

**March 3, 2015
Commonwealth of Pennsylvania
State Conservation Commission
Karl G. Brown, Executive Secretary**

**Presentation to the
PA Senate Environment Resources and Energy Committee
and the
PA Senate Local Government Committee**

**Unconventional Gas Well Fund (Impact Fee)
Allocations to County Conservation Districts**

Introduction

Chairman Yaw, Minority Chairman Yudichak, Chairman Hutchinson, Minority Chairman Teplitz, and members of the Committee, thank you for the opportunity to present today.

My name is Karl Brown and I am the Executive Secretary of the State Conservation Commission. Our Commission is a departmental administrative commission under the concurrent authority of both the Pennsylvania Departments of Agriculture and Environmental Protection.

The core function of the Commission is to work cooperatively with local, county, state and federal agencies, farmers, landowners, and industry and professional organizations, to help deliver soil and water conservation and pollution prevention programs.

Our primary partners in these conservation and environmental protection efforts are Pennsylvania's 66 county conservation districts. By law, the Commission has a dual responsibility to both support and oversee the operation and funding of the districts.

I join you this morning to provide an overview of the work of conservation districts throughout Pennsylvania as well as to provide some insight into how their services are funded.

County conservation districts have developed extremely strong, grass root connections with the communities and businesses they serve. They have also developed an invaluable capacity to deliver conservation and natural resource planning services and technical assistance to their clients and these communities.

The districts are the first line of defense for natural resources at the county and community levels. They are the local "boots on the ground," working to ensure that our local water resources are protected from pollution, that our agricultural lands and agricultural soils remain healthy and productive, and that the quality of life in our local communities is maintained and enhanced.

Much of the excellent work of county conservation districts has been overlooked and under-funded. Many members of this committee have been instrumental in seeing that state funding for county

conservation districts is maintained. While we all understand the tough economic times we've faced and are facing, we don't look at the value you place on conservation districts lightly and just want to say thank you for your previous support. You and your colleagues not only substantially maintained baseline funding in both DEP and PDA for conservation districts, but you also increased this baseline funding through your support of conservation districts under Act 13 of 2012.

The commonwealth's investment in, and support of, county conservation districts over the last 70 years have been some of the most important and profitable investments in conservation and environmental protection that we could have made for this state. So again, thank you.

Act 13 of 2012 Impact Fee Allocations

Here is how the funding has been distributed:

Under Act 13 of 2012, dedicated funding for districts was ramped up over the course of three years, including: \$2.5 million in 2011; \$5.0 million in 2012; and \$7.5 million 2013 and beyond.

Funding for each year is provided to districts through two different channels. The first channel is a block grant provided through the Pennsylvania Public Utility Commission (PUC). The second channel is through the State Conservation Commission's Conservation District Fund Allocation Program.

You received two attachments with my testimony submission. The first attachment, the Unconventional Gas Well Fund (UGWF) - Conservation District Revenue Distribution "Overview," describes how these revenues are allocated to county conservation districts by both the PUC and the State Conservation Commission.

The first channel is through a PUC block grant that is equally divided between the 66 districts. In FY 2014-15 and beyond, this was a grant of \$56,818 per district that can be used for any purpose consistent with Conservation District Law. This source of UGWF revenue provides each district the greatest amount of discretion and flexibility in how these funds can be used.

The second channel through which UGWF funding is distributed to the districts is through our commission. By law, these revenues are provided to districts consistent with both the Conservation District Law, and the Commission's Conservation District Fund Allocation Program's (CDFAP) written statement of policy (SOP). This CDFAP SOP provides cost share to districts for: Managers; Erosion and Sedimentation (E&S) Control Technicians and Agricultural Conservation Technicians (ACTs); Administrative Assistance; and Special Projects approved by the Commission.

The Commission's UGWF revenue for districts is divided into two equal pools of funding.

The first half is combined with DEP and PDA line item funding for conservation district support and is used to supplement CDFAP priorities previously described.

The second half of this funding is provided as Impact Supplements only to those conservation districts with unconventional gas wells drilled in their counties. These UGW Impact Supplements are prorated

based on the percentage of UGW drilled in each county. These supplemental funds can be used to support any CDFAP priority area (managers, technicians, and administrative assistance) or for any special project proposed by the district and approved by the Commission.

Act 13 of 2012 Impact Fee Utilization

The second attachment submitted is a copy of the Commission's Annual Report for Unconventional Gas Well Fund (UGWF) Revenue Distribution [of] Dedicated Funds to Conservation Districts under Act 13 of 2012. This report details the allocation to, and the utilization of UGWF revenue by districts in FY 2012-13.

Please note, that in this initial allocation, all funds distributed to districts were allocated under the "administrative assistance" provision of the Commission's CDFAP SOP. Commission allocations in second and subsequent years were provided to districts for use in all funding priorities under the CDFAP SOP.

The first chart in this attachment shows that districts use PUC Block Grant Funds primarily for: 1) Employment and employment-related costs (approximately 55%); 2) Office/Property related costs (approximately 24%); and 3) General Administrative Costs and Director Expenses (approximately 12%).

The second chart displays that the Commission's CDFAP UGWF allocations are primarily used for the "maintenance of full and accurate records." This category includes district staff costs of administrative and fiscal technicians who are responsible for the development and maintenance of district records and reports.

Commission staff is currently working on the Annual Report for Unconventional Gas Well Fund (UGWF) Distribution and Utilization Report for FY 2013-14 and will make that information available to the Committee when completed.

We anticipate that the utilization report for the second and subsequent years will look different since we've been working with conservation districts to broaden the scope of what they may use this funding for.

Value and Importance of UGWF Revenue for County Conservation Districts

First, I believe that UGWF revenue provided to conservation districts is important in that it recognizes and addresses historic under funding of county conservation districts.

The funding provided to districts under Act 13 of 2012 provides stable and predictable baseline funding for district programs, activities and staff support. This base funding helps them maintain the technical and administrative foundation which is critical as they also compete for grants and other funding streams that allow them to address natural resource concerns such as: reducing nutrient and sediment to the Chesapeake Bay, treating acid mine runoff, keeping agricultural lands profitable and productive, and controlling dust and sediment from dirt and gravel roads.

It is important to note that these funds help to supplement traditional DEP and PDA CDFAP line items for conservation districts, providing reasonable cost share levels for managers and technicians, and adequate support for administrative functions (audits, record keeping, etc.). Competent and skilled managers and technicians are vitally important so that the programs and services offered to local constituents are of the highest quality and are technically sound.

Finally, in those counties which have been impacted by unconventional well drilling activities, these funds give them the ability to undertake special projects to address the conservation and natural resource concerns in those communities.

In Lycoming County, the Lycoming Conservation District has been able to use UGWF revenues to:

- Help farmers install stream bank fencing (2,000'), stabilized animal walkways and accesses, roof runoff control s, diversions, and grassed waterways.
- Help the County Fair Association improve their animal wash water collection and manure storage facilities.
- Assist landowners with the installation of fish habitat and stream bank stabilization structures (19 log vanes, 5 cross vanes, 2 mud sills, rock deflectors, and tree plantings).
- Offer scholarship opportunities to County Envirothon winners.
- Provide interpretive panels for local trails.
- Support agricultural compliance outreach efforts (manure management, agricultural E&S).
- Purchase and install water quality monitoring equipment in 2 county watersheds.

And in western Pennsylvania, the Westmoreland Conservation District is undertaking a number of projects involving UGWF revenues, including a comprehensive "ridge-to-river" watershed-wide effort to improve McGee Run. This comprehensive land treatment project will install conservation BMPs (agricultural, forestry, storm water, dirt and gravel roads, etc.) throughout the McGee Run watershed. The district and their partners will use UGWF and in-kind services revenue (\$63,500) to help match a \$300,000 Commonwealth Financing Agency grant. This is the most ambitious watershed-wide conservation effort undertaken by the district in its history, and its success will depend to a large degree on the district's access to a reliable and predictable source of UGWF revenue.

While these are examples from just two of our county conservation districts, similar success stories are happening in communities and watersheds all across throughout the commonwealth.

Closing

County conservation work to protect local water resources from pollution, maintain the health and production of agricultural lands and soils, and to enhance the quality of life in local communities.

On behalf of John Quigley, Acting Secretary of Environmental Protection and current chairman of the Commission, and Acting Secretary of Agriculture Russell Redding, who will assume the Commission's chairmanship in July, as well as on the behalf of the entire Commission membership, I thank you for

holding this hearing today and for including the commission and conservation districts in this important discussion.

I would be glad to answer any questions.