

<b>Regulatory Analysis Form</b>		<b>This space for use by IRRC</b> RECEIVED 99 MAR -5 PM 2:33 INDEPENDENT REGULATORY REVIEW COMMISSION  <b>Bush</b>  <b>IRRC Number:</b> 2012
(1) Agency  Department of Agriculture		
(2) I.D. Number (Governor's Office Use)  2-115		
(3) Short Title  Sustainable Agriculture Loan and Grant Programs		
(4) PA Code Cite  7 Pa. Code §§ 130c.1. – 130c.44.	(5) Agency Contacts & Telephone Numbers  Primary Contact: Lyle B. Forer, Director, Bureau of Plant Industry (717) 772-5203 Secondary Contact: David Bingaman, Chief Conservation and Agriculture Technology (717) 772-5208	
(6) Type of Rulemaking (check one)  Proposed Rulemaking <input checked="" type="checkbox"/> Final Order Adopting Regulation Final Order, Proposed Rulemaking Omitted	(7) Is a 120-Day Emergency Certification Attached?  No <input checked="" type="checkbox"/> Yes: By the Attorney General Yes: By the Governor	
(8) Briefly explain the regulation in clear and nontechnical language.  <p>The regulation sets forth eligibility criteria, ranking factors and review procedures with regard to applications for loans and grants under the Sustainable Agriculture Act. The loans and grants will help to promote sustainable agriculture practices within Pennsylvania. Such practices have been demonstrated to enhance profitability while protecting soil, surface and groundwater and other resources which agriculture and the general public depend.</p>		
(9) State the statutory authority for the regulation and any relevant state or federal court decisions.  Sustainable Agriculture Act of December 1994, P.L. 891, No. 129 (3 P.S. §§ 2101-2117)  There are no relevant state or federal court decisions concerning this act or this regulation.		

## Regulatory Analysis Form

(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

The regulation is mandated by the Sustainable Agriculture Act (3 P.S. §§ 2101-2117). Specific mandates are set forth at sections 2104(b) (Duties of the Department), 2108-2111 (Loan Programs), 2112-2114 (Grant Programs) and 2115 (Rules and Regulations).

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

The purpose of the Sustainable Agriculture Act and the loan and grant programs is to educate farmers with regard to the benefits of adopting and implementing sustainable agriculture practices. The implementation of such practices will increase farm profitability, conserve agricultural and other natural resources and benefit the general public and future generations. Sustainable agriculture practices minimize the use of pesticides and fertilizers, encourage crop rotation and the planting of buffer strips between fields and along streams. Such practices reduce the loss of pesticides and nutrients as well as preventing soil erosion.

The result of sustainable agriculture practices is lowered cost to state and local governments in cleanup of polluted surface and groundwater as well as lowering the costs of prevention and enforcement measures. In addition, such practices encourage crop diversity and other ecologically beneficial practices that benefit society.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

Nonregulation would merely result in farmers continuing the tried and true agricultural practices of using pesticides and chemical fertilizers to increase productivity and profitability. Increased or even continued use of the pesticides and chemical fertilizers will result in sustained or increased levels of runoff of pesticides and nutrients and contamination of surface and groundwater. This regulation encourages environmentally friendly techniques that ensure the quality of soil and water for future generations and at the same time help to increase farm productivity and profitability.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

The agricultural community as well as the general public will benefit from the decreased pesticide and chemical fertilizer use and from the prevention of soil erosion. The implementation of sustainable agriculture practices will increase farm profitability, conserve natural resources and benefit the general public and future generations. The general public will also benefit through reduced costs of clean up and enforcement. There are approximately 50,000 farmers in Pennsylvania. The benefits derived will be proportionate to the number of grants and loans given out. The number of grants and loans distributed will be contingent upon the quality and quantity of applications received and the amount of money allocated for such grants and loans.

### **Regulatory Analysis Form**

(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

The purpose of the programs and the results sought to be obtained have no adverse effect on any entity and in fact produce beneficial effects for the farm community, state and local government and the general public. The Department will incur some additional paperwork and administrative expenses.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

The sustainable agriculture loan and grant programs are voluntary programs. Only those who choose to apply and are accepted will be subject to the regulation. The number of persons who apply and are accepted will be contingent on the quality and quantity of applications received and the amount of money allocated for the sustainable agriculture loan and grant programs.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

The Bureau's expertise and experience regarding Sustainable Agriculture Techniques and Best Management Practices, along with the expertise of various state institutions of higher learning, was used in developing this regulation. The regulation was drafted to effectuate the intent of the Sustainable Agriculture Act and assure the grant and loan programs required by the act are administered fairly and equitably enforced by the Department.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

The cost and savings to the regulated community are speculative at this time. It is impossible to estimate the long-term environmental savings which may result from these grant and loan programs. The costs associated with the regulation are paperwork and administrative costs only. The regulation imposes no licensing fees or permit fees on the regulated community and does not require compliance unless a person applies and receives a loan or grant.

### **Regulatory Analysis Form**

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

This regulation imposes no costs on local governments associated with compliance.

The loan and grant programs are voluntary programs and impose no regulation or restrictions on local governments.

Local governments will benefit from the environmental and ecological effects of sustainable agriculture practices.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

State government (the Department of Agriculture) will incur additional paperwork and administrative costs.

State government will benefit from the environmental and ecological effects of sustainable agriculture practices. Minimizing off farm inputs such as pesticides and fertilizers, utilization of crop rotation techniques, introductions of natural predators and the planting of buffer strips between fields and along streams will result in lowered costs of cleanup of contaminated surface and groundwater and enforcement, increased crop diversity and sustainable profitability of the agricultural community.

### Regulatory Analysis Form

(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
<b>SAVINGS:</b>	\$	\$	\$	\$	\$	\$
Regulated Community						
Local Government						
State Government						
Total Savings						
<b>COSTS:</b>						
Regulated Community						
Local Government						
State Government						
Total Costs						
<b>REVENUE LOSSES:</b>						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses						

(20a) Explain how the cost estimates listed above were derived.

There is no program history to date. The costs and benefits of the loan and grant programs are too speculative to quantify at this time. The Department will measure the benefits derived from sustainable agriculture practices by monitoring loan and grant recipients and the results of their proposals. Recipients of loans and grants are required to submit final reports detailing the results and benefits gained from implementation of the sustainable agriculture practices proposed in their loan or grant application. The benefits the Department hopes to derive from the loan and grant programs are:

1. Increased farm profitability while protecting and preserving our natural resources;
2. Increased crop diversity;
3. Decreased run off of agricultural nutrients and other pollutants;
4. Increased soil and water quality;
5. Continued viability of agricultural resources for future generations;
6. Increased farm profitability;
7. Decreased costs of clean up and enforcement of environmental acts; and
8. More productive soil, and cleaner streams and lakes.

The costs associated with the regulation are paperwork and administrative costs only.

**Regulatory Analysis Form**

(20b) Provide the past three-year expenditure history for programs affected by the regulation.

There is no program history to date.

<b>Program</b>	<b>FY -3</b>	<b>FY -2</b>	<b>FY -1</b>	<b>Current FY</b>

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

The regulation concerns grant and loan programs and will have no adverse effects. The costs associated with the programs are paperwork and administrative costs and are minimal. The benefits of the grant and loan programs will effect the farm community and the general public. The grant and loan programs will encourage the use of Best Management Practices which will: 1.) Increase farm profitability; (2) Reduce erosion and maintain the quality and productivity of the soil for future generations; and (3) Minimize the use of pesticides and chemical fertilizers thereby reducing run off and contamination and having a beneficial effect on the environment and the general public.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

There are no nonregulatory alternatives. The act requires the Department to promulgate a regulation for both the loan and grant programs set forth by the act. This regulation will assure that the proper procedures will be followed by the Agency when evaluating loan and grant proposals and assure recipients of grants and loans will carry out the Best Management Practices delineated in their grant and loan proposals.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

No alternative regulatory schemes were considered. The act is quite clear with regard to the procedures and ranking factors which the Department must follow. This regulation was drafted as required by the act and in such a way as to carry out the intent of the act.

(23) Continued

This regulation was promulgated in order to carry out the duties imposed on the Department by the act. The act is intended to benefit the agricultural community and the general public by providing grants and loans, which encourage the implementation of sustainable agriculture practices. Such practices reduce the levels of pesticides and fertilizers applied to agricultural land and encourage other environmentally sound practices. In promulgating the regulation, we researched other grant and loan programs to assure this regulation carried forward the intent of the act and at the same time, did not impose any unnecessary costs.

**Regulatory Analysis Form**

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

No. The regulation is consistent with the Federal Food, Agriculture, Conservation and Trade Act of 1990. (Public Law 101-634, 7 U.S.C. § 5813)

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

This regulation imposes only minimal paperwork costs on the regulated community. Additionally, it is a voluntary program. The regulation provides criteria for review and execution of grant and loan programs. The grant and loan programs encourage reduced use of pesticides and chemical fertilizers, crop rotation, the planting of buffer strips and other techniques which maintain or increase the quality of soil and water for the farm community, the general public and future generations. Such practices will improve farm productivity and profitability and reduce the cost of clean up and regulatory enforcement thereby giving Pennsylvania a competitive advantage.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

The regulation will not directly impact any other regulation or state agency. However, the application of Sustainable Agriculture and Best Management Practices will produce environmental benefits that will positively impact such regulations as those promulgated under the Clean Streams Law (35 P.S. §§ 691.1 et seq.), the Pesticide Control Act (3 P.S. §§ 111.21. et seq.) and the Nutrient Management Act (3 P.S. §§ 1701 et seq.) This positive impact will be felt by the Department of Environmental Protection. ("DEP")

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No. This regulation provides criteria for review and execution of grants and loans to the farm community and non-profit educational institutions. The act clearly delineates the procedures and ranking factors to be followed. This regulation imposes minimal costs on the Department and the regulated community and is non-controversial in nature.

### Regulatory Analysis Form

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

The Department will be required to review all grant and loan applications. Those applications that are approved must be recorded and the Department must then undertake inspections and periodic reviews to assure the approved applicant is carrying out his or her duties and obligations. The approved applicant will be required to keep and maintain all necessary financial records and other records pertinent to the implementation of the approved proposal. The approved applicant will be required to submit progress reports and a final report.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

The focus of the sustainable agriculture grant and loan programs is to educate farmers in the benefits of adopting sustainable agriculture practices and to encourage the use of such practices. The implementation of sustainable agriculture practices will increase farm profitability, conserve agriculture resources and benefit the general public and future generations.

The regulation was developed to carry forward the intent of the act and in a manner consistent with the criteria delineated in the act.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

The regulation is behind schedule. The act required the regulation to be in place by February of 1997. The Department hopes to have the regulation approved and implemented by September of 1999. No compliance is required until a grant of loan applicants proposal has been approved by the Department. There are no licensing or permit requirements under this regulation. Please note that to date no funds have been appropriated for the sustainable agriculture loan or grant programs.

(31) Provide the schedule for continual review of the regulation.

We will track the success of the program by measuring sustainable agriculture practices adopted as a result of grant and loan programs. Additionally, recipients of grants and loans are required to submit final reports detailing the results and benefits gained from implementation of the sustainable agriculture practices proposed in their applications.

The Department will continually review the success of the programs and comments received from the grant and loan recipients and will suggest amendments as needed.



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DEPUTY ATTORNEY GENERAL

MAR 03 1998

DATE OF APPROVAL

Check if applicable  
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attached.

Copy below is hereby certified to be a true and correct copy  
of a document issued, prescribed or promulgated by:

Department of Agriculture

(AGENCY)

DOCUMENT/FISCAL NOTE NO. 2-115

DATE OF ADOPTION:



SAMUEL E. HAYES, JR.

TITLE: Secretary of Agriculture

(EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)

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form and legality. Executive or Independ-  
ent Agencies.

BY: Sandra W. Stoner

Oct. 14, 1998

DATE OF APPROVAL

(Deputy General Counsel)  
(Chief Counsel, Independent Agency;  
(Strike inapplicable title)

Check if applicable. No Attorney Gen-  
eral approval or objection within 30  
days after submission.

PROPOSED RULEMAKING  
7 Pa. Code Chapter 130c  
Sustainable Agriculture Program

**Department of Agriculture  
Bureau of Plant Industry  
7 Pa. Code - Chapter 130c.  
Sustainable Agriculture Programs**

The Department of Agriculture ("Department"), under the specific authority conferred by Section 15(1) (3 P.S. § 2115(1)) of the act of December 12, 1994, P.L. 891, No. 129, known as the Sustainable Agriculture Act ("Act") (3 P.S. §§ 2101-2117), hereby proposes to establish Chapter 130c. (7 Pa. Code §§ 130c.1. -130c.44). Section 4(a) (3 P.S. § 2104(a)), of the act directs the department to establish a program to promote sustainable agriculture. Sections 4(b), 8, and 12 (3 P.S. §§ 2104(b), 2108 and 2112), of the act delineate the duties of the department and direct the department to establish loan programs and grant programs to encourage the practice of sustainable agriculture.

The proposed regulations will delineate the objectives of the loan and grant programs and the general conditions for obtaining a sustainable agriculture loan or grant. In addition, the regulations will establish submission, processing and review procedures, eligibility and evaluation criteria, notification and record keeping requirements and enforcement mechanisms for the sustainable agriculture loan program and the sustainable agriculture grant program and the alternative crop grant program. Sustainable agriculture emphasizes farm practices which are ecologically beneficial, ensure and improve the quality of the soil and water for future generations and make the best use of on farm resources thereby eliminating or reducing the need for off-farm inputs, such as fertilizers and pesticides. The loan and grant programs are intended to promote and encourage the use and development of sustainable agriculture practices.

The major features of the proposed regulations are summarized as follows:

## **SUMMARY OF MAJOR FEATURES**

### **Subchapter A. - General Provisions**

Proposed section 130c.1. (relating to objectives) sets forth the overall objectives and purpose of the sustainable agriculture act.

Proposed section 130c.2. (relating to definitions) sets forth the definitions of proposed words and terms used in this chapter.

Proposed section 130c.3. (relating to records) establishes the proposed record keeping requirements for the recipients of sustainable agriculture loans or grants.

Proposed section 130c.4. (relating to conflict of interest) allows members of the Board to apply for sustainable agriculture loans or grants or alternative crop grants, provided they meet specified criteria.

Proposed section 130c.5. (relating to notice of disposition of application) establishes the time period in which the board shall notify an applicant of the acceptance or rejection of the application.

Proposed section 130c.6. (relating to loan or grant cancellation) will allow the secretary to cancel a sustainable agriculture loan or grant or an alternative crop grant when a determination is made that the funds are not being used properly.

Proposed section 130c.7. (relating to right of recovery) establishes the department's right to recover, from a sustainable agriculture loan or grant recipient or an alternative crop grant recipient, monies not expended in accordance with the act, the loan or grant agreement or this proposed chapter.

Proposed section 130c.8. (relating to deficits) limits the department's financial obligation to the amount of the sustainable agriculture loan or grant or the alternative crop grant.

**Subchapter B. - Sustainable Agriculture Loan Program**

Proposed section 130c.11. (relating to objectives) sets forth the proposed objectives of this subchapter, which are to establish the procedures and requirements of the sustainable agriculture loan program.

Proposed section 130c.12. (relating to funding) sets forth the requirement of availability of funding, delineates the sources from which funding for the sustainable agriculture loan program may be obtained and establishes the requirement that all funds pertaining to the sustainable agriculture loan program must be deposited into the revolving loan account.

Proposed section 130c.13. (relating to loan amount) delineates the maximum loan amounts allowed under the sustainable agriculture loan program.

Proposed section 130c.14. (relating to general conditions) establishes the interest rate to be charged on sustainable agriculture loans and delineates the maximum term of a loan and the payment plans available. This section also contains the sustainable agriculture loan agreement, security, default and verification requirements and establishes the department's right to recall the entire principal balance of a sustainable agriculture loan plus interest due.

Proposed section 130c.15. (relating to submission of application) sets forth the sustainable agriculture loan application process, including the deadline for submission of loan applications.

Proposed section 130c.16. (relating to processing of applications) establishes the procedure which the department shall follow when processing a sustainable agriculture loan application and delineates the duties of the executive director and the board regarding the processing of sustainable agriculture loan applications.

Proposed section 130c.17. (relating to applicant eligibility) establishes the criteria which individuals, family farm partnerships, family farm corporations and corporate farms must meet in order to be considered for a loan under the sustainable agriculture loan program.

Proposed section 130c.18. (relating to review of loan applications) sets forth the criteria which the board shall use when reviewing and evaluating sustainable agriculture loan applications.

Proposed section 130c.19. (relating to eligible uses) delineates the agricultural practices for which sustainable agriculture loan proceeds may and may not be used.

### **Subchapter C. - Sustainable Agriculture Grant Programs and**

#### **Alternative Crop Grant Programs**

Proposed section 130c.31. (relating to objectives) sets forth the proposed objectives of this subchapter, which are to establish the procedures and requirements of the sustainable agriculture grant program and the alternative crop grant program.

Proposed section 130c.32. (relating to funding) sets forth the requirement of availability of funding and delineates the sources from which funding for the sustainable agriculture grant program and the alternative crop grant program may be obtained.

Proposed section 130c.33. (relating to amount of grants) delineates the maximum dollar value of any grant which can be awarded under the sustainable agriculture grant program or alternative crop grant program.

Proposed section 130c.34. (relating to general conditions regarding the sustainable agriculture grant program and the alternative crop grant program) discusses the requirements of a grant agreement and sets forth default and verification conditions and requirements.

Proposed section 130c.35. (relating to submission of application) sets forth the application process for the sustainable agriculture grant program and alternative crop grant program, including the deadline for submission of grant applications and limitations.

Proposed section 130c.36. (relating to processing of applications) establishes the procedure which the department shall follow when processing a sustainable agriculture grant program application or an alternative crops grant program application and delineates the duties of the executive director and the board regarding the processing of such grant applications.

Proposed section 130c.37. (relating to applicant eligibility) establishes the criteria which individuals, family farm partnerships, family farm corporations, corporate farms and non-profit educational institutions must meet in order to be considered for a grant under the sustainable agriculture grant program or the alternative crop grant program.

Proposed section 130c.38. (relating to review of grant application) sets forth the criteria which the board shall use when reviewing and evaluating sustainable agriculture grant applications and alternative crop grant applications.

Proposed section 130c.39. (relating to eligible uses) delineates the agricultural practices for which sustainable agriculture grant and alternative crop grant proceeds may and may not be used.

### **FISCAL IMPACT**

#### **Commonwealth**

The proposed regulations do not create any fiscal impact or impose any costs on the Commonwealth, which are not already contained in the act itself. The act and these regulations are intended to have a positive fiscal impact on the Commonwealth, through increased return on investment to the producer/farmer, increased soil and water quality and other ecological benefits which accrue from reducing or eliminating the need for fertilizers and pesticides.

#### **Political Subdivisions**

The proposed regulations will not have any direct fiscal impact on political subdivisions.

#### **Private Sector**

The proposed regulations will not have any direct fiscal impact on the private sector except for the possible positive effects discussed with regard to their fiscal impact on the Commonwealth.

### General Public

The proposed regulations will not have any direct fiscal impact on the general public, although the general public may benefit from the decreased use of pesticides and fertilizers and the increased soil and water quality these regulations seek to promote.

### PAPERWORK REQUIREMENTS

These regulations will result in increased paperwork requirements of the recipients of sustainable agriculture loans and grants and alternative crop grants. The recipients of such loans and grants will be required to keep detailed records of all sustainable agriculture activities and projects undertaken using the loan or grant monies. The department will incur increased paperwork requirements through tracking and record keeping requirements and review of applications related to the sustainable agriculture loan program, the sustainable agriculture grant program and the alternative crop grant program.

### REGULATORY REVIEW

Under Section 5(a) of the Regulatory Review Act (71 P.S. § 745.5(a), the Department submitted a copy of these proposed regulations on March 5, 1999 to the Independent Regulatory Review Commission and to the Chairpersons of the House Agriculture and Rural Affairs Committee and the Senate Agriculture and Rural Affairs Committee. In addition to submitting the proposed regulations, the Department has provided the Commission and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the agency in compliance with Executive Order 1996-1 ("Improving Government Regulations"). A copy of this material is available to the



public upon request. If the Commission has an objection to any portion of the proposed regulation, it will notify the Department within 30 days after the close of the public comment period. The notification shall specify the regulatory review criteria which have not been met by that portion. The Regulatory Review Act specifies detailed procedures for review, prior to final publication of the regulations, by the Department, the General Assembly and the Governor of objections raised.

### **CONTACT PERSON**

All interested persons are invited to submit written comments regarding the proposed regulations within (30) days following publication in the Pennsylvania Bulletin. Comments are to be submitted to Lyle Forer, Director, Bureau of Plant Industry, Department of Agriculture, 2301 North Cameron Street, Harrisburg, PA 17110-9408. Telephone No. (717) 772-5203.

### **Effective Date**

The proposed regulation will become effective upon final adoption.

By the Department of Agriculture

SAMUEL E. HAYES, SECRETARY

**ANNEX "A"**  
**CHAPTER 130c. SUSTAINABLE AGRICULTURE PROGRAMS**

**SUBCHAPTER A. GENERAL PROVISIONS**  
**SUBCHAPTER B. SUSTAINABLE AGRICULTURE LOAN PROGRAM**  
**SUBCHAPTER C. SUSTAINABLE AGRICULTURE AN ALTERNATIVE CROP GRANT PROGRAMS**

**SUBCHAPTER A. GENERAL PROVISIONS**

<b>Sec.</b>	<b>Title</b>
<b>130c.1.</b>	<b>Objectives.</b>
<b>130c.2.</b>	<b>Definitions.</b>
<b>130c.3.</b>	<b>Records.</b>
<b>130c.4.</b>	<b>Conflict of interest.</b>
<b>130c.5.</b>	<b>Notice of disposition of application.</b>
<b>130c.6.</b>	<b>Cancellation of loans or grants.</b>
<b>130c.7.</b>	<b>Right of recovery.</b>
<b>130c.8.</b>	<b>Deficits.</b>

**§ 130c.1. Objectives.**

The Sustainable Agriculture Act (3 P.S. §§ 2101-2117) was enacted for the purpose of establishing a program for sustainable agriculture practices and the Board of Sustainable Agriculture; defining the powers and duties of the Department of Agriculture and the Board of Sustainable Agriculture; and providing for sustainable agriculture loan and grant programs, an alternative crop grant program; and for funding.

**§ 130c.2. Definitions.**

The following words, phrases and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

*Act* - The Sustainable Agriculture Act (3 P.S. §§ 2101-2117)

*Agricultural activity or farming* - The commercial production of agricultural crops, livestock or livestock products, poultry products, milk or dairy products or fruits and other horticultural products.

*Alternative crop* - Crops not normally grown on an annual or rotational basis in this Commonwealth. The term may include crops used to replenish soil nutrients, crops used for animal or human consumption or crops used to reduce reliance on fuel, agricultural chemicals or synthetic fertilizer.

*Applicant* - A farm enterprise applying for a loan or grant.

*Beneficial insects* - Those insects which, during their life cycle, are effective pollinators of plants, are parasites or predators of pests, or are otherwise beneficial to farming.

*Board* - The Board of Sustainable Agriculture.

*Corporate farm* - A corporation formed for the purpose of engaging in agricultural activity or farming which is not a family farm corporation.

*Creditworthy* - Able to pay debts as they become due, able to offer sufficient security and collateral and having no history of any previous default(s) on loans specified in 130c.14(g).

*Department* - The Department of Agriculture of the Commonwealth.

*Executive director* - The person appointed by the Secretary of Agriculture to advise the board. His or her duties shall include reviewing, evaluating and submitting loan applications to the board, identifying sustainable agriculture practices, integrating and coordinating sustainable agriculture activities and education, developing information systems and promoting sustainable agriculture practices.

*Family farm corporation* - A corporation formed for the purpose of farming in which the majority of the voting stock is held by and the majority of the stockholders are natural persons or their spouses or other persons related to the natural persons or their spouses and at least one of the majority stockholders is residing on or actively operating or managing the farm and none of the stockholders of which are corporations.

*Family farm partnership* - A general partnership entered into for the purpose of farming, having no more than three unrelated members and having at least one member residing on or actively operating or managing the farm.

*Farm enterprise* - A natural person, family farm corporation, family farm partnership engaged in farming or a corporate farm or nonprofit educational institution.

*Farmland* - Land in this Commonwealth that is capable of supporting the commercial production of agricultural crops, livestock or livestock products, poultry products, milk or dairy products, fruit or other horticultural products.

*Fund* - The Sustainable Agriculture Fund.

*Individual* - A natural person, meaning a single person as distinguished from a group or class, and as distinguished from a partnership, corporation, or association.

*Nonprofit educational institution* - Any State-owned or State-related college or university in this Commonwealth or any nonprofit organization, association or group in this Commonwealth which:

- (1) Has demonstrated a capacity to conduct agricultural research or education programs;
  - (2) Has experience in research or education in sustainable agricultural practices;
- and

(3) Qualifies as a nonprofit organization under section 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

*Pest* - Any insect, rodent, nematode, fungus, weed or any other form of terrestrial or aquatic plant or animal life or virus, bacteria or other microorganism (except viruses, bacteria, or other microorganisms on or in living man or other living animals) which the administrator of the Federal Environmental Protection Agency declares to be a pest under section 25(c)(1) of the "Federal Insecticide, Fungicide and Rodenticide Act of 1947," as amended in 1972. (7 U.S.C.A. § 136w(1)).

*Pesticide* - Any substance or mixture of substances intended for preventing, destroying, repelling, or mitigating any pest and any substance or mixture of substances intended for use as a plant regulator, defoliant or desiccant.

*Project* - A specific plan set forth on a loan or grant application submitted under the Act and this chapter, describing sustainable agriculture or alternative crop practices to be implemented using loan or grant funds received pursuant to that application.

*Secretary* - The Secretary of Agriculture of the Commonwealth or his designee.

*Sustainable agriculture* - An integrated system of plant and animal production practices having a site-specific application that will over the long term:

- (1) Satisfy human food and fiber needs.
- (2) Enhance environmental quality and the natural resource base upon which the agricultural economy depends.
- (3) Make the most efficient use of nonrenewable resources and on-farm resources and integrate, where appropriate, natural biological cycles and controls.
- (4) Sustain the economic viability of farm operations.

(5) Enhance the quality of life for farmers and society as a whole.

*Sustainable agriculture fund* - A fund created by section 7 of the Act, (3 P.S. § 2107) and established by the Department which shall receive all revenues and appropriations, as allowed under the Act. The fund shall pay all costs, except administrative expenses, related to the sustainable agriculture program. This fund shall also contain the revolving loan account created by section 9 of the Act. (3 P.S. § 2109)

**§ 130c.3. Records.**

(a) A recipient of grant or loan funds under the Act and this chapter shall maintain books, records and other evidence pertinent to expenditures and costs incurred in connection with the sustainable agriculture project to which those funds are applied. The books and records shall be maintained according to generally accepted accounting principles.

(b) Financial records, supporting documents, statistical records and other records pertaining to any loan or grant made under the Act shall be retained by the recipient for 3 years following the year in which the loan or grant expires.

(c) The records and documents shall be available for inspection or audit at reasonable times by the Department or its authorized agent(s).

**§ 130c.4. Conflict of interest.**

A member of the Board may apply for a sustainable agriculture loan or grant or an alternative crop grant provided all decisions regarding the loan or grant application are subject to the provisions of § 3(j) of the Public Official and Employee Ethics Act (65

Pa.C.S. § 1103(j)), and subsequent revisions thereto, and provided such action does not violate any of the provisions of the Act of July 19, 1957, (P.L. 1017, No. 451), referred to as the State Adverse Interest Act (71 P.S. §§ 776.1 et seq.), and subsequent revisions thereto, or Executive Order 1980-18 Amended, referred to as the Code of Conduct.

**§ 130c.5. Notice of disposition of application.**

The Board will provide an applicant written notice of the acceptance or rejection of the application by mailing a notice within 90 days of receipt of such application, unless such application is incomplete, in which case the Board will follow the action prescribed by §130.16. (relating to processing of loan applications) or §130.36. (relating to processing of grant applications).

**§ 130c.6. Loan or grant cancellation.**

A sustainable agriculture loan or grant or an alternative crop grant may be canceled by the Secretary upon a determination that the funds are not being spent or utilized in accordance with the Act, the loan or grant agreement or this chapter.

**§ 130c.7. Right of recovery.**

The Department has the right to make a claim for and receive from the loan or grant recipient monies not expended in accordance with the Act, the loan or grant agreement or this chapter. When a loan or grant recipient defaults, the Department has the right to make a claim for and receive from the loan or grant recipient, the principle

balance of the loan and interest incurred to date. Payment shall be due within 60 days of such written demand.

**§ 130c.8. Deficits.**

The Department's financial obligation is limited to the amount of the sustainable agriculture loan or grant or the alternative crop grant. The Department is not responsible for funding cost overruns incurred by loan or grant recipients.

**SUBCHAPTER B. SUSTAINABLE AGRICULTURE LOAN PROGRAM**

<b>Sec.</b>	<b>Title</b>
<b>130c.11.</b>	<b>Objective.</b>
<b>130c.12.</b>	<b>Funding.</b>
<b>130c.13.</b>	<b>Amount of Loan.</b>
<b>130c.14.</b>	<b>General Conditions.</b>
<b>130c.15.</b>	<b>Submission of Application.</b>
<b>130c.16.</b>	<b>Processing of Application.</b>
<b>130c.17.</b>	<b>Applicant Eligibility.</b>
<b>130c.18.</b>	<b>Review of a Loan Application.</b>
<b>130c.19.</b>	<b>Eligible Uses.</b>

**§ 130c.11. Objective.**

It is the objective of this subchapter to establish the requirements and procedures of the Sustainable Agriculture Loan Program, pursuant to which an applicant may receive a loan to implement farming practices that emphasize sustainable agriculture in this Commonwealth.



**§ 130c.12. Funding.**

Sustainable agriculture loans shall be made to the extent funds are made available in the revolving loan account. The revolving loan account, created under section 9 of the Act (3 P.S. § 2109), shall be used to fund all sustainable agriculture loans. The revolving loan account shall be funded by appropriations made by the General Assembly and interest earned on the account and interest from loan repayment.

**§ 130c.13. Amount of loan.**

The maximum amount of a loan is \$15,000 for farm enterprises which are not corporate farms and \$25,000 for corporate farms.

**§ 130c.14. General conditions.**

(a) Interest rates. The interest rate on any loan shall be calculated using simple interest at the percentage rate equal to the Federal Reserve discount rate at the time the loan was made.

(b) Term of loan and rate of payment. The term of the loan shall not be greater than the useful life of the project, which shall be defined in the loan agreement. Under no circumstances shall the term of the loan exceed 7 years. Payments shall be made monthly, quarterly, or semiannually, as determined by the Board.

(c) Security.

(1) Requirement. The Board shall secure each loan before distributing the loan proceeds and its lien position may not be less than a second position as to

liens on real estate and equipment connected with the farm operation. A loan shall be fully secured and no part of the loan shall be unsecured.

(2) Valuation of collateral. Real estate security shall be valued on the basis of resale value, taking into account any liens or encumbrances on the land.

(3) Additional security. The Board may require other and additional security as it deems just and reasonable, including personal liability promissory notes with confessions of judgment, judgment notes, additional collateral, insurance and guarantees.

(d) Sale of real or personal property. If the recipient sells real or personal property connected with the project which is subject to a lien in favor of the Department or Board the principal balance of the loan and interest incurred to date shall immediately become due and payable.

(e) Verification. Within 3 months of the project completion date specified in the loan agreement, the recipient shall submit to the Department a final report which includes written receipts, records and any other pertinent documentation evidencing the total amount of the costs incurred and expenditures associated with the project. At the same time, the recipient shall also submit a narrative report describing the effectiveness of the project, the results obtained, the experience gained and the personal knowledge acquired.

(f) Failure to Verify. If the required receipts, records and documentation are not submitted within the 3-month period or a portion of loan proceeds are unaccounted for, the Secretary may demand the recipient repay the entire principal balance of the loan or a

lesser amount and interest incurred to date. Payment shall be due within 60 days of such written demand.

(g) **Loan agreement.** A recipient shall sign a loan agreement setting forth the term and amount of the loan, a repayment schedule and other terms or conditions as the Department may reasonably require.

(h) **Previous default.** A loan will not be made under this chapter to an applicant who has previously defaulted on a loan made, guaranteed or insured by the Commonwealth, the Federal Government, or by the government of another state.

(i) **Default.** A recipient who fails to abide by the terms of the Act, the loan agreement or the rules set forth in this chapter shall be in default. Additionally, a loan shall be declared in default if the loan recipient fails to make the required payment within 30 days of the due date. When a loan recipient defaults the Department may seek recovery of the loan funds as delineated in Section 130c.7. of this chapter. A default may be waived by the Secretary, after consultation with the Board, in the event of a physical disability suffered by the recipient or other extenuating circumstances.

**§ 130c.15. Submission of application.**

An applicant desiring to be considered for a loan under this chapter shall submit to the Board, on a form prepared by the Board, an application for a loan. The completed application shall contain all information requested by the Board. Applications must be postmarked no later than July, 31 of each year.

**§ 130c.16. Processing of applications.**

(a) The executive director. Upon receipt of an application for a sustainable agriculture loan and any required supporting documentation, the executive director will review this information for completeness and accuracy and submit it to the Board. If the executive director determines the application is incomplete or inaccurate, final processing of the application may be discontinued or additional data may be requested. If additional data is requested, processing of the application will cease until the applicant supplies the requested data. Where additional data has been requested, the executive director may terminate the processing of an incomplete application when the additional data is not supplied within 30 days of a written request.

(b) The board. The Board will review all complete applications and supporting documentation and shall have the power to accept, accept with special conditions or reject applications and issue loans in accordance with the general considerations and eligibility criteria of the Act and this chapter

**§ 130c.17. Applicant eligibility.**

(a) Individuals. To be eligible for a loan under this chapter, the applicant, if an individual, shall be:

- (1) A resident of this Commonwealth or show sufficient evidence that he or she intends to become a resident;
- (2) An active resident operator or resident manager of the farm;

(3) Sufficiently educated, trained or experienced to carry out the project and must certify he or she will participate in the project for the duration of the loan period;

(4) Able to prove and document that the farmland or farm enterprise for which the loan is acquired is located in this Commonwealth;

(5) Able to demonstrate the proceeds of the loan will be used for eligible sustainable agriculture purposes as defined in the Act and this chapter and that all loan proceeds will be used exclusively for sustainable agriculture purposes in Commonwealth farming operations only; and

(6) Creditworthy.

(b) Family farm partnership. To be eligible for a loan under this chapter, if a family farm partnership, the applicant's principal operating or managing partners shall:

(1) Be residents of this Commonwealth or demonstrate they intend to become residents;

(2) Have no more than three unrelated members;

(3) Have at least one member residing on or actively operating or managing the farm;

(4) Demonstrate the applicant or the principal operating or managing partners thereof have sufficient education, training or experience to carry out the sustainable agriculture project proposed in the loan application and must certify he or they will participate in the project for the duration of the loan period.

(5) Be able to prove and document that the farmland or farm enterprise for which the loan is acquired is located in this Commonwealth;

(6) Be able to demonstrate the proceeds of the loan will be used for eligible sustainable agriculture purposes as defined in the Act and this chapter and that all loan proceeds will be used exclusively for sustainable agriculture purposes in Commonwealth farming operations only; and

(7) Be creditworthy.

(c) Family farm corporation. To be eligible for a loan under this chapter, the applicant, if a family farm corporation, shall meet the following requirements:

(1) The family farm corporation shall be incorporated or registered to do business in this Commonwealth;

(2) The principal operating or managing members or shareholders of the family farm corporation shall be residents of this Commonwealth or show sufficient evidence that they intend to become residents;

(3) At least one of the majority stockholders of the family farm corporation shall reside on or actively operate or manage the farm;

(4) None of the shareholders of the family farm corporation may be corporations;

(5) The applicant or the principal operating or managing members or shareholders of the family farm corporation must have sufficient education, training or experience to carry out the sustainable agriculture project proposed in the loan application and must guarantee he or they will participate in the project for the duration of the loan period;

(6) The family farm corporation shall demonstrate that the farmland or farm enterprise for which the loan is acquired, is located in this Commonwealth;

(7) The family farm corporation shall be able to demonstrate the proceeds of the loan will be used for eligible sustainable agriculture purposes as defined in the Act and this chapter and that all loan proceeds will be used exclusively for sustainable agriculture purposes in Commonwealth farming operations only; and

(8) The family farm corporation shall be creditworthy.

(d) Corporate farm. To be eligible for a loan under this chapter, the applicant, if a corporate farm, shall meet the following requirements:

(1) The corporate farm shall be incorporated or registered to do business in this Commonwealth;

(2) The principal operating or managing members or shareholders of the corporate farm must have sufficient education, training or experience to carry out the sustainable agriculture project proposed in the loan application and must guarantee the corporation will participate in the project for the duration of the loan agreement;

(3) The corporate farm shall demonstrate that the farm enterprise owns or leases farmland in this Commonwealth;

(4) The corporate farm shall be able to demonstrate the proceeds of the loan will be used for eligible sustainable agriculture purposes as defined in the Act and this chapter and that all loan proceeds will be used exclusively for sustainable agriculture purposes in Commonwealth farming operations only; and

(5) The corporate farm shall be creditworthy.

(e) Non-profit educational institution. A non-profit educational institution is not eligible for a loan.

**§ 130c.18. Review of a loan application.**

(a) Evaluation. The Board will evaluate the application based on the applicant's eligibility as set out in §130c.17. (relating to applicant eligibility).

(b) Ranking. No single factor will be paramount. In rendering a decision the Board will rank the application based on the following criteria:

(1) Financial responsibility. Financial responsibility reflecting the ability of the applicant to meet and satisfy all debt service as it becomes due and payable, continue farm operations and protect the Department against undue risk. The applicant's cash flow history, total assets controlled, equity owned, contingent liabilities and history of earnings to date are significant measures of financial responsibility.

(2) Collateral offered on available security. The requirement of collateral and collateral taken shall reasonably protect the Department, provide the necessary control of equity and repayment and leave the applicant in a position to reasonably manage the farm operation. The applicant's ability to give the Department a first position in terms of a lien on collateral or to share a first position, will be given great weight.

(3) Repayment capacity. The relevant criminal and credit history and ratings of the applicant as determined from credit reporting services and other sources.

(4) Tax obligations. The payment to date of all tax obligations due and owing by the applicant to the Commonwealth or any political subdivisions thereof.



(5) Projected use. The manner in which loan proceeds will be utilized in furthering sustainable agriculture in this Commonwealth. This encompasses the goals of the project, its impact on agriculture, the environment and society, its ability to increase farm profitability and productivity, and the potential for success of the project.

(6) Capital needs (amount of the loan). The Board will look at the capital needs of the applicant in light of available funds.

(7) Farming practices. The intent to use practices that would improve soil fertility, lower the cost of production, cause the optimum and environmentally compatible use of off-farm inputs, such as chemical or synthetic fertilizers, insecticides and herbicides, or otherwise promote sustainable agriculture. Such practices are further explained and defined in §130c.19. (relating to eligible uses).

(c) Discretion. The Board may exercise its judgment in reviewing applications and in determining the amount of each loan so that, where possible, the widest audience becomes acquainted with the principles of sustainable agriculture. This discretion may be exercised to assure loan funds are distributed to the maximum number of applicants and dispersed throughout the Commonwealth.

**§ 130c.19. Eligible uses.**

(a) Loan proceeds. Proceeds from a loan made under this chapter shall be used by the loan recipient solely for eligible sustainable agriculture practices. Sustainable agriculture practices include, but are not limited to, agricultural practices which:

(1) Are ecologically beneficial;

(2) Improve and ensure the soil and water quality for future generations;

(3) Enhance environmental quality and the natural resource base upon

which the agricultural economy depends;

(4) Make the most efficient use of nonrenewable resources;

(5) Integrate natural biological cycles and controls, such as planting cover crops to defend against insects and weeds, using mechanical tillage to control weeds and relying on natural systems, such as biological controls and natural predators;

(6) Ensure the optimum and environmentally compatible use of or eliminate the need for the purchase of off-farm inputs such as chemical or synthetic fertilizers, insecticides and herbicides;

(7) Make the best use of on-farm labor and resources, such as using animal and plant manure to enrich soil;

(8) Sustain the economic viability of farm operations, by implementing practices which lower production costs;

(9) Enhance the quality of life for farmers and society;

(10) Satisfy human food and fiber needs;

(11) Emphasize planting a diverse array of crops and the production of alternative crops.

(b) Loan proceeds may not be used for any of the following purposes:

(1) To refinance a portion of the total project cost or any other existing loans or debts;

- (2) To finance, fund or to use in a project outside the geographic boundaries of this Commonwealth;
- (3) To purchase off-farm inputs, such as chemical or synthetic fertilizers, insecticides and herbicides.
- (4) To fund any educational or promotional program.

**SUBCHAPTER C. SUSTAINABLE AGRICULTURE GRANT PROGRAMS AND ALTERNATIVE CROP GRANT PROGRAMS**

<b>Sec.</b>	<b>Title</b>
<b>130c.31.</b>	<b>Objectives.</b>
<b>130c.32.</b>	<b>Funding.</b>
<b>130c.33.</b>	<b>Amount of Grant.</b>
<b>130c.34.</b>	<b>General Conditions.</b>
<b>130c.35.</b>	<b>Submission of Application.</b>
<b>130c.36.</b>	<b>Processing of Application.</b>
<b>130c.37.</b>	<b>Applicant Eligibility.</b>
<b>130c.38.</b>	<b>Review of a Grant Application.</b>
<b>130c.39.</b>	<b>Eligible Uses.</b>

**§ 130c.31. Objectives.**

It is the objective of this subchapter to establish the requirements and procedures of the Sustainable Agriculture Grant Program and the Alternative Crop Grant Program, pursuant to which an applicant may receive grants that enable it to implement practices and develop programs which emphasize sustainable agriculture and the use of alternative crops to promote sustainable agriculture in this Commonwealth.

**§ 130c.32. Funding.**

Sustainable agriculture grants and alternative crop grants shall be made to the extent funds are made available. All revenues and appropriations shall be deposited in the Sustainable Agriculture Fund. All costs, except administrative expenses, related to the sustainable agriculture program shall be paid from the Sustainable Agriculture Fund.

**§ 130c.33. Amount of grant.**

Grants may not exceed \$25,000 except as provided in this subchapter. An additional amount of up to \$25,000 may be granted if the applicant matches that additional amount dollar for dollar so that a single grant may not exceed \$50,000 in one calendar year.

**§ 130c.34. General conditions.**

(a) Grant agreement. The applicant shall sign a grant agreement setting forth the term and amount of the grant and other terms or conditions as the Department may reasonably require.

(b) Verification. Within 3 months of the project completion date specified in the grant agreement, the applicant shall submit to the Department a final report which includes written receipts, records and any other pertinent documentation evidencing the total amount of the costs incurred and expenditures associated with the project. At the same time, the applicant shall also submit a narrative report describing the effectiveness of the project, the results obtained, the experience gained and the personal knowledge acquired.

(c) Failure to Verify. If the required receipts, records and documentation are not submitted within the 3-month period or a portion of grant proceeds are unaccounted for, the Secretary may demand the applicant repay the entire principal balance of the grant or a lesser amount and interest incurred to date. The interest rate shall be calculated using simple interest at the percentage rate equal to the Federal Reserve discount rate at the time the grant was made. Payment shall be due within 60 days of such written demand.

(d) Default. A recipient who fails to abide by the terms of the Act, the grant agreement or the rules set forth in this chapter shall be in default. When a grant recipient defaults the Department may seek recovery of the grant funds as delineated in Section 130c.7. of this chapter. A default may be waived by the Secretary, after consultation with the Board, in the event of a physical disability suffered by the recipient or other extenuating circumstances

**§ 130c.35. Submission of application.**

(a) Obtaining an application/deadline. An applicant desiring to be considered for a grant under this chapter shall submit to the Board, on a form prepared by the Board, an application for a grant. The completed application shall contain all information requested by the Board. Applications must be postmarked no later than July, 31 of each year.

(b) Limitations. An applicant may submit applications, in the same year, under both the sustainable agriculture grant program and the alternative crop grant program. An applicant shall not be awarded more than one grant in each calendar year and an applicant already possessing a grant will not be eligible to apply for any other grant under

this chapter until the applicant's current grant is completed and the proper verification has been provided to the Board.

**§ 130c.36. Processing of applications.**

(a) The executive director. Upon receipt of an application for a sustainable agriculture grant or alternative crop grant and the required supporting documentation, the executive director will review this information for completeness and accuracy and submit it to the Board. If the executive director determines the application is incomplete or inaccurate, final processing of the application may be discontinued or additional data may be requested. If additional data is requested, processing of the application will cease until the applicant supplies the requested data. Where additional data has been requested, the executive director may terminate the processing of an incomplete application when the additional data is not supplied within 30 days of a written request.

(b) The board. The Board will review all complete applications and supporting documentation and shall have the power to accept, accept with special conditions or reject applications and issue grants in accordance with the general considerations and eligibility criteria of the Act and this chapter.

**§ 130c.37. Applicant Eligibility.**

(a) Individuals. To be eligible for a grant under this chapter, the applicant, if an individual, shall be:

(1) A resident of this Commonwealth or show sufficient evidence that he or she intends to become a resident;

(2) An active resident operator or resident manager of the farm;

(3) Sufficiently educated, trained or experienced to carry out the sustainable agriculture or alternative crop project proposed in the grant application and must guarantee he or she will participate in the project for the duration of the grant period;

(4) Able to prove and document that the farmland or farm enterprise for which the grant is acquired is located in this Commonwealth; and

(5) Able to demonstrate the proceeds of the grant will be used for eligible sustainable agriculture or alternative crop purposes as defined in the Act and this chapter and that all grant proceeds will be used exclusively for sustainable agriculture or alternative crop purposes in Commonwealth farming operations only.

(b) Family farm partnership. To be eligible for a grant under this chapter, if a family farm partnership, the applicant's principal operating or managing partners shall:

(1) Be residents of this Commonwealth or demonstrate they intend to become residents;

(2) Have no more than three unrelated members;

(3) Have at least one member residing on or actively operating or managing the farm;

(4) Demonstrate the applicant or the principal operating or managing partners thereof have sufficient education, training or experience to carry out the sustainable agriculture or alternative crop project proposed in the grant

application and must guarantee he or they will participate in the project for the duration of the grant period;

(5) Be able to prove and document that the farmland or farm enterprise for which the grant is acquired is located in this Commonwealth; and

(6) Be able to demonstrate the proceeds of the grant will be used for eligible sustainable agriculture or alternative crop purposes as defined in the Act and this chapter and that all grant proceeds will be used exclusively for sustainable agriculture or alternative crop purposes in Commonwealth farming operations only.

(c) Family farm corporation. To be eligible for a grant under this chapter, the applicant, if a family farm corporation, shall meet the following requirements:

(1) The family farm corporation shall be incorporated or registered to do business in this Commonwealth;

(2) The principal operating or managing members or shareholders of the family farm corporation shall be residents of this Commonwealth or show sufficient evidence that they intend to become residents;

(3) At least one of the majority stockholders of the family farm corporation shall reside on or actively operate or manage the farm;

(4) None of the shareholders of the family farm corporation may be corporations;

(5) The applicant or the principal operating or managing members or shareholders of the family farm corporation must have sufficient education, training or experience to carry out the sustainable agriculture or alternative



crop project proposed in the grant application and must guarantee the family farm corporation will participate in the project for the duration of the grant period;

(6) The family farm corporation shall demonstrate that the farmland or farm enterprise for which the grant is acquired, is located in this Commonwealth; and

(7) The family farm corporation shall be able to demonstrate the proceeds of the grant will be used for eligible sustainable agriculture or alternative crop purposes as defined in the Act and this chapter and that all grant proceeds will be used exclusively for sustainable agriculture or alternative crop purposes in Commonwealth farming operations only.

(d) Corporate farm. To be eligible for a grant under this chapter, the applicant, if a corporate farm, shall meet the following requirements:

(1) The corporate farm shall be incorporated or registered to do business in this Commonwealth;

(2) The principal operating or managing members or shareholders of the corporate farm must have sufficient education, training or experience to carry out the sustainable agriculture or alternative crop project proposed in the grant application and must guarantee the corporation will participate in the project for the duration of the grant agreement;

(3) The corporate farm shall demonstrate that the farm enterprise owns or leases farmland in this Commonwealth; and

(4) The corporate farm shall be able to demonstrate the proceeds of the grant will be used for eligible sustainable agriculture or alternative crop purposes

as defined in the Act and this chapter and that all grant proceeds will be used exclusively for sustainable agriculture or alternative crop purposes in Commonwealth farming operations only.

(e) Non-profit educational institution. To be eligible for a grant under this chapter, the applicant, if a non-profit educational institution, shall:

(1) Qualify as a nonprofit organization under § 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.);

(2) Be a State-owned or State-related college or university in this Commonwealth or any nonprofit organization, association or group in this Commonwealth;

(3) Have experience in research or education in sustainable agriculture practices; and

(4) Have demonstrated a capacity to conduct agricultural research or education programs.

**§ 130c.38. Review of a grant application.**

(a) Evaluation. The Board will evaluate the application based on the applicant's eligibility as set out in §130c.37 (relating to applicant eligibility).

(b) Ranking. No single factor will be paramount. In rendering a decision the Board will rank the application based on the following criteria;

(1) Financial responsibility. Financial responsibility reflecting the ability of the applicant to meet and satisfy all debt service as it becomes due and payable, continue farm operations and protect the Department against undue risk. The

applicant's cash flow history, total assets controlled, equity owned, contingent liabilities and history of earnings to date are significant measures of financial responsibility.

(2) Repayment capacity. The relevant criminal and credit history and ratings of the applicant as determined from credit reporting services and other sources.

(3) Tax obligations. The payment to date of all tax obligations due and owing by the applicant to the Commonwealth or any political subdivisions thereof.

(4) Projected use. The manner in which grant proceeds will be utilized in furthering sustainable agriculture in this Commonwealth. This encompasses the goals of the project, its impact on agriculture, the environment and society, its ability to increase farm profitability and productivity, and the projects potential for success.

(5) Capital needs (amount of the grant). The Board will look at the capital needs of the applicant in light of available funds.

(6) The environmental benefit.

(7) The potential impact on farm profitability.

(8) The applicability of the techniques or technology to other farm enterprises.

(9) The effectiveness of the project as a demonstration, where applicable.

(10) Farming practices. The intent to use practices that would improve soil fertility, lower the cost of production, cause the optimum and

environmentally compatible use of off-farm inputs, such as chemical or synthetic fertilizers, insecticides and herbicides, or otherwise promote sustainable agriculture. Such practices are further explained and defined in §130c.39.

(relating to eligible uses).

(c) Discretion. The Board may exercise its judgment in reviewing applications and in determining the amount of each grant so that, where possible, the widest audience becomes acquainted with the principles of sustainable agriculture. This discretion may be exercised to assure grant funds are distributed to the maximum number of applicants and dispersed throughout the Commonwealth.

**§ 130c.39. Eligible uses.**

(a) Grant Proceeds. Proceeds from a grant made under this chapter shall be used by the grant recipient for the practice or promotion of sustainable agriculture or for research or educational programs pertaining to the development of sustainable agriculture, or to adopt practices that emphasize the use of alternative crops. Sustainable agriculture practices include, but are not limited to, agricultural practices which:

- (1) Are ecologically beneficial;
- (2) Improve and ensure the soil and water quality for future generations;
- (3) Enhance environmental quality and the natural resource base upon which the agricultural economy depends;
- (4) Make the most efficient use of nonrenewable resources;
- (5) Integrate natural biological cycles and controls, such as planting cover crops to defend against insects and weeds, using mechanical tillage to control

weeds and relying on natural systems, such as biological controls and natural predators;

(6) Ensure the optimum and environmentally compatible use of or eliminate the need for the purchase of off-farm inputs such as chemical or synthetic fertilizers, insecticides and herbicides;

(7) Make the best use of on-farm labor and resources, such as using animal and plant manure to enrich soil;

(8) Sustain the economic viability of farm operations, by implementing practices which lower production costs;

(9) Enhance the quality of life for farmers and society;

(10) Satisfy human food and fiber needs;

(11) Emphasize planting a diverse array of crops and the production of alternative crops;

(12) Identify agricultural practices that maintain productivity and minimize environmental and farmland degradation;

(13) Develop, integrate and coordinate field experiments and on-farm research and educational efforts related to the practice of sustainable agriculture;

(14) Develop, integrate and coordinate new techniques and technologies which advance the field of sustainable agriculture.

(b) Grant proceeds may not be used for any of the following purposes:

(1) To refinance a portion of the total project cost or any other existing loan or debt.

(2) To finance, fund or to use in a project outside the geographic boundaries of this Commonwealth.

(3) To purchase off-farm inputs, such as chemical or synthetic fertilizers, insecticides and herbicides.

(4) To fund any educational or promotional program which is not for the sole purpose of advancing the practice of sustainable agriculture.



COMMONWEALTH OF PENNSYLVANIA  
**DEPARTMENT OF AGRICULTURE**  
LEGAL OFFICE

March 5, 1999

The Independent Regulatory Review Commission  
14<sup>th</sup> Floor  
333 Market Street  
Harristown II  
Harrisburg, PA 17120

**RE: PROPOSED RULEMAKING**  
**Department of Agriculture**  
**7 Pa. Code §§ 130c.1. – 130c.44.**  
**Sustainable Agriculture Programs**  
**I.D. No. 2-115**

Dear Sir or Madam:

Please find enclosed copies of the Face Sheet, Preamble, Annex "A" and Regulatory Analysis Form with respect to the above regulation.

Copies of these documents have been submitted to the majority and minority chairpersons of the House and Senate Agriculture and Rural Affairs Committees and to the Legislative Reference Bureau on this date.

If I may be of further information, please advise.

Sincerely,

A handwritten signature in cursive script that reads "David C. Kennedy".

David C. Kennedy  
Assistant Counsel

Enclosure

DCK:ajm

ROOM 201  
2301 NORTH CAMERON STREET  
HARRISBURG, PA 17110-9408  
717-787-8744  
FAX 717-787-1270

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE  
REGULATORY REVIEW ACT**

RECEIVED

99 MAR -5 PM 2: 33

INDEPENDENT REGULATORY  
REVIEW COMMISSION

I.D. NUMBER: 2-115  
SUBJECT: Sustainable Agriculture Program  
AGENCY: DEPARTMENT OF AGRICULTURE

**TYPE OF REGULATION**

- X Proposed Regulation
- Final Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor
- Delivery of Tolled Regulation
- a. With Revisions                      b. Without Revisions

**FILING OF REGULATION**

DATE	SIGNATURE	DESIGNATION
3/5/99	<u>A. Bossart</u>	HOUSE COMMITTEE ON AGRICULTURE & RURAL AFFAIRS
3/5/99	<u>J. Slabicki</u>	
3/5/99	<u>T. Castelli</u>	SENATE COMMITTEE ON AGRICULTURE & RURAL AFFAIRS
3/5/99	<u>Kim Estarner</u>	INDEPENDENT REGULATORY REVIEW COMMISSION
		ATTORNEY GENERAL
3/5/99	<u>Colin J. Lee</u>	LEGISLATIVE REFERENCE BUREAU