



**Testimony of Agriculture Secretary Russell C. Redding
House and Senate Agriculture and Rural Affairs Committees
Hearing on FY 15-16 Funding to Agriculture**

March 15, 2016

Chairmen Causer, Carroll, and Vogel; Chairwoman Schwank; and members of the committees, it is good to be with you today. Thank you for the invitation to discuss the 2015-16 budget and the impacts the ongoing impasse is having not only on the Pennsylvania Department of Agriculture, but also our partners and the industry we serve.

Over the last two weeks, I have appeared before the appropriations committees of both the state Senate and the House of Representatives to discuss Governor Wolf's proposed 2016-17 budget. In those hearings, however, much of the dialogue surrounded the impacts of the partial budget that was enacted in late December, Act 10-A. Before I discuss those impacts and the many things we as a department have been able to achieve over the past year, I first want to take a moment to thank each member of this committee for your continued engagement in this process and your interest in this issue and in agriculture. This fiscal year certainly has not been without its challenges and differences of opinion, but what we all agree on – including Governor Wolf – is the importance of agriculture to this commonwealth.

A Year of Accomplishments in Trying Times

When I returned to the department in January 2015, I said it was an exciting time to be in agriculture. And despite this atypical budget year, I continue to believe that. While we have certainly faced a great deal of challenges, we have been able to harness the increasing interest around our industry to realize a great number of accomplishments. Some of those accomplishments include:

- Our preparation for highly pathogenic avian influenza – an issue that has been a topic of daily conversation within the Department of Agriculture during the past year. We have hired additional veterinary and diagnostic personnel, and we have trained existing personnel who may be called on to help with response efforts. We have engaged stakeholders, and we have held multiple tabletop exercises to test our state of readiness. This work has been supplemented by the \$3.5 million Governor Wolf identified and reserved last July, which has allowed us to buy necessary response equipment. While I will address the demands on these funds in further detail later, rest assured that should a flock test positive for HPAI here, we are ready to respond.
- The first significant reform of Pennsylvania’s horse and harness racing industries in 30 years. Governor Wolf’s signing of Act 7 put in place measures to address the structural deficit in the State Racing Fund that was the result of a long-running decline in pari-mutuel tax revenues coupled with greater regulatory responsibilities to the racing commissions. Thanks to the leadership of these committees, especially the four chairs and stakeholders, we were able to arrive at a compromise that puts the Racing Fund on solid footing, yet allows us to modernize the industry further in the years ahead.
- Implementation of the Pennsylvania Agricultural Surplus System using the first-ever appropriation to this initiative through Act 10-A. Recently, we accepted bids to a Request for Proposals that aims to connect Pennsylvania’s producers and growers with the state’s charitable food system, helping to fight hunger in the commonwealth. We expect to announce the winning bidder soon and hope to begin implementation before the end of the fiscal year.

- Continued growth of the PA PreferredTM program, which welcomed 279 new members last year. Further, we unveiled a new partnership with the Farmer Veteran Coalition, and we launched the Homegrown By Heroes program, which helps consumers identify local products grown and produced by military veterans.
- Hosting the 100th Pennsylvania Farm Show, a milestone event that celebrated the century-long commitment to agriculture and to the tradition of *Our Commonwealth's Blue Ribbon Experience*. Additionally, the Farm Show achieved a record occupancy rate for the year of more than 78 percent.
- Initiated a plan to cross train food and milk sanitarians in the Bureau of Food Safety, which will cut down the number of inspectors we have to send to certain establishments, saving time and travel costs, while also helping us to reduce approximately 5,000 inspections.
- Began to modernize the department's information technology systems, making critically important improvements that have already generated nearly \$300,000 in savings and put us on the path to much greater operational efficiencies.
- Launched a workforce development initiative to ensure Pennsylvania has the trained workforce necessary to fill the 75,000 jobs that are expected to be created over the next 10 years in our food and fiber industries. We have worked with educational institutions, employers, community organizations, and our partners at the Departments of Education and Labor and Industry to develop training and apprenticeship programs that will create viable career pathways for students in agriculture and related fields. Additionally, we have published a career guide for the

25 most in-demand positions in these industries that we have made available to counselors in educational institutions.

- And we have successfully secured millions in federal funding to supplement and expand our work, while also creating new opportunities for producers. Among those grants we have received in the last year are two rounds of funding totaling more than \$3 million to combat the Spotted Lanternfly, an invasive pest that threatens fruit trees.

This list represents just a few of the accomplishments we have realized in what certainly has been a challenging year. We have been able to do so thanks to an incredible amount of support from the administration, but also because of the tireless dedication of the men and women who work at the Department of Agriculture. There is no denying we now work in an agency that is much smaller than it was just a few years ago at a time when the responsibilities are much larger. Our salaried complement is down 15 percent since 2009, a reduction of 108 employees, while costs for the remaining employees have increased 29 percent. There is also no denying that this ongoing budget impasse is having an effect on our workforce, on our operations, and on the partners that are critical to fulfilling our mission to protect the public and animal health.

Ongoing and Looming Challenges

When Governor Wolf signed Act 10-A, he did so to provide emergency funding to state agencies and school districts, local governments, charitable organizations, and vulnerable members of our community who were struggling. While the General Government Operations (GGO) appropriation to the department was welcome, it was not enough to carry the cost of existing personnel. That difference amounts to approximately \$794,000. To bridge that gap, we have left many positions vacant, delayed hiring mission-critical personnel two pay periods from

the date an offer is made, and curtailed travel, among other measures. Some of these necessary steps have caused us to lose experienced personnel and exceptionally qualified candidates for important positions. That is not only regrettable, but it is frustrating because we should want to be able to attract the best and brightest to public service in the interest of doing the best we possibly can for the people of Pennsylvania.

More worrisome than our ability to retain and attract talent, though, is the prospect of what lies ahead for our GGO line as a result of not having an enacted Fiscal Code legislation. As you know, in recent years, a number of important line items for the department and industry have been funded by the Race Horse Development Fund: the Animal Health and Diagnostic Commission, the Pennsylvania Veterinary Laboratory, payments to Pennsylvania's 109 fairs, and transfers to the Farm Show fund and to the State Racing Fund. Enacting the financial support for these line items requires an amendment to the Fiscal Code. House Bill 1460 proposed moving the costs of the Animal Health and Diagnostic Commission, the Pennsylvania Veterinary Laboratory, and payments to fairs to the General Fund, but that fund simply cannot support the associated \$14.6 million in expenses, thus the Governor blue-lined the funding for these items.

These are all important line items to the department, so to ensure we are able to meet critical functions, our GGO line has absorbed much of these costs. In December, the Farm Show fund entered "the red," so in order to keep people on the job and continue preparations for the 100th show, our GGO assumed \$1 million in Farm Show expenses. It is likely another \$1 million will be needed in the coming weeks to cover personnel costs for the complex. Additionally, we have supported the operating costs and personnel costs of employees working in the veterinary lab, which to date amounts to an estimated \$3.7 million. That figure will reach \$5.309 million –

the full appropriation to the vet lab – absent an enacted Fiscal Code bill and assuming we can sustain GGO through the end of the year. The latter is highly unlikely, though.

Simply put, our GGO line does not have the cushion to absorb these expenses and, as a result, we risk exhausting our operational funding by late April. Once the funding is exhausted, we will not have the funds to make payroll or continue many of our core functions. The Governor’s Budget Office is aware of this frightening prospect, and they are working with us to consider contingency measures, but the easiest solution is to enact Fiscal Code legislation that relieves GGO of these expenses.

A Fiscal Code enactment as part of a comprehensive and balanced budget agreement is also the easiest solution to ensure continued support of our two other laboratories in the Pennsylvania Animal Diagnostic Laboratory System, or PADLS. These labs, one operated each by Penn State University and the University of Pennsylvania, are critically important partners in our work to safeguard animal health, but only through the contributions of each university have they been able to continue operating through this impasse – support for which we all should be grateful.

As we have heard in recent weeks, Penn State feels it cannot continue to carry the Animal Diagnostic Laboratory’s costs beyond the end of the fiscal year and, absent a fully enacted budget, plans to shut down the lab by June 30. Until then, it intends to scale back operations, putting some employees on less-than-full-time status and reassigning others to different areas of the university. Given the importance of these personnel and these two labs to our avian testing and surveillance work, we have taken steps to preserve the commonwealth’s access to these trained personnel by covering the salaries and benefit costs of those employees working on avian issues. That support, totaling more than \$1.27 million, has been extended both to Penn State’s

Animal Diagnostic Lab and to the University of Pennsylvania's New Bolton Center using the HPAI reserve funds. While certainly not an ideal situation, this support, which is to be reimbursed upon enactment of an Animal Health and Diagnostic Commission appropriation, underscores the critical nature of both labs' work to protect against and respond to avian influenza.

A Fiscal Code enactment would also make possible long overdue payments to Pennsylvania's county and community fairs, as well as more than \$220,000 in premium payments to exhibitors of the 100th Farm Show. Presently, we have approximately \$2.7 million in reimbursement grant applications pending to these fairs, as well as an estimated \$300,000 to 4-H and FFA organizations. If the proposed \$4 million appropriation contained in the compromise budget framework agreement holds, this would leave \$1.3 million available for capital improvement grants to fairs – the most available in quite a number of years.

Finally, an amendment to the Fiscal Code is needed to balance the State Racing Fund. Over the course of negotiating what would become Act 7, we determined \$6.1 million was necessary to match revenues with expenditures, but because funding from the Race Horse Development Fund to the State Racing Fund has been held up because a Fiscal Code bill was not enacted for this year, the latter fund has been essentially borrowing from the restricted portion of the fund – dollars that typically go to support Standardbred and Thoroughbred breeders funds and the Sire Stakes Fund. Again, this arrangement has not been ideal, but it has been a necessary step to ensure the continuation of racing in Pennsylvania.

Before I discuss what has perhaps been the most widely discussed agricultural consequence of this budget impasse, namely the lack of support to Penn State's College of Agricultural Sciences and Extension, I also must acknowledge other operational challenges we

are facing in the department. The prolonged budget impasse, the insufficient GGO appropriation, along with a lack of an appropriation for the Agricultural Excellence, Agricultural Research, Open Dairy Show, and Livestock Show lines have affected our work and that of important partners. A hiring freeze prompted by the budget impasse and our inability to fund each vacant position – even with the emergency appropriation – have prevented us from hiring staff for the department’s seed laboratory, creating an extensive backlog that has forced us to divert samples to other labs, which has slowed response times to those customers awaiting results. The delay in funding the State Food Purchase line item has delayed payments to counties and charitable food partners. Potential agricultural research projects have gone unfunded, as has support for Penn State’s Ag Resource Center. The Center for Dairy Excellence has been forced to scale back operations significantly and brought a stop to grants that support our dairy farmers in their business and transition planning and profitability improvement work. And the sponsors of the All-American Dairy Show and the Keystone International Livestock Exhibition have yet to receive \$354,000 that between each show, allows them to pay premiums to winning exhibitors. Each of these impacts is detrimental to the industry and the result of an imbalanced budget.

Finally, I want to discuss the crisis facing Penn State’s College of Agricultural Sciences and the Extension Service that serves each of Pennsylvania’s 67 counties. The prospect of losing these vital services was unimaginable until recently. It is a stain on our reputation as a leading agricultural state.

The Governor’s decision to line item veto the department’s transfer to the Land Scrip Fund was not done to gain leverage or because he does not value the College and Extension – it was done because the legislature had yet to adopt the university’s non-preferred legislation. Simply put, it was a matter of process, not policy.

The Governor fully recognizes the value of the College and of Extension. There should be no questioning his support of these institutions. His support is evident in his budget proposal for next fiscal year. Governor Wolf proposed a \$2.4 million, or 5 percent, increase to the Land Scrip Fund – the largest proposed increase since funding was cut by 19 percent in FY 2011-12. Last week, he met with nearly a dozen 4-H students from Berks, Bucks, Dauphin, Lancaster, and Montgomery counties to express that support and underscore the value the College and Extension bring to agriculture. He wants to see funding restored, but to do so requires a non-preferred bill for Penn State because funding the College and Extension requires a two-part process – first, the appropriation and then the non-preferred bill to authorize that spending. That second step has yet to occur.

It is important to remember the history of Penn State and to appreciate its significance as the commonwealth's land grant institution. In 1855, at the request of the State Agricultural Society, the General Assembly established the Farmers' High School. After President Lincoln signed the Morrill Act in 1862, what was the Farmers' High School was granted Pennsylvania's land grant charter, bestowing on it an obligation to promote higher education and to make it more accessible to a greater number of Pennsylvanians. But there was also a two-way commitment made between Penn State and the commonwealth. Penn State committed to providing "instruction, research, outreach and extension" services to the people of Pennsylvania, and the state pledged to support that mission. Unfortunately, through this budget cycle, the commonwealth has not lived up to its side of the bargain. As a result, a partnership that has withstood more than 150 years is now in jeopardy, risking valuable services to Pennsylvania's residents, its youth in 4-H, its agricultural producers, and countless employers that rely on the school for research and education.

Closing

Chairmen Causer, Carroll, and Vogel; Chairwoman Schwank; and members of the committees, we each understand and appreciate the importance of agriculture to Pennsylvania. We all recognize the value of the line items that have yet to be funded, and we all want to see that funding enacted or restored. Our collective inability to reach a compromise on the FY 15-16 budget is having a real effect on this industry, our people, and our economy. Our schools and universities are struggling, some to the point of having to consider closing their doors. Credit ratings agencies are publicly questioning our ability to govern, which is undermining our stature in the marketplace and will cost us over a hundred million dollars in additional future debt service payments.

The time has come to reach an accord on the FY 15-16 budget and to put this matter behind us so that we can begin looking ahead to the next fiscal year and tackling the multitude of other issues facing the commonwealth. The Governor and we in his administration stand willing to work with you and engage in an honest dialogue that moves us towards a comprehensive compromise. Thank you.