

Preserve Pennsylvania's Nature-Based Small Businesses from Collapse



Small businesses are crucial to Pennsylvania's economy and are being disproportionately impacted by COVID-19. They will need significant assistance to ensure that they do not close or file for bankruptcy. Pennsylvania's nature-based small businesses, such as outdoor recreation and agriculture, are being particularly threatened with financial hardship. State policymakers should prioritize efforts to ensure that these industries are financially protected so they can continue to support hundreds of thousands of jobs through the important summer and fall seasons.

Safely Reopen and Support Pennsylvania's Nature-Based Small Businesses

Jobs Created or Protected: At least 250,000

Total Cost: \$127 million to \$132 million ¹

Framing Statement

Nature-based businesses are of particular importance to the state economy due to the tourism and recreation generated by the state's abundant natural resources and natural beauty. The Outdoor Industry Association (2017) estimates that Pennsylvania's outdoor recreation industry generates \$29.1 billion in economic activity to the state each year and creates 250,000 jobs. State parks alone generate over \$1.1 billion in economic benefit (Mowen et. al., 2010). Safely restarting this industry is crucial to reopening Pennsylvania's economy as well as providing a much-needed respite for residents in need of outdoor recreation during these unsettled times.

The small businesses—hotels, diners, recreation guides, river guides, tackle shops, campgrounds, bike shops, and hunting shops—that are the backbone of this industry need support to make it through this crisis. The stay-at-home shutdown orders hit during the start of the spring tourism

season and could greatly impact the summer and fall seasons as well, threatening severe job losses and bankruptcies throughout the Commonwealth's scenic and natural areas. Rural counties would be particularly hard hit as they rely on tourism and outdoor recreation for their local economies (Briggs & Benshoff, 2020).

Recommended Policy Interventions

- In collaboration with Pennsylvania's network of *Small Business Development Centers*, create a one-stop shop online information sharing mechanism at the Department of Community and Economic Development (DCED) for nature-based businesses to quickly provide guidance, financial information, and online business recovery training.
- Develop a "Reopening Pennsylvania Nature Tourism" report in consultation with public health officials, DCED, and nature-based small business leaders that provides a plan on how to reopen tourism businesses, even on a limited basis.
- Launch an "Explore PA's Natural Beauty Campaign" for in-state residents that highlights open businesses and provides ideas about how to enjoy the outdoors and support the economy in a safe and healthy way during the summer and fall seasons.
- Pass legislation that allows small businesses to claim deep cleaning contracts, cleaning supplies, personal protection equipment, and other safety measures as allowable business expenses to reduce their state taxes.
- Increase funding for DCNR's *Community Conservation Partnership Program Grants* program from \$60 million to \$62 million to support capacity building, training, and project funding to nature-based nonprofits that support areas of outdoor recreational importance.
- Temporarily eliminate the matching requirement for DCNR for two years to allow easier access to funds that will support nature-based businesses, including those that will benefit businesses indirectly through contract work with communities.
- Provide operating grants and program-related investments of at least \$25 million to state Community Development Financial Institutions (CDFI), credit unions, and regional economic development entities to support nature-based small businesses in low income, black and brown communities, and environmental justice areas.² The Administration should work with state philanthropic foundations to match or augment these state investments so CDFIs are in a healthy financial situation and can quickly scale up operations and provide loans to businesses that haven't been able to access federal assistance.
- Re-capitalize the *COVID-19 Working Capital Access Program* through DCED and the *Pennsylvania Industrial Development Authority (PIDA)* to \$100 million and expand eligibility for projected staffing and operating costs to support nature-based businesses in regions of the state that won't be able to open during the summer and fall tourism seasons.³



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Support Pennsylvania's Small Farmers and Food Producers

Jobs Protected or Created: 45,000 to 102,000⁴

Total Cost: \$325 million to \$340 million

Framing Statement

Pennsylvania's agriculture industry contributes \$135.7 billion, or approximately 18 percent, of the state's gross product and supports 280,500 direct jobs (TeamPA, 2018).⁵ This includes products like livestock, fruits and vegetables, dairy, forestry, landscaping and nurseries, beer, wine, hemp, and food processing. According to the most recent agricultural census in Pennsylvania, there are 59,309 farms in the state, 48,039 of which are 179 acres or less (Mondal & Solano, 2017).

Not only are these small farms an important food source and economic engine, they are also a key source of conservation. Whether it is preserving farmland for future generations, protecting streams from pollution, or enacting best practices to encourage soil health, farmers often are traditional stewards of our natural spaces throughout the Commonwealth.

They are also often looked at to reduce pollution, particularly the nutrients and sediment entering Pennsylvania waterways. For instance, runoff from agricultural lands in the Susquehanna and Potomac River Basins are the most significant source of pollution entering the streams and rivers that ultimately feed the Chesapeake Bay, in part causing severe impacts to sensitive species and habitats (PA Department of Environmental Protection, August 2019). The U.S. Environmental Protection Agency (EPA) has mandated that Pennsylvania cut this pollution load by 2025, meaning the state and farmers must collaboratively invest in reducing pollution while utilizing best farmland practices such as riparian forest buffers along streams, manure storage facilities, and healthy soil best practices. Implementing these practices not only reduces pollution, but they improve farm productivity and create jobs. For example, just one state-of-the-art dairy barn with manure management pits required 25 professionals to install from design through completion (Chesapeake Bay Foundation, 2011).

Prior to COVID-19, 75,000 jobs were estimated to be available in this sector over the next decade due to an aging workforce, immigration policies that have reduced the seasonal workforce, and a dairy industry in financial crisis (TeamPA, 2018). Many Pennsylvania farmers were also enduring

falling demand and prices because of the United States' trade wars with China and European countries. But the pandemic is creating a new gut punch to the industry because it is reducing or eliminating demand from schools, restaurants, office cafeterias, and meat purveyors, creating a financial environment that will lead to many family-run small farms going out of business (Marroni, 2020). Emergency financial loan programs offered by the federal government are often out of reach for small farmers because they don't have access to the same legal and accounting staff—or any administrative staff—that larger corporate farms benefit from (Finnerty, 2020). To put it simply, small Pennsylvania farmers are in crisis and the pandemic is pushing many to the breaking point, putting into question the farmers' livelihoods, preservation of Pennsylvania's lands, and our ability to limit water pollution.

Recommended Policy Interventions

- Leverage the proposed *Pennsylvania Conservation and Economic Recovery Corps* (CERC) described below to provide farmers access to workers to implement conservation best management practices, watershed protection projects, and new farm practices.⁶
- In addition to the employment opportunities through CERC, the Department of Agriculture should be directed to develop guidelines and online resources, in collaboration with agriculture trade associations, so that unemployed job seekers have user-friendly access to opportunities on farms throughout the Commonwealth.
- Expand DCED's *COVID-19 Working Capital Access Program* (CWCA) to include an additional \$250 million program solely aimed at keeping small family farms from cutting payroll and/or going bankrupt during the pandemic. The loan eligibility cap of \$100,000 should be increased to up to \$250,000 to provide significant cash support to farms through the summer crop and fall harvest seasons. Loan eligibility and interest rates should be low as many small farms don't have access to other sources of credit and are already cash-strapped.
- Re-capitalize the Resource Enhancement and Protection (REAP) tax credit from \$13 million in FY 2019-20 to \$25 million for FY 2020-21. The credit cap of \$250,000 per agriculture operation should remain, but farms should be allowed to trade the credits after 6 months, rather than 12 months. REAP tax credits will cover 50 percent to 75 percent of conservation project costs, including no-till planting, riparian stream buffers, cover crops, and conservation plans. The tax credit was expanded through the *PA Farm Bill* to \$13 million and was quickly allocated on a first-come, first-serve basis.
- Expand DCNR's *Riparian Forest Buffer* program from \$500,000 to \$1 million to directly support buffer projects on agricultural land. Grants should be allowed to cover greater than 50 percent of project costs.
- Double state funds for the Department of Agriculture *Farmland Preservation* program from \$38 million in 2019 to \$76 million.⁷ This is important for two reasons: (1) it provides farmers an additional preservation option during the pandemic that protects the land while still providing a financial benefit; and (2) it offsets any reduction in county investment in farmland preservation due to budget cuts resulting from the recession. County investments accounted for 32.5 percent of farmland preservation funding in 2019.⁸
- Establish an *Agricultural Cost-Share Program* to provide direct support to farmers for installing conservation practices that can improve farm productivity and improve our rivers and streams. Initially fund the program at \$25 million per year. Such programs exist in neighboring states such as Maryland and Virginia. A state cost-share program would leverage state and federal dollars and reduce the cost to farmers for stewarding the land.

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Endnotes

- 1 Beyond the direct costs of the two loan program projected costs, the additional policies listed are assumed to cost between \$500,000 and \$1 million to develop a hub of information on the DCED website as well as develop the industry-specific reopening plan. In addition, it's difficult to estimate the cost in forgone tax revenue by allowing small businesses the ability to write-off clean and safety supplies, so a range in costs is provided.
- 2 The Department of Environmental Protection defines an environmental justice area as any census tract where 20 percent or more individuals live in poverty, and/or 30 percent or more of the population is minority. This is based on the most current census tract data from the U.S. Census Bureau and the federal guidelines for poverty. <https://www.dep.pa.gov/PublicParticipation/OfficeofEnvironmentalJustice/Pages/PA-Environmental-Justice-Areas.aspx>
- 3 The COVID-19 Working Capital Access Program was created to support small businesses (less than 100 employees) in the Commonwealth by providing low or no-interest loans of \$100,000 to cover 3 months of working capital costs. The Program was funded at \$61 million and is fully expended as of the drafting of this report.
- 4 If the programs are targeted correctly toward small family farms, the goal is to protect the 48,039 small farms that are less than 179 acres, but also assume this support will induce additional economic benefits for landscape, food and beverage manufacturing, and forestry segments of the industry. As such, a range is provided. It's also difficult to assess new job creation potential of these programs, but increasing the conservation, buffer, and farmland preservation programs will provide new project support for both the CERC workforce described above as well as existing land accessors, watershed engineers, and project designers. A conservative range of 1,000 to 2,000 jobs for these policies is provided to reflect on this expected job creation.
- 5 TeamPA (2018) breaks employment data down further by noting that agriculture production (crops and animals) employ 80,645; forestry employs 64,078; food and beverage manufacturing employs 90,217; and landscaping employs 45,569.
- 6 It's assumed that these costs include the proposed program costs described in the section above for the Pennsylvania Conservation and Economic Recovery Corps.
- 7 The PA Department of Agriculture Bureau of Farmland Preservation manages and tracks preservation funding. Their most recent 2019 spending allocation data for state funds totaled \$38 million.
- 8 According to the Bureau of Farmland Preservation, county governments invested \$18,265,081 in 2019 compared to \$56,264,081 total.



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PennFuture is leading the transition to a clean energy economy in Pennsylvania and beyond. We are protecting our air, water and land, and empowering citizens to build sustainable communities for future generations.

Citizens for Pennsylvania's Future—PennFuture—was created in 1998 as a statewide environmental advocacy organization. Since our founding, we have achieved significant legal and policy victories that reduce pollution and protect the environment. We have provided millions of dollars in pro bono legal services while setting critical precedents and enforcing environmental laws across the commonwealth.

Our team is working daily to protect public health, restore and protect natural resources, and move Pennsylvania toward a clean energy future. With offices in Harrisburg, Pittsburgh, Philadelphia, Erie, and Mt. Pocono, our team litigates cases before regulatory bodies and in local, state, and federal courts; advances legislative action on a state and federal level; provides public education; assists citizens in public advocacy; engages with grassroots citizenry to support environmental causes; and engages with communities to increase participation in democratic processes.