

FISCAL YEAR 2012 BUDGET STATEMENT

OF

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DEPARTMENT OF ENVIRONMENTAL PROTECTION**

BEFORE THE

SENATE BUDGET & APPROPRIATIONS COMMITTEE

APRIL 4, 2011

Good afternoon, Mr. Chairman and members of the committee. I thank you for the opportunity to come before you today to discuss Governor Christie's proposed Fiscal Year 2012 budget for the Department of Environmental Protection.

Governor Chris Christie has charted a new course for State government. The "New Normal" for State government is one in which tough decisions will be made to solve our problems.

The New Normal is a new paradigm in which priorities are set and we fund them in amounts we can afford. It is one in which we scrutinize everything we do from the ground up, first to determine if we indeed need to perform these tasks and then, if the answer is yes, to look for better, more efficient ways of accomplishing these objectives.

I am pleased to advise you that the DEP has embraced this philosophy. From day one in my job, I fully realized that business as usual in the DEP cannot get the job done. We have been hard at work throughout the DEP to transform ourselves to not only accomplish our core mission but to properly serve our customers, the people of the State of New Jersey.

Governor Christie's budget for the DEP not only meets the State's fiscal needs for Fiscal Year 2012 but it sets New Jersey on a course for a strong economic future. This budget ensures that the DEP can perform all of the core functions necessary to meet our mission.

Let me reiterate 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

Although the overall Fiscal Year 2012 budget for the DEP is being cut by 9.8%, the bulk of the reductions reflect substantial savings (\$56.2 million) on scheduled debt service payments for Fiscal Year 2012. As such, this budget will not affect any current projects, programs, staffing or operations. In fact, primarily because of anticipated increases in Corporate Business Tax (CBT) dedicated allocation, DEP funding, excluding debt service, is up 5.3%, from \$329.2 million in Fiscal Year 2011 to \$346.9 million for the coming Fiscal Year.

Current DEP staffing levels will be maintained. There are no layoffs planned and no additional attrition numbers are assumed in this budget. .

We have restored \$6.2 million to support the State Park Service and State Forestry programs from the State's General Fund; and all of our State Parks will remain open. This is in addition to the \$4.4 million that the Fiscal Year 2012 budget will continue to utilize from the No Net Loss funding received from the New Jersey Turnpike widening project in Fiscal Year 2011.

We also anticipate that the DEP will receive an increase in constitutionally-dedicated Corporate Business Tax (CBT) revenues by more than \$17 million increase over last year. Fiscal Year 2012 increases are:

- Watershed Management - \$2.6 million
- Site Remediation Program Administration - \$1.5 million
- Grants in Aid-Diesel Retrofits - \$2.9 million
- Capital-Parks Development - \$2.6 million
- Capital-Site Remediation - \$3.3 million
- Capital-EDA Brownfields (HDSRF) and UST - \$4.3 million
- TOTAL = \$17,415,000

In addition, funding for the Pinelands Commission and the Palisades Interstate Park Commission will continue at the same level as last year, and Highlands Commission funding is being restored by \$463,000.

The Governor's budget demonstrates his recognition of DEP's transformation efforts and his continued commitment to protect New Jersey's natural resources.

Our Direct State Services operating budget of \$214.9 million (including \$2.3 million for the Palisades Interstate Park Commission) reflects a 1.9 percent increase of \$3.9 million when compared to Fiscal Year 2011.

Due to increases in Corporate Business Tax allocations, the DEP's Grants in Aid budget of \$20.5 million reflects a \$2.9 million increase from adjusted Fiscal Year 2011 levels. Our State Aid funding of \$8.6 million is \$463,000 more than the 2011 level.

The DEP funded position complement for Fiscal Year 2012 is 2,877. Down from last year's figure of 2,995, we are continuing to prioritize of programs and staffing to meet our goals and our commitment to protect the State's natural resources.

The General Fund consists of only 24% of the DEP budget. These funds support many broad-based public functions – parks operations, forestry management, dam safety, shellfish regulation, Economic Growth and Green Energy Office.

The Fiscal Year 2012 budget proposal takes advantage of alternate funding sources – such as the Global Warming Solutions Fund and recycling and e-waste funds – that relieve the General Fund. In total this represents approximately \$7.9 million in savings to the General Fund. The budget also includes a carry forward of \$20 million in balances from the State Recycling Fund to the General Fund. This transfer will not affect tonnage grants paid directly to municipalities, County Solid Waste Management Grants or County Direct Recycling Grants.

DEP Transformation

When I came before you last year, I spoke of a department that was broken, of one was drastically in need of revamping. DEP had become the poster child for red-tape and inefficiency. We were not achieving our mission. We were not protecting our natural resources as effectively as we could. We were not helping to grow the State's economy. Many processes were broken.

Over the years, the DEP has had countless new responsibilities continually heaped on an ever-shrinking workforce. Over 450 laws had been passed by the Legislature over the past 15 years that impact the DEP (over 20 laws in the past year alone), many of which created significant new programs for us to administer. I'm not disputing the worthiness or need for these laws; rather, I'm simply highlighting the increased burden they place on DEP resources. In the face of this constantly increasing set of mandates, over the last 15 years, DEP staffing levels went from 4,000 to 2,877. Despite this decrease, our staff remains committed to protecting the environment.

It was imperative that we identify what our mission-critical functions were, prioritize them and then take the low priority work off our plates. In other words, the DEP literally needed to transform itself.

I am pleased to note that one year later, transformation efforts and culture change are well underway. We have a long way to go, but the DEP has become a more responsive, efficient and effective agency. We are refocused on our core mission of protecting the environment and playing a positive role in New Jersey's economic growth.

Customer service has become a key facet of our culture change. Organizations operate more efficiently and more effectively when they are more responsive to all stakeholders and constituents. Changing public perception makes it easier for us to accomplish what we want to do and to better serve our core mission.

Hundreds of managers and staff – including me – have been through customer service training. By this summer, every single DEP employee will have taken this training.

We've reorganized the DEP and reallocated our staff to better serve our core mission. We've made a number of changes at manager level, identifying posts best suited to managers' skills. In all, we have transferred 25 managers throughout the DEP. This includes existing managers who have been shifted, lower level managers who have been given higher level responsibilities, and staff level positions that have been shifted into low level management positions. We are challenging our managers to manage, giving them the authority to make decisions. These moves have enhanced and strengthened operations and we anticipate additional future moves.

The DEP is also demonstrating a newfound commitment to transparency. Our decision-making process will be based on science, data, facts and cost-benefit analysis. We are investing more time in interactions with all of our stakeholders: environmental advocacy groups; the business community; government officials; the general public. Over the past year we have interacted with nearly 700 stakeholders on 23 high-profile programs and issues over the course of 49 meetings.

We have initiated a systematic review of DEP regulations and programs – 48 of them in all – to reevaluate their environmental and economic impacts. Among the major issues being reviewed include: Water Quality Management Plans; Public access; Implementation of the Highlands Act; and the Designation of Category 1 waters.

Recently, the DEP's waiver rule was published in the New Jersey Register. Through this rule, DEP will apply common sense to those limited exceptional cases in which one or more of the following conditions exists: there are conflicting or unduly burdensome rules; there is a net environmental benefit; or a public health emergency. This rule will provide the flexibility to exercise professional judgment and allow unique circumstances to be treated uniquely. This is not a get-out-of-jail-free card, nor is it a way to relax our high environmental standards.

The application of any waiver must be site-and fact-specific. It cannot compromise protections for the environment or public health. A waiver will not be granted in any case inconsistent with any State or Federal laws, regional air agreements, emissions trading programs, or health and safety standards. The review process will be transparent: all applications to and approvals by DEP will be publicly noticed.

We have created a 16-member Science Advisory Board comprised of the best and the brightest in the State. These scientists, academics and other experts have all volunteered their service and expertise to supplement DEP research efforts and advise us on key statewide environmental priorities. This Board has four standing committees – Climate and Atmospheric Sciences, Ecological Processes, Public Health and Water Quality and Quantity – to examine a diverse range of issues, including an evaluation of which contaminants will be of emerging concern and state-of-the-art approaches for technically sound and implementable nutrient thresholds/criteria. This Board operates at no cost to the State and will promote savings and efficiencies as our decisions and policies are bolstered by science.

We have instituted or revitalized several key initiatives within the DEP to help us better service our customers. These include:

- An Office of Permit Coordination to guide complex projects through multiple programs at DEP;
- An Office of Alternative Dispute Resolution (ADR) within DEP to provide a forum other than administrative and trial courts for resolution of disagreements between regulated community and the DEP. ADR will help to ensure fair and efficient settlements without sacrificing environmental protection; and
- A revamped and revitalized Environmental Justice Program to reduce the unequal environmental impacts in New Jersey's urban centers. We recognize and are committed to addressing the disproportionate environmental burdens faced primarily by lower-income and minority communities in the State.

We have also created The Office of Economic Growth and Green Energy within the DEP to help New Jersey further promote renewable energy and to make our State a national leader in creating offshore wind and solar power projects. This office will be vital to coordinating with the Federal government as well as public and private partners in these efforts.

We are continually identifying ways to leverage and grow our information technology to increase efficiency and improve customer service. A number of our programs – Drinking Water, Water Supply, NJPDES Monitoring – allow entities to submit their reports electronically. Various licenses can be renewed on-line. Applications for well permits, 18 different air general permits, two land use general permits and a number of other registrations and permits can now be submitted on-line and we are looking to expand to other programs as well. We are in the process of developing the capability to electronically accept many other submittals that are

currently paper submissions. We have partnered with the USGS to develop first in the nation digital GIS maps accurately identifying all surface waterbodies in the State including the capability to assess how each water body segment can impact another.

While we are proud of what we've accomplished already, we cannot be satisfied. Transformation is an ongoing process. We must maintain a sense of urgency.

We have begun, but must expand, our development and use of metrics with clear goals and timeframes for measuring progress and to measure what we're truly accomplishing.

We must continue to make informed, well-grounded decisions based on science, data, facts and cost-benefit analysis that will ensure consistency and predictability in all our permitting and approval processes.

We must grow our customer service skills across the organization and ensure that we apply customer service principles in all of our interactions, inside as well as outside the DEP.

We are continually evaluating all of our operations as internal and external circumstances change. Through this evaluation, we will be able to identify non-mission critical functions and redundant processes.

We have had some great successes leveraging technology to take some of the burden off of staff time while improving customer service. We must further streamline permitting and review processes

We are working to identify ways to change the culture outside, as well as inside, the DEP. Regulated entities and their consultants and lawyers must be made more responsible for the quality of submittals. We often receive deficient documents, which impair our ability to provide efficient service and reasonable turnaround times.

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.

As I mentioned, the “New Normal” requires a re-focus on our priorities. Since the start of this Administration, our set of environmental priorities have been clear. Let me spend a few minutes outlining a few of the accomplishments of the past year and how we are building on these accomplishments for the future. The progress we’ve made and must continue to make helps us achieve our environmental goals and DEP’s priorities for the coming year. Let me highlight a few of those key priorities.

Barnegat Bay Restoration

In December, Governor Christie released his ten-point plan for restoration of Barnegat Bay. The Governor’s Comprehensive Plan of Action is:

1. Close Oyster Creek Nuclear Power Plant - The State has negotiated and entered into an agreement with Exelon Corporation to cease electric generation operations within nine years.
2. Fund Stormwater Runoff Mitigation Projects - The State will identify and prioritize funding for projects designed to address nutrient pollution of Barnegat Bay from stormwater basins at the beginning of next fiscal year.
3. Reduce Nutrient Pollution from Fertilizer - The Governor signed legislation that establishes the most restrictive standards in the nation for nitrogen content in fertilizer and application rates for use. These standards will reduce nutrient pollution in all of New Jersey’s water bodies.
4. Require Post-Construction Soil Restoration - The Governor signed legislation that requires the State Soil Conservation Committee to establish standards for restoring soil conditions post-construction.
5. Acquire Land in the Watershed - Acquiring available, ecologically sensitive lands along the Barnegat Bay and its tributaries is a cost-effective and critical measure to prevent development activities that could further degrade the Bay’s water and ecological quality.
6. Establish a Special Area Management Plan - A Special Area Management Plan (SAMP) will be developed in collaboration with members of the Barnegat Bay Partnership and other planning authorities in the region.
7. Adopt More Rigorous Water Quality Standards - The DEP will adopt narrative nutrient criteria for coastal waters and establish a process to further assess and address water quality impairments in the Bay.

8. Educate the Public - The DEP will develop a strategy that leverages the media, environmental advocates, and the Barnegat Bay community to educate the public on the impacts of their actions.
9. Fill in the Gaps on Research - The DEP will work with the Science Advisory Board, State Universities, the U.S. Geological Survey, and the U.S. EPA to develop and fund additional research projects that will address how to improve water quality and habitat restoration of the Bay.
10. Reduce Water Craft Impacts - Boats and personal water craft can harm the Bay by damaging submerged aquatic vegetation and disrupting aquatic habitats. Designation of a Conservation Zone, similar to the one at Island Beach State Park, can reduce such impacts.

The Legislature has already passed several bills to help save this vital State resource. I thank the members of this committee that supported these bills.

Since the release of the Governor's ten-point plan, DEP staff has met bi-weekly to advance implementation on each of the points. We will continue implementation of the comprehensive plan with a sense of urgency. All too often, reports and plans are written only to be stuffed in a drawer and never acted upon. This Administration won't abide that for Barnegat Bay; I won't abide it. Barnegat Bay is too valuable to New Jersey's environment and economy and too important in the lives of New Jerseyans to allow that to happen.

Passaic River Flood Advisory Commission

As you know, Governor Christie appointed Passaic River Flood Advisory Commission to develop a comprehensive plan to deal with floods in the Passaic River Basin. This commission recently issued its recommendations to reduce flooding, minimize the impacts of floods, better prepare for the periodic flooding and improve efforts to help flood victims.

The 15-point package of recommendations includes enhanced efforts to buy flood-prone properties, elevate homes in flood areas, improve the operation of the Pompton Lake floodgates, increase river de-snagging and shoal dredging efforts, create larger flood water storage areas, steer future development away from flood zones, create better water flow in Passaic Basin rivers, and directs the DEP to expedite permits for county and municipal projects aimed at eliminating or reducing flooding.

We have already commenced initiatives related to each recommendation.

The DEP currently has \$31 million dedicated to Blue Acres acquisitions statewide, with much of that money earmarked for Passaic River Basin properties. The Blue Acres program buys properties that are vulnerable to flooding and storms to get people out of harm's way. The DEP is currently processing applications for 23 Blue Acres purchases of properties in flood-prone areas of the Passaic River Basin, as part of an ongoing effort to target such properties, with an additional 54 Basin properties pending FEMA approval.

Public Access Enhancement

We are seeking to adopt a sensible Public Access rule that incorporates concerns for safety, security, economic vitality and recreational opportunity. We are confident we will provide more comprehensive public access not only by continuing to impose reasonable regulatory requirements but also by employing additional measures as well.

We believe we will significantly enhance public enjoyment and use of ocean and other tidal waters by applying common sense principles of governing and by eliminating unnecessary burdens on residents, businesses, and government entities and bringing to bear resources beyond regulatory requirements.

DEP staff is working closely with municipal officials to formulate Municipal Public Access Plans that will consist of inventory of public access opportunities within a municipality, plus plans to preserve and enhance existing access. This will provide local governments the opportunity to tailor public access to the unique aspects of that town, not on a one-size-fits all basis.

We will arm the public with information about public access points, enabling people to choose ideal locations to enjoy New Jersey's coastal and other tidal waters. The DEP continues to explore further means to enhance public access, such as potential for dedicated funding for a Blue Trails program to make shoreline improvements.

Protecting the Water

Protecting the ocean will continue to be a priority. The Governor remains strongly opposed to offshore drilling and the siting of offshore liquefied natural gas facilities.

We have continued a pilot testing program with EPA that would provide quicker results for ocean water quality. We are waiting full implementation when EPA issues its standards, scheduled for 2012.

We continue to work to optimize stewardship of the ocean, its beaches and tributaries. We will maximize use of our shore protection dollars as well as maximizing public access while minimizing impacts to the resources the ocean provides. We believe we can significantly enhance public enjoyment and use of ocean and other tidal waters by working with local governments, who best understand local circumstances, eliminating unnecessary burdens on residents, businesses, and government entities and bringing to bear resources beyond regulatory requirements.

We must protect our water from potential out-of-state polluters. New Jersey is keeping a close eye on natural gas drilling in the Marcellus Shale in the Delaware River Basin. Twenty five percent of New Jersey's drinking water comes from the Delaware River basin.

This Administration has been very clear: Protecting Delaware River waters is paramount. There must be strong safeguards in place to protect public water supplies and ensure that wastes generated from drilling are properly managed and treated. New Jersey opposes any drilling of production fracking wells in the Basin until appropriate regulations and standards are in place whether through Pennsylvania, New York or the Delaware River Basin Commission (DRBC). We will ensure that any regulations approved by the DRBC achieve these objectives. Without such safeguards, drilling in the Marcellus Shale is unacceptable.

A stakeholder process is underway for evaluation of stream designations, including C1 criteria. This is one of the Governor's priorities. We must ensure we're protecting New Jersey's most important waters while not unnecessarily impeding growth where it's appropriate.

The State continues to pursue litigation against those parties responsible for contaminating the Passaic River with dioxin, the most toxic and difficult of the contaminants present in the river. The Passaic River is considered one of the worst dioxin-contaminated sites in the world. We will continue to protect the State's interests by ensuring that those responsible for the contamination are held responsible for cleaning it up. We are also working closely with the Environmental Protection Agency and the Army Corps of Engineers to determine a preferred action plan for the clean-up of the Lower 8-miles of the Passaic River. We need to finally address the longstanding issues affecting the river and the people who live and work in the area.

Water Infrastructure Improvements

Well-maintained and efficient water supply and wastewater infrastructure is vital to protecting our natural resources and is a key to our economic prosperity. But it is also costly to build and maintain. The expense is ultimately borne by individual ratepayers and taxpayers. Controlling pollution and providing safe, abundant drinking water requires heavy capital investment.

Environmental Infrastructure Trust, or EIT, financing helps the State keep costs to the public as low as possible through zero- and low-interest loans and principal forgiveness. Working hand in hand with the DEP, the EIT finances:

- Improvements to wastewater systems
- Rehabilitation of existing sewer systems
- Combined sewer overflow abatement
- Stormwater basins and management facilities
- Nonpoint source pollution control
- And others, including open space acquisition to protect drinking water supplies

In the 25 years since it was established, the program has provided more than \$5.63 billion to municipalities and regional water authorities, saving New Jerseyans more than \$1.9 billion.

During this past fiscal year, the DEP and EIT approved and funded 91 projects throughout the State totaling \$294 million. To help meet increasing demand by municipalities and local authorities in this upcoming fiscal year, we recently reopened the application process to better utilize available infrastructure funding for local governments at very attractive borrowing terms. We've received 128 additional applications or letters of intent representing \$123 million worth of projects that would not have been eligible for EIFP low-interest loans if we hadn't reopened the process.

Of these additional projects, 97 projects totaling \$35.6 million are in the Barnegat Bay watershed. EIT estimates 20 construction jobs per \$1 million, so that's potentially 760 jobs around Barnegat Bay alone, in addition to the environmental benefit.

To make handling these applications simpler and more cost-effective for municipalities and to greatly decrease the turn-around response and reporting time from the DEP, we are automating the entire application and reporting process. This

is a great example of leveraging IT to improve environmental as well as economic outcomes using fewer resources.

Protecting the Air

We have been, and will continue to, aggressively address air pollution generated in other parts of the nation that impacts New Jersey. We are a party to several pending lawsuits and an EPA petition against coal-fired power plants in Pennsylvania. We are hopeful these efforts will lead to reductions in out-of-state polluters negatively impacting New Jersey's air.

- Under Governor Christie's leadership, New Jersey recently took legal action against Homer City Station, a 1,884-megawatt power plant in western Pennsylvania that is one of the most polluting power plants in the nation, much of which is carried eastward by prevailing winds into New Jersey.
- On Thursday, March 31, EPA accepted New Jersey's petition under Section 126 of the Clean Air Act seeking prompt action to force GenOn Energy REMA, LLC, to reduce harmful emissions spewing from its Portland, Pennsylvania generating facility across the Delaware River directly into Warren County.
- The State is a plaintiff in a lawsuit seeking to require Greensburg, Pa.-based Allegheny Energy Inc. and its subsidiaries to install pollution-control equipment to reduce emissions of sulfur dioxide and nitrogen oxide at three western Pennsylvania power plants, which carry pollutants to the east.

This year, we also plan to accelerate expansion of green energy, particularly offshore wind and solar. This will be accomplished through both appropriately streamlined regulation and establishment of meaningful incentives. We are investigating electric vehicles and infrastructure required to promote this technology in this State.

I commend the Legislature for passing the "Offshore Wind Economic Development Act" that establishes the framework for offshore wind power generation to proceed. New Jersey has become a national leader in promoting offshore wind energy production. In-State production of renewable energy sources such as offshore wind will create a stronger economy and jobs by making energy more affordable and reliable. We are working closely with State and federal agencies and private partners to make this a reality.

Protecting the Land

We continue to work toward full implementation of our Licensed Site Remediation Professional (LSRP) program. Under the LSRP program, we can more quickly clean up New Jersey's 18,000 contaminated sites, still with our oversight and up to our standards.

433 LSRPs have already received temporary certifications. They are doing the work envisioned for them in the Site Remediation Reform Act and have issued 444 Remedial Action Outcomes.

Members of the LSRP Board have been appointed and the Board has begun its work. The DEP is committed to working closely with the Board to maintain the schedule to fully implement the program by early next year as required by law.

The Green Acres program recently celebrated its 50th anniversary as one of the most successful land conservation efforts in the nation. Together with public and nonprofit partners, the Green Acres Program has directly protected 650,000 acres of open space and provided hundreds of outdoor recreational facilities in communities around the state. Over the years, voters have authorized \$3.1 billion in Green Acres funding, approving all 13 bond referendums put before them.

At the present time, the Green Acres program is working mostly from the 2007 Bond Act funds. As you know, Green Acres is part of the budget, but funds are provided outside the General Fund. The Governor approved taking applications against the 2009 Bond Act saying that he would not go against the voter referendum.

Keeping the Parks Open

As I have noted, Governor Christie Fiscal Year 2012 budget maintains funding to keep New Jersey's parks open so that New Jersey families will have an affordable, in-state place to vacation this summer.

19 million people from New Jersey and out-of-state visit our parks each year. Our Parks offer affordable—and unequalled—recreation opportunities. They are major contributors to our \$38 billion-per-year tourism industry. New Jersey's parks and wildlife management areas are too precious a resource to be at the mercy of external circumstances.

Our leadership team for our State Parks has done a magnificent job over the past few years mitigating the impact of budget reductions through multiple means ranging from staff attrition savings, management and operational consolidation. We have also been able to use a variety of non-State General Fund revenues to keep the

parks open and support their operations. While we will continue to exercise prudent management of our parks system, we can only go so far.

I have made it one of my highest operational priorities for the coming year to develop a long-term sustainable source of funding for our State Parks.

As we've seen, we cannot rely on General Fund monies to support our Parks. We must consider new ways of doing things and develop a new model to make our Parks self-sustaining. I am personally committed to developing a strategy that will protect our Parks and their operations for the long-term. I look forward to working with the Legislature to make this a reality.

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. I must point out, however, that we have a total need of over \$400 million in capital improvements for our park and wildlife management areas while our annual allotment is only around \$18 million.

While we anticipate continuing our efforts to improve the infrastructure at many of our parks, wildlife management areas and historic sites, our ability to staff and maintain these facilities through sustainable funding – not relying on the General Fund – is critical.

Redevelopment Opportunities

As I have mentioned throughout, the DEP plays a key role in developing and maintaining the economic vitality of the State. Whether it's through the many permitting functions we oversee, proper planning, infrastructure development or incentives we offer to revive previously fallow pieces of property, the DEP is an important player.

I have already talked about a number of the initiatives upon which we have embarked to improve our efficiency, responsiveness and transparency to help this process along. Let me now focus on incentives, especially in regards to promoting restoration and redevelopment of contaminated properties.

The DEP, in conjunction with the Economic Development Authority (EDA), oversees and manages two important funds that help meet this purpose: the Hazardous Discharge Site Remediation Fund (HDSRF) and the Underground Storage Tank (UST) Fund. Both of these constitutionally dedicated funds are victims of their own success; they are both running out of money.

Since 1993, 1,856 projects have been approved for \$321 million in HDSRF loans and grants. As of January 31, 2011, the HDSRF has nearly \$4.1 million but the current pipeline of HDSRF applications not yet approved totals \$71.4 million.

Over the past year, many of your offices have contacted the DEP in support of worthwhile projects that, despite being fully eligible for HDSRF funding, we have had to turn down. At this time, due to the unprecedented demand we can only fund projects that are specifically prioritized in the HDSRF statute: those that address an imminent environmental or public health hazard or those that are in a formally designated Brownfield Development Area. Despite how much we may support a given project, it will not be approved for funding at this time unless it falls within one of those categories.

Since 2007, 13,844 projects have been approved totaling \$200.6 million in UST Fund loans and grants. As of January 31, 2011, the UST Fund has an estimated \$9.6 million available cash to award. The current pipeline of UST Fund applications received totals \$50 million. The UST Fund has not received an annual appropriation in several years. In Fiscal Year 2012 the Fund will receive \$16.6 million from the CBT dedication.

The DEP and the EDA are in the process of evaluating the HDSRF and UST Funds to increase their viability and to increase the number of projects we can fund. We anticipate there will be a need for a number of statutory changes. I look forward to working with the Legislature in the near future.

Nuclear Energy & Waste

With the recent events in Japan, I'd like to take a moment to update you on our nuclear plants. I want to assure you that the DEP's Radiation Protection Program, working closely with the Office of Emergency Management and the federal Nuclear Regulatory Commission (NRC), is constantly overseeing all aspects of operation and maintenance of these facilities to ensure that these plants are safe. We will not relax our oversight.

Last year, after a State investigation into the 2009 tritium leak into the aquifers below Oyster Creek, the DEP issued a Spill Act directive to Exelon Corp., which owns and operates Oyster Creek, requiring the company to cooperate with the DEP's investigation and to take action to prevent radioactive tritium from ever reaching the region's potable water supplies. In response, Exelon started groundwater pumping operations in September at two monitoring wells drilled into the Cape May and upper Cohansey aquifers. Exelon also added a third and larger recovery well on the south side of the plant's discharge structure. As a result,

concentrations of radioactive tritium in the aquifers directly below the Oyster Creek nuclear power plant have decreased substantially. The DEP is continuing aggressive efforts to have the radioactive material pumped from the aquifers and prevent any migration of that material towards potable water supplies in the region.

The DEP and Exelon entered into an Administrative Consent Order agreement in December that calls for Oyster Creek, the nation's oldest nuclear power plant, to cease operations by the end of 2019, which is 10 years earlier than its NRC license permits operation. That agreement allows Exelon to store its spent nuclear fuel on site until the federal Department of Energy accepts it for permanent storage at a geological repository. However, a federal Nuclear Regulatory Commission rule extends the time allowed for storing spent nuclear fuel at nuclear power plants from 30 years to a new standard of 60 years past the licensed life of a reactor.

Governor Christie has sought for New Jersey to join a legal action with New York, Vermont, and Connecticut that challenges this NRC rule, contending the NRC acted in an arbitrary and capricious manner in developing the new 60-year rule. Furthermore, the NRC failed to perform an environmental impact statement as required by the National Environmental Policy Act.

On Friday, March 25, the Governor announced the creation of a Task Force that will conduct a thorough assessment of operations and emergency preparedness plans for the State's four nuclear generating facilities. In addition to DEP, the Task Force includes the Office of Homeland Security and Preparedness, New Jersey State Police and the Board of Public Utilities. The review will determine whether any early lessons from the ongoing nuclear emergency in Japan could enhance New Jersey's current comprehensive nuclear response protocols.

The Task Force began their analysis of New Jersey's nuclear facilities as they prepare to get a first-hand briefing on operations at each plant and to discuss current emergency response measures. The Exelon Corp. and PSEG, which own and operate the reactors, have pledged to participate in those reviews. Potential impacts from reactors in neighboring Pennsylvania and New York also will be examined.

Closing

The Administration's budget continues to reflect our commitment to protecting the environment. As you can see, the DEP has accomplished a lot in Governor Christie's environmental agenda this past year and we have a full agenda for this year as we continue to transform ourselves into an efficient, effective

organization that protects the State's environment while allowing for growth and prosperity. I thank you for your support and cooperation over the past year and look forward working with the Legislature as we move forward.

Again, I thank you for the opportunity to come before you. I am available to answer any questions you may have.