FISCAL YEAR 2011 BUDGET STATEMENT

OF

COMMISSIONER BOB MARTIN
DEPARTMENT OF ENVIRONMENTAL PROTECTION

BEFORE THE

ASSEMBLY BUDGET COMMITTEE

APRIL 12, 2010
Good afternoon, Chairman Greenwald and members of the committee. I want to thank you for the opportunity to come before you today to discuss Governor Christie’s proposed Fiscal Year 2011 budget for the Department of Environmental Protection.

Governor Chris Christie and Lieutenant Governor Kim Guadagno have committed to not only present a budget that meets the State’s fiscal needs for Fiscal Year 2011 but that sets New Jersey on a course for a strong economic future. Tough choices have been made, and are continuing to be made, across State government, including the DEP.

The budget put forward by Governor Christie for the DEP ensures that we can perform virtually all of the core functions necessary to meet our mission. I must caution you, however, that we are stretched and any future reductions could affect some functions of the DEP in the future.

Let me state unequivocally that the Governor’s and my commitment to protecting the environment and the health and safety of the people of New Jersey will not waver as we proceed with our efforts to streamline and enhance our operations.

**Budget Overview**

The DEP funding level proposed by the Governor for Fiscal Year 2011 level has been set at $380.6 million, including $63.0 million allocated to Debt Service.

Overall there is $29.8 million in reductions mainly taken in Parks Management ($11.6 million) and Payments in Lieu of Taxes ($10 million). The budget also includes $20.6 million in growth mandated through the dedication of CBT revenues ($14.3 million) and the restoration of the full allotment of the Shore Protection Fund ($6.3 million).

Our Direct State Services operating budget of $200.3 million (including $2.3 million for the Palisades Interstate Park Commission) reflects a 7.2 percent reduction or a net decrease of $15.5 million when compared to Fiscal Year 2010.

The DEP’s Grants in Aid budget of $17.4 million reflects a $2.4 million increase from adjusted Fiscal Year 2010 levels. Our State Aid funding of $8.1
million is $10.9 million less than the 2010 level, reflecting the budget shift of $6.5 million in Payment in Lieu of Taxes to be administered by the Department of Community Affairs; the reduction of $3.5 million in the amount of Payments in Lieu of Taxes and reductions to the Pinelands Commission ($423,000) and the Highlands Council ($463,000).

The increases in our Capital budget reflect the fact that capital improvements in our parks, forests and wildlife management areas and site remediation projects are dependent on the year to year funding levels of dedicated CBT resources; and the full allotment of dedicated shore protection funds. For Fiscal Year 2011 these levels are projected to be $91.8 million, $14.7 million more than the adjusted Fiscal Year 2010 amounts.

As of January 2010, the DEP filled position complement was 2,995, of which 36 are assigned to “In But Not Of” agencies.

We do not anticipate the need to impose any additional furloughs or layoffs until January. And even then, if any are required there will be very few (if any) layoffs this fiscal year, primarily because of attrition.

**Advancing DEP Priorities**

The budget put forward by Governor Christie will ensure that the DEP continues in its commitment to its mission. The DEP is committed to protecting our water, air, ocean, natural resources and beaches. At the same time, my agency must play a key role in helping to grow the economy of the State.

All core DEP programs will remain intact in permitting, inspections, enforcement, site remediation, natural and historic resources and elsewhere. All our State parks and historic sites will remain open to the public. There will be some modifying of operating hours and other changes, but all core operations are maintained. For the long-term we also need to expand mission-appropriate business opportunities through concessions and partnerships that would ultimately enhance access and revenue potential.

DEP priorities include:
- Ensuring that we are aggressively remediating the more than 20,000 contaminated sites in New Jersey;
• Ensuring we are protecting air, water, beaches and ocean quality;
• Changing the culture at DEP and improving the regulatory process;
• Keeping all State Parks and historic sites maintained and open;
• Ensuring that permits get reviewed, inspections performed and enforcement actions are taken to protect the environment and keep the economy growing.
• Grow green energy, especially wind and solar.

In the face of an economic and fiscal crisis, the priority funding areas that are supported through the FY 2011 budget include:
• Ongoing support for implementation of the Licensed Site Professionals Program;
• Maintaining and streamlining all environmental permitting programs;
• Keeping all State Parks and Historic Sites open to the public;
• Preserving funding to support advancement of information technology enhancements to attain program efficiencies across the agency;
• Increased funding for beach restoration.

**Keeping the Parks Open**

As Governor Christie noted in his budget address, the FY 2011 budget maintains funding to keep New Jersey’s parks open so that struggling New Jersey families will have an affordable, in-state place to vacation this summer. In the past, the threat of closing parks has been dangled in front of the Legislature to meet budget deficits, knowing full well that keeping our parks open is a fundamental function performed by State government for which the Legislature will in the end find funds. Governor Christie has made it clear that we will not resort to such games. The parks will stay open. Period.

The NJ State Park System is managing the impact of its budget reductions through multiple means ranging from staff attrition savings, management and operational consolidation, and abridged hours, particularly in the off-season. In developing our FY 2011 budget projections, we have been able to use a variety of non-State General Fund revenues to keep the parks open and support their
operations. These include the use of No Net Loss Revenues ($10 million) and the use of park staff to support wildlife management efforts ($150,000).

We will be reducing the workload designation for all remaining 40-hour per week employees to 35 hours for virtually all Natural and Historic Resources personnel. We will also be redirecting approximately one half of the maintenance staff to capital development work during the off-season, saving or off-setting $3.4 million from the General Fund. This coming fiscal year, our maintenance employees will dedicate more time in addressing needed repairs to our park infrastructure where we have a backlog of improvements totaling more than $300 million.

The Parks capital budget is funded out of the constitutional dedication of the Corporate Business Tax (CBT). This money is dedicated for buildings, trails and capital funding. We anticipate continuing our efforts to improve the infrastructure at many of our parks, wildlife management areas and historic sites.

While all parks and historic sites remain open, the FY 2011 budget plan calls for the consolidation of parks and modifying some operating hours and amenities based on demand. We are also working to expand mission-appropriate business opportunities through concessions and partnerships, providing improved visitor amenities in parks, forests and historic sites that may ultimately enhance access and revenue potential.

Use of non-State revenues to offset General Fund reductions

Over the past two decades, the DEP has, with the Legislature’s approval, steadily weaned much of its operations away from General Fund support by systematically increasing the reliance on fees and user charges. This reliance shifts the burden to those specific parties that are either responsible for the problems we are working to correct or benefit from the services we provide.

The DEP's operating budget is predominately supported through fees ($69.1 million; 34.9%) and dedicated revenues ($91.0 million; 46.0%). Of the 19.1% that comes from the General Fund ($37.8 million), the Natural and Historic Resource programs represent the largest beneficiary of that funding, relying almost exclusively on the General Fund for its support.
While much of our budget is covered by fees and other dedicated funding sources, there are areas in the budget that receive substantial support from the General Fund in the Fiscal Year 2011 budget. In addition to parks operations, which I describe above, forestry management, dam safety, shellfish regulation, and our science and research efforts. The Department's FY 2011 budget provides for the continuation of critical environmental functions such as Science and Research, Policy and Planning, Quality Assurance and Lab Certification, Geographic Information Systems and Occupational Health and Safety Programs through the use of non-state funding to reduce the Department’s reliance on the General Fund.

These are all broad-based public functions for which State support is appropriate. Also, there is not a base on which fees for services can reasonably be applied. Furthermore, some of the funds we receive in these programs are used to leverage and match federal funds. The use of non-state resources offsets reductions to Forest Management, the Forest Resource Education Center and State Nursery, State Wildlife Management Grants and the Radiation program.

The Fiscal Year 2011 budget proposal takes advantage of alternate funding sources that relieve the General Fund of these costs. In total this represents approximately $15.6 million in savings to the General Fund.

This budget calls for increased revenues to support the General Fund. The Fiscal Year 2011 budget anticipates increased revenues from the Hazardous Discharge Site Cleanup Fund ($5.9 million) and the Global Warming Solutions Fund ($65 million) as general resources to support broader state purposes.

We will continue the use of attrition to reduce costs. Savings associated with staff attrition has been recognized in Parks Management, Department Management and Highlands Permitting along with savings tied to the consolidation of several park operations given the levels of anticipated attrition.

We will implement Workweek Changes to reduce salary costs. Savings associated with changing the work weeks of staff currently assigned to 40 hour positions will yield $1.4 million in savings beginning in January.

State funding to several programs have been eliminated. The General State Fund support of the following programs has been eliminated: Climate Change and Energy, Affirmative Action and the Black Bear programs. While funding from the
General Fund has been cut, these areas will continue to operate through the shifting of costs to other related program accounts. The General Fund’s anticipation of $65 million from the Global Warming Solutions Fund will impact the DEP, BPU and EDA and the non-state funding that supports the program will be suspended beginning January 2011.

Also, we will shift and reduce Payments in Lieu of Taxes (PILOT). The budget anticipates the realignment of the PILOT program under the Department of Community Affairs ($6.5 million) and the reduction of payments to municipalities by approximately one third and the elimination of funding to any municipality that received less than $5,000 in fiscal 2010 ($3.5 million).

Increased appropriations support the restoration of the Shore Protection Funding ($6.2 million), offset the loss of Shore Protection – Parks funding ($3.0 million) and address the broad range of CBT funded initiatives ($14.3 million).

The Need to Streamline DEP Programs

Business as usual in the DEP cannot get the job done. Over the years the DEP has garnered a reputation as a hindrance to economic growth and development of the State. While a certain amount of this reputation can be attributed to hyperbole put forward by select members of the regulated community, much of this criticism is warranted. I am sure each one of you can recite cases where worthy projects that would have enhanced the economy of your district were delayed or even cancelled because of unreasonable or untimely DEP regulatory hurdles.

The DEP is broken and needs to be fixed. We must and will make dramatic changes to how we fundamentally do business at the DEP. We need to make permitting and inspections timely and predictable. We need to play a key role in the economic growth of the State. All regulations need to be based on science, data, facts and a cost-benefit analysis. Individuals and businesses coming to the DEP for permits must be treated like customer.

We have more than 20,000 contaminated sites in New Jersey that need to be cleaned up, and cleaned up quickly to bring them back into productive use to help stimulate our economy. It is also critical that we improve the regulatory process, including making regulations less complex and expanding the use of technology application very rapidly to achieve efficiencies.
I commend the dedicated and hard working staff that works under me, but they are often given the job of doing the impossible. Program after program and function after function has been heaped on the Department without the allocation of appropriate resources necessary to do the job asked of us. As illustration, after doing an informal review of bills enacted by the Legislature from 1995 through 2009 we found that over 450 bills were passed that directly impact the Department and place new requirements on our staff. Over 150 of those can be deemed to require a significant investment of DEP resources. At the same time from 1995 through 2009 DEP staffing has decreased either through cuts or attrition from 3,700 to 2,995, about 20 percent.

Another point to illustrate how the layering on of requirements has impacted the DEP is in regards to the numerous commissions, boards and councils for which the Department must commit resources. At present, the DEP has assigned to it fifty seven (57) separate commissions, boards and councils. These range from the Migratory Waterfowl Advisory Council to the Clean Water Council to Lake Hopatcong Commission. We also have members on twenty three (23) commissions, boards and councils that are not within the DEP, but because they cover interests that may require DEP input – including such bodies as the New Jersey Redevelopment Authority and the New Jersey Historic Trust – we send staff to either be a voting member or advisor to them. This does not include an additional forty-two (42) extraneous bodies that are not directly in DEP, but again we may send someone to attend meetings and nearly thirty (30) federal external or national non-profit external boards to which we may send staff.

Many of the boards within the DEP require significant staff time as either representing the Department or acting as support. I am not here to dispute the worthiness of these commissions, boards and councils but rather to highlight the burdens placed on our limited time and resources.

I am not making these points to make a plea for additional resources; I am too practical and realistic to make this argument in these budgetary times. What I am emphasizing is that we need to rethink what we do and how we do it so that our programs are operating as efficiently as possible.

We are reviewing everything we do, analyzing those things we need to do better as well as those things we can eliminate without adversely affecting delivery of our core programs. In some cases, we will be coming back to the Legislature for
statutory fixes of those provisions that are overly constraining and in some cases contradictory. We may be coming to you to eliminate those boards, councils and commissions that have outlived their usefulness or are not performing the functions for which they were intended.

Let me make a commitment to you that at no time will we endanger administering our core mission or the programs that help us meet that mission.

I would like to now highlight a number of the improvements we have taken already, or which have been set into motion, for the FY 2011 budget.

We are placing significant focus on streamlining operations at all levels – every single program. This is simply a reality in this economy and this budget. At present, our concentration under the Red Tape Review is on 14 rules that were in the pipeline and frozen under the Governor’s Executive Order. However, we will eventually look at revising all DEP rules and guidance documents.

Our review will ensure that our decision-making is based on sound science and data. We will place a significant focus on enhancements for efficiency – using excess receipts funding to advance our capability.

We are working with many successful nonprofit organizations who partner with the State to provide programming and management, and remain committed to finding innovative ways moving forward to offer services that may no longer be supported by increasingly limited state funding.

We are placing significant focus on Information Technology enhancements, to improve efficiency and services for our regulated community. We will be using excess receipts funding to advance our enterprise system capabilities.

I am looking for a complete electronic flow of information from receipt, to review, to issuance of permits and required reports all the way to posting our decisions and documents online for immediate access to our information. This will provide streamlined processes, consistency and transparency to our constituents while eliminating manual processes and providing efficiencies in DEP so we can shift our valuable staff resources to our core mission. We will focus on using our information for better decision making.
Again, I thank you for the opportunity to come before you. I am available to answer any questions you may have.