



CHESAPEAKE BAY FOUNDATION
Saving a National Treasure

**Strengthening Pennsylvania Agriculture,
Protecting Water Quality –
A Necessary Investment in the Commonwealth's Future**

**Remarks By
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Thank you Senator Brubaker, and members of the Committee, for the opportunity to offer the Chesapeake Bay Foundation's (CBF) perspectives on agricultural issues in Pennsylvania.

As you know, reducing nutrient and sediment losses from Pennsylvania farms is a critically important step toward improving water quality here and in the Chesapeake Bay. But we also recognize that there are many other sources of water quality impairment that need our attention including sewage treatment, industrial discharges, stormwater runoff, acid mine leachate and land use. The responsibility for safeguarding our waterways falls to all of us.

But reducing pollution is only part of the picture. We understand that a healthy future for our farms will be necessary to protect the long term health of our watersheds and drinking water supplies. This is not empty rhetoric but a reality that must inform our policy decisions. Farms supply much more than food and economic growth. They provide very real environmental services, including water recharge, carbon sequestration and open space, and these services are lost when development takes the place of working farms.

Farms are expected to meet acceptable standards of environmental protection, and most producers are willing to do so. But rising production costs, coupled with weak commodity prices, limit the options available to producers as regulations advance. For example, while TMDL (Total Maximum Daily Load) watershed plans are being developed to assign where nutrients must be reduced, and phosphorus-based nutrient management plans are required of certain producers, we know that many will have trouble complying on their own.

Producers need assistance in meeting environmental standards while maintaining their bottom line. States across the country are struggling to develop effective runoff programs for agriculture, but Pennsylvania has some unique challenges. We have a very diverse agricultural sector, including many small and large farms with livestock, a large number of Amish and Mennonite farms using traditional farming methods, many acres of highly-erodible cropland and more miles of streams than nearly every other state in the country. Meeting this challenge will require a variety of approaches. Clearly, this is not a "one-size-fits-all" matter.

INFORMING • ENGAGING • EMPOWERING

This brings us to an important opportunity, the proposed Resource Enhancement and Protection Act or "REAP." The Foundation applauds Representatives Stern and Daley, Senators Brubaker and O'Pake, and the many co-sponsors for bringing this new, statewide initiative forward for consideration in the General Assembly. We are convinced that REAP will be one of the most important water quality programs ever enacted in the state *and* in the history of the Chesapeake Bay restoration effort.

REAP would provide transferable tax credits to those farms and sponsoring businesses that install eligible Best Management Practices (BMPs). And it would expand conservation funding in a way that involves the private sector, including any Pennsylvania business that wants to participate. REAP would enable businesses to become new partners with Conservation Districts, NRCS and other agencies in working with producers. County conservation districts and the NRCS have done an outstanding job with the modest resources and their continued leadership is essential. But in order to achieve the Commonwealth's commitments and goals we also need to engage the creativity, efficiency, and entrepreneurial spirit of the private sector.

The basic incentive offered by REAP is straightforward: provide state tax credits to producers – worth up to \$150,000 per farm – to offset some of the costs of adopting of Best Management Practices. Tax credits have been available to other industries in the Commonwealth under the Education Improvement and the Research and Development Tax Credit Programs for some time. The basic concepts contained in this legislation are not new.

The legislation targets resources toward water quality measures that offer the best "bang for the buck." For example, improving conditions in a dairy farm's barnyard and pastures not only provides a terrific and immediate improvement for a local stream, it also provides the healthier conditions for livestock that veterinarians recommend.

Best Management Practices such as barnyard improvements, forested riparian buffers, stream bank fencing and treatment of legacy sediments are included. The bill tasks the State Conservation Commission with specifying additional BMPs that would be eligible for support. This system would follow through on the recommendations of the Chesapeake Bay Commission's Cost Effectiveness Study by targeting resources where they can improve water quality in the most cost-effective fashion.

All BMPs would have to meet NRCS guidelines and be maintained for the lifespan of the practice as defined by NRCS. The State Conservation Commission would evaluate the program's effectiveness.

Producers could choose to participate in REAP through one of several options that would best suit their particular operation--

1. Producers could use the REAP tax credits to reduce their own state taxes, dollar for dollar. They could use these tax credits all in one year, or over multiple years, carrying over remaining credits for up to 15 years;

2. Producers could sell unused tax credits on the open market to any taxpayer – individual or corporation - for most of the face value of those credits; or

3. Producers could participate through REAP's sponsorship program by partnering with a business that is willing to help finance environmental projects and in turn receive a tax credit instead of the producer.

But our efforts cannot end with the passage of REAP. This and other state programs are important, but insufficient on their own. The need is simply too great. For example, DEP has estimated that approximately *\$215 million per year* in agricultural conservation funding is needed to meet the Commonwealth's commitment to reduce water pollution to the Bay. All programs combined currently amount to about \$45 million – leaving a \$170 million dollar per year gap, and that's just in Pennsylvania's portion of the Chesapeake Watershed (about half the state).

The costs will also climb under new TMDL plans that are mandated by the Federal Clean Water Act. 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.

Drinking water quality and our treatment systems are at stake. Almost 8 million Pennsylvania residents' drinking water comes from surface waters, many of which are supplied by agriculturally-rich watersheds. The Schuylkill Action Network is a group working to improve water quality for the 1.5 million Pennsylvania residents who draw drinking water from the Schuylkill River. The network estimates that over \$2 billion in watershed improvements, much of it agricultural, needs to be implemented.

Finally, farmer demand for assistance is well beyond current program capacity. In 2004 the NRCS had conservation funding requests from Pennsylvania farmers for \$37.5 million more than was available. This figure does not account for the many farmers who have given up applying after being turned away.

Given the tremendous need and farmer demand, a strong federal role in conservation funding is required. CBF is actively engaged in efforts to reform the 2007 Farm Bill – an opportunity that comes around only once every five years. The Foundation was pleased to be able to work with Senator Brubaker (prior to his taking office) to conduct 14 "listening sessions" in 2005, where hundreds of producers across the state shared their views about agricultural policy. Most producers voiced an willingness to do their part by adopting conservation practices such as riparian buffers, nutrient management plans, and cover crops. But we also heard how their efforts are hampered by a lack of funds and technical assistance.

Chief among our recommendations for the Farm Bill is a call for \$200 million in additional federal conservation assistance per year for all of the states in the Bay region. Currently, just \$65-70 million in federal money is available to farmers in the Chesapeake Bay watershed for water-related conservation practices.

No one wants to see unnecessary spending at the federal level. But this increase would barely nudge the lopsided spending priorities currently in place. States like Pennsylvania are at a particular disadvantage, where we grow a smaller share of the commodities that garner most of the farm payments. The lack of equity is startling; for every dollar in farm sales from 2000 to 2005, Pennsylvania farmers received just three cents in federal support. During the same time

period, the national average was nine cents on the dollar, and North Dakota received almost twenty three cents per dollar! We're not recommending more handouts. We're asking for a level playing field for Pennsylvania farmers.

Obviously, the federal Farm Bill is not in the direct purview of the Pennsylvania Senate. But we do ask that members of the General Assembly respectfully urge Pennsylvania's Congressional Delegation to work diligently with all relevant parties to change key provisions of the 2007 Farm Bill to meet the needs of Pennsylvania producers.

I'll conclude with this: strong conservation programs provide direct benefits to all communities in the Commonwealth. I offer one local example. A few years ago, the Ephrata Area Joint Authority approached CBF to work on forested buffers along Indian Run. The reason? One of the most challenging aspects of their drinking water treatment process was treating odor and color from manure contamination during storm events.

Protecting watersheds in communities like Ephrata just makes good economic sense. EPA estimates that, on average, every \$1 spent on source water protection saves \$27 on water treatment. An analysis of the Gettysburg source water protection program yielded a much greater cost ratio of 127:1 for watershed improvements. Clearly, these are wise investments.

Thank you for the opportunity to provide comments. We look forward to working with you to advance proposals like REAP along with other innovations, both public and private, that will insure a strong future for Pennsylvania agriculture as we protect our watersheds and drinking water supplies.

For more information, contact the Chesapeake Bay Foundation at 717-234-5550
or visit www.cbf.org/REAP