

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
HOUSE AGRICULTURE AND RURAL AFFAIRS COMMITTEE

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AGRICULTURE CONSERVATION AG PROGRESS DAYS

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BEFORE: MIKE HANNA, Majority Chairman
ART HERSHEY, Minority Chairman
Scott Conklin, Member
Peter Daley, Member
Richard Grucela, Member
Tim Solobay, Member
Tom Yewcic, Member
Bob Bastian, Member
Mike Fleck, Member
Rob Kauffman, Member
Dan Moul, Member
Gordon Denlinger, Member
David Hickernell, Member
David Millard, Member

HEARING: Wednesday, August 20, 2008
Commencing at 10:00 a.m.

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1 LOCATION: Russell E. Larson Agricultural Research
2 Center
3 Route 45
4 Rock Springs, PA 16828

5 WITNESSES: Dean Steele, Joel Rotz, Brenda Shambaugh,
6 Matthew Ehrhart, Dennis Wolff, John Brosious, Grant
7 Gulibon

8 Reporter: Xi Xia
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NONE OFFERED

P R O C E E D I N G S

CHAIRMAN HANNA:

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4 I thank everyone for their attendance.
5 The House Agriculture and Rural Affairs Committee
6 meeting this morning is going to focus on agriculture
7 conservation. We've invited, as our panel and
8 testifiers this morning, a number of folks including
9 the partners in the Pennsylvania Fair Share Plan that
10 was introduced this past spring for our --- for the
11 legislature's consideration. I would remind members
12 that they can be proud of the fact that the Ag
13 Committee did take action on Pennsylvania's Fair Share
14 Plan. We did move it out of the House Ag Committee.
15 A portion of it has founded into this year's budget,
16 but not the entire Pennsylvania Fair Share Plan,
17 which was one of the motivating reasons for us to
18 decide to hold this hearing today. Since it still
19 remains important that we look at the entire proposal
20 as we move through the balance of this session and
21 even as we move in the next session and next year's
22 budget year. Having said that, we will focus our
23 testimony this morning on agriculture conservation
24 including Pennsylvania's Fair Share Plan. At this
25 time, I call on Chairman Art Hershey for opening

1 comments. Chairman Hershey.

2 CHAIRMAN HERSHEY:

3 Thank you, Representative Hanna. Good
4 morning to everyone. What a beautiful day. We
5 couldn't have a better day to hold this. It's even on
6 the chilly side. Isn't that unusual for late August
7 --- the middle of August? Anyway, conservation is so
8 important. Taking care of our water, taking care of
9 our soil, the better we take care of our soil the
10 better it will take care of us, and that's so
11 important. And I know I've been able to travel
12 through a few countries and you see big gullies and
13 fields and you just would like to help them do
14 something about it, but --- I'm so proud of our
15 conservation districts which were formed over 50 years
16 ago. We work in the state that we can get good return
17 on the money and extension service. I'm so proud of
18 what they do for our farmers, and when I look around
19 the grounds up there you see more and more flocks, and
20 I was just talking to one of the staff and they said
21 there's more going on all the time, so ---. Again,
22 welcome to Happy Valley and I hope you enjoy the day.

23 CHAIRMAN HANNA:

24 Thank you. Thank you, Chairman Hershey.
25 Now, I'd like to call on our members to introduce

1 themselves. I'll start on my right with
2 Representative Fleck.

3 REPRESENTATIVE FLECK:

4 Representative Mike Fleck the 81st
5 District, which is about the top of the hill over
6 here, so Blair, Huntingdon and Mifflin Counties.

7 REPRESENTATIVE SOLOBAY:

8 Tim Solobay from the 48th District out of
9 Washington County, which is a whole bunch of hills
10 away from here.

11 REPRESENTATIVE CONKLIN:

12 Scott Conklin the 77th District and I'd
13 like to welcome you all to my district today.

14 MS. HAIN:

15 I'm Diane Hain, Executive Director of the
16 Ag Committee.

17 CHAIRMAN HANNA:

18 Mike Hanna, the 76th District
19 Representative and the Chair of the House Ag
20 Committee. I'd remind everyone, I think we're doing
21 all right. I'm not seeing any nods from up above that
22 they --- we were advised that for TV purposes, we need
23 to speak directly into the mic so that our voices are
24 well recorded.

25 REPRESENTATIVE HERSHEY:

1 I'm Representative Art Hershey, 13th
2 District, Chester County. I'm the Minority Chair of
3 the Ag Committee.

4 REPRESENTATIVE BASTIAN:

5 Bob Bastian, Somerset/Bedford County,
6 69th District.

7 REPRESENTATIVE KAUFFMANN:

8 Rob Kauffmann, 89th District,
9 Franklin/Cumberland Counties.

10 REPRSENTATIVE MOUL:

11 Representative Dan Moul from the 91st
12 District, Adams and Franklin Counties.

13 REPRESENTATIVE GRUCELA:

14 I'm Representative Rich Grucela, 137th
15 District in Northampton County.

16 CHAIRMAN HANNA:

17 Well, thanks --- I'd like to start by
18 thanking all the members for their attendance. This
19 is a wonderful attendance for an August hearing and
20 certainly we've got, I think, the importance of our
21 subject as well as the importance of Ag Progress Days,
22 which brings us to our first speaker. We have with us
23 today Dean Steele from Penn State University. Dean
24 Steele, if you'd like to come forward. Let me begin
25 by thanking Penn State University, and particularly

1 Dean Steele, for all their efforts particularly with
2 Ag Progress Days, but also for everything that they do
3 for agriculture and everything they do for
4 Pennsylvania and everything they do for this
5 committee. We certainly look at Penn State as a
6 partner and Dean Steele's efforts to make that
7 partnership very helpful to us. So Dean Steele with
8 that, we'll ask you to present your testimony.

9 MR. STEELE:

10 Thank you, Chairman Hanna and Chairman
11 Hershey and members of the committee. On behalf of
12 the entire Penn State family, welcome to Penn State
13 and the College of Agriculture Sciences and our Ag
14 Progress Days site out here in the valley. In my 12
15 years here, I don't think we've had better weather
16 than what we're experiencing here and that always
17 helps. And as some of you have already mentioned, if
18 you walk through the grounds here the 400 or so
19 exhibitors and all the activity going on you'll see
20 for sure that the theme of your hearing here is
21 certainly a constant unified theme throughout the
22 whole Ag Progress Days site this year with the
23 programs going on. So I think it's very timely that
24 you chose this topic.

25 I think that everyone in this room knows

1 that over this past year we've also seen the passage
2 of the 2008 Farm Bill. And I put in front of each of
3 you a Penn State publication we just released. This
4 is still the 700 page, give or take, Farm Bill down to
5 two pages. And as a start and as we peruse that and
6 if you're wanting to peruse the deeper into those 700
7 pages, you'll see again very, very clearly that across
8 the United States, and certainly here in Pennsylvania,
9 we're seeing a conversion of agricultural policy of
10 environmental policy, and of energy policy. They are
11 on converging paths. And the common unifying theme or
12 common denominator there without question in my mind
13 is water. So, again, this is the issue for us to deal
14 with whether we're sitting here in this valley, in the
15 Chesapeake watershed or any other watershed really
16 throughout the United States. So I applaud you for
17 choosing this topic and I know you have a great set of
18 speakers who will be following me so I'll close my
19 comments as I began them by again welcoming you here
20 to Ag Progress Days and what has become a traditional
21 meeting of your committee. And we're glad to see you
22 back and best wishes to you, a successful hearing and
23 enjoyable time out here at Ag Progress Days. Thank
24 you.

25 CHAIRMAN HANNA:

1 Thank you, Dean Steele. Do we have any
2 questions from the committee for Dean Steele?
3 Chairman Hershey?

4 CHAIRMAN HERSHEY:

5 I would have one. Dean Steele, I noticed
6 on the back, the research on Colony collapse. What's
7 the latest on the honey bees that you find?

8 MR. STEELE:

9 Penn State is one of the leading
10 universities of really a multi-university federal
11 government, state government and private sector as
12 initiative in trying to find the cause of colony
13 collapse. And our scientists are being extremely
14 cautious because they want to be correct. And so I
15 can assure you that there's a very, very, very
16 powerful research initiative underway and the lines of
17 inquiry that are being followed via viral or chemical
18 --- despite the fact we don't have answers yet, I can
19 assure you that very, very strong progress is being
20 made. And, again, Penn State is taking a lead role in
21 this. In our current newsletter, The Penn State
22 Agriculture, there is an updated article in there
23 bringing people up to date. The United States
24 Department of Agriculture just approved a multimillion
25 dollar research initiative that's headquartered out of

1 the University of Georgia and Penn State is one of the
2 key players there. So progress is being made. We're
3 being very, very cautious because we want to be
4 correct. And stay tuned. Thank you.

5 CHAIRMAN HANNA:

6 Other questions for Dean Steele? All
7 right. Dean Steele, we thank you for your testimony.
8 Next we will call for our panel as --- I believe the
9 Secretary has not been able to arrive yet, so we will
10 call forward from the Pennsylvania Farm Bureau, Joel
11 Rotz, Director of State Governmental Relations. From
12 the Chesapeake Bay Foundation, Matthew Ehrhart,
13 Executive Director. From the Pennsylvania Association
14 of Conservation Districts, Brenda Shambaugh. From the
15 Pennsylvania Builders Association, Grant Gulibon and
16 from the Pennsylvania Municipal Authorities
17 Association, John Brosious. So if our panel would
18 like to come forth and we'll begin with Joel Rotz.

19 MR. ROTZ:

20 Thank you, Mr. Chairman. Thank you for
21 the opportunity for us all to talk to you today about
22 the need for more conservation funding. I want to
23 begin by just mentioning that our farmers in the
24 Chesapeake Bay region are currently facing the need to
25 reduce nitrogen loadings in the watershed by 60

1 percent from where they are today, phosphorus by 70
2 percent, sediment by 75 percent. And there's little
3 doubt that those same types of mandates or
4 requirements are coming to other watersheds across the
5 state, and that's why we're here today. Pennsylvania
6 Farm Bureau certainly believes that the Fair Share for
7 Clean Water Plan in Pennsylvania that we're
8 representing here today contains all programs and
9 funding levels that are needed over the course of the
10 next five to seven years to help farmers adequately
11 adjust the requirements we need that are out there.

12 I'm sure you all recall that in 2003 DEP,
13 Department of Environmental Protection, began
14 developing the Chesapeake Bay Tributary Strategy. And
15 this was required by the Chesapeake 2000 Agreement,
16 all states that were involved in that. And based on
17 what they came out with in the Trib Strategy,
18 agriculture is being held responsible for contributing
19 approximately 63 percent of the total phosphorus
20 getting into the bay, 49 percent of the total nitrogen
21 and 72 percent of the sediment. Now, these numbers
22 confound and I think frustrate our farmers to a large
23 degree because farmers feel like they've been doing a
24 lot of things for a long time now. And I think what
25 gets lost in these numbers is the fact that we have

1 had significant gain in the efforts we've made in the
2 past. We've reduced our nitrogen loading by 40
3 percent since 1985, we've reduced phosphorus by 30
4 percent and we've reduced sediment by 25 percent. So,
5 again, I think that gets overshadowed by the new goals
6 that have been set for us making farmers feel like
7 they were really not getting anywhere when we are.

8 I think you're also probably aware in
9 1993 we were the first state to pass the Nutrient
10 Management Act and we had nearly 900 farms required
11 into that Act to do a nutrient management plan. It's
12 also worth noting that 1200 farms voluntarily complied
13 with that New Nutrient Management Act. It's an
14 example of how our farmers have stepped up. In more
15 recent years, we've seen a whole lot of new things
16 coming down the pike creating more need for financial
17 support and technical support for our farmers.

18 In 2004, both Concentrated Animal
19 Operations and Concentrated Animal Feeding Operation
20 regulations were revised that enhanced environmental
21 protection by requiring a phosphorus based plans in
22 addition to the nitrogen. Also in 2004, Governor
23 Rendell signed into the law the Commercial Manure
24 Hauler and Broker Certification Act. This also put
25 new requirements on our farms. And then in 2005, the

1 ACRE law was established. And that substantially
2 broadens state regulations beyond the federal level,
3 and they encompass more farms, more types of farms,
4 strengthening key water requirements.

5 I just want to point out as an example of
6 the new requirements farms are facing and why they're
7 frustrated with all these new requirements and we
8 don't see evidence of support from the requirements in
9 our state budget. The overwhelming majority of
10 farmers want to do the best job they can do to
11 maintain environmental quality of the farms. Again, I
12 think that's evident in the fact that there were 1,200
13 voluntary compliers with the Nutrient Management Act.
14 It's also evident, you know, with your support and
15 help we had the \$10 million REAP program introduced
16 last year. And we all know that within two weeks time
17 that money was all taken. And this year, we basically
18 did it in one day, so I think that shows the farmers
19 are there ready to step up to the plate if the
20 resources are there to help them.

21 For many family farms the problem is not
22 that they don't know what needs to be done to make
23 environmental improvements to their farms. The
24 problem is having the technical and financial
25 resources to implement the environmental improvements

1 that are needed. Appropriations for programs like the
2 Nutrient Management Program have certainly not kept
3 pace with the increased regulatory demands that have
4 been placed on farms. And appropriations made for
5 operations of conservation districts have been
6 inadequate to say the least.

7 Conservation districts perform a vital
8 role in helping farmers develop and implement farming
9 practices to improve environmental quality of farming
10 operations in a practical and economical manner. And
11 they do provide farmers with credible and practical
12 source in evaluating what needs to be done to solve
13 environmental problems.

14 The Department of Environmental
15 Protection estimates that the cost for agriculture to
16 meet quality goals in the Chesapeake Bay alone is \$600
17 million. Pennsylvania Farm Bureau is very supportive
18 along with the Coalition in helping the municipal
19 authorities achieve financial help in upgrading sewage
20 treatment plants across the state as was noted by the
21 Chairman. However, we quite frankly feel that
22 agriculture has been left behind since we do not see
23 new funding for the agricultural programs. The
24 financial impact on individual farmers in meeting the
25 Chesapeake Bay strategy is going to be far greater

1 than the doubling or tripling of sewage rates that
2 ratepayers were facing had they not got the financial
3 assistance of those recently passed.

4 The Fair Share Coalition partners here, I
5 think, all understand that water quality goals in the
6 bay region and across the state will not be met
7 without expansion of best management practices on our
8 farms to address sediment and nutrient reductions.
9 And that expansion is not going to occur without
10 adequate funding of core programs in our state budget
11 such as the nutrient management fund and funding for
12 agricultural research and extension as well as
13 conservation districts. Flat funding in these
14 programs continues to put our farmers at a
15 disadvantage in adopting proven technologies and
16 discovering new methods to address our environmental
17 challenges. Annual funding for the nutrient
18 management transfer program needs to be increased from
19 \$3.277 million to \$5 million annually, and Penn State
20 extension and research lines need to be increased by
21 at least \$3 million to each line to reclaim the
22 financial resource that we've lost in recent years.

23 And a \$10 million increase for
24 conservation districts is needed to begin to provide
25 adequate technical support on our farms. And

1 expanding the REAP program --- the REAP tax credit
2 program from \$10 million to \$35 million along with the
3 \$15 million direct 50 percent cost share program to
4 incentivize farmers' implementation of needed best
5 management practices is also essential and supported
6 by the coalition. And finally, there is a great need
7 to create a viable nutrient trading program that will
8 leverage funds for best management practices on farms
9 while saving taxpayer and sewage ratepayer dollars.
10 The Builders Association will further discuss the
11 nutrient trading aspect of this with you today.

12 Again, I thank you for the opportunity to
13 testify. Chairman Hanna, for your support and
14 leadership on the issue as well as Republican Chairman
15 Hershey and the support of the entire committee
16 exhibited in the passage of House Bill 2656 this
17 summer. Thank you.

18 CHAIRMAN HANNA:

19 Thank you. We've had some additional
20 committee members join us, so I'll start on my far
21 right here with Chairman Daley. Chairman Daley, would
22 you like to introduce yourself?

23 REPRESENTATIVE DALEY:

24 Representative Pete Daley,
25 Washington/Fayette County, former Democrat Chair of

1 the Ag Committee. Happily handing it off to the
2 Chairman.

3 CHAIRMAN HANNA:

4 Thank you. And on my left is
5 Representative Yewcic.

6 CHAIRMAN YEWCIC:

7 Tom Yewcic down here from Somerset
8 County.

9 CHAIRMAN HANNA:

10 Thank you. Questions for Mr. Rotz? I'll
11 start. Joel, you indicated that --- if I heard you
12 correctly, that the goals are not achievable without
13 the help of the Fair Share Plan and is that --- did I
14 understand you correctly?

15 MR. ROTZ:

16 That is absolutely correct. And quite
17 frankly to be --- I mean, I'll be totally honest, it's
18 going to be awfully hard to accomplish the goals in
19 that time frame, that established time frame, even
20 with the help, but certainly it's unachievable if we
21 even get a good start without the programs we're
22 advocating here.

23 CHAIRMAN HANNA:

24 But if we can move forward with the Fair
25 Share Plan we ultimately will achieve the goals even

1 if not in the timely manner?

2 MR. ROTZ:

3 I would agree that we will sure get a lot
4 closer than we are today if we have the support, yes.

5 CHAIRMAN HANNA:

6 Thank you. Other questions for
7 Representative Rotz?

8 CHAIRMAN HERSHEY:

9 Yes. This is budgetary figure under the
10 REAP program and expanding it from \$10 million to \$35
11 million. Does that say you'll be able to meet the
12 demands given the pressure put on for the upgrades of
13 the nutrient management program?

14 MR. ROTZ:

15 From what I'm hearing about the requests
16 that are coming in --- as I mentioned, you know,
17 basically the money was gone in one day this year. My
18 guess is for a number of years \$35 million will
19 probably not cover all the requests that come in each
20 year, but hopefully it will start closer in to
21 catching up over a period of time.

22 CHAIRMAN HANNA:

23 I know Representative Stern's there in
24 the back, which is a great person behind the movement
25 that tried to get additional funding, and as you know

1 the budget is always a hindrance to process.

2 MR. ROTZ:

3 Yes, it is. And we're certainly very
4 appreciative of Representative Stern in initiating
5 this program a few years ago and now I'll be looking
6 for the expansion.

7 CHAIRMAN HANNA:

8 Thank you, Representative Rotz. The
9 committee as a whole would like to thank
10 Representative Stern for his leadership on the REAP
11 program. It wouldn't have happened without him and it
12 certainly has been demonstrated in the last two years
13 as the agriculture community's need for the program.
14 So hopefully we can see it expanded as we move
15 forward. Representative Solobay?

16 REPRESENTATIVE SOLOBAY:

17 Thank you, Mr. Chairman. And, Joel, I
18 think the funding's touched base with all of you on
19 the panel so I'm just kind of breaking away just a
20 hair over what we're discussing now, but yet the
21 phenomena is going to be very, very important to
22 Pennsylvania as time goes on. And the phenomena is
23 the drilling concept that's going on now, very
24 definitely in western Pennsylvania and northeastern
25 Pennsylvania. But if you talk about the water issues

1 obviously a very large portion of this goes along with
2 this. And I know they're looking at possibly
3 developing and utilizing the acid mine drainage water
4 as a source of water to take care of and deal with the
5 drilling process. This whole phenomena, as I said, is
6 coming across Pennsylvania. It will be very unique I
7 think with the Farm Bureau and our agricultural
8 friends and other forms is out there and I hope that
9 everybody is getting up to speed and revved on this
10 because it appears to be not only what could be a very
11 large windfall, I think, for the agricultural
12 community, but also for the state in general and how
13 that all ties into the conservation issues. And so I
14 know we'll be discussing this, I mean, very
15 extensively as time goes on through both our committee
16 as well as the Environmental Committee, but I think
17 that's another component that will wrap into a lot of
18 the things that we'll be talking about and discussing
19 now.

20 MR. ROTZ:

21 I certainly agree with everything you
22 said, Mr. Solobay, and I can assure you that we're
23 pretty much sleeping, eating and breathing gas leases
24 at Farm Bureau these days. It is the hot topic. And
25 also here at Ag Progress as you can imagine. We've

1 had some good meetings out here both by Penn State and
2 ourselves to help our farmers think about, you know,
3 what all they need to be considering. And very well
4 attended, standing room only yesterday so, you know,
5 the folks are out there hungry for information and
6 you're right, there's definitely environmental impact
7 here that everybody's got to consider. And water
8 quality and quantity issues involving extracting this
9 gas, but they are legitimate concerns we're going to
10 have to know how to address.

11 CHAIRMAN HANNA:

12 We've had Representative Denlinger join
13 us. Gordon, would you like to introduce yourself?

14 REPRESENTATIVE DENLINGER:

15 Good morning, everyone. Gordon Denlinger
16 from East Lancaster County.

17 CHAIRMAN HANNA:

18 And Representative Conklin, do you have a
19 question?

20 REPRESENTATIVE CONKLIN:

21 I do. As a county commissioner we've
22 discovered with some of the older sections of
23 communities getting involved with the stream bank and
24 my question is, how's the outreach program going? I
25 know we need to put the money into the REAP program

1 with yourself and we're going to hear from other
2 members Building Association and others that need to
3 get that nitrate level down, but how successful have
4 you been working with the order trying to get those as
5 sort of a vital part of our community to be able to do
6 more stream banking?

7 MR. ROTZ:

8 Well, that's a good question and I'm not
9 sure I can even give you a qualified answer. It
10 certainly --- you know, it's certainly an area that
11 we're aware of as far as reaching that particular
12 aspect of our membership. And they're hopefully ---
13 again, I won't deny there's been resistance to the
14 stream bank fencing outside of the plain sect
15 community. I think that's changing over time, but
16 there's still an awful lot of legitimate concerns
17 being raised about the stream bank fencing areas
18 particularly noxious weeds issues. It's something
19 that I'm hearing a lot about from the farmers, but
20 it's certainly a best management practice.

21 REPRESENTATIVE CONKLIN:

22 The reason I'm asking is because so many
23 of our farms it seems like are owned by these good
24 people and you look at a lot of our stream bank areas.
25 You think there would be --- although we need more

1 money for the REAP program, you'd think it would be a
2 worthwhile project for us to put money into a program
3 with some type of outreach to further enhance to try
4 and get the folks to come on board with this program.

5 MR. ROTZ:

6 One of the primary concerns it has with
7 working within that community is their lack of
8 willingness to be involved in a government program.
9 And that was actually one of the key thoughts behind
10 the REAP program that we would actually have --- if
11 you look closely at provisions in the REAP program,
12 there's actually provisions proposed to be sponsored
13 as well as --- the bottom line is they have an
14 opportunity to get some financial assistance without
15 they themselves being directly involved in a
16 government program. I'm not sure we've seen much of
17 that type of activity although that was certainly a
18 vision we had and we can continue to have. So I think
19 that's our biggest challenge is to go to a program
20 they have out there, make programs they're going to
21 actually utilize. The money's certainly one issue
22 that even though you were facing another, I think
23 that's your point.

24 REPRESENTATIVE CONKLIN:

25 Thank you.

1 CHAIRMAN HANNA:

2 Representative Hickernell has joined us.
3 Dave, would you like to introduce yourself?

4 REPRESENTATIVE HICKERNELL:

5 Sorry I'm late. Dave Hickernell from
6 Lancaster and Dauphin Counties. Good morning.

7 CHAIRMAN HANNA:

8 Thank you. Chairman Hershey, do you a
9 comment or question?

10 CHAIRMAN HERSHEY:

11 I have a comment. In this budget,
12 there's a --- I didn't understand why DEP got
13 increased enforcement money and then our conservation
14 district under extensive service we got flatlined or
15 cut. That just doesn't add up because the
16 conservation district has untold requests for funds to
17 help do this technical work and do the great work that
18 will improve their farms and their parks wherever the
19 money is. But to increase the enforcement line and to
20 flatline the other two or even cut them, doesn't add
21 up and I just didn't appreciate that happening. I
22 want to put that on the record. Thank you.

23 CHAIRMAN HANNA:

24 Thank you Chairman Hershey.
25 Representative Bastian, you had a question?

1 REPRESENTATIVE BASTIAN:

2 Thank you, Mr. Chairman. Joel, over the
3 years mandates on agriculture and what else was
4 required from the budget has had an effect on a number
5 of farmers just who farm in Pennsylvania. Does the
6 Farm Bureau have any idea how many farm families are
7 going to be put out of business because of these most
8 recent mandates?

9 MR. ROTZ:

10 No, I don't know that we can make any
11 estimation. It always comes down to what commodity
12 prices are doing, et cetera. I mean, the income side
13 plays heavy in this, too. So, you know, obviously if
14 the income side is not looking good and you have all
15 these new mandates and no money to meet them with,
16 you're going to have a main effect to the farmers.
17 There's no doubt about it.

18 CHAIRMAN HANNA:

19 Other questions on my left? All right.
20 Thank you, Joel. Brenda would you like to go next?

21 MS. SHAMBAUGH:

22 Sure and thank you, Mr. Chairman. I am
23 Brenda Shambaugh. I am the Government
24 Relations/Policy Specialist for the Pennsylvania
25 Association of Conservation Districts. PACD, for

1 those of you who are not aware, is a non-profit
2 organization that represents Pennsylvania's 66
3 conservation districts. As I just take this
4 opportunity to thank you for allowing us to address
5 the House Agriculture Committee on the vital role that
6 conservation districts play in preserving
7 Pennsylvania's natural resources.

8 Conservation districts are actually
9 subdivisions of state government that were created by
10 state law to promote the protection, maintenance, the
11 improvement, and the wise use of land, water and other
12 related resources within the Commonwealth of
13 Pennsylvania. Conservation districts are responsible
14 for the implementation of both urban and agricultural
15 conservation programs.

16 Pennsylvania's county Conservation
17 districts were established in 1945 when the General
18 Assembly passed the Soil Conservation District Act.
19 For over 60 years that state's 66 conservation
20 districts have served as leaders, addressing the local
21 natural resource concerns at the county level.
22 Conservation districts were initially established to
23 promote the value of conserving soil and water to
24 farmers. Today's conservation districts have evolved
25 to provide expertise in almost every area of natural

1 resource conservation. Conservation districts
2 continue to help people and communities manage the
3 natural resources in their county. And I would be
4 remiss if I didn't take this opportunity to sincerely
5 thank you as the members of the House Agriculture
6 Committee and the General Assembly as a whole for the
7 recent passage of Senate Bill 1020, which updated the
8 Conservation District law in allowing districts to
9 further their mission.

10 To give you a better idea of the scope of
11 the programs the conservation districts work with, I
12 have delineated them in your testimony below. And as
13 you can see, there are over 20 different programs that
14 conservation districts may average and are involved
15 with. And when we --- in my view that most of these
16 programs do not have state funding associated with
17 them at all.

18 Please allow me to take a moment to
19 discuss the state's appropriations to the districts.
20 In mid 2005, a study from the Legislative Budget and
21 Finance Committee stated, and I quote, despite their
22 importance many conservation districts are struggling
23 for funds. Today in August of 2008, many of those
24 conservation districts are still struggling for that
25 much needed state funding.

1 Each year for the past eight budget
2 cycles the Governor at that time held the conservation
3 district line items static within the Department of
4 Agriculture and the same for the Department of
5 Environmental Protection for the past ten years.
6 Unfortunately, inflation over the same decade
7 increased over 26 percent. And as you well imagine,
8 conservation districts have indicated that they have
9 experienced increased costs during that same period
10 especially for health care costs for their employees.
11 But thankfully, the legislature has provided some
12 additional funding and has continually replaced much
13 of the funding that has been removed in each of the
14 proceeding gubernatorial budget proposals.

15 The LBFC report, as I referenced earlier
16 in my testimony, also addresses the State Conservation
17 Commission's policy for 50 percent funding for the
18 Conservation District Fund Allocation Program, which
19 is the CDFAP, which supplies the financial support to
20 partially staff conservation districts. These funds
21 are intended to cover 50 percent of the district
22 manager's salary and benefits, 50 percent of the
23 district's first technician, second technician and
24 certain administrative expenses. Unfortunately, the
25 Commonwealth has never satisfied the recommended

1 appropriations. Consequently, conservation districts
2 are not receiving the much needed state dollars to
3 fully service their county residents and businesses.
4 Clearly, a deficiency in the state funding hinders the
5 activities of the local districts.

6 If you look at your testimony again, in
7 order of priority, the PACD requests the Commonwealth
8 appropriate the following amount to transfer to the
9 Conservation District Fund to meet certain needs. I
10 won't go over all of these, but as you can see, most
11 of the money that is needed is specifically for
12 cost-share for the managers, for the first technicians
13 and second technicians, for administrative Assistance
14 to run the Conservation District. And then there are
15 other programs that we feel are a priority for the
16 Conservation District. For instance, the Agricultural
17 Conservation Technicians and Engineers, the Farmland
18 Preservation Program, a Leadership Development
19 program, the Ombudsman Program, which is a program ---
20 it helps the community and the farmers work together
21 without going to such issues as going to court or to
22 work out their differences, and additional personnel
23 to provide technical assistance is outlined in the
24 Fair Share for Clean Water Funding Plan.

25 The 2005 LBFC report stated that future

1 consideration should be given to providing districts
2 with a dedicated source of funding. Dedicated funding
3 would greatly simplify the conservation district
4 annual budgeting processes. PACD has researched some
5 other state funding sources for conservation district
6 activities and possible avenues Pennsylvania should
7 consider. One such idea is to add a surcharge to DEP
8 environmental fines and penalties, partially funding
9 conservation district activities. This revenue
10 source, similar to the CAT fund would be assessed to
11 those who violate --- currently CAT funding assessed
12 to violate speeding violations, speeding limits on
13 Pennsylvania roadways, but would not diminish the fine
14 and penalties collected by DEP. It would be an
15 additional charge to those who violate environmental
16 laws and regulations. Representative Ron Miller
17 introduced House Bill 2491 to provide the mechanism
18 needed for the implementation of this program. While
19 this funding source would not be sufficient for all
20 conservation district activities, it is estimated to
21 provide approximately \$1.8 million in new funds per
22 year. The PACD is also open to suggestions from
23 members of this House Agriculture Committee and other
24 interested parties to formulate the viable dedicated
25 funding solutions for conservation district

1 activities.

2 Recently, PACD distributed a paper
3 entitled, Achieving Pennsylvania's Energy Independence
4 Goals While Strengthening Conservation in
5 Pennsylvania, The Critical Role of Pennsylvania's
6 Conservation Districts. The report is attached to my
7 testimony which you have in front of you. In essence,
8 the paper shows the conservation district services
9 will be increasingly necessary as emphasis on bio-fuel
10 production alters farm operations and the need for
11 updated and improved conservation plans. Technical
12 assistance will be needed to keep pace with the
13 increased bio-fuel crop production including training
14 and assistance pertaining to conservation practices.
15 Additionally, new technologies to generate energy from
16 combustion, digestion and gasification from manure and
17 other feedstocks need to be accompanied by proper
18 nutrient management. Further, renewable resources in
19 Pennsylvania will not be limited to field crop
20 production. Pennsylvania's forests hold the potential
21 to provide significant biomass for methanol production
22 and currently non-utilized portions of the harvested
23 wood products. Finally, alternative energy sources
24 such as the development of geothermal systems, wind
25 and solar power, and the development of small scale

1 hydropower will necessitate consideration of
2 additional environmental impacts such as erosion and
3 sedimentation control. The end result of amplified
4 domestic energy production could be increased nutrient
5 pollution if not accompanied by conservation measures,
6 and should be seen as an opportunity to greatly expand
7 natural resource conservation activities.

8 At our last annual meeting, which was
9 held here in State College about a month ago, the
10 following resolution was passed. PACD encourages
11 conservation districts to work with and encourage Penn
12 State Cooperative Extension and other organizations to
13 educate landowners about gas exploration, leasing, and
14 development and to use conservation districts as a
15 resource. PACD also encouraged DEP Bureau of Oil and
16 Gas Management to work with conservation districts to
17 ensure water resource protection.

18 This policy statement is another way
19 conservation districts are assisting local communities
20 and their residents with technical assistance in
21 energy production and conservation practices. The
22 districts continue to stay on the cutting edge of
23 natural resource management and they desperately need
24 the state's financial support to augment energy
25 related conservation activities.

1 In conclusion, as so mentioned,
2 conservation districts and the Pennsylvania Fair Share
3 for Clean Water Coalition are requesting an additional
4 \$10 million in state funding to continue promoting and
5 implementing conservation programs across the
6 Commonwealth. The conservation districts work to
7 protect water, soil and other resources through many
8 programs and services. Additional funding would be
9 used for personnel and programs to promote the
10 important environmental stewardship activities the
11 districts already utilize. And I'll also be happy to
12 answer any questions you may have.

13 CHAIRMAN HANNA:

14 Thank you, Brenda. And the Committee
15 wants to thank you and the conservation districts for
16 being such a great partner and resource for us as
17 we've worked on legislation this session. This time,
18 I'll start with questions on --- oh, let me ask
19 Representative Millard who's joined us to introduce
20 himself.

21 REPRESENTATIVE MILLARD:

22 109th Legislative District, Columbia
23 County.

24 CHAIRMAN HANNA:

25 Thank you, Dave. Let's start with

1 questions on my left. Do we have any questions for
2 Brenda on my left here? Chairman Hershey, any
3 questions or comments? All right. How about on my
4 right? Representative Fleck?

5 REPRESENTATIVE FLECK:

6 Thank you. I had really learned a lot
7 about the Dirt and Gravel Road Program especially with
8 Dean Patterson and Huntingdon County and we're a very
9 large rural county. How has funding been able to meet
10 your needs there on top of the state or is that just
11 more the ---? Obviously a rural issue with dirt and
12 gravel roads may not have ---.

13 MS. SHAMBAUGH:

14 The Dirt and Gravel Road Program, for
15 those of you who don't are not familiar with it, it's
16 actually not a program to pave all the roads in
17 Pennsylvania. It is a program to maintain those dirt
18 and gravel roads so we minimize erosion and
19 sedimentation and it is a very worthwhile program
20 that's been in existence for a --- I believe over a
21 decade. The funding for that program has actually not
22 increased since implementation of the program, so,
23 yes, there is an increasing need for funding.
24 Specifically for dirt and gravel roads, however, we
25 haven't seen any increase in funding there either.

1 REPRESENTATIVE FLECK:

2 Because one of the things I have seen
3 with the township roads that are the dirt and gravel
4 roads a lot of times are affecting the farming
5 community. You have milk trucks coming back long ways
6 --- you got the township lanes, but you know, along
7 the stream beds and I think that's a great program and
8 I would encourage my colleagues for the increase in
9 the funding for that.

10 MS. SHAMBAUGH:

11 Thank you for mentioning that.

12 CHAIRMAN HANNA:

13 Thank you, Representative Fleck. Any
14 other questions on my right? All right. And we thank
15 you. Next from the Chesapeake Bay Foundation, Matthew
16 Ehrhart. Matthew.

17 MR. EHRHART:

18 Thank you, Chairman Hanna, Chairman
19 Hershey and associated members of the Committee. On
20 behalf of CBF, I want to thank you for the opportunity
21 to be here today and also for your support of the Fair
22 Share Coalition in this past budget cycle. The
23 somewhat unusual partners that make up the Fair Share
24 Coalition came together late last winter acknowledging
25 a problem and recognizing that we had no viable

1 solutions on the table to address that problem. So we
2 really rolled up our sleeves from everybody's
3 perspective and tried to put together a solution that
4 was viable, that was equitable and really addressed
5 the breadth of the issue. And this past budget
6 discussion as you all know, and thank you all again
7 for your support, the Coalition was somewhat
8 successful. We secured significant funding which can
9 be used to upgrade wastewater treatment plants. And
10 that infrastructure funding has been necessary in the
11 state for a long time, so that was definitely a
12 success. As Chairman Hanna mentioned before, a little
13 bit of the Ag money also came through and I know that
14 was an uphill battle. So thank you again. From a lot
15 of the Ag meeting which has been already discussed,
16 you know, you just want a partner to deal with at the
17 end of the day.

18 So I want to note that for 25 years
19 Pennsylvania's farmers have been implementing
20 conservation plans, nutrient management plans, forest
21 buffers, manure handling facilities, newfill, other
22 BMPs and have reduced the nutrient load to the bay by
23 over 18 million pounds per year compared to 1985.
24 That's a tremendous reduction. It's the largest
25 reduction by a sector in the state in the Bay

1 initiative. And as Joel noted earlier, we also forget
2 that in our quest for more.

3 The next --- well, on behalf of CBF and
4 our members and people who are on our staff, I want to
5 thank Pennsylvania farmers for the work they've done.
6 I think it's been an incredible amount given the
7 resources we had to work with so far.

8 The rest of the story is to meet the goal
9 of the Chesapeake 2000 agreement we'll need to look at
10 another 25 million pounds per year reduction. And it's
11 hard to visualize what that looks like and I think one
12 of the things that helps is that it essentially means
13 every farm in the state starting to look like the
14 conservation district co-operator of the year farm.
15 And that's a huge leap to take from where we are
16 today.

17 In 2002, the Department of Environmental
18 Protection estimated that getting to that goal would
19 cost about \$600 million. We've been struggling with
20 how to get there ever since and in those seven, as
21 Joel mentioned earlier, the coalition with the help
22 and support of Representative Stern and a lot of the
23 legislature who was able to bring REAP into reality
24 and establish the tax credit program, which Joel
25 mentioned, has really been mildly successful. And I

1 also want to thank Representative Stern for his most
2 recent sponsorship to solicit support for increase in
3 the program and also not just increasing in the
4 funding for the tax credit, but for funds of the tax
5 credit, but addressing a waiting period that exists
6 before farmers can sell their tax credit. This is
7 really important in how long they have to borrow
8 capital to do these projects. So there is a non
9 fiscal component to that case, which is very
10 important. Many of those same partners also work very
11 hard on the Federal Farm Bill. They try to bring more
12 money into the Bay Watershed and Pennsylvania to
13 address some of these issues and really has had what I
14 think is unprecedented is that in a Federal Farm Bill
15 bringing money to this region.

16 One of the key parts about that Federal
17 Farm Bill money is that while funding for the region
18 has increased, the USDA is either not going to get
19 more staffing so that in order to put that money on
20 the ground and actually make the improvements we're
21 trying to make, we're going to have to increase
22 technical assistance within the state without being
23 able to staff up the federal agencies. There is a
24 mechanism to do that and it's call contribution
25 agreement and many conservation districts have those

1 agreements with the federal government. But the catch
2 is it has to be a one-to-one match in terms of the
3 funding. So with the position we're in now with
4 conservation district funding and not being able to
5 see any of those increases, we're not going to be able
6 to match the federal money so we won't be able to put
7 the technical assistance staff on the ground and then
8 we won't be able to tap into the money that's there
9 for these projects and keep best management practices
10 on our farms. What will happen is that money will
11 stay on the table until another state has enough
12 technical assistance capacity to use it. So this is
13 an opportunity where if we put up a little bit of
14 money we can draw a lot more to settle farms that owe
15 money to the state. And then as Brenda noted, the
16 Fair Share Coalition has advocated for that increase
17 for conservation funding.

18 The Chesapeake Bay TMDL, which will come
19 at the end of 2010 or thereabouts as the EPA gets it
20 completed, essentially establishes a pollution budget
21 for our watershed, which means we'll have a tap on how
22 much nitrogen and phosphorus we can send out to the
23 Chesapeake Bay each year. And in order to be able to
24 continue our economic growth and development and meet
25 that task, we will need a functional nutrient credit

1 trading system.

2 The Fair Share Coalition has requested
3 several key changes to Pennsylvania's Nutrient Trading
4 Program to facilitate the predictability and the
5 engagement by stakeholders in that program. And it's
6 really going to be essential that we can generate
7 nutrient credits and have a mechanism to sell them to
8 the buyers and future economic development. In order
9 to maintain our water quality and maintain our ability
10 to grow and develop we need to resolve these issues in
11 a way that they are both of those things that meets
12 our water quality commitments to the Federal Clean
13 Water Act, assures our ability to grow and to continue
14 to develop in the future. And with the Ag sector
15 we're dealing with a lot of the small farms.
16 Thousands of individual businesses with limited
17 resources that sort of ebbs and flows with commodity
18 prices. But in large part and not --- obviously not
19 available they're not able to affect the prices of
20 goods in a significant way, and they don't have the
21 familiarity with a lot of complex financial tools that
22 larger businesses can use.

23 We've also got to reach out, as was
24 mentioned here earlier, to communities and people who
25 have not been part of government programs before and

1 we have to reach out to small farms who have never
2 been lined up for federal funding, particularly the
3 Amish and Mennonite folks in pockets across the state.
4 And that will be a challenge. I guess what we're
5 asking from the legislature is to really sort of have
6 the opportunity to not do business as usual with
7 funding these programs and to not let others
8 priorities overshadow the need and the need to deal
9 with it now. The Chesapeake Bay Foundation and the
10 Fair Share Coalition must continue to work with the
11 administration and the legislature to find some
12 resolution and increase these funding issues to what
13 we know to be a very difficult time of year in the
14 year to come. So thank you again for the opportunity.
15 I'd be happy to answer any questions.

16 CHAIRMAN HANNA:

17 Thank you, Matt. And let me just ask
18 you, I guess more for the benefit of our TV audience
19 than anyone else, just give us about 30 seconds on the
20 foundation, on how it was formed and what its role is
21 and what would --- how you fit into the entire program
22 to clean up the Cheseapeake.

23 MR. EHRHART:

24 The Chesapeake Bay Foundation is about 40
25 years old. We were initially started as an education

1 organization and about half of the Bay foundation's
2 180 staff across the watershed is dedicated to
3 education with middle school and high school children.
4 The rest of us work on policy issues, resource issues,
5 and have evolved over the year, I think, in a very
6 positive way from more of the --- what people think of
7 as the traditional environmental group into really, I
8 think, a solution oriented group who's been trying to
9 work with all the stakeholders recognizing that we
10 need to, you know, press to improve our water quality
11 and our Clean Water Act obligations. We have to be
12 able to continue to grow and have livable communities
13 in the watershed.

14 CHAIRMAN HANNA:

15 I'll call on Chairman Hershey next. As I
16 understand he's also the Chairman of the foundation,
17 so ---

18 CHAIRMAN HERSHEY:

19 Not the foundation, the Commission.

20 CHAIRMAN HANNA:

21 --- of the Commission, of the Chesapeake
22 Commission.

23 CHAIRMAN HERSHEY:

24 Now, that also needs to be explained.

25 The foundation is the environmental side and the

1 Commission is the policy side and a lot of people
2 don't know the difference. But we do try to work
3 together. As a matter of fact, I have an ongoing
4 question with the bay models and how they assess so
5 much pollution to agriculture and then we have the
6 cities, and I know there's a lot of --- in working on
7 those, there's a lot of sewers in Lancaster and
8 Dauphin Counties that when you get two inches of rain,
9 they'll open up the floodgates, go into the rivers.
10 The people that I talk to that's not considered in the
11 model. Why isn't that considered in the model because
12 to me that's a lot of nutrients going into the bay?
13 And you know, the Blue Plains system in D.C. is a
14 tremendous, tremendous polluter, and they're spending
15 now millions of dollars to upgrade that. When I first
16 came on the Commission, Baltimore City just built a
17 new plant that cost over \$100 million to take care of
18 these nitrate problems. We don't hear much about the
19 cities and the boroughs that are overtaxed, I call
20 them, the builders and that are the one's homes and
21 the municipal people having to upgrade the sewers.
22 And I think there's a line there. Do you have a
23 comment on that?

24 MR. EHRHART:

25 And perhaps we can --- John Brosious can

1 address it as well in his comments, but there was an
2 effort to look at combined sewer overflow issues and
3 their contributions to the nutrient load. The
4 estimates that were made indicated that while they're
5 unique and they're certainly a public safety concern
6 in some areas, but in terms of the total volume of the
7 nitrogen and phosphorus, the decision was made by
8 scientific communities that they weren't --- that they
9 were dwarfed by these other issues. And there are the
10 other avenues of the Clean Water Act. There are
11 discussions with a lot of communities about how to get
12 those cleaned up. John can tell you. They're very
13 expensive to deal with typically in general. I think
14 Pennsylvania's state wide BSO estimated costs at
15 between \$7 and \$18 billion depending on which numbers
16 you look at.

17 So you also addressed the issue of Ag and
18 other land uses, and one thing that is often lost is
19 that other land uses generate their own sets of
20 problems. You know, certainly sometimes during
21 construction activities we have a lot of exposed soil
22 and that's an issue, and, in fact, suburban and urban
23 lawns create or contribute a fair amount of nitrogen
24 and phosphorus and are a significant issue. When you
25 look at the watershed as a whole, we grow a lot of

1 food here. You know, we feed an awful lot of our
2 country and, you know, parts of the world here and
3 have a lot of acreage and agriculture. So it's not
4 just the per acre of runoff issue, it's just that we
5 have a lot of farming in Pennsylvania and we're proud
6 of that as part of our heritage, but it really has led
7 to some of these issues.

8 CHAIRMAN HANNA:

9 Other questions or comments on my left?
10 How about on my right, Representative Denlinger?

11 REPRESENTATIVE DENLINGER:

12 Thank you, Mr. Chairman. Thank you.
13 Good to see you, Dave. Thank you for your testimony.
14 I appreciate the fine work that the organization does
15 and the challenges that we all face. I'm wondering
16 --- you touched on it briefly. I know you hail from
17 the same part of the state that I do. I'm wondering.
18 Your interactions with the plain sect particularly,
19 how does your organization approach that --- what's
20 the nature of dialog? And I guess the deeper question
21 is, do you feel that the organization has achieved a
22 level of trust that opens the door to have a good
23 dialog about impact to the bay and what can be done in
24 our area of the state?

25 MR. EHRHART:

1 First it's something that's been --- it's
2 been a lot of refining --- a lot of different folks in
3 Lancaster on how to work with that community given
4 their concerns about working with the government and
5 through their religious constraints. I think the Bay
6 Foundation has come a long way in terms of working
7 with agriculture. That sector has been a tough nut to
8 crack. There's no doubt about it. And it's an
9 interesting time we have like a discussion because
10 we're recognizing that issue. We're sort of beginning
11 a real initiative to work with some leaders in the
12 plain sect community. As Joel mentioned, part of the
13 hope of REAP was that as a tax credit program, you
14 know, might be a new tool that was more appropriate to
15 that audience. And so we're really sitting down to
16 figure out how do we reach out to that community more
17 effectively, which tools can we use and can't we use
18 to work with them? And is there a role --- or excuse
19 me, we have sort of a non-government entity to raise
20 funding and resources from other places that we've
21 been --- that we can bring to bear that they just
22 might do more favorably than governments with money.

23 REPRESENTATIVE DENLINGER:

24 Very good. I appreciate that and I
25 appreciate that it is a challenge, certainly. So

1 thank you for that answer. Thank you, Mr. Chairman.

2 CHAIRMAN HANNA:

3 Any other questions on my right? Okay.
4 Hearing none, I'm going to deviate slightly from our
5 forum here with the permission of John and Grant. I'd
6 like to call on the Secretary of Agriculture to
7 testify next and then we'll return to our panel.
8 Secretary Wolff.

9 SECRETARY WOLFF:

10 Thank you, Chairman Hanna, Chairman
11 Hershey and members of the House of Agriculture and
12 Rural Affairs Committee. It's a pleasure to be here
13 this morning. I have presented written testimony. I'm
14 not going to read that. I want to make a few remarks
15 on some of the conservation programs we have in
16 Pennsylvania and what we think is important to the
17 agricultural community and water quality issues going
18 forward. And then maybe make a few just brief
19 comments on some of the general initiatives that the
20 department is working on right now and give you the
21 chance to ask some question.

22 First off, I would like to touch briefly
23 on the Farm Bill. I think as it was mentioned
24 earlier, Pennsylvania was very involved and very
25 effective in the current Farm Bill especially as it

1 relates to the conservation title. Certainly
2 Pennsylvania Farm Bureau, Pennsylvania Grange, all of
3 the farm organizations along with the Chesapeake Bay
4 --- Commission of the Chesapeake Bay Foundation, all
5 had good input. And that was directly reflected in
6 some of the changes we see in the Farm Bill. We see a
7 very large increase in terms of dollars coming to
8 Pennsylvania for the Chesapeake Bay Watershed area as
9 well as a significant increase in the EQIP dollars
10 that will come to Pennsylvania whether you're in the
11 Chesapeake Bay Watershed or other watersheds. We've
12 had the opportunity to give testimony as to how that
13 --- how the new Farm Bill will be authorized and how
14 some of those funds will be distributed. We basically
15 made it pretty simple. There's about five areas that
16 we feel are very important. They include stream bank
17 testing and keeping livestock out of the stream. It
18 includes cover crops, it includes no-till
19 conservation. It includes making sure that there's
20 enough technical assistance available to get those
21 practices on the ground so those farmers can implement
22 them. And it's also about trying to encourage new
23 farms to participate in these programs. When we look
24 back at the history we see that some farms participate
25 every year and there are many farms that never

1 participate. Trying to get them on board, those
2 smaller farms that may have barnyards that correlate
3 strategically through a stream where there are
4 challenges with pollution going in that stream.

5 Also I would like to comment on the REAP
6 program. Wanted to thank Representative Stern for
7 taking the leadership in that. That's a great
8 program. \$10 million that really has a positive
9 impact on Pennsylvania agriculture and water quality
10 in Pennsylvania, specifically two areas that I know
11 where these dollars are unique. One is that it helps
12 cost-share, non covered parts of the program such as
13 the EQIP program. A farmer can actually apply for a
14 cost-share on the dollars that cuts --- to come out of
15 his pocket. And many times though that encourages him
16 and that is the incentive for him to put that program
17 in place. So in a sense it leverages phenomenal
18 amounts of federal dollars. That \$20,000, \$15,000 to
19 help him or his cost-share on that may easily leverage
20 \$100,000 in federal dollars that come into that farm
21 and be part of his conservation plan on his farm.

22 The other is no-till conservation. Many
23 farmers in Pennsylvania took advantage of that via
24 being able to upgrade their no-till machinery ---
25 upgrade their existing machinery with no-till

1 machinery. And we all know that that is one of the
2 most environmentally responsible things a farmer can
3 do today is to go to no-till conservation. The new
4 equipment allows them to maintain very good and high
5 yields. It saves on fuel dollars and it certainly has
6 significant improvement in terms of waterfall that
7 comes off of those farms.

8 The other is --- I just wanted to touch
9 very briefly on. There will be an announcement later
10 today. We have a new center in the Department of
11 Agriculture --- House of Department of Agriculture,
12 overseen by the Beef Task Force. It'd be the Center
13 for Beef Excellence. They will be --- in fact, the
14 governor will be announcing that new executive
15 director for that center today. I just met with them
16 earlier today over at the livestock at the evaluation
17 center. They're excited and they're progressing and
18 an aggressive group of farmers that are really moving
19 that forward at lightning speed.

20 Also we continue to work with the raw
21 milk increase and the demand for raw milk permits in
22 Pennsylvania in trying to make sure that we regulate
23 that in a responsible manner. Raw milk has a ---
24 we're one of 27 states that allow for the sale of raw
25 milk, however, those farmers do need to have a permit

1 and that milk does need to be tested to ensure that it
2 does not create any risks for human health issues.

3 Milk labeling, an issue that kind of
4 developed after this hearing last year and certainly
5 was a lot of public input and debate on that during
6 the winter months. We have a public policy in
7 Pennsylvania where we have a standard for milk
8 labeling that has been used by several other states.
9 It really puts good accurate information on the label
10 for people who are looking at buying milk and knowing
11 how that milk is produced. And we think that that's a
12 good thing. Going forward, I think we're a compliance
13 rate like 99 percent. There's maybe a couple dairies
14 we're working on to fine tune that. We had a wide
15 variety of different labels that we thought were
16 either false or misleading, and today we have a
17 standard that is being met by all dairies selling milk
18 in Pennsylvania regardless whether a Pennsylvania
19 dairy or an out of state dairy.

20 And last but not least, I came this
21 morning from a crop insurance meeting. Crop insurance
22 is critical to our farmers in Pennsylvania, and our
23 dairy farmers now have a new product. It's called LGM
24 Dairy and it allows them to ensure their margin on
25 milk going forward. That is a product that the

1 industry requested of us. We worked hard on that with
2 the National Crop Insurance Board, had numerous
3 meetings with them and asking them if they would
4 consider a dairy revenue policy. We have that.
5 Actually the first closing date on that will be the
6 28th of August. So that is a school that farmers in
7 Pennsylvania and the northeast part of United States
8 are part of that pilot program who we think it's a
9 great risk management opportunity for the dairy
10 industry, and that of course being 42 percent of all
11 of our farm revenues in Pennsylvania. So it's kind of
12 a quick update. I would just like to make --- thank
13 Representative Hershey for his years of service. We
14 know that he is going to be stepping down at the end
15 of the year. A wonderful resource to Pennsylvania
16 Agriculture and a great career in representing the
17 farmers of Pennsylvania as well as Representative
18 Bastian. We thank you and we've enjoyed working with
19 you. We've really enjoyed your support for
20 agriculture in the Commonwealth and we're sorry to see
21 you go. Wish you well with your new endeavors.

22 CHAIRMAN HANNA:

23 Thank you, Secretary Wolff. And while
24 we're on the subject of thank yous. Let me take this
25 opportunity to thank you and the department for the

1 fine leadership which you've provided particularly
2 with the Farm Bill. I've watched them and worked with
3 you as you had tremendous input on the Federal Farm
4 Bill and I think it really did have an impact on the
5 Bill in the end and most importantly on Pennsylvania
6 farmers. And I think your leadership was very
7 important to that. So we thank you for what you did
8 in that effort and all the efforts which you extended
9 to Pennsylvania and Pennsylvania's agriculture
10 community. Chairman Hershey, any comments or
11 questions?

12 CHAIRMAN HERSHEY:

13 Thank you, Secretary Wolff. I remember
14 the first farm show dinner when you had just been
15 appointed and I know the frustration you went through.
16 You have met the challenge and did a good job for
17 Pennsylvania farmers. I want to thank you for that.

18 CHAIRMAN HANNA:

19 Thank you, Chairman Hershey. Anyone else
20 on my left? How about on my right? Chairman Daley?

21 REPRESENTATIVE DALEY:

22 Thank you, Chairman Hanna. Well, with
23 regard to Art Hershey, I've served with Art for 26
24 years in the legislature and mentioned that he was on
25 the committee. But I'm happy to see him go because

1 when the Secretary and I are on the same team --- with
2 the milking contest at the farm show, Art is always
3 on the other team, so we're happy to see those hands
4 retire. Because if you would watch Art milk a cow
5 when he squeezes the teets, it's like running milk out
6 of the spigot because they're the same chairs while
7 milking, but the rest of us are just happy to see you
8 again.

9 Mr. Secretary, I want to ask you one
10 question about meat labeling. I know that earlier on
11 we were talking about this. We were talking about
12 customer as opposed to the productionee. We were
13 talking about the possibility of future legislature in
14 Pennsylvania identifying the location of the origin of
15 certain meat production. Is that something the
16 department talked about and looked over the last few
17 years?

18 SECRETARY WOLFF:

19 As part of the Farm Bill this year the
20 country of origin labeling was addressed. That is to
21 --- was originally to take effect the end of September
22 of this year. And that has been moved back, but
23 they're very serious about trying to get that in
24 place. Obviously there's --- you know, tractability
25 is paramount, and every time an outbreak occurs it

1 seems to finally --- seems to be a trace value
2 accomplished, there seems to be another outbreak. The
3 meat industry has done that at lightning speed
4 compared to the vegetable industry. So we know that
5 there's plenty of room for improvement there. The
6 country of origin and labeling is discussed. We are
7 supportive of that and we think that we will see that
8 implemented in the next several months.

9 REPRESENTATIVE DALEY:

10 Thank you.

11 CHAIRMAN HANNA:

12 All right. Any other questions for the
13 Secretary? We thank you, Secretary Wolff. We
14 certainly appreciate your time and your effort. Thank
15 you for being here today.

16 SECRETARY WOLFF:

17 Thanks, Chairman.

18 CHAIRMAN HANNA:

19 All right. Now we'll return to our panel
20 and I will call on John Brosious, the Deputy Director
21 of Pennsylvania Municipal Authorities Association.
22 John.

23 MR. BROSIOUS:

24 Thank you, Chairman Hanna. I want to
25 thank the members of the committee also for your vote

1 of support for infrastructure during the budget
2 debate. And hopefully by this fall we'll have \$1.2
3 billion for sewer and water needs around the
4 Commonwealth although that is only five percent of the
5 need that we have that's estimated by DEP PA at \$20
6 billion. I submitted a very short summary of concerns
7 that we have with the Trading Program that exists
8 today, and I also submitted a longer version of that
9 that highlights in detail some of the particular
10 concerns that we have. So I would like to just make a
11 few remarks off script if you will.

12 The coalition that you've invited to
13 speak in front of you is pretty unique as far as
14 groups that come together to work for common interest.
15 You have the infrastructure community, the builders,
16 the environmental community, the Farm Bureau and the
17 conservation districts. And those are pretty strange
18 bedfellows to put it in political terms. You heard
19 Matt say we came together to push the Fair Share Plan
20 earlier this year. In reality, we have been meeting
21 amongst ourselves for the past three years trying to
22 make some real world sense out of the Chesapeake Bay
23 Tributary Strategy and to work together to make that a
24 reality. We have met without the Department of
25 Environmental Protection because frankly I think we

1 have felt that some of the manner in which they have
2 gone forward has not been a realistic approach nor is
3 it an approach that will bring the results that we are
4 looking for. So the five groups have been meeting
5 active for three years to try and make protection of
6 the Chesapeake Bay a reality. When it comes to the
7 sewage treatment plants there are 184 impacted sewage
8 treatment plants in Central Pennsylvania. The
9 estimated cost for them to do upgrades is over \$1
10 billion. That was a very hotly debated estimate with
11 the Department. It started out at \$376 million and
12 then the Department dropped it to \$190 while we
13 escalated it with the addition of 64 new plants and
14 the rate of inflation from the common numbers were put
15 together at \$1 billion. The Senate, as you may know,
16 passed a resolution to look at what the true cost is.
17 That was Senator Bastian's resolution. There is an
18 independent engineering firm that's about halfway
19 through that. The initial estimate to confirm that it
20 will be over \$1 billion worth of costs for the sewage
21 treatment plant.

22 We have also had a Trading Program for
23 three years. When it was first announced at the first
24 meeting in front of the House of Senate Environmental
25 Communities it was labeled a nationally recognized

1 Trading Program. To date, that nationally recognized
2 Trading Program has completed four trades in three
3 years. That is why we're here today. We have found
4 so many things in the Trading Program that make it
5 difficult to implement in the real world. The things
6 we say, there's a bid limit for local municipal
7 government in Pennsylvania. Anytime you purchase
8 something over \$10,000 you've got to go through a bid
9 limit. The purpose of Trading Credit falls under that
10 definition. You would have to advertise and bid and
11 then there's a contract for all the credits that you
12 purchase. That becomes a little bit of a complex
13 procedure for us to go through to buy credits that are
14 only guaranteed by the department for one year,
15 whereas if we choose to buy credits instead of bills
16 through capital improvement for the plant, we're
17 looking at the life span of a plant of 20 to 25 years.
18 So we're looking at the need for increase in trading
19 credit for that period of time.

20 We know credit's available right now. I
21 went on DEP's website earlier this week. There were
22 659,000 nitrogen credits available on that website.
23 The need for the first 63 phase one plants is 6.4
24 million pounds a year of nitrogen, but currently we
25 only have enough credits that form the Trading Program

1 to satisfy ten percent. If we look at all 184 sewage
2 treating plants, they need 7.5 million pounds of
3 nitrogen credit. So you can see there's a pretty big
4 disconnect right now between what's available and what
5 we would need if we were to go strictly to purchase a
6 new trading credit instead of new construction.

7 I would also note that out of the 29
8 groups of credits that have been approved by the
9 Department, 22 of those are for the removal of chicken
10 manure from hen houses. Only 4 of the 29 approved
11 credits that are as a group of credits that are for
12 sale, and out of that 29 only 4 have been purchased
13 in 3 years. And only four of those that are available
14 for purchase deal with best management practices on
15 the land. And I think that was one that we've all
16 brought up today is the ability of all of us, my
17 sector and the infrastructure, sewage treatment
18 plants, the grant sector, the builders, who will have
19 a need to buy credits, they want to make sure that
20 that need is being met by the agricultural community.
21 And right now short of the REAP Program, we don't see
22 the amount of dollars at the federal or state level
23 coming into the agricultural sector to put that money
24 on the table but also to get the money in their hands
25 so the production of credits would be available for

1 sewage treatment plants and for builders to buy.

2 I have a number of points in there about
3 the complexity about the Trading Program and I won't
4 go into them, but what I'd like to do is talk about
5 one last issue with trading and it is the trust issue.
6 There aren't a lot of farmers stepping up at this
7 point in time putting the credits on the table or
8 implementing the best management practices because
9 they're not certain there's going to be a market to
10 purchase those. Conversely, there aren't a lot of
11 sewage treatment plants that are buying them because,
12 one, we're not sure how many will be there, we're not
13 sure about the cost and we're not sure that in the
14 long term the amount of credits that we need will be
15 there at the price that we need.

16 I think what we're looking for is to
17 simplify the process and make it a simple bank. This
18 was something that the five of us had advocated not
19 only three years ago, but for the past three years
20 with the department to make it a simple bank. The
21 farmers would deposit the nutrient credits in the bank
22 after the certified sewage treatment plant, the
23 municipality, the builders and developers would
24 purchase them. Pretty simple equation. Same way that
25 a bank works. Initially that was accepted by the

1 department. They had moved away from that concept to
2 the pre-market approach to trading which puts us back
3 into a bidding situation where if the state ran a bank
4 it's just a simple transaction, we buy them. One, we
5 have to enter into a bidding requirement. Second, we
6 have to enter into long term contracts to offset the
7 potential of building for 15 or 20 or 25 years and
8 ensure that those credits are there at the price that
9 we need. That is a risk that the sewage treatment
10 plants haven't been willing to take just yet. And I'd
11 just like to close by saying that last fall, almost a
12 year ago, at the PennVest meeting, PennVest agreed as
13 a board that they would set aside up to \$50 million to
14 get into the trading business. That they could
15 purchase credit from the agricultural community and
16 they could accept payment from sewage treatment plants
17 and develop their --- to turn around and sell those
18 credits. And I guess we're looking at that potential
19 that there is a \$50 million pot of money already
20 authorized to jump start the bank. And I think in our
21 legislation we had PennVest identified as one of the
22 potential entities that would run a bank or that the
23 state through DEP, Department of Ag, PennVest, even
24 DGS to contract with someone that would be able to run
25 a credit trading bank and with that I'll stand for any

1 questions. Thank you.

2 CHAIRMAN HANNA:

3 Thank you, John. Let me start by perhaps
4 asking the impossible. Has your association at any
5 point tried to estimate what the increase would be in
6 sewage rates as a result of all the necessary
7 improvements and upgrades that would have to happen to
8 all of these sewer plants across the Commonwealth if
9 there isn't additional state or federal assistance?
10 If it was left to the authorities and the local
11 government to make these upgrades what would you
12 estimate that the cost increase would be to our
13 constituents in sewer rates?

14 MR. BROSIOUS:

15 We have done surveys and in that survey
16 we have seen anywhere from a minimum of about a 25 to
17 30 percent increase where there was not a lot of
18 capital needed to meet this. To some communities they
19 frankly feel they would have to triple or quadruple
20 rates in the future in order to meet their costs. And
21 I say that --- I can give you a few numbers. The city
22 of Williamsport's looking at \$154 million worth of
23 upgrades, 84 of them are tied to the Chesapeake Bay
24 clean up. The city of Harrisburg is looking at
25 potentially \$60 to \$70 million if they build to deal

1 with the Chesapeake Bay. So it's a billion dollars
2 worth of need in order to address that after the state
3 or federal funding would be passed on to the
4 ratepayers for them to take that on.

5 CHAIRMAN HANNA:

6 And I guess what concerns me most is that
7 as I recall DEP has a formula or at least a way of
8 estimating what they believe to be an acceptable sewer
9 rate as they review plans, and in most communities
10 that I represent their estimate of what the community
11 can afford is ridiculous. That the communities and
12 the constituents look at those rates and are aghast
13 what they would have to pay. So I guess my concern is
14 that I want to share with you and with all the
15 committee members the need for state and federal
16 funding and this is paramount. If we don't step
17 forward and address this problem, we're going to
18 address it on a local level in a way that simply will
19 hurt our constituents in more ways than we realize.
20 Thank you. Questions for John on the left or right?
21 With none, we'll move on to Grant.

22 MR. GULIBON:

23 Thank you, Mr. Chairman. Thank you,
24 Chairman Hanna, Chairman Hershey, members of the
25 committee. I appreciate the opportunity to be with

1 you this morning to talk about the critical importance
2 of the few --- what we would call the two unfinished
3 legs of the Fair Share Clean Water Plan. In the
4 numerous meetings that we had with the state policy
5 makers and other officials we'd taken to describe the
6 Fair Share Plan as a three way legged store. Three
7 components equally supporting each other in obtaining
8 the goal of making sure that we meet our environmental
9 obligations in the Chesapeake Bay while doing so in a
10 manner that preserves and protects economic
11 opportunity in Pennsylvania, which is critically
12 needed. One of the three legs of the store, which we
13 are extremely grateful for was addressed by the
14 General Assembly or the governor during the past
15 budget session with the passing of the Senate Bill, 2
16 and 1341, to work on the sewage and water
17 infrastructure needs with every watershed in the state
18 of Pennsylvania. But the other two legs funding for
19 agricultural conservation practice and also from the
20 nutrient credit trading program remain unfinished. SO
21 we're pleased that's been a --- seen today as evidence
22 of the fact that the General Assembly recognizes the
23 importance of working on those two issues as well.

24 I'd like to just talk a minute about
25 agricultural conservation funding and reform of the

1 nutrient credit trading program were contained and to
2 provide environmental improvements today while at the
3 same time preserving and protecting economic growth.
4 First of all, what I would note is one of the
5 principals that the Pennsylvania Builder's Association
6 had in addressing cleanup on Chesapeake Bay is that
7 whatever public dollars you spend on the cleanup you
8 recognize that they scarce. So therefore whatever
9 public and other repayment dollars that are spent need
10 to be spent on practices that deliver the greatest
11 number possible of environment improvements at the
12 lowest possible cost. Clearly from the agricultural
13 conservation practices we, in fact, meet that
14 definition. Over and over we have heard and we have
15 read that installing best management practices on
16 farmlands will do much more to meet Pennsylvania's
17 environmental obligations per dollar than other types
18 of conservation because of the sheer size of the
19 reductions needed and also because of the economic
20 efficiency that is needed to putting those in place.

21 At the same time, however, from those in
22 the perspective of the housing industry, I would also
23 note that the importance of the function of the
24 trading program from our perspective comes from the
25 fact that we need the function trading program in

1 place if economic growth is going to continue being a
2 large portion of Pennsylvania. The reason for that is
3 under the Chesapeake Bay Tributary Strategy, there is
4 no nutrient allocation allowed for new growth and
5 development. So therefore, every new house to be
6 built and hooked up to public sewage systems needs to
7 offset 100 percent of the nutrients through the
8 discharge, 100 percent of the nitrogen and 100 percent
9 of the phosphorus. Therefore, a successful trading
10 program isn't just an option for us. It's an absolute
11 necessity if economic growth and buildings will
12 continue to take place in Pennsylvania. At the same
13 time, the function of the trading program by
14 channeling dollars in the direction of agriculture
15 where the need is greatest for environmental cleanup
16 and also where it is most economical for that cleanup
17 to take place, can help all affected sectors to meet
18 their obligations whether it's agriculture, new
19 development, sewage treatment plants or anyone else
20 that's affected by the Tributary Strategy helping to
21 take place in the most cost effective manner. It also
22 helps to stretch the dollars that were allocated for
23 sewage treatment plant improvements by again making
24 certain that a cost effective alternative is in place
25 where credit trading is the most viable option for

1 those plants. And at the same time, preserves the
2 opportunity for new growth to the place by ensuring
3 that additional sewage capacity will be available as
4 new homes come on.

5 I would just also conclude by saying ---
6 reiterate some of what John said about the falls of
7 the trade program. I think he covered that very well.
8 I think he also covered the potential solution very
9 well with the Fair Share Coalitions by advocating
10 which is the nutrient trading bank to the program that
11 would provide for certainty to not only generate as a
12 credit for farmers so that they are certain that when
13 they make investments in best managing practices, they
14 will have someplace to sell those credits and at the
15 same time will have use of the credits for sewage
16 treatment plants, for developers to make certain that
17 there would be credits available for the long term at
18 a reasonable cost so that they will have certainty in
19 to their future decisions as well and also make
20 certain that those activities take place in an
21 environmentally responsible and also economical
22 beneficial manner. So in conclusion, I again want to
23 thank you for the opportunity to speak this morning
24 and I'd be happy to answer any questions that you may
25 have. Thank you.

1 CHAIRMAN HANNA:

2 Thank you, Grant. Any questions for
3 Grant on my left? Any on my right? Well, I certainly
4 want to thank our entire panel for their participation
5 this morning. They've provided us with some valuable
6 input and information as we continue to look at the
7 agricultural conservation issues as well as the Fair
8 Share Plan in particular. We want to thank you for
9 coming together as a coalition as was pointed out
10 earlier. We need coalition and it represents a lot of
11 stakeholders who are involved in this, and we
12 certainly appreciate your efforts to come together and
13 try and find a solution. It makes our job a little
14 easier if we try and address this, so I want to thank
15 you all for your efforts. And then let me thank our
16 committee. That's who we wanted to attend this
17 morning. I saw we even had to add chairs. That's a
18 great sign. So we want to thank all the committee
19 members for traveling here to Central Pennsylvania and
20 joining us for this important hearing. And with that,
21 we will close. Thank you.

22

23 * * * * *

24 MEETING CONCLUDED AT 11:27 A.M.

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