



CHESAPEAKE BAY FOUNDATION
Saving a National Treasure

**State Funding for Agricultural Conservation:
Green Infrastructure That Works for Pennsylvania**

Comments of Matthew Ehrhart
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to the Senate Agriculture and Rural Affairs Committee
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Chairman Brubaker and distinguished members of the Senate Agriculture and Rural Affairs Committee, my name is Matt Ehrhart and I am the Executive Director of the Pennsylvania Office of the Chesapeake Bay Foundation (CBF). I would like to thank you for the opportunity to discuss Pennsylvania's budget for agricultural programs and its impact on producers, our natural resources and our economy in general.

CBF is the largest non-profit organization dedicated to the protection and restoration of the Chesapeake Bay, its tributaries, and its resources. With the support of over 200,000 members, our staff of scientists, attorneys, educators, and policy experts work to ensure that policy, regulation, and legislation are protective of the quality of the Chesapeake Bay and its watershed. We are part of the Fair Share for Clean Water Coalition, comprised of farm, conservation, business, and municipal interests, all of which support the need for adequate funding in the state's agricultural budget.

The Susquehanna River is the dominant influence over the health of the Chesapeake Bay. Draining half of the Commonwealth, the Susquehanna is the single largest tributary to the Bay, contributing half of the fresh water to the estuary. Since the inception of the Chesapeake Bay restoration effort twenty five years ago, reducing nutrient and sediment pollution in the Susquehanna has been the central focus, and the Pennsylvania farm community has led this effort.

Pennsylvania farmers have been hard at work reducing nutrient and sediment runoff. Over the past 25 years, producers across the bay watershed and throughout the state have implemented nutrient management plans, installed manure handling facilities, planted forested buffers, improved soil conservation and planted cover crops at impressive levels.

These Best Management Practices, or "BMPs," have paid dividends on the farm and in our watersheds. Not only have farmers enhanced their operations, they've reduced sediment and nutrient loads to the Susquehanna and Potomac watersheds and to the Chesapeake Bay. According to estimates from the Chesapeake Bay Program, Pennsylvania farmers have reduced nitrogen loads to the Bay by nearly 18 million pounds per year as compared to 1985 levels. For this effort we are truly grateful.

Nevertheless, despite this progress we still have a considerable ways to go in the effort to restore our watersheds and meet the requirements imposed by the federal Clean Water Act. For Pennsylvania to meet very immediate pollution caps, agriculture must reduce an additional 25 million pounds of nitrogen per year in just a few short years. By comparison, wastewater treatment plants and other point sources have just 2.3 million pounds per year of nitrogen reductions to achieve.

This is not just a Chesapeake Bay issue. Total Maximum Daily Loads or TMDLs are already being applied to our local streams. The federal government requires the Commonwealth to develop a TMDL for each impaired stream. A TMDL identifies allowable pollutant loads to a water body from both point and non-point sources that will prevent a violation of water quality standards. The costs of implementing TMDLs across the state will be substantial but have not yet been fully calculated. The estimate for one small impaired watershed in Bradford County is \$1.2 million. The estimate for another small watershed in south-central Pennsylvania is \$4 million. The statewide total will be hundreds of millions in the impaired watersheds alone.

The estimated price tag is high, although not in comparison to other priorities that have been identified for economic stimulus. Pennsylvania's current Chesapeake Bay Tributary Strategy, due for a comprehensive update in the coming months, estimates that for PA to meet our agricultural nutrient reduction caps, a total of \$215 million needs to be invested in agricultural BMPs per year over the next decade. Assuming that farmers cover half of this cost, that leaves over \$100 million per year needed from governmental sources. Federal and state programs currently contribute around \$45 million per year in Pennsylvania, with a fair portion of these funds going to farmers outside of the Bay watershed. With increases in funding from the new Farm Bill, we still see a gap of at least \$50 million per year. The actual need could be even higher.

How will Pennsylvania address these pressing issues with so few budgetary options available at this time? I'd like to discuss just three areas that we think are priorities: conservation district support, the REAP tax credit program and new funding from federal stimulus package and the state water infrastructure bond.

In order to help farmers meet society's new water quality demands *and* to implement new dollars allocated in the Federal Farm Bill, our conservation districts simply must have robust funding that is secure from year to year. Without adequate district staffing at the county level, our conservation programs will atrophy at the very time we need them to accelerate. While we recognize that there must be sacrifice in every program supported by the state, the districts have already lost ground in recent budgets while having more programs added to their plate.

The REAP state tax credit program, now in its second year and facing even greater demand from the farm community, helps close the funding gap, but only by a little. This year the \$10 million cap for the program was exceeded by applications before the end of the very first day! When you consider our experience with REAP and other oversubscribed programs like EQIP, it is apparent that farmers are more than ready to do

their part if we do ours. HB 819 would increase the REAP tax credit cap to \$35 million per year and remove the one year waiting time required before a farmer may sell the tax credit. We urge your support if and when this bill makes its way to the Senate.

Conservation District funding and the REAP tax credit are obviously PA budget items, but we need to consider all possible funding streams to support farm conservation and green infrastructure, and the new federal stimulus dollars, combined with the water infrastructure bond passed last year, are real opportunities.

Included in the federal stimulus package are provisions for alternative energy and green infrastructure. Both could support the very agricultural projects that we're describing here, but it will take focused work by the administration and legislature to direct these funds to deserving agricultural projects, or these funds will be directed to other uses very quickly.

For example, the American Recovery and Reinvestment Act will provide about \$220 million for clean water and drinking water projects. Of this total, the act provides \$65 million through the Drinking Water State Revolving Fund for drinking water infrastructure needs and about \$155 million through the Clean Water State Revolving Fund for clean water infrastructure needs. Half of the funds must be allocated in grants and at least 20 percent must be for green infrastructure. May 18 is the deadline for applications, so we have our work cut out for us.

The federal energy package may provide close to \$100 million in the form of grants to states through state energy offices. States, in turn, are to use grants to address their energy priorities and adopt emerging renewable energy and energy efficiency technologies. Agricultural energy projects should receive priority funding. Perhaps existing programs like Fuels for Schools and EnergyHarvest could serve as vehicles delivering funds.

The \$400 million state bond for water infrastructure, enacted last session and approved by voters in November, contains a provision allowing bond funds to be used for agricultural pollution reduction projects if eligible under the Section 319 program. Again, if we aren't proactive in bringing sound agricultural projects to the table, these funds will very quickly be used for other purposes.

While all segments of Pennsylvania agriculture face challenges, I'd like to speak to the needs of our largest farm sector – the dairy industry – which alone accounts for \$4.2 billion in farm production and associated businesses in the Commonwealth. Our dairy farmers, with the extra demands of manure, pasture and barnyard management, have the most to gain or lose depending on whether the Commonwealth invests in agriculture. Without government sharing the burden of meeting additional environmental requirements, there is a real question about the sustainability of the industry.

Will we respond in a timely fashion to ensure that our farmers have the resources and tools they need to meet the Bay mandates, the coming TMDLs, the tighter restrictions of

phosphorus-based nutrient management plans, and other requirements, while at the same time protecting their bottom line?

When it comes to the agricultural requirements, we can't afford to wait until the last minute. With agriculture, we're dealing with thousands, not hundreds, of entities. We're dealing with small businesses with limited resources, not municipalities and authorities that can levy fees and manage complex financial tools. We're dealing with some producers, including many from Plain sects, who are not yet working with conservation district and NRCS staff. This work will take time, more money and more technical expertise. In other words, it will take a more robust conservation capacity that cannot be built in the course of a year or two. If we wait until the EPA requires immediate and dramatic improvements under local and Chesapeake Bay TMDLs, it will be too late.

As the General Assembly begins its budget discussions in earnest, other concerns will quickly take center stage. We cannot afford to let other priorities continue to overshadow the needs of the farm community that faces real challenges. The Chesapeake Bay Foundation, along with other members of the Fair Share Coalition, will do all we can to help you keep the funding needs of Pennsylvania agriculture in focus.

Again, thank you for this opportunity to share our views.