



*Forging a partnership between farmers and consumers.
•Working together for Ohio's farmers•*

**House Bill 64 Interested Party Testimony
House Finance Committee
Brandon Kern, Director of State Policy
April 17, 2015**

Thank you Chairman Smith, Vice Chair Schuring, Ranking member Driehaus and members of the House Finance Committee for the opportunity to testify on House Bill 64, the state operating budget.

Ohio Farm Bureau Federation is the largest voluntary non-profit agricultural organization in the State of Ohio, representing many farmers and landowners across the state. Those involved in agriculture have a diverse set of interests in the state budget and the scope of our testimony will reflect that point today. Farm Bureau members are encouraged that the House's version of the budget continues to make progress in areas of water quality, tax reform and numerous other provisions that will help agriculture continue to thrive in Ohio.

Water Quality Research and Programming

I must start by talking about issues related to our organization's highest priority, which is working to improve Ohio's water resources. Farm Bureau recognizes that agriculture must do its part in reducing nutrient run-off, and to that end, we continue to execute our comprehensive water quality action plan. We believe a central component of any solution is legislative support for proven programs that are already providing needed research and improving water quality. By ensuring these programs have the resources they need, you are continuing a partnership with the agricultural community to find solutions to Ohio's water quality challenges.

The House substitute bill makes additional investments in key programs that are among Farm Bureau's highest priorities. Those programs include Ohio State University Extension and 4-H, the Ohio Agricultural Research and Development Center (OARDC) and the Sea Grants Program. Extension plays a critical role in on-the-ground outreach and technical assistance to farmers. OARDC is a premier research institution that supports stewardship of natural resources and the environment. The Sea Grants Program conducts numerous applied research projects on Lake Erie each year. We whole-heartedly support the increased funding levels the House has provided for these programs.

This research and outreach will be a critical component of how Ohio will address water quality. There are already great examples of how this expertise is being put to use. The Ohio Department of Agriculture's partnership with OSU Extension to develop and offer the fertilizer certification course established under SB 150 in the last General Assembly is just one great example.

Soil and Water Conservation Districts

For more than 70 years, Soil and Water Conservation Districts have been involved in work to preserve vital natural resources. Farm Bureau is committed to developing strategies to connect farmers with the expertise SWCDs have to offer, help districts develop capacity for providing assistance that get results and ensuring districts operate with the greatest efficiencies possible.

Recently, SWCDs have been asked to work directly with farmers even more to help us tackle water quality issues. For example, under Senate Bill 150, SWCDs take on new responsibilities of assisting farmers in the development and approval of nutrient management plans. Senate Bill 1 also calls for increased roles in helping farmers develop plans to meet new compliance standards that now govern the application of nutrients in the Western Lake Erie Basin. In addition to these increasing responsibilities, SWCDs continue to take on greater responsibilities in providing the expertise and guidance to farmers that are undertaking voluntary conservation practices.

Through our conversations with SWCDs we know these growing responsibilities will require hiring and training new staff. There is a need to hire and train as many as 25 additional staff along with expanded training of existing staff. That effort would cost SWCDs upwards of \$5 million dollars. A portion will be one-time costs, but it's clear additional resources are needed to ensure new laws and regulations get results in improving water quality.

At a very minimum, Farm Bureau believes state support for SWCDs should reflect the increasing role they play by providing an additional \$2.5 million. This amount would restore the historic partnership between state and local government for funding a 1:1 match of SWCDs. Considering the intensity and focus of work in the Western Lake Erie Basin, we also believe additional support should also be directed to districts in that region.

Senate Bill 1 Compliance Support

Farm Bureau recently supported passage of Senate Bill 1, which restricts nutrient application on frozen, snow-covered or saturated ground in the Western Lake Erie Basin. In our testimony on the bill, we noted the importance of allocating necessary budget dollars to assist farmers in meeting the restrictions through measures such as building infrastructure and purchasing equipment.

In Ohio, the Western Lake Erie Basin contains 3.8 million acres of land in farms. We estimate there are approximately 15,000 farms in the region. While we have no way of knowing the exact number, undoubtedly many small and medium livestock farms in the Western Lake Erie Basin will need to build additional infrastructure or develop other manure management and application systems to comply with new regulations. To comply with the new law, farmers may need to plant cover crops, purchase equipment that allows them to inject and incorporate nutrients into the soil, or build manure storage infrastructure. These compliance measures will represent a significant cost to some farmers.

As an example, costs for constructing manure storage infrastructure for dairy or beef cattle would be approximately \$400 to \$1,000 per head, depending on the facility. According to the Natural Resource Conservation Service, cover crop seed alone ranges from just around \$15 an acre to as much as \$36 an acre, depending on the crop. Average statewide costs compiled by Ohio State University put the cost of tillage equipment used to incorporate manure into the soil at more than \$50,000. One OSU study placed the cost of an injection system at more than \$53 dollars an acre.

If we want to be successful in reducing nutrient runoff from farms, it's critical the legislature do more in this budget to provide state grant dollars and other mechanisms, such as low or zero interest loans, to farmers for use in compliance measures. Farm Bureau is actively investigating existing programs that can serve as a model for this purpose. We urge you to commit to establishing such a financial assistance program, and work with us to develop the details before budget deliberations end in June.

Finally, SB 1 states the legislature's intention is to transfer the administration and enforcement of the Agricultural Pollution Abatement Program from the Department of Natural Resources to the Department of Agriculture by July 1, 2015. That language is not included in the budget bill before

you. However, if that is to happen, we also urge the legislature to ensure resources are allocated accordingly to ensure a seamless transition.

Taxes

The House's plan to provide a 6.3 percent across-the-board income tax cut, and make permanent the 75 percent small business tax deduction builds on progress we have made recently to position Ohio for job growth and a more vibrant economy. We also commend the effort to continue a long-term study of taxes through the 2020 Tax Policy Study Commission. Farm Bureau will be a ready partner in the effort to plan for long-term tax reform.

Department of Agriculture Funding

The Department of Agriculture must be funded at levels that allow it to effectively carry out its core mission as well as a number of new responsibilities it has been delegated in recent years. Of particular interest to Farm Bureau is the role the state has in ensuring the safety of our food.

Farm Bureau continues to be actively engaged in providing comment and testimony during the Food and Drug Administration's rule making process for the Food Safety Modernization Act. These proposed rules are ambitious in that they fundamentally change FDA's approach from reacting to food safety issues to preventing them in the first place. Farm Bureau supported the use of state personnel for the inspections that are required by this statute. While the entirety of the seven rule packages will not be complete until June of 2016, now is the time for ODA to be properly funded to ensure that there is education and training regarding the overhauled inspection model and new requirements for implementation.

It is also incredibly important to ensure funding allows for outreach to enhance producers' understanding of the new requirements. We urge your consideration of designating additional funding to entities such as OSU Extension who can assist producers in this way.

We also need to ensure the department's fertilizer certification program has resources it needs to be successful. The program is a historic, first in the nation effort. However, it will only be successful with proper resource allocation.

Education Funding

OFBF had concerns with the initial school funding proposal in the budget, which showed a trend of decreased funding to rural schools. While rural schools are one of the best examples of "doing more with less," it is imperative that rural students do not miss out on opportunities their counterparts in wealthier districts enjoy. We are pleased to see the House has included provisions to ensure that schools will remain funded consistent with their current formula amounts in the upcoming biennium.

We also fully support the creation of the Joint Education Oversight Committee included in the substitute bill. While the guarantee will help to mitigate losses in funding for this biennium, we remain concerned about the formula's over reliance on property values. Long-term considerations for rural districts must account for the fact that the valuation of farmland is volatile. Most rural school districts do not have the lure of new businesses or the appreciation of new homes to rely upon for increases in funding, and farmland valuation responds significantly to a variable farm market.

Career Technical Funding

One concern we continue to have is a phenomenon related to how the state executes deductions and transfers for students enrolled in career technical courses outside their home district. If a student enrolls in a district outside their home district and enrolls in a career-technical program, a deduction

that equals the career tech allocation is made from the home district. The problem is the deduction is being made from the home district even in circumstances in which the home district was not receiving the career-technical allocation for that student. The result is that some districts receive far less, or even no state support than what their FTE count warrants. We hope the House will work with us on this issue as the budget bill continues through the legislative process.

We also feel it is important to improve career tech education by moving the career technical allocation outside the funding formula so that it is a true add-on funding mechanism. When career tech is included as a component of the main formula, the caps and guarantee can serve to remove the incentive for districts to allow their career technical programs to grow to meet the full demand.

OSU Agricultural Technical Institute

Farm Bureau members appreciate the action the House has taken to assist ATI in achieving greater efficiencies. The program serves as the nation's number one producer of two-year Associate Degree graduates in the areas of food and agriculture, with a remarkable student success rate. The small investment the legislature is making now will help ATI keep its costs down in the long term, and ensure students continue to have access to hands-on educational opportunities the campus provides and our industry desperately needs.

Telecommunications

Finally, one remaining concern we have deals with language concerning the transition of Ohio's telecommunications industry to an Internet Protocol. We greatly appreciate the fact that the telecommunications industry and the administration have worked to resolve many of the concerns we raised when this language first appeared in House Bill 490 last General Assembly. Our remaining concern is over how language in the bill requires PUCO to define "reasonably and comparatively priced" voice service. We would encourage you to change that language to ensure consumers who want it can still receive basic voice service at a comparative price to their current basic service.

In closing, Farm Bureau members appreciate the hard work that goes into passing a state operating budget. There is much included in the House substitute bill that OFBF supports. We believe the bill would be strengthened even further by adopting our additional recommendations. Thank you Mr. Chairman, I would be happy to answer the committee's questions.