



TESTIMONY PRESENTED BY  
GRANT R. GULIBON, REGULATORY SPECIALIST  
PENNSYLVANIA BUILDERS ASSOCIATION

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Good morning. My name is Grant R. Gulibon, and I serve as Regulatory Specialist for the Pennsylvania Builders Association. I appreciate the opportunity to speak with you this morning about the importance of enacting the agricultural conservation funding components of the "Pennsylvania Fair Share for Clean Water Plan." Doing so will serve to immediately assist in enhancing environmental quality and protecting future economic opportunity in Pennsylvania's portion of the Chesapeake Bay Watershed, and will also generate similar benefits in the remainder of the state.

The Pennsylvania Builders Association fully supports the goal of improving the water quality of the Chesapeake Bay and its tributaries. In pursuit of that goal, we believe that state government must use the limited funds available for this purpose in a manner that delivers the largest possible environmental improvements at the lowest possible cost. The funding and policy reforms contained in the "Fair Share Plan" are consistent with that goal, and one of its three main features—state funding for sewage treatment plant improvements—was addressed by the General Assembly and the governor this summer in the form of Senate Bills 2 and 1341.

However, the "Fair Share Plan's" other two major components—increased agricultural conservation funding and reform of the nutrient credit trading program developed by the state Department of Environmental Protection—must also be enacted by the General Assembly if the Plan is to realize its full potential. The remainder of my testimony will focus on how those two elements of the Plan support each other, and how they in tandem will increase the effectiveness of the new state funding available for sewage treatment plant upgrades.

As part of its Chesapeake Bay Tributary Strategy, which was designed to meet Pennsylvania's commitment to reduce the amount of nutrients and sediment from its waterways to the Bay by 2010 under the Chesapeake 2000 Agreement, the state Department of Environmental Protection developed a nutrient credit trading program between point sources (primarily sewage treatment plants and new residential developments) and non-point sources (primarily agriculture). The intent of the trading program was to provide a lower-cost nutrient reduction alternative to sewage treatment

plant capital upgrades, and it was largely predicated on farmers' voluntary establishment of conservation practices on their land to reduce nutrient runoff. Once such practices produce pollution reductions large enough to meet baseline and threshold requirements, credits—measured as pounds of reduction of a given pollutant—can be generated and sold to sewage treatment plants and others needing to reduce their nutrient discharges to the Bay.

A functioning nutrient credit trading program would focus resources on Pennsylvania's largest source of Bay pollution, allow other affected sectors to do their part to reduce nutrient discharges in the most cost-effective manner, and allow for critically needed economic growth to take place in large portions of the state. The functioning of the nutrient credit trading program is particularly important to the housing industry since the Tributary Strategy made no allowance for new residential growth, meaning that every pound of nutrient discharge associated with new housing must be offset by corresponding reductions elsewhere in the affected portion of Pennsylvania.

However, due to flaws in the structure of the program that have created an unacceptable level of risk and uncertainty about the price and availability of credits, as well as a lack of funding to implement it, the nutrient credit trading program has not been viewed as a viable option by potential credit generators or users. One of the most serious issues has been farmers' hesitance to make the investments necessary to generate credits due to the lack of a market for those credits. A related (and no less serious) issue is the need for additional funding for county conservation district technical assistance program, which help farmers get into a position where they can generate credits to trade.

The "Fair Share Plan" addresses these problems in two ways. It provides for the funding necessary for farmers to install conservation practices to help meet their nutrient reduction targets and for county conservation districts to provide those farmers with the technical assistance that can help them generate credits to sell. It also improves the nutrient credit trading program by adding a "nutrient credit trading bank," run by a board of program stakeholders, as an option for buyers and sellers of credits. A bank could guarantee the long-term price and availability of credits for potential buyers, and it could also provide an additional market for farmers with credits to sell. Funds received by the bank for the purchase of credits would then be invested in agricultural conservation practices that would generate credits year after year.

Taken together, the components of the "Fair Share Plan" serve the environmental and economic interests of Pennsylvania by maximizing the effectiveness of state tax dollars utilized for sewage treatment plant and agricultural nutrient reduction projects, while at the same time ensuring that the state's economy will continue to provide jobs, homes and opportunities for its citizens. We look forward to working with you to enact its remaining elements—funding for agricultural conservation practices and county conservation district programs, and reform of the nutrient credit trading program—so that its effectiveness can be maximized.

I thank you for your time this morning, and look forward to answering your questions.