

2012/2013  
**BUDGET BRIEFING**  
HOUSE APPROPRIATIONS COMMITTEE (D)  
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**JOE MARKOSEK, DEMOCRATIC CHAIRMAN**      **March 6, 2012**

## Department of Agriculture Takes Overall 3.3 Percent Cut

Governor Corbett proclaimed March 4 – 10 as **Agriculture Week** despite proposing a spending cut to the Department of Agriculture, which includes eliminating seven programs that benefit the industry. The **proposed net spending for the department is cut by \$9.6 million, or 3.3 percent**, after taking into account funds from all sources, namely the General Fund, Federal Funds, Special Funds, and Other Funds. This document looks at all fund sources to determine the real impact of the budget proposal on the agriculture industry.

**A** look at all fund sources for the Department of Agriculture is important due to extraordinary shifts in the governor’s proposed budget for 2012/13 within the General Fund and Other Funds. For 2012/13, the proposed budget taps the General Fund to support only about 19.7 percent of the total

expenditures compared with 45 percent in 2011/12. This shift reflects a cut in General Fund spending of \$76.8 million and an increase of \$66.8 million in spending from Other Funds. **Hidden within Other Funds are details that are creating controversy with advocates for the race horse industry, farmland preservation, and the environment.**

Summary of Fund Sources Spending <i>(dollars in thousands)</i>	Available 2011/12	% of Total	Budget 2012/13	% of Total	Change From Prior Year	
General Funds	\$ 133,096	45.0%	\$ 56,268	19.7%	(\$76,828)	-57.7%
Special Funds	\$ 28,055	9.5%	\$ 28,305	9.9%	\$250	0.9%
Federal Funds	\$ 38,760	13.1%	\$ 38,910	13.6%	\$150	0.4%
Other Funds	\$ 95,903	32.4%	\$ 162,703	56.9%	\$66,800	69.7%
<b>Total</b>	<b>\$ 295,814</b>	<b>100.0%</b>	<b>\$ 286,186</b>	<b>100.0%</b>	<b>(\$9,628)</b>	<b>-3.3%</b>

### General Fund

Within the **General Fund**, the budget proposal eliminates:

- \$2.3 million in appropriations for Agricultural Excellence; Agricultural Research; Agricultural Promotion, Education, and Exports; Hardwoods Research and Promotion; Livestock Show; Open Dairy Show; and Food Marketing and Research (see details on pages 3 and 4).
- \$72.3 million in appropriations for Payments to Pennsylvania Fairs; University of Pennsylvania – Veterinary Activities; University of Pennsylvania – Center for Infectious Diseases; and the Pennsylvania State University’s agricultural activities. These appropriations are re-directed to the Pennsylvania Race Horse Development Fund, the largest source of funds within *Other Funds* in the table above.

Note that this is the third year that the budget moves these higher education-related appropriations to a new department or fund, a move which compliments comparisons from year to year. Historically, the budget provided for these higher education appropriations within the Department of Education. The 2011/12 budget moved the two University of Pennsylvania appropriations to the Department of Agriculture. In 2011/12, the budget moved the funding of agricultural activities for PSU to the Agricultural College Land Scrip Fund established for the officially designated land grant college known as PSU. The budget funded this change with a transfer from the Department of Agriculture to the Agricultural College Land Scrip Fund.

## Other Funds

Other Funds increase in the budget proposal by nearly \$67 million, a reflection of:

- \$72.3 million that will come from the **Pennsylvania Race Horse Development Fund** instead of the General Fund.
- \$6.3 million **decline** in comparatively smaller appropriations in Agriculture's budget.

The Race Horse Development Fund was created (Act 71 of 2004) to support and advance the commonwealth's race horse industry. There is no direct relationship between the proposed appropriations (for the fairs and universities) and the purpose of the Fund. Opponents to the shift proposal say this fund has already paid its dues and helped with the financial crisis – since 2009/10 more than \$188 million was transferred to the General Fund (\$44.5 million in 2009/10; \$47.3 million in 2010/11; \$47.9 million in 2011/12; and \$49 million proposed for 2012/13). Altogether for 2012/13, disbursements to the race horse industry will be reduced by \$122 million to afford the new appropriations (\$72.3 million for newly shifted appropriations and \$49 million for the pre-existing General Fund transfer proposed for 2012/13).

Most of the \$6.3 million decline in comparatively smaller appropriations results from a cut in commitments to farmland preservation in the **Agricultural Conservation Easement Purchase Fund**. Funds for purchasing county easements under this appropriation in 2012/13 would be \$25 million, a cut of \$3 million. Additionally, there is a transfer of \$2.7 million, reflecting a cut of \$2.4

### Growing Greener Fund Raided

The governor's budget proposal also stops the transfer of cigarette tax revenue to the Agricultural Conservation Easement Purchase Fund. To continue providing funds for the purchase of agricultural easements, this budget proposal would use \$20.5 million in bond premiums and interest from the Growing Greener Bond Fund in each of the next two fiscal years to continue the allocation to the Department of Agriculture.

million, from the Environmental Stewardship Fund to the Department of Agriculture's Conservation Easement Purchase Fund.

Commitment to farmland preservation under the Agricultural Conservation Easement Purchase Fund is further threatened by Gov. Corbett's proposal to end its largest dedicated source of funds, which is a portion of the cigarette tax. The budget proposal would replace these funds with a limited term transfer from the **Growing Greener Fund** causing angst to environmentalists. Specifically, the budget proposes to:

- Redirect cigarette funds to help balance the General Fund, a move worth \$20.5 million in the budget year.
- Replace the dedicated cigarette funds with a \$20.5 million transfer of bond premiums and interest from the Growing Greener Fund for the upcoming two fiscal years. After that, no dedicated source of funds would be in place for the Agricultural Conservation Easement Purchase Fund.

<b>Other Funds : Detail Spending</b> <i>(dollars in thousands)</i>	Available 2011/12	% of Total	Budget 2012/13	% of Total	Change From Prior Year	
General Fund Expenditures from Restricted Receipts	\$14,933	16.5%	\$14,015	9.0%	(\$918)	-6.1%
Agricultural Conservation Easement Purchase Fund /1	\$28,000	30.9%	\$25,000	16.0%	(\$3,000)	-10.7%
Conservation District Fund	\$1,029	1.1%	\$1,019	0.7%	(\$10)	-1.0%
Environmental Stewardship Fund /2	\$5,110	5.6%	\$2,749	1.8%	(\$2,361)	-46.2%
Nutrient Management Fund	\$776	0.9%	\$755	0.5%	(\$21)	-2.7%
Agricultural College Land Scrip Fund /3	\$0	0.0%	\$0	0.0%	\$0	
Pa Race Horse Development Fund	\$0	0.0%	\$72,342	46.2%	\$72,342	
Racing Fund	\$40,682	44.9%	\$40,682	26.0%	\$0	0.0%
<b>Total</b>	<b>\$90,530</b>	<b>100.0%</b>	<b>\$156,562</b>	<b>100.0%</b>	<b>\$66,032</b>	<b>72.9%</b>

/1 For purchase of County Easements.

/2 Transfer to the Agricultural Conservation Easement Program (Executive Authorization) for purchase of county easements.

/3 Agriculture Expenditures from the Agricultural College Land Scrip Fund are not included under *Other Funds* to avoid double counting within the larger budget document. In the available year \$44.7 million is provided to Penn State. In the budget year, \$44.7 million is part of the \$72.3 million shift to the Pa. Race Horse Development Fund.

## Pennsylvania Race Horse Development Fund Background

The Race Horse Development and Gaming Act (Act 71 of 2004) authorized the operation of slot machines in Pennsylvania. This act created a variety of taxes and assessments on the gross terminal revenue generated by slot machine play. In addition to the 34 percent slot machine tax, the 4 percent local share assessment, and the 5 percent Economic Development and Tourism Assessment, this act established the formula-based Race Horse Improvement Assessment. This assessment on all gaming entities is capped at 12 percent of gross terminal revenue and is deposited in the Race Horse Development Fund.

Distributions from the Race Horse Development Fund are as follows:

- 80 percent to an account established by and for the benefit of the horsemen to fund purses for live races;
- 16 percent to the Pennsylvania Breeding Fund for breeder's programs in the Department of Agriculture; and
- 4 percent to fund health and pension benefits for members of the horsemen's organizations representing the owners and trainers at the racetracks. Of this amount, \$250,000 is paid annually to the jockeys or drivers organization at each racetrack for health insurance, life insurance or other benefits for active and disabled jockeys and drivers.

The following is a breakdown of how Gov. Corbett plans to re-direct \$72.3 million from the Race Horse Development Fund to:

- Pennsylvania Fairs — \$874,000
- Agricultural College Land Scrip Fund (Penn State) — \$44,737,000
- University of Pennsylvania (Veterinary Activities) — \$26,495,000
- University of Pennsylvania (Center for Infectious Diseases) — \$236,000

[Gov. Tom Corbett's plan to raid racehorse fund would kill industry, breeders say](#)  
 — Harrisburg Patriot-News Feb. 8, 2012

[Breeders object to raiding of Pa. fund](#)  
 — Pittsburgh Tribune-Review Feb. 9, 2012

[\(Click headline to read story\)](#)

According to interviews with stakeholders for the Pennsylvania Race Horse Development Fund, racing and breeding affects nearly 23,000 jobs within the commonwealth. Indications are that there could be significant job losses if racers and breeders take their business to neighboring states which are enticing racers and breeders with significant purses and a better fiscal climate for horse racing.

<b>Department of Agriculture - General Fund</b>				
<i>(dollars in thousands)</i>	Available	Budget	Difference	
	FY 2011/13	FY 12/13	\$ Change	% Change
General Government Operations	\$26,442	\$26,197	\$245	-0.9%
Agricultural Excellence	\$270	\$0	\$270	100.0%
Farmer's Market Food Coupons	\$2,079	\$2,079	\$0	0.0%
Agricultural Research	\$787	\$0	\$787	100.0%
Agricultural Promotion, Education, and Exports	\$196	\$0	\$196	100.0%
Hardwoods Research and Promotion	\$270	\$0	\$270	100.0%
Animal Health Commission	\$4,579	\$4,350	\$229	-5.0%
Transfer to State Farm Show Products Show Fund	\$2,579	\$2,450	\$129	-5.0%
*Payments to Pennsylvania Fairs	\$971	\$0	\$971	100.0%
Open Livestock Show	\$160	\$0	\$160	100.0%
Open Dairy Show	\$160	\$0	\$160	100.0%
Youth Shows	\$127	\$121	\$6	-5.0%
State Food Purchase	\$17,338	\$17,338	\$0	0.0%
Food Marketing and Research	\$494	\$0	\$494	100.0%
Transfer to Nutrient Management Fund	\$2,741	\$2,714	\$27	-1.0%
Transfer to Conservation District Fund	\$1,029	\$1,019	\$10	-1.0%
*Transfer to Agricultural College Land Scrip Fund	\$44,737	\$0	\$44,737	100.0%
*University of Pennsylvania - Veterinary Activities	\$27,889	\$0	\$27,889	100.0%
*University of Pennsylvania - Center for Infectious Diseases	\$248	\$0	\$248	100.0%
<b>Total</b>	<b>\$133,096</b>	<b>\$56,268</b>	<b>\$76,828</b>	<b>-57.7%</b>

\*Transferred to Pennsylvania Race Horse Development Fund

History of Appropriation Amounts – Various Fund Sources				Gov's Request	
(Amount in Thousands)	Actual	Available	Gov Req	less Available	
	10/11	11/12	12/13	Change \$	%
Payments to Pennsylvania Fairs	\$981	\$971	\$874	(\$97)	-10.0%
Univ. of Penn - Veterinary Activities	\$29,754	\$27,889	\$26,495	(\$1,394)	-5.0%
Univ. of Penn - Center for Infect. Diseases	\$248	\$248	\$236	(\$12)	-4.8%
Transfer to Ag College Land Scrip Fund (PSU)	\$52,619	\$44,737	\$44,737	\$0	0.0%
<b>Total</b>	<b>\$83,602</b>	<b>\$73,845</b>	<b>\$72,342</b>	<b>(\$1,503)</b>	<b>-2.0%</b>

## Campaign Promises vs. Reality

When he was running for office, Gov. Corbett said agriculture was important, according to his campaign's "50 ways Tom Corbett will Rebuild PA."

### Promise No. 19 - Promote Agricultural Innovation

"I will work to promote the use of technology and innovation within Pennsylvania's agriculture industry to ensure that it continues to grow. We must make sure that Pennsylvania remains a competitive leader in agriculture, both nationally and internationally. I am committed to maintaining the important role of agriculture in Pennsylvania's economy and way of life."

### Promise No. 40 - Make Agriculture a Priority

"I will be an advocate for Pennsylvania's farming community and work to market Pennsylvania agriculture to the rest of the world. Agriculture is Pennsylvania's number one industry, and this important economic driver deserves an advocate and partner in the Governor's Office. Pennsylvania is home to over 63,000 farms — and the dairy industry, the largest sector of the state's agriculture industry, alone creates over 40,000 jobs."

**However, now that he is governor**, Corbett's budget proposal cuts support for our number-one industry by eliminating \$2.3 million in funding for the following appropriations in the Department of Agriculture:

- **Agricultural Excellence** – funds the Department's Center for Farm Transitions, Center for Dairy Excellence, Center for Beef Excellence, and the Fruit Industry Task Force. **Program Eliminated.**
- **Agricultural Research** – funds are made available to contractors who are chosen by the Secretary of Agriculture based on recommendations of a committee composed of legislators, department staff and representatives of the Agriculture industry. **Funding Eliminated.**
- **Agricultural Promotion, Education and Exports** – funds provide for the promotion of Pennsylvania Agriculture products. **Funding Eliminated.**
- **Hardwoods Research and Promotion** – funds the Hardwoods Development Council to create new employment opportunities within the Hardwood industry in the commonwealth. **Funding Eliminated.**
- **Livestock Show** – funds the planning and staging of the Keystone International Livestock Show. **Program Eliminated.**
- **Open Dairy Show** – funds the planning and staging of an Open Dairy Show, including cattle, swine, sheep, and horses as a preliminary to the Keystone International Dairy Show. **Program Eliminated.**
- **Food Marketing and Research** – funds food marketing and research in the form of a grant to St. Joseph's University. **Funding Eliminated.**

#### House Appropriations Committee (D)

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