FISCAL YEAR 2017 BUDGET STATEMENT

OF

COMMISSIONER BOB MARTIN
DEPARTMENT OF ENVIRONMENTAL PROTECTION

BEFORE THE

SENATE BUDGET COMMITTEE

MAY 12, 2016
Good afternoon, Mr. Chairman and Members of the Committee. I welcome the opportunity to come before you today to discuss Governor Christie’s proposed Fiscal Year 2017 budget for the Department of Environmental Protection (DEP).

Governor Christie’s budget continues to provide the necessary resources for the DEP to protect New Jersey’s air, land, water, and natural and historic resources. This budget will allow us to continue the important ongoing efforts for the DEP to maintain our core programs that serve to protect the environment and the people of this State.

Budget Overview

The DEP’s Fiscal Year 2017 budget is set at $343.4 million. This is a $7.2 million decrease when compared with the Fiscal Year 2016 adjusted appropriation of $350.6 million. This decrease is largely driven by a reduction in the estimated Corporate Business Tax (CBT) revenue. In addition, the FY17 figure is adjusted due to an annual reversal of supplementals that post for Nuclear Emergency Response of $1.07 million, and for the Hunters and Anglers fund of $614,000. The FY 2017 budget for DEP includes a restoration for a prior year reduction to DEP’s budget for Shellfish and Marine Fisheries of $1.1 million. This $343.4 million is only a portion of the total $817.6 million in resources available to and managed by the DEP when factoring in debt service ($50.8 million), all federal funds ($170.3 million), dedicated monies ($106.5 million), and special revenue, trust and bond funds ($146.6 million) expected in FY 2017. In addition, the DEP also manages and coordinates with several federal agencies to manage the more than $1 billion of multi-year Sandy recovery projects.

The FY 2017 overall budget includes the budget appropriation for the in-but-not-of Palisades Interstate Park Commission, which is to be funded at $3 million, the Highlands Council, which is to receive $2.3 million and the Pinelands Commission at $2.7 million.

As defined in the Constitution, four percent of the CBT revenues are allocated to help support DEP’s key goals and priorities: protection of water resources, cleanup of contaminated sites, brownfield redevelopment, underground storage tank closure and capital development of our State parks and natural areas. The projected CBT appropriation level in FY 2017 is $100.5 million and reflects a $12.3 million decrease over FY 2016 estimates. This amount includes funding for Historic and Farmland Preservation, which are not under the purview of the DEP. In November
2014, voters approved a Constitutional amendment to reallocate the four percent, dedicating 71% of the CBT allocation for the acquisition, development and stewardship of lands. In Fiscal Year 2017, the four percent allocation will support the following environmental purposes:

- Brownfields ($10.1m)
- Private Underground Storage Tanks ($9m)
- Publicly Funded Cleanups ($5m)
- Water Resources ($5m)
- Acquisition, Development and Stewardship of Lands ($71.4m)*

*In addition to DEP’s allocation for Green/Blue Acres, this includes funds for Farmland Preservation and Historic Preservation

The DEP Fiscal Year 2017 Budget remains essentially flat as compared to last year. As with last year, because of the shift in CBT allocation, the Administration had to move money around to avoid crippling several environmental programs. To address this issue, an equivalent amount of parks operations and maintenance (i.e., stewardship) funding was shifted to the CBT. For FY 2017, the Administration is using the General Fund to avoid damaging cuts to Publicly Funded Cleanups and Water Resources programs that previously had been funded by the CBT.

The DEP’s overall staffing will remain comparable to FY 2016, with a total of 2,813 permanent Full Time Employees (FTEs) in FY 2017. We are prioritizing programs and staffing to meet our goals and our commitment to protect the State’s environment and public health and safety. We will continue to backfill all key resources, with priority backfills going to critical areas that protect public health and safety, conserve and protect our air, water, land and wildlife resources. This includes maintaining a full complement of forest firefighters, park police and conservation officers as well as other critical openings across the DEP like emergency responders and day-to-day operations of our critical programs. We also continue to administer the DEP’s Sandy rebuild efforts.

The General Fund comprises less than one quarter of the DEP’s operational budget with the remainder being covered by dedicated and federal funds as well as by administrative fees. The General Fund supports numerous broad-based public functions including forestry management,
dam safety, shellfish regulation and now also publicly-funded cleanups and water resources. The General Fund also serves to leverage additional funds in critical areas that protect the public.

**Environmental Accomplishments**

Throughout the tenure of the Christie Administration, the DEP has focused its resources and streamlined our processes so that we continually make advances in protecting the environment and conserving our natural resources. Here are just a few examples of tangible environmental accomplishments achieved over the last fiscal year.

**Air**

Despite being the most densely populated state in the nation and a major northeast transportation corridor, this Administration’s energy and environmental policies have helped to achieve air quality among the best in the nation while driving down energy costs. During the last year, we made great strides in reducing air emissions from power generation while driving down costs for ratepayers.

- As a result of deliberate policy decisions to move the State in the direction of cleaner fuels to meet our energy needs, New Jersey is now 2nd lowest nationally in its emission of sulfur dioxide (SO₂), 5th lowest for emission of nitrogen oxide (NOX) and 5th lowest for emission of carbon dioxide (CO₂) from our power plants, based on pounds per Megawatt Hour (MWhr). And as low as NJ already is for power plant emissions, additional SO₂ reductions are in the pipeline. New Jersey’s CO₂ emission rate is by far the lowest of the PJM Interconnection LLC (PJM) states. On average, generating electricity in New Jersey emits one quarter to one half the CO₂ as generating electricity in other PJM states. In short, electricity generated inside New Jersey is cleaner than almost every other state, and much cleaner than states that rely on coal.

- As spelled out in Governor Christie’s 2011 Energy Master Plan, which focused on in-state generation and transitioning to natural gas, New Jersey has driven down energy costs for ratepayers from 4th highest in the nation electricity costs down to 10th, and natural gas prices from 17th highest down to 46th, while at the same time lowering emissions.
• Today 93% of the State’s total annual electricity consumption and 96% of annual in-state generation is produced by clean sources, including natural gas, nuclear, and renewables. As a result of the Governor’s strong support for carbon-free solar energy, New Jersey is ranked 4th in the nation in total installed solar capacity.

Water
The DEP implements numerous programs to protect all of the fresh and salt water resources of the State, ensuring that the State’s residents have a constant supply of safe and ample water for consumption and recreation.

• New Jersey beaches were open 99.9% of the time during the 2015 summer beach season. In 2015, a total of 216 monitoring stations were sampled at least once each week and more than 4,200 samples were collected and analyzed during the beach season. New Jersey has more public recreational beaches than any other east coast state and some of the best water quality in the country.

• The DEP entered into a new framework that allows urban communities to work with the state to establish realistic solutions to address the longstanding and difficult problem of combined sewer overflow (CSO) discharges, many over a century old. 25 final CSO permits covering 217 CSOs in 21 municipalities were issued simultaneously on March 12, 2015 becoming effective on July 1, 2015. The goal of the permits is to reduce or eliminate all 217 CSOs, reduce flooding, provide opportunities for green infrastructure, enhance asset management and operation and maintenance, as well as improve water quality. Nine permittees are wastewater treatment plants and 16 are municipalities. Compliance with permit conditions has been very good to date with 98% of the 338 Discharge Monitoring Reports submitted on time. From 2011-2015, the New Jersey Environmental Infrastructure Financing Program (EIFP) has funded over $91M for CSO projects. For SFY16, over $369 million in low-interest loans has been appropriated for CSO projects.

• The DEP has for over twenty years overseen a comprehensive program to monitor and test public drinking water systems throughout the State to protect public health from exposure to a range of contaminants. In addition to administering the Federal Safe Drinking Water Act (SDWA), the DEP administers New Jersey’s own SDWA rules, which include maximum contaminant levels (MCLs) for five contaminants that are not regulated by the
USEPA and 15 MCLs at levels lower than the USEPA. The Department oversees all sampling requirements and inspects, or coordinates with Counties to inspect, all of New Jersey’s public water systems. All 587 public community water systems (which service approximately 8 million people) and all 747 nontransient noncommunity water systems (which service approximately 350,000 people) must adhere to this rigorous monitoring and testing regimen. They are also subject to the Lead and Copper Rule requirements, which include periodic sampling for lead and copper. In addition, New Jersey requires sampling for a variety of contaminants of private wells at the time of a real estate transaction or every five years at residential rental properties on their own wells pursuant to the Private Well Testing Act.

Natural Resources
All of our parks, forests, wildlife management areas and recreation areas have not only remained fully operational but we have added and improved significant amenities to enhance the quality of these facilities and our residents’ enjoyment of them.

- The DEP actively oversees, manages and protects 39 State Parks, 11 State Forests, 122 wildlife management areas, 3 recreation areas, 20 historic sites, 2 burial grounds and 4 State marinas that encompass a total of nearly 800,000 acres.
- The DEP is committed to active forest management to maintain and improve the health and viability of our state forest lands located within the State Park System, which manages over 448,000 acres of state parks, forests, and recreation areas. As part of this effort, our forest management team is developing and implementing forestry management plans for several forest areas within the State Park System and Wildlife Management Areas. Also as part of our forest management initiative, we conduct prescribed burns on an average of 12,000 acres each year to reduce dangerous forest fuels and check the spread of large forest fires. Over the past six years, the Forest Fire Service has extinguished an annual average of 1,140 wildfires.
- Our management efforts related to wildlife over the past five to ten years are showing dramatic results. Peregrine falcons are experiencing record productivity rates, ospreys continue to show signs of firm recovery from steep declines in the 1950s and 1960s, and the bald eagle population continue to soar to new record highs each year.
• The Comprehensive Black Bear Management Policy has continued to be a success since its original implementation in 2010. Human encounters with bears have declined because of the management policy but the bear population in the State has grown because of a short hunting season, poor weather at that time of year and a warier bear population. As a result, the hunt in the management plan was expanded starting this year to include a broader area and a longer season, including a Fall hunting season.

• The Division of Fish and Wildlife’s Pheasant Program provides excellent recreational opportunities to 12,000 of the State’s hunters. The cost of raising pheasants is borne completely by the hunters who purchase Pheasant/Quail Stamps to participate in the program. No state tax dollars are used.

• In addition to naturally occurring trout populations, the Division of Fish and Wildlife distributes over 570,000 rainbow trout into over 200 waterbodies across the state, each year.

• In order to maintain New Jersey’s $2.6 billion commercial and recreational fishing and shellfish industry, DEP is responsible for species propagation, management, research and habitat restoration. We also ensure that all mandated management measures, monitoring/patrolling and enforcement are followed in the shellfish industry to avoid a federally imposed moratorium on the industry. After years of negotiations, DEP brokered a deal between commercial and recreational fishermen that resolves federal concerns that commercial fishing is hampering recreational fishing on artificial reefs in state waters, and that restores federal funding ($250,000 per year). A new, exclusively recreational reef is being constructed.

• The “Don’t Waste Our Open Space” campaign continues to deter illegal dumping on state land through a balanced approach focusing on enforcement, education and outreach, and communication. The program is now nationally recognized, and is currently developing strategy to forward similar campaigns on the municipal level. To date, 85 individuals have been charged with illegal dumping violations through this project. All activities of this new effort are posted on www.stopdumping.nj.gov, a website that serves as a hub for the entire program.
**Compliance & Enforcement**

DEP keeps making consistent strides in meeting its foremost goal of promoting compliance with all of our environmental laws.

- **Compliance by over 8,000 facilities** with the State’s air, water, land use and other environmental laws has remained consistently high over the past six years (the compliance rate is over 80%). The DEP approaches compliance and enforcement through a sophisticated model that stresses compliance assistance in which inspectors proactively work with regulated entities to help them understand the rules better and address any issues that may arise. This helps them become better neighbors. Despite the fact that these inspections are more intensive and time-consuming, we issued 7,901 enforcement actions during fiscal year 2015.

- **The DEP has a very successful stewardship program** that encourages regulated entities to not only comply with regulations but taps into their community spirit by encouraging them to go above and beyond regulatory requirements and develop a host of green programs, including renewable energy, innovative recycling strategies, and community education among many other possibilities. During Fiscal Year 2015, 132 new sites initiated participation in the stewardship program.

**Renewable Energy**

DEP and BPU continue to strengthen the State’s commitment to solar and other sources of clean, renewable and affordable energy.

- **As of December 31, 2015,** New Jersey’s installed solar capacity was 1,604 megawatts (MW) through 42,288 solar installations. Approximately 92% of these new installations (1,477 MW) have been installed over the last six years.

- **14 projects producing 141 MW** have been approved or conditionally approved for construction on landfills or brownfields under the new Solar Act.

- **New Jersey continues to rank amongst the top 4 states nationwide** for solar installations. (California, Arizona and North Carolina rely upon large-scale, grid supply projects occupying vast areas of open space while New Jersey promotes development on rooftops and existing cover to provide energy for on-site use.)
Site Remediation

New Jersey has a long history of manufacturing industries, particularly petroleum, chemical and pharmaceutical, as well as agriculture. By addressing historic contamination more efficiently, we are not only protecting human health and the environment but also returning these sites to beneficial use and local ratables. More sites are currently being worked on than ever before.

- In 2014, for the first time ever, we closed out more cases than new ones that came in. Since we began implementing the Licensed Site Remediation Professional (LSRP) program in 2010, we have closed 19,746 cases, significantly reducing the backlog.
- The LSRP Program, which puts the burden of cleanups back on the polluters—not the State, continues to be extremely successful. At the end of 2015, the number of known contaminated sites was 14,245, down significantly from over 20,000 sites in 2009 when the Site Remediation Reform Act (SRRA) was enacted.
- The total number of permanent Licensed Site Remediation Professionals is 608. Through the end of calendar 2015, LSRPs have submitted 7,249 Response Action Outcomes (RAOs), which are the final remediation documents, since the inception of the program in 2009. The DEP inspects these documents to ensure protection of public health, safety and the environment. Perhaps the best indication of the success of the LSRP program is an 8.5% increase in the number of RAOs issued by LSRPs for calendar year 2015 as compared to calendar year 2014.
- A November 2015 Wall Street Journal article headlined “Polluted Industrial Sites Not a Problem for Developers in New Jersey” largely credited the more “streamlined” and “logical” process for cleanups under the LSRP program.

Transformation Update

As part of the DEP’s transformation initiative, we continue to upgrade technology throughout the DEP for the regulated community and residents. NJDEP Online (www.njdeponline.com) provides users with a convenient, secure, paperless way to apply for and receive permits and licenses, submit reports and documents, and pay bills on-line. Through the use of NJDEP Online, users cut out the paper process and drastically reduce application processing time, with all application processing happening on-line with real-time application administrative and technical completeness review, notification of application receipt by the DEP and in many cases instant permit/license approval.
In order to make it easier for New Jersey’s regulated community to meet its obligations to protect New Jersey’s environment, DEP undertook an enormous transformation effort beginning on the first day of the administration. Our goal was to better protect New Jersey’s air, land, water and natural and historic resources, while at the same time making a positive contribution to the economic growth of the state.

In 2011 and 2012, all 2,800 DEP staff, including myself, participated in both in-person and online training to improve our customer service practices, from phone manners to timely responsiveness to providing options. We recently initiated a second round of this training, starting with new employees hired since 2012 but all employees will participate in a refresher. Furthermore, we will offer this training to all subsequent new hires so that they go no longer than three months without being trained.

We have also made further efforts towards reducing red tape. We carried out a comprehensive review of all of our rules to ensure that they have the intended real-world environmental impacts, but also that they are not unduly burdensome, are consistent with each other, and are as simplified as possible.

- We already have made nearly 50 rule modifications, including a major overhaul of Land Use regulations, and have nearly a dozen more in the pipeline.
- We streamlined the permitting process and reduced permit turnaround times by adding online submittals and approvals for 90 permits in program areas including land use, water quality and air quality, and by creating more instant permits, Permits by Rule and converting Individual Permits to General Permits.
- Since 2010, 58 new online services have been fully introduced with another 21 projected by early next year.

**Recovery, Rebuilding and Resiliency**

Superstorm Sandy showed us New Jersey’s vulnerabilities to natural disasters and highlighted the changes we need to make to protect lives, property and critical infrastructure. Governor Christie has demonstrated his commitment to full recovery from the storm and to making New Jersey more resilient to future storms.
Shore protection

DEP continues to work actively with the U.S. Army Corps of Engineers to create comprehensive coastal protection system along the entire coast. Together, we have completed thirteen major repair and new beach projects ($302.9 million). Five beach and flood control projects are under construction ($438.2 million) and nine beach and flood control projects ($533 million) are to be constructed within the next two years.

Home Buyouts

The Sandy Blue Acres program offers homeowners a chance to start over by helping them to move out of harm’s way. We buy out willing sellers whose homes were damaged by Sandy or who are subject to repetitive storm damage, providing them with an opportunity to sell at pre-storm values. Under the program, structures are demolished and the properties converted to open space that provides natural protections for communities against future severe weather events. DEP has currently identified a total of $292.4 million for the Sandy Blue Acres Buyout Program: $169.1 obligated to date from the Federal Emergency Management Agency’s Hazard Mitigation Grant Program (HMGP); $100 million obligated to date from The Department of Housing and Urban Development’s Community Development Block Grant Disaster Recovery (CDBG-DR) program; and $23.2 million from the 2007 and 2009 general obligation bond funds. The amount of funding disbursed, under contract for disbursement or offers made to date is $171.1 million. To date, we have approved acquisition and demolition of 846 homes, completed closings on 465 and demolished 346 of these homes.

Water & Wastewater Infrastructure

Superstorm Sandy severely impacted New Jersey’s water and wastewater infrastructure, causing an estimated $2.6 billion in damages. In addition to our annual Base State Revolving Fund (SRF), DEP administers a $229 million Sandy appropriation that the New Jersey Environmental Infrastructure Turst (NJEIT) is leveraging with $90 million tax-exempt bonds. The Sandy SRF program funds projects that repair water infrastructure damaged by the storm, reduce flood damage risk and vulnerability, and enhance resiliency.
Rebuild by Design

In June 2014, the State of New Jersey was awarded $380 million to implement two flood mitigation projects through the U.S. Department of Housing and Urban Development (HUD) Rebuild by Design competition. New Jersey was awarded $230 million to implement a comprehensive urban water strategy in the Hudson River region, focusing on Hoboken, Jersey City and Weehawken. New Jersey also was awarded $150 million to implement a storm resiliency project in the Meadowlands District that targets Moonachie, Little Ferry, Carlstadt, Teterboro and South Hackensack. The DEP is the lead State agency to plan, design and construct the project, which is currently in the feasibility phase. Current activities include conducting an overall assessment of the project area, collecting data through survey work and determining benefits and impacts to infrastructure and working with the local municipalities to obtain any plans or reports that could be beneficial to the next project phase.

Closing

In closing, the budget put forward by Governor Christie will enable the DEP to continue in meeting its core mission of protecting the environment and serving the citizens of the State of New Jersey. The DEP continues to meet the goals of Governor Christie’s environmental agenda.

We have a full agenda for this year as we continue to protect New Jersey’s air, land, water, and natural and historic resources, while continuing to move the State toward greater economic 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.