



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF AGRICULTURE

September 7, 2017

The Honorable Elder Vogel  
Senate of Pennsylvania  
Chair, Agriculture and Rural Affairs  
352 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Judith Schwank  
Senate of Pennsylvania  
Chair, Agriculture and Rural Affairs  
457 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Martin Causer  
PA House of Representatives  
Chair, Agriculture and Rural Affairs  
41B East Wing  
Harrisburg, PA 17120

The Honorable Eddie Day Pashinski  
PA House of Representatives  
Chair, Agriculture and Rural Affairs  
203 Irvis Office Building  
Harrisburg, PA 17120

Dear Agriculture and Rural Affairs Chairs:

In June, the General Assembly approved a fiscal year 2017-18 spending plan that included responsible investments in Pennsylvania's agriculture industry. As you know, however, the FY 17-18 budget remains unfinished. While the Senate approved a responsible and sustainable plan to finance the appropriations contained in HB 218, the House has yet to do so. This week, House Republicans proposed an alternative funding solution that relies heavily on unsustainable one-time transfers and other short-term fixes that do not address the commonwealth's lingering structural deficit. Further, the alternative House plan threatens to leave some of the appropriations mentioned above without funding or with entirely insufficient support—a prospect that has many constituents and stakeholders concerned over the future of Pennsylvania's agriculture industry.

Claims that cuts to dedicated funds would not impact programs are inaccurate. Simply put, this proposal would take money away from important agricultural programs. If members of the group leading this effort had simply consulted with the department for input on how these funds work, such a misstatement could have been avoided.

Specifically, the House "Taxpayer Budget," as it is known:

- Proposes taking \$27 million from the Agricultural Conservation Easement Purchase Fund. These are funds the commonwealth has already pledged to counties and—in many cases—are already committed to farms awaiting preservation, but are simply at different stages of the settlement process. Attached to this letter you will find a list of these

commitments by county. Recognizing that easement purchases can take considerable time to finalize, the legislature has allowed funds committed to counties to remain available for up to two years. Based on that assurance, counties have committed another \$17 million this year, alone, for farmland preservation. If the House plan were to become law, the commonwealth would be going back on our promise to not only counties, but also to farmers who have already invested significant personal resources to cover the costs of preparing their application (appraisals, legal and survey fees, etc.). Additionally, counties would be forced to renege on contracts with landowners, and many, if not all, of the at least 1,300 farms in at least 33 counties that are now on the waiting list to be preserved may never be protected from development. The commonwealth has spent 30 years building the farmland preservation program into be the nation's largest and most successful program of its type. The House funding plan would eviscerate the program, undermining its integrity and the confidence farmers have in it.

- Divert \$3.3 million from the Conservation District Fund at a time when the commonwealth is asking districts to do more to improve water quality and provide more services to farmers. The idea that there is an extra \$3.3 million in this fund to be “raided” reflects a fundamental misunderstanding of cash flows into the fund. What the “Taxpayer’s Budget” considers surplus funds in this account were deposited late in the 2016-17 fiscal year from the Act 13 Unconventional Gas Well Fund and are part of the allocations that have been committed to conservation districts across the state this fiscal year. If the House chooses to go back on that commitment, districts will be faced with the difficult choice of having to cut back or eliminate positions, technical assistance to farmers, or funding for special projects. Such a prospect is incredibly alarming given the additional workload districts have taken on in recent years. For instance, just yesterday, Environmental Protection Secretary McDonnell and I specifically cited the good work 28 conservation districts in the Chesapeake Bay watershed have done to assess and affirm the good work farmers throughout the region are doing when it comes to protecting water quality. Taking funds from districts at a time like this—when they have been such phenomenal partners of the state—is a betrayal of the commitment we have made to support their valuable work, and it will cause real pain and hardship at the local level.
- Raid \$27 million from the State Racing Fund. The notion that surplus funds exist in the Racing Fund is a fallacy—and one that is particularly perplexing since this is the same fund that only a couple years ago was teetering on the brink of insolvency before the General Assembly took steps to ensure the solvency of the Fund. The House plan fails to make the distinction between operating funds of the Horse Racing Commission and restricted funds that are dedicated to incentivizing breeding activities in the state. Of the \$27 million the House proposes to take from the Racing Fund, more than \$22 million is dedicated to the Pennsylvania Breeding Fund, the Pennsylvania Sire Stakes Fund, and the Pennsylvania Standardbred Breeders Development Fund. Approximately 1,000 breeders and 2,500 horse owners benefit from these funds each year, and of the \$22 million presently within the restricted funds, approximately \$20 million is already committed to horse owners and breeders to date. Generally, these restricted accounts pay out between \$30 million and \$40 million a year in awards. Additionally, redirecting these dollars to balance the General Fund will create uncertainty among the racing industry, which

further perpetuates the misperception that Pennsylvania does not seriously support our equine industry, and it risks throwing the state's racing industry into further turmoil – just as we are starting to achieve some long-sought-after stability and certainty. That would be devastating to the industry and the more than 20,000 jobs it supports.

Beyond these worrisome prospects, the Taxpayer Budget would deprive economically important segments of the agriculture industry of any funding whatsoever. When the legislature approved the general appropriations bill in June, they approved modest increases for the following line items, all of which have demonstrated their value to the Pennsylvania agriculture economy: Agricultural Excellence; Agricultural Research; Agriculture Promotion, Education and Exports; Hardwoods Research and Promotion; Open Dairy Show; Livestock Show; and Youth Shows. These appropriations, plus the Food Marketing and Research line item, are presently in budgetary reserve pending a funding plan that balances the FY 17-18 budget, but if the House plan becomes law, these dollars will not be released. That means more than \$5.5 million in losses to the agricultural economy.

The Taxpayer Budget will also mean no money for the All-American Dairy Show and the Keystone International Livestock Exposition—two premier national shows that are about to get under way later this month at the Farm Show Complex. It means no investment in ag research projects that are helping us to unlock the mysteries of plant and animal diseases, better control pests, or find ways to grow our food and fiber industries in an increasingly global marketplace. It means no support for the state's hardwoods industry, which is so critical to the Northern Tier economy of Pennsylvania. And it means no support for the state's Center for Dairy Excellence or the Center for Beef Excellence and Pennsylvania Beef Council. These are alarming prospects—and possibilities I hope you agree we must avoid.

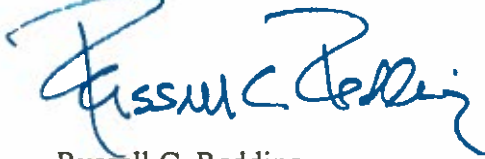
Finally, the Taxpayer Budget calls for cutting important tax credit programs. Presumably, absent any evidence to the contrary, this includes the incredibly popular and effective Resource Enhancement and Protection program (REAP). REAP recently marked its 10<sup>th</sup> anniversary, and over the past decade this program has been instrumental in incentivizing farmers to implement best management practices on their farm—improvements that are helping to reduce nutrient and sediment runoff that could further pollute our waterways.

Over the program's lifespan, REAP has provided \$89.5 million to support more than 4,800 water quality improvement projects in every county of the state other than Philadelphia. That state incentive has leveraged multiples more in private-sector investment—nearly \$100 million—as REAP offers credits of between 25 percent and 75 percent (up to \$150,000) of a project's total cost depending on its type. REAP-supported projects are estimated to have prevented more than 1.75 million pounds of nitrogen, 105,000 pounds of phosphorus, and nearly 25,000 tons of sediment from reaching Pennsylvania's waterways.

If the alternative House funding plan is enacted, there will be fewer resources to encourage this type of good work—and that is the exact opposite of what we are trying to do as a commonwealth that is also grappling with how to meet ever-present water quality improvement obligations, particularly in the Chesapeake Bay watershed.

We look forward to continuing our dialogue with you and your colleagues as the General Assembly and the administration negotiate toward a final budget for FY 17-18. Should you have any questions, please do not hesitate to contact my office at 717-772-2853.

Sincerely,

A handwritten signature in blue ink, appearing to read "Russell C. Redding". The signature is fluid and cursive, with a large initial "R" and "C".

Russell C. Redding  
Secretary  
Pennsylvania Department of Agriculture

cc: Senate Agriculture and Rural Affairs members  
House of Representatives Agriculture and Rural Affairs members