

Testimony before the House of Representatives Appropriations Committee
Agriculture Secretary Russell C. Redding
Monday, February 26, 2018

Chairman Saylor, Chairman Markosek and members of the Appropriations Committee, thank you for the invitation to appear before you today to discuss Governor Tom Wolf's proposed budget for the Pennsylvania Department of Agriculture in fiscal year 2018-19. Indeed, the governor's proposal offers a tremendous amount of positive news for the department and for Pennsylvania's agriculture industry. It makes investments that build upon our accomplishments of the past three years and addresses many present and looming challenges confronting our producers. And while there is much in the plan to tout, I must stress the urgency with which the General Assembly must act to remedy systemic issues that require legislative action, most notably structural deficits in restricted accounts and special funds that are the result of unfunded mandated responsibilities and rising costs, such as the Dog Law Restricted Account and the Nutrient Management Fund. These issues demand immediate attention if we are to avoid the loss of services upon which Pennsylvanians depend.

I will begin by highlighting Governor Wolf's proposal for our General Government Operations line item. For FY 18-19, Governor Wolf has proposed a nearly 7.4 percent increase of almost \$2.3 million. If approved, this would represent a 32.2 percent, or \$8.14 million, overall increase in our GGO appropriation since 2015. At the same time, we have worked diligently to control spending, saving an estimated \$6.2 million over the past three years through our GO-TIME initiatives that are making better use of technology, shifting functions to the private sector, and cross-training employees to make better use of existing personnel. Combined, these additional dollars and savings are enabling the Pennsylvania Department of Agriculture to meet our core mission of protecting public and animal health, food safety and consumers at a time when more and more responsibilities are falling to the department.

As two examples of this shift, I point to the work of our bureaus of Food Safety and Rides and Measurement Standards. Between 2009 and last year, the department has assumed food safety inspection responsibilities for 33 municipalities. That means we must now inspect nearly 1,700 more facilities, or the equivalent workload of 4-6 new inspectors. Since 2000, we have taken on the responsibility for inspecting more than 74,000 weighing and measuring devices as 42 counties and one municipality have terminated their inspection programs during that timeframe. For us, that is an equivalent workload of 27 additional inspectors.

Returning to the governor's proposed funding increase to our GGO line, nearly \$1.6 million is dedicated to combatting the Spotted Lanternfly. This invasive pest is threatening not only our agricultural industry, but all commerce, as well as the quality of life of our residents. This pest was discovered for the first time in North America in Berks County in 2014. Since that time, it has spread to 13 southeastern Pennsylvania counties, covering approximately 3,000 square miles today. While this spread is alarming, providing a comparison is important for perspective. When this pest was discovered in South Korea—a nation only slightly smaller than Pennsylvania—it had enveloped the entire country within three years. The proactive approach of our Bureau of Plant Industry—coupled with our partnerships at the federal, state and local levels, as well as with Penn State's College of Agricultural Science and Extension—has limited the Spotted Lanternfly's spread here.

This invasive pest poses a real threat to our commonwealth. It jeopardizes \$18 billion worth of agricultural commodities produced in our state, such as apples, grapes and hardwoods.

If the state cannot contain or eradicate the pest, it threatens exports of products to other states and countries that want to prevent the pest from establishing a presence there. In addition to surveillance and eradication efforts, we have established quarantines in those counties where it has been discovered to date, and we are working with businesses and residents to ensure they are doing their part to prevent its spread.

Up until this point, the department has relied exclusively on federal funding to finance our work, but the magnitude of this challenge demands state-level funding. Pennsylvania has dealt with invasive species before successfully when we have invested as a commonwealth. We eradicated the plum pox virus with the aid of state funding. But in those instances where we have not been as successful, such as with the emerald ash borer, the state did not contribute funds and we lost forest species, drained industry resources, and dragged out the fight which ultimately multiplied the longer-term costs. Providing dedicated state funding will help to match and better leverage the new investment of \$17.5 million the U.S. Department of Agriculture recently committed to making in Pennsylvania this year.

The governor's FY 18-19 proposal also maintains support for important programs that directly benefit our agricultural producers, such as the State Food Purchase Program, of which \$1 million is committed to the Pennsylvania Agricultural Surplus System program. Now in its third year, PASS has sourced approximately 6.3 million pounds of surplus agricultural products from 100 producers across the state. Fifty-three different types of products have been sourced, including milk and cheeses, fresh produce, eggs and other proteins. These foods have benefited Pennsylvanians at risk of hunger in all 67 counties thanks to our work with the Central Pennsylvania Food Bank and their network of 11 subcontractors that reach 3,000 other organizations.

Another bright spot in Governor Wolf's proposal is his continued commitment to preserving our most fertile agricultural lands. Next year, the governor has proposed another \$40 million for the state's Farmland Preservation Program. Under Governor Wolf, funding for the program has increased more than 45 percent, or \$12.5 million, over fiscal year 2014-15 when only \$27.5 million was authorized. With this funding, we were able earlier this month to surpass the \$1 billion-mark for total state commitment to farmland preservation since 1988—a milestone that solidifies our position as the nation's leading state for farmland preservation. This funding has leveraged considerable funding from other sources, including \$500 million from counties similarly committed to agriculture's future in this state.

Governor Wolf's plan also preserves funding for high-path avian influenza (HPAI). As in past years, assuming no detection of this devastating disease before July, the commonwealth intends to "roll over" this funding to next fiscal year—ensuring we always have at least \$2 million to respond quickly to any outbreak. Fortunately, there have been no new confirmed cases in the U.S. since a single duck was found in Alaska with the H5N8 strain in August 2016. Even though there have been no new cases in a year and a half, we are not complacent. At any given time, there are various strains of HPAI found throughout the world, and we are always concerned about low-pathogenic forms of the virus. Some low-path variants can morph into highly pathogenic strains, thus we are always on guard.

We continue to sample and test suspected flocks, placing those birds suspected of having either low-path or high-path avian influenza under quarantines until lab results confirm there is no threat. We conduct more than 300,000 tests for avian influenza on poultry per year. We continue to engage with industry stakeholders to ensure their level of readiness, and we regularly practice tabletop exercises to test our response capabilities. Additionally, the two quarantine

orders we established in 2015 to test birds and eggs from HPAI-infected states and require vehicles, containers and other materials that transport poultry and related products to be cleaned and disinfected remain in effect.

Our work has been aided greatly by the commonwealth's ongoing support of our partner organizations, including Penn State University and the University of Pennsylvania's School of Veterinary Medicine. These world-class institutions operate two parts of our Pennsylvania Animal Diagnostic Laboratory Systems. Governor Wolf's FY 18-19 plan continues to invest in these partners. The Penn State College of Agricultural Sciences and Cooperative Extension and PennVet are slated for level funding of \$52.3 million and \$30.4 million, respectively. For Penn State, that level of funding represents a 13.1 percent increase, or \$6 million more than when Governor Wolf took office. PennVet's funding is more than \$2.1 million, or 7.6 percent, higher than in 2015.

The governor proposes to maintain funding for our conservation district partners who are providing direct support to county conservation districts as we and the Department of Environmental Protection collectively work to address Pennsylvania's water quality challenges. This funding is essential to Pennsylvania meeting its state and federal water quality obligations. The Conservation District Fund, which supports county conservation districts, has been aided greatly by the allocation of Unconventional Gas Well Funds since 2012, reaching its highest-ever level of funding. The Nutrient Management Fund, however, is facing a deficit in the coming years if the General Assembly does not increase funding to compensate for additional expectations it has placed on the fund since 2005 when it was tasked with also funding odor management and manure management work under Act 38. Compounding the problem was a 17 percent cut in funding to the Nutrient Management Fund in 2008 that has continued until today. With upwards of 80 percent of the nitrogen reductions expected of Pennsylvania through the Chesapeake Bay Total Maximum Daily Load requirement expected to come from agriculture, more funding is necessary to preserve the Nutrient Management Fund, which is the backbone of Pennsylvania's nutrient management support for agriculture.

The Nutrient Management Fund is not the only account facing a persistent structural deficit, however. The department's Dog Law Restricted Account will go negative as soon as June of this year. The reason for this dire financial situation is largely two-fold. First, dog licensing fees have not increased in more than two decades. Second, \$4 million was transferred from the restricted account in 2009 to balance the General Fund. Were it not for modest increases in certain revenue categories and the shifting of expenses from the restricted account to the department's GGO funds, it is very likely the Dog Law account would be "in the red" today, but we can no longer subsidize our dog law operations.

The department has worked tirelessly to solve this problem on both the revenue and expense side of the ledger. Comparing 2017 to 2012, we have increased the number of dog license sold by more than 6 percent, adding hundreds of thousands of dollars in new revenues. We have also reduced operating costs by nearly half a million dollars annually by moving to an on-demand model for printed materials; eliminating the grant reimbursements to kennels for holding and disposal costs, which means less funding for more than 50 shelters across the state; and by leasing vehicles rather than buying them, which has cut maintenance costs significantly. We have also reduced the Bureau of Dog Law Enforcement's complement from 92 positions in FY 2010-11 to only 61 positions today, saving at least another \$700,000 in annual personnel costs.

We appreciate the attention the General Assembly has devoted to this issue to date. Agricultural chairs Senator Judy Schwank and Representative Eddie Day Pashinski have sponsored Senate Bill 738 and House Bill 1463, respectively, which would raise dog license fees at a rate commensurate with inflation since the last fee adjustment, but also institute much-needed reform measures that will allow us to modernize our operations to provide better services to Pennsylvanians and realize greater efficiencies. House Agriculture Committee Chairman Martin Causer held a hearing on HB 1463 in late September. Since that time, we have discussed potential amendments to our plan with legislative staff and stakeholders, and while we are open to refining these bills, we will continue to advocate for our position until concrete amendments are offered.

I cannot stress this point enough: without a license fee increase, the work of the Bureau of Dog Law Enforcement will erode significantly, if not end entirely. That means the state will have no means by which to inspect commercial breeding kennels; no means by which to help reunite stray dogs with their rightful owners; no means by which to track and investigate dangerous dogs; no means by which to compensate farmers for crop damage and livestock losses caused by dogs and coyotes; and no means by which to protect the public. We have more than 500 dangerous dogs in the commonwealth, and we have been ranked 4th nationally for the number of dog bites reported to insurance companies. Our work on these fronts could potentially cease, leaving no one with the legal authority to serve your constituents and ours. We implore the General Assembly to make a license fee increase part of the final 2018-19 budget package.

Lastly, I want to address the workforce development components of Governor Wolf's proposal that are vital to the agriculture industry's future, but that you will not find in our department's budget proposal. Since taking office, Governor Wolf has prioritized training Pennsylvanians for in-demand careers. Jobs in the food and agriculture industries are no exception. There will be upwards of 75,000 job vacancies in these industries by 2025. The economic impact analysis we and Team PA commissioned last year found these vacancies are being driven by an aging workforce, tightening immigration laws, and a skills gap as the result of lacking a pipeline to prepare workers for employment in these industries.

The governor's proposal for next fiscal year makes significant new investments in workforce development. The governor's *PA Smart* initiative will be a phased approach to further strengthen workforce efforts at multiple agencies while aligning their work with K-12 and higher education. Governor Wolf wants to see 60 percent of all Pennsylvanians have some form of post-secondary education or training by 2025. Today, only 47 percent have such preparation.

The governor's proposed \$50 million increase for Career and Technical Education programs within the Department of Education dovetails well with the commonwealth's recent work with industry, and \$10 million in additional funding for the Department of Labor and Industry will support more robust apprenticeship and industry partnership opportunities—strategies that have been at the heart of our work to build career pathways in agriculture and food industries.

Last October, we launched the Agriculture Equipment Service Technician Apprenticeship Program. In January, L&I announced a new apprenticeship for industrial maintenance mechanics at Conagra's facility in Montgomery County. And we need look no further than the Lancaster Ag Council to find a great example of a successful industry partnership in agriculture. The forerunner to the Ag Council began 10 years ago to train dairy farm employees across the state, and it all began with a \$100,000 line item from the Industry Partnership appropriation, which enables companies in the same industry group or cluster to identify common skill needs and

develop training programs to meet those needs. These programs are examples of how the public and private sectors can work together to create workforce training opportunities designed to fit the needs of our employers and give our workers viable career pathways.

Together, we have done a tremendous amount to strengthen Pennsylvania agriculture. We have invested more than \$50 million in economic development projects in the food and agriculture space. We have reduced the tax burden on Pennsylvania farms, provided them with greater certainty for tax planning purposes, and provided certain sectors with more equitable treatment. We are starting to realize the potential of promising new markets like with industrial hemp, and our wine, brewed and malt beverage industries. And we've given farmers credit for their previously unrecognized and uncredited conservation efforts, while also leveraging millions in state funds to secure millions more in federal support for conservation work.

Indeed, the vibrancy and vitality of this industry was evident in our economic impact analysis, which found Pennsylvania's agriculture and food industries generate more than \$135 billion in economic activity for the state, supporting nearly 580,000 jobs that pay wages of approximately \$27 billion. If we wish to preserve—if not grow—the strength of this industry, though, we must look to the future. That goes for government, as well as industry.

We know there are considerable challenges facing Pennsylvania agriculture beyond the workforce obstacles I have already mentioned. Consumer tastes and trends are evolving. Uncertainty in Washington over federal trade policy is creating uncertainty for Pennsylvania producers who export \$2.4 billion worth of product each year. Technology is evolving rapidly and too many Pennsylvania's, particularly those in rural communities, remain disconnected from the digital world. Our infrastructure systems are aging and limiting our ability to conduct commerce or expand business opportunities. And the need to protect our environment, while enabling businesses to compete in a fair marketplace requires that we look at our regulatory landscape with a critical eye. We see these challenges manifest themselves across all industries. Dairy is one sector in particular where there are real and persistent hardships that we must address, and we look forward to working with you to develop viable solutions that build upon the considerable work the administration has undertaken to date.

Chairman Saylor, Chairman Markosek and members of the committee, there is much in this budget proposal of which we can be proud and there is much work that remains to be done jointly in a bipartisan fashion. I appreciate the opportunity to appear before you today, and I look forward to working with you in the year ahead.