Workers' compensation insurance*. Includes the premiums paid and costs incurred for workers' compensation coverage.

[(7) *Employee*] (5) *Employee health and welfare*. Includes group life insurance premiums, health and accident insurance premiums, and medical insurance premiums paid by the employer for the benefit of [employees] employees. If the premiums are divided between the employer and

the [employee] **employee**, only that portion paid by the employer should be included in this account.

[(8) *Employee*] (6) *Employee pension plan*. Includes contributions made to pension plans by the employer for the benefit of the [employees] **employees**. If the contributions are divided between the employer and the [employee] **employee**, only that portion paid by the employer should be included in this account.

[(9) *Employee*] (7) *Employee uniforms*. Includes cost of uniforms paid by the employer for the benefit of the [employees] **employees**. If the cost is divided between the employer and the [employee] **employee**, only that portion paid by the employer should be included in this account.

[(10) *Employee*] (8) *Employee relations*. Includes expenditures made by the employer for personnel relations.

[(11)] (9) *Repair and maintenance, machinery and equipment*. Includes materials and purchased services for general repairs and maintenance of plant machinery and equipment, furniture, and fixtures.

[(12) (Reserved).

(13) (Reserved).

(14) *Repair and maintenance, ice cream delivery equipment*. Includes materials and purchased services for general repairs and maintenance of ice cream delivery equipment.

(15)] (10) *Repair and maintenance, buildings*. Includes materials and purchased services for general repairs and maintenance of buildings.

[(16) *Repair and maintenance, milk cases and pallets*. Includes materials and purchased services for general repairs of cases and pallets.

(17)] (11) *Supplies and equipment, office*. Includes the cost of **computer hardware and software, printers, copiers, stationary, paper, envelopes, pencils, pens, typewriter ribbons, copy paper, and other supplies of this nature.**

[(18)] (12) *Operating and cleaning supplies*. Includes manufacturing and cleaning supplies and materials used in the processing and manufacturing centers.

[(19)] (13) *Depreciation, machinery, and equipment*. Includes depreciation on plant machinery and equipment **and office equipment.**

[(20) (Reserved).

(21) (Reserved).

(22) *Depreciation, ice cream delivery equipment.* Includes depreciation on vehicles used for ice cream delivery.

(23)] (14) *Depreciation, buildings.* Includes depreciation on buildings used for processing, manufacturing, garage, warehouse and branch buildings.

[(24)] (15) *Depreciation, milk cases and pallets.* Includes depreciation on milk cases and pallets used for all products handled by the licensee.

[(25)] (16) *Light, [heat,] power, water and sewage.* Includes costs incurred for [heating and] operating office and plant, electricity, water, power, gas and sewage.

[(26)] (17) *Fire and other insurance.* Includes premiums paid for fire insurance coverage on buildings and contents, trucks, trailers, and automobiles and premiums paid for theft insurance coverage, public liability coverage and product liability coverage.

[(27)] (18) *Real estate taxes.* Includes real estate taxes paid to cities, counties, boroughs and townships.

[(28)] (19) *Taxes other than income and real estate.* Includes all other taxes paid except F.I.C.A., Pennsylvania unemployment tax, and State and Federal income taxes.

[(29)] (20) *State sales and use tax.* Includes sales and use tax paid on all expense type items. Sales and use tax paid on capitalized items shall be included in the asset amount capitalized.

[(30)] (21) *Rent – land and buildings.* Includes rental payments for land, office buildings, plant, warehouse space and so on, provided the lessor/lessee relationship is between two completely independent parties.

[(31)] (22) *Gasoline, oil and grease.* Includes expenditures for gasoline, oil, and grease for plant and transportation equipment.

[(32)] (23) *Licenses and permits.* Includes the cost of licenses and permits required by the Commonwealth and by any cities, counties, boroughs and townships for the operation of the business.

[(33)] (24) *Advertising.* Includes expenditures for local, regional and [national] **National** advertising and promotions, including newspapers, magazines, pamphlets, circulars and calendars, radio and television, signs and displays, and product sampling.

[(34)] (25) *Travel and entertainment.* Includes traveling and subsistence expenses[, including automobile mileage,] of salesmen, officers, and any other [employee] **employee** on company business; also includes entertainment expenses normally incurred in business travel under this item.

[(35)] (26) *Telephone and [telegraph] Internet*. Includes telephone, postage and [telegraph] Internet charges.

[(36)] *Postage*. Includes expenditures for postage.

(37)] (27) *Subscriptions*. Includes expenses for periodic professional publications.

[(38)] *Rental and royalties on equipment.*] (28) *Rent – equipment*. Includes cost of renting, leasing, and using any office, plant, or transportation equipment; includes royalties paid on equipment.

[(39)] (29) *Professional services*. Includes all legal, accounting, auditing and similar expenses.

[(40)] (30) *Tires and tubes, new and repairing*. Includes all expenditures for tires, tubes, recaps, and repairs to tires and tubes.

[(41)] (Reserved).

(42) (Reserved).

(43) *Processing service*. Includes the cost of service rendered by a processing dealer to a nonprocessing dealer, to be used only by a nonprocessing dealer. This shall be recorded completely in processing service cost center.]

[(44)] (31) *Commissions and wages*. Includes commissions and wages paid to route drivers, route runners and supervisors.

[(45)] (32) *Repair and maintenance, delivery equipment*. Includes materials and purchased services for general repairs and maintenance of delivery trucks.

[(46)] (33) *Depreciation, delivery equipment*. Includes depreciation on delivery vehicles.

[(47)] (34) *Bad debts*. Includes amount charged as expense resulting from uncollectible sales.

[(48)] *Depreciation returnable containers*. Includes depreciation on returnable containers.

(49) *Plastic resin*. Includes resin purchased for the production of blow-mold plastic containers. Charge directly to the blow-molder cost center.

(50) *Other bottling supplies*. Includes materials such as caps, handles, glue, and the like, not included in container expense. Charge directly to bottling cost center.

(51) *Bulk milk hauling expense*. This account is set up to capture the unreimbursed costs associated with hauling bulk or excess milk. If a contract hauler is used, enter the actual cost. If the dealer hauls the bulk milk, obtain a hauling rate from a local contract hauler to determine the cost.

(52) *Bulk milk hauling contra account.* This contra account is set up as the credit account to be used with the bulk milk hauling expense account when the dealer hauls the bulk milk.

(53) *Bulk cream hauling expense.* This account is set up to capture the unreimbursed costs associated with hauling bulk or excess cream. If a contract hauler is used, enter the actual cost. If the dealer hauls the bulk cream, obtain a hauling rate from a local contract hauler to determine the cost.

(54) *Bulk cream hauling contra account.* This contra account is set up as the credit account to be used with the bulk cream hauling expense account when the dealer hauls the bulk cream.

(55) *Contract hauling expense.* This account is set up to capture all reimbursed contract hauling costs.]

(35) *Contract hauling and delivery expense.* This account is set up to capture all contracted bulk milk and cream hauling costs and finished product delivery costs.

[(56)] (36) *Hauling reimbursement.* This account is set up to capture all reimbursements received by the dealer to cover hauling costs.

(37) *Heating fuel.* Costs incurred for heating fuel such as natural gas and fuel oil.

(38) *Cases expense.* Costs incurred for shipping cases and pallets.

(39) *Home office expense.* Organizational overhead which can be allocated to the licensed dealer.

(40) *Garage income.* Income received by the organization for services performed in its garage facilities.

(41) *Back hauling income (delivery cost center only).* Income received for back hauling shall be separated into the following categories:

(i) Back hauling after deliveries of ice cream and frozen dessert products.

(ii) Back hauling after deliveries of other products.

(42) *Market Administrator fees (receiving, laboratory, and field work cost center only).* Fees paid to the United States Department of Agriculture Market Administrator excluding producer-settlement fund payments.

(43) *Plant closing costs.* Expenses incurred by the closing of a processing plant, if the closing directly impacts the product volume of a licensed dealer, and the dealer is an affiliated or related company or the same company that closed the plant.

**(44) Turnpike and other tolls.** Costs incurred for the Pennsylvania Turnpike and other tolls.

**(45) Employee reimbursement.** Costs incurred for reimbursing employees for use of their personal vehicles or other property.

**(46) Rental income.** Income received for the rental or other use of any of the property for which costs are reported, which is not reported in any other income category.

**(47) Interest expense.** Costs incurred for interest on loans related to the dealer's operations.

**(48) Miscellaneous.** Accountable costs incurred for the dealers' operations that are not captured in any other account. The dealer should provide an explanation of any miscellaneous costs.

**(C) ALL ALLOCATIONS AND REPORTS SHALL BE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. DEALERS THAT ARE NOT IN THE REPORTING CROSS-SECTION WILL SUBMIT A LESS DETAILED REPORT.**

**(D) THE ANNUAL REPORTING DEADLINE SHALL BE MAY 1 FOR DEALERS THAT ARE INCLUDED IN THE REPORTING CROSS-SECTION AND JUNE 15 FOR ALL OTHER DEALERS.**

#### **§ 149.46 Cooperative Cost Centers**

**(a) Cost Centers for cooperatives, as defined in the act, shall be as follows:**

- (1) Field services.** Providing direct assistance to producers by inspecting and improving producer milk production and quality.
- (2) Laboratory.** Testing for quality and components of producer milk and bulk milk delivered to dealers including direct testing costs and related materials.
- (3) Producer payroll.** Making payment to producers for milk.
- (4) Sales invoicing.** Invoicing producer milk customers.
- (5) Dispatch, logistics and hauling.** Hauling and coordinating the hauling of producer milk for both collection and delivery of raw milk.
- (6) Calibration services.** Providing producer calibration services including cooperative-owned vehicles.

(7) *Producer relations.* Developing and maintaining producer relationships.

(8) *Customer relations.* Developing and maintaining customers for producer milk.

(9) *General and administrative.* Administering and managing the cooperative's milk marketing activity including costs related to human resources, information technology, corporate and executive expenses, professional fees and occupancy. The amount shall be a proportion of these costs which the cooperative reasonably allocates to its milk marketing activity [based on an allocation method acceptable to the Board].

(b) Cooperatives shall report these cost centers [and any other information required by the Board in accordance with reporting forms issued by the Board which will include instructions and reporting deadlines. The reporting requirements for cooperatives may also include any of the information that dealers are required to provide.] **and allocate them into the applicable operating ledger accounts described in section 149.43(b) of this chapter. All allocations and reports shall be in accordance with generally accepted accounting principles. Cooperatives that are not in the reporting cross-section will submit a less detailed report.**

(c) The cost allocations shall be based only on the cooperatives' milk marketing activities for their producers (members and non-members) [unless otherwise directed by the Board].

(d) **The annual reporting deadline shall be May 1 for cooperatives that are included in the reporting cross-section and June 15 for all other cooperatives.**

**PENNSYLVANIA MILK MARKETING BOARD**

**FINAL REGULATION  
UNIFORM SYSTEM OF ACCOUNTS – COST CENTERS AND OPERATING  
ACCOUNTS; COOPERATIVE COST CENTERS  
ID NO. 47-17 (IRRC NO. 3154)**

**NAMES AND ADDRESSES OF ALL COMMENTATORS**

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**TO:** Independent Regulatory Review Commission

**FROM:** Andy Saylor, Staff Attorney  
Pennsylvania Milk Marketing Board

**DATE:** October 31, 2017

**SUBJECT:** Milk Marketing Board Chapter 149 Final Regulations – IRRC No. 3154

The Milk Marketing Board proposes to amend 7 Pa. Code Chapter 149 (System of Accounts) by revising section 149.43 (Cost centers and operating accounts) and adding a new section 149.46 (Cooperative cost centers). A copy of the final regulations is enclosed, along with the completed transmittal sheet.

Please contact me if you have any questions – [asaylor@pa.gov](mailto:asaylor@pa.gov) or (717) 787-4374.

Thank you for your consideration.

**TRANSMITTAL SHEET  
FOR REGULATIONS SUBJECT TO THE REGULATORY REVIEW ACT**

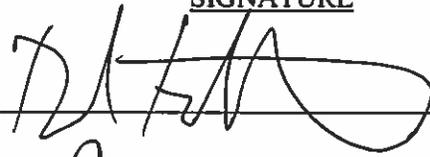
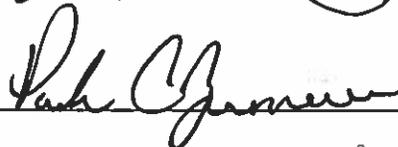
**I.D. Number:** 47-17 (IRRC No. 3154)  
**Subject:** Uniform System of Accounts – Cost centers and operating accounts; Cooperative cost centers  
**Agency:** Pennsylvania Milk Marketing Board

**TYPE OF REGULATION**

Final Regulation

RECEIVED  
IRRC  
2017 OCT 31 P 2:26

**FILING OF REGULATION**

<u>DATE</u>	<u>SIGNATURE</u>	<u>DESIGNATION</u>
<u>10/31/17</u>		House Committee on Agriculture & Rural Affairs (Majority Chair)
<u>10/31/17</u>		House Committee on Agriculture & Rural Affairs (Minority Chair)
<u>10/31/17</u>		Senate Committee on Agriculture & Rural Affairs (Majority Chair)
<u>10/31/17</u>		Senate Committee on Agriculture & Rural Affairs (Minority Chair)
<u>10/31/17</u>		Independent Regulatory Review Commission
_____	_____	Attorney General
_____	_____	Legislative Reference Bureau