

A Coalition for an Affordable Bay Solution

The Coalition for an Affordable Bay Solution Supports the Chesapeake Bay Foundation's Goals related to Chesapeake Bay Restoration

On Wednesday, October 16, the Chesapeake Bay Foundation (CBF) is hosting a stakeholder group meeting to assess the implications of Pennsylvania Senate Bill 994, which was introduced to provide cost effective reductions of nutrients necessary to meet Chesapeake Bay restoration efforts. In advance of this meeting, the CBF released a series of fact sheets covering a host of issues associated with optimizing the effectiveness of Bay programs within the Commonwealth.

The *Coalition for an Affordable Bay Solution (CABS)* is an organization that was formed to highlight and promote cost effective spending on Bay programs within the Commonwealth in order to increase the accountability and effectiveness of such programs. Upon review of the major elements in the fact sheets presented by CBF, CABS agrees with the CBF as to the challenges and issues facing the Bay restoration effort as well as how to enhance program effectiveness. For example, CABS agrees with CBF that:

- Project funding should be awarded based upon the overall local/regional (PA) benefits such as the reduction in pathogens, sediment, and phosphorus discharges to local waterways; and not based solely upon beneficial impacts to the Bay.
- Bay remediation is an economic boon to the region, triggering growth in industries far and wide.
- Agriculture is the largest contributing source of nutrients to the Bay, particularly from the Susquehanna watershed (as compared to other delivered load sources).
- Controlling stormwater can be an extremely expensive means to reduce the flow of nitrogen to the Bay.
- With respect to conservation and other agricultural management practices, which have been the primary means to control or reduce nutrient run-off from farms to date, it is vitally important to enhance the accuracy and verification of modeled reductions.
- Continued delays in meeting compliance standards, along with economic challenges at the local, state, and federal level, threaten Bay restoration progress.

It is from the above foundation of agreement and understanding that CABS member organizations and others concerned about dwindling Bay restoration budgets and real environmental improvements continue to emphasize the additional benefits of Senator Vogel's pending SB 994 legislation. Note that SB 994:

- Very deliberately promotes projects that provide ancillary (local) environmental and recreational benefits in addition to Bay benefits through a scoring system, providing market signals that diverse and comprehensive Bay solutions are desired (see Section 3(b)(2) of SB 994¹)

¹ The current version of SB 994 can be found at:
<http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2013&sInd=0&body=s&type=b&bn=994>

- Nutrient reductions will be paid for annually only after (1) the reductions occur, and (2) the reductions are verified with supporting data and ultimately certified by the DEP. This is a fundamental and critical pendulum swing in financial and performance risk that favors taxpayers by transferring the performance risk from the tax and rate payers to the credit generator. Bidders under SB 994 must have a PA DEP approved credit verification plan prior to initiation of a credit purchase agreement thereby ensuring that the credit generator meets all state and federal (Bay TMDL) requirements. Such an approach negates CBF's concern that only best management practices "approved" by EPA Chesapeake Bay Program Office would be eligible to generate Bay credits. Public-Private partnerships have been shown over and over again to be an effective yet controlled means to engage private capital and innovation while remaining within the necessary structures of a government compliance mandate.
- Provides a transparent platform to ensure tax dollars are spent on the most cost effective, verifiable, efficient, and comprehensive solution to both interior fresh water resources and the Bay. SB 994's all inclusive scoring approach is consistent with CBF's goals of promoting a wide variety of environmental benefits. This transparent and technology agnostic approach within SB 994 will result in the utilization of public funding to achieve the most comprehensive result based upon metrics that are real and measurable.

CBF recently released their third fact sheet referred to as "Getting the Most Benefit from Our Investments", a title that is in tune with the initiative behind SB 994. In this fact sheet, CBF cites primarily from a 2004 report from the Chesapeake Bay Commission that in effect states that small scale BMP-type investments in the agricultural sector have the potential to reduce more than 50 million pounds of agricultural nutrient loss at a cost of less than \$5/pound. In 2012, the Chesapeake Bay Commission (CBC) commissioned an updated and more detailed report on costs associated with agricultural (and other source) reductions, which considers cost factors such as cost of land, operating and maintenance costs, etc². The updated CBC numbers tell a far different story from a cost standpoint. Per the table on page 2 of the 3rd CBF fact sheet, the CBC reported in 2004 that cover crops cost \$3.13/lb on average to implement. However the 2012 CBC report states that while cover crops still represent a low cost BMP, the implementation cost for cover crops such as early drilled rye was estimated at \$24/lb --an 8-fold increase in less than a decade.

Another important factor related to BMP cost effectiveness is the recent EPA Technical Memorandum on Accounting for Uncertainty in Offset and Trading Programs³, which states that a 2:1 uncertainty factor will be applied to all modeled BMP nutrient benefits, as data has shown that significant variations and inconsistencies exist in the application of BMPs. This movement towards strengthening the veracity of data submitted to EPA while also questioning how to most effectively spend a shrinking pot of public money to solve the Bay (and PA watershed) challenges is what led the Pennsylvania legislature to take up this SB 994 issue in the first place.

² This report is available on the CBC website at:
<http://www.chesbay.us/Publications/nutrient-trading-2012.pdf>

³ EPA's Technical Memorandum impacting credits from BMPs can be found at:
http://www.epa.gov/reg3wapd/pdf/pdf_chesbay/TradingTMs/DraftUncertaintyTM_61813FORREVIEW2.pdf

CBFs fact sheet states that Pennsylvania farmers have reduced 14 million pounds of nitrogen load to the Bay over the past 28 years. This slow rate of improvement is both environmentally and economically unsustainable. BMPs can and will remain the backbone of nutrient reductions from farming operations. SB 994 seeks to continue that trend with stand alone provisions to protect BMP funding as well as to promote the purchase of credits from small and mid-sized farms. However, the full spectrum solution must also enable larger technology driven projects which can produce larger scale chunks of reductions at a significant discount (up to 80% savings), as concluded by the Pennsylvania Legislative Budget and Finance Committee (LBFC) in a 2012 report⁴.

As pointed out in the CBF fact sheets as well as the referenced LBFC report, stormwater compliance costs with Bay mandates look to be prohibitively expensive. While the PA legislature has responded to stormwater reduction mandates at the municipal level through SB 351, what is more important is that SB 994 provides municipal ratepayers with a low cost alternative means of addressing the nitrogen component of storm water projects which has been shown to have a disproportionate cost impact (as compared to phosphorus and sediment reductions)⁵.

CABS looks forward to working with CBF and other conservation and environmental protection organizations in the fight for the prudent use of taxpayer money through the development of public-private partnerships empowered to advance accountability, transparency, and the efficient use of taxpayer funding, all resulting in an improved quality of life at the local level and the economic vitality of Pennsylvania's agricultural sector.

⁴ <http://lbfc.legis.state.pa.us/reports/2013/77.PDF>

⁵ See studies by Dr. Stephenson at Virginia Tech and Dr. Simpson at UMD - http://ageconsearch.umn.edu/bitstream/46779/2/ReviewVAPointSourceOffsets_Stephenson%20et%20al.pdf, and http://watershedbmps.com/wp-content/uploads/2012/03/01582_to_01597_BMP_ASSESSMENT_FINAL_REPORT.pdf