



**CHESAPEAKE BAY  
FOUNDATION**

*Saving a National Treasure*

**Expanding State Financial Assistance to Agriculture is Essential  
To Achieving Water Quality Improvements and a Healthy Farm Economy in  
Pennsylvania**

Comments of Matthew Ehrhart  
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to the House Agriculture and Rural Affairs Committee  
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Chairman Hanna and distinguished members of the House Agriculture and Rural Affairs Committee, my name is Matt Ehrhart and I am the Executive Director of the Pennsylvania Office of the Chesapeake Bay Foundation (CBF). I would like to thank you for the opportunity to express our views concerning the funding needs of Pennsylvania's agricultural producers. I will focus my comments on several water quality challenges facing producers and the imperative of adequately funding agricultural conservation programs in the Commonwealth.

CBF is the largest non-profit organization dedicated to the protection and restoration of the Chesapeake Bay, its tributaries, and its resources. With the support of over 200,000 members, our staff of scientists, attorneys, educators, and policy experts work to ensure that policy, regulation, and legislation are protective of the quality of the Chesapeake Bay and its watershed.

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

Excess nitrogen and phosphorus fuel explosive growth of algae, creating each year a dead zone of oxygen-depleted water throughout the Bay's central channel. This degradation is not unique to the Bay but is in fact a national and global concern, including ecosystems like the Everglades and the Gulf of Mexico.

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

These Best Management Practices, or "BMPs," have paid dividends on the farm and in our

watersheds. Not only have farmers enhanced their operations, they've reduced sediment and nutrient loads to the Susquehanna and Potomac watersheds and to the Chesapeake Bay. According to estimates from the Chesapeake Bay Program, Pennsylvania farmers have reduced nitrogen loads to the Bay by nearly 18 million pounds per year since 1985.

These estimated reductions are confirmed by water quality monitoring that shows clear downward trends for nitrogen, phosphorus and sediment in the Susquehanna River. On behalf of the staff and members of CBF, I would like to say "thank you" to all of those farmers who have done so much to improve the health of our waterways through soil conservation and water quality practices.

Clearly, Pennsylvania agriculture has made tremendous progress. Why then, are we here today, asking not for maintenance, but for dramatic increases in financial and technical assistance levels for producers? The reason is this: despite the fact that we've come a long way, we still have a considerable way to go in the efforts to restore our watersheds, and producers face additional regulatory hurdles that go beyond the Chesapeake Bay requirements.

While agriculture already achieved over 40% of its nitrogen reduction goal by cutting the Susquehanna nitrogen load by 18 million pounds, this still leaves over 25 million pounds remaining to be reduced. By comparison, wastewater treatment plants and other point sources have just 2.3 million pounds of nitrogen reductions to achieve. We can debate the accuracy of the computer models that generate these estimates, and more accuracy is certainly possible, but there is no debate among scientists and policymakers that agriculture will continue to bear the lion's share of the burden to reduce nutrient and sediment levels in the Susquehanna River and in our portion of the Potomac watershed.

How will these additional reductions be achieved, and how much will it cost? How is the farm community expected to achieve such dramatic reductions after producers have already accomplished so much? DEP's Chesapeake Bay Tributary Strategy outlines a suite of BMPs that accomplish the job, and indicates just how comprehensively BMPs need to be applied by agriculture.

For example:

- 84% of farm acres will need to have an implemented nutrient management plan, some of which will need to include precision agriculture or yield reserve;
- 95% of manure controlled through comprehensive animal waste systems;
- 96% of tilled land must be under some form of conservation tillage. Fortunately, we've already achieved and exceeded the strategy's goal for no-till, with an estimated 50% of PA cropland for "major crops" now covered;
- Many other BMPs are called for by the strategy, including barnyard improvements, forested buffers, cover crops, and many more.

To put all of this another way, to achieve the Chesapeake Bay Tributary Strategy most farmers in the watershed will need to implement conservation practices at levels traditionally achieved by farmers earning Conservation District recognition of "Cooperator of the Year." We'll need every farmer doing everything they can.

The estimated price tag is very high. The Bay Strategy estimates that for PA to meet our agricultural nutrient reduction caps, a total of \$215 million needs to be invested in agricultural

BMPs per year over the next decade. Assuming that farmers cover half of this cost, that leaves over \$100 million per year needed from governmental sources. Federal and state programs currently contribute around \$40 million per year in Pennsylvania, with a fair portion of these funds going to farmers outside of the Bay watershed. With increases in funding from the new Farm Bill, we still see a gap of at least \$50 million per year and that is a very conservative estimate. The actual need could be even higher.

It is also important that we recognize the importance of and current limitations of technical assistance. In order to implement the dollars allocated in the Federal Farm Bill, funding for technical assistance will need to be matched at a 1:1 ratio. This reality further underscores the Fair Share Coalition's efforts to increase state funding for conservation districts, which shoulder the vast majority of the technical assistance task.

These figures form the basis for the Fair Share Coalition's call for a total of \$50 million in cost share funds and REAP tax credits, plus an additional \$10 million in funding for Conservation Districts to provide the necessary technical assistance for these programs.

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

Representative Stern, a stalwart supporter of agricultural conservation and REAP, has just circulated a co-sponsorship memo for legislation which would increase the REAP tax credit cap to \$35 million per year and remove the one year waiting time required before a farmer may sell the tax credit.

The Chesapeake Bay Tributary Strategy is obviously very dependent on these cost effective (but not inexpensive) agricultural BMPs. In fact, 70% of Pennsylvania's nitrogen reductions are to come from agriculture at a fraction of the strategy's total cost. The good news is that it's not just the Bay that will benefit. Agricultural BMPs are key to protecting our surface drinking water supply, which provides roughly 8 million Pennsylvania residents with their drinking water. In just one example from outside of the Chesapeake Bay watershed, the Schuylkill River provides drinking water to 1.5 million Pennsylvania residents. The water quality improvement plan for this river estimates that over \$2 billion in watershed improvements, much of it agricultural, need to be implemented.

Agricultural BMPs are needed to improve the ecological and recreational services provided by streams, rivers and lakes throughout the Commonwealth. While 83 percent of Pennsylvania's streams meet water quality standards, we have over 13,400 miles of streams that do not. Acid mine drainage and agriculture are the two leading causes of impairment to these streams.

This brings us to the subject of Total Maximum Daily Loads or TMDLs. The federal government requires the Commonwealth to develop a TMDL for each impaired stream. A TMDL identifies allowable pollutant loads to a water body from both point and non-point sources that will prevent a violation of water quality standards. The costs of implementing TMDLs across the state will be substantial but has not yet been fully calculated. The estimate for one small impaired watershed in Bradford County is \$1.2 million. The estimate for another

small watershed in south-central Pennsylvania is \$4 million. The statewide total will be hundreds of millions in the impaired watersheds alone.

A viable nutrient credit trading program is another component of the Fair Share Coalition's agenda. A Federal Clean Water Act TMDL results in a capped annual load of nitrogen and phosphorus which can be sent to the Chesapeake Bay. This cap load requires a system of offsets to meet that cap load while continuing to generate new economic growth and development. The Fair Share Coalition has requested several changes to Pennsylvania's nutrient credit trading program to facilitate predictability and engagement by the multiple stakeholders. It is essential for the Commonwealth that we have a reliable means of generating nutrient credits (highlighting the need for Ag funding) and a predictable mechanism for buying and selling those credits. The Coalition advocates that a "banking" mechanism is a critical component of the trading program.

Thus, by establishing adequate agricultural conservation funding for the Bay and enhancing the nutrient credit trading program, the Commonwealth will also be able to: address other pressing mandates, help producers advance their own operations, and enable future economic growth in other sectors.

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

In our 2005 Vital Signs report, we highlighted the economic impact of just one dairy operation – the George Hurst Farm in Lancaster County. Mr. Hurst estimated that in 2005 his 400-cow herd produced \$1.2 million worth of milk annually, along with \$92,000 in other income. But the local economic impact goes well beyond that. Through purchases of local supplies and the hiring of local labor – the local economic impact is between \$2.7 and \$3.7 million annually. The collective impact of smaller operations is just as impressive, with dollars circulating again and again within the community, perhaps generating \$2 to \$3 for every \$1 from the farm. In other words, dairy farming is not just an important economic engine for agriculture - it is a critical part of the larger Pennsylvania economy.

Will we respond in a timely fashion to ensure that our farmers have the resources and tools they need to meet the Bay mandates, the coming TMDLs, the tighter restrictions of Phosphorus-based nutrient management plans, and other requirements, while at the same time protecting their bottom line?

This year the General Assembly and the Governor responded to the need of our communities facing significant costs in upgrading their wastewater treatment plant that are under similar nutrient reduction mandates under the Chesapeake Bay Tributary Strategy. This funding came just in the nick of time – many communities have to upgrade their plants and need funding this year.

When it comes to the agricultural requirements, we can't afford to wait until the last minute. With agriculture, we're dealing with thousands, not hundreds, of entities. We're dealing with small businesses with limited resources, not municipalities and authorities that can levy fees and

manage complex financial tools. We're dealing with some producers, including many from Anabaptist groups, who are not yet working with conservation district and NRCS staff. This work will take time, more money and more technical expertise. In other words, it will take a more robust conservation capacity that cannot be built in the course of a year or two. If we wait until the EPA requires immediate and dramatic improvements under local and Chesapeake Bay TMDLs, it will be too late.

As work in Harrisburg gets underway again this fall, other needs will quickly take center stage. For example, the Sustainable Water Infrastructure Task Force's report is due in October, and their findings on the costs for maintaining, repairing and replacing our aging water infrastructure will be very high. We cannot afford to let other priorities continue to overshadow the needs of the farm community that faces similarly daunting challenges. The Chesapeake Bay Foundation, as part of the Fair Share Coalition, will do all we can to help you keep the funding needs of Pennsylvania agriculture in focus as policy and budget decisions are made.

Again, thank you for this opportunity and for your attention to this critical issue.