

FISCAL YEAR 2015 BUDGET STATEMENT

OF

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DEPARTMENT OF ENVIRONMENTAL PROTECTION**

BEFORE THE

ASSEMBLY BUDGET COMMITTEE

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**STATE OF NEW JERSEY
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

Good morning, Mr. Chairman and Members of the Committee. I welcome the opportunity to come before you today to discuss Governor Christie's proposed Fiscal Year 2015 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. As the Governor rightly stated in his Budget Address, going forward New Jersey has to make some very hard choices. However, the DEP continues to receive the level of support needed to meet the Governor's environmental agenda as the overall the budget for the upcoming fiscal year has not changed significantly as compared to FY 2014. This budget will allow us to continue the important ongoing efforts for the DEP to do its part in assisting the residents of New Jersey with rebuilding from the aftermath of Superstorm Sandy (Sandy), while at the same time maintaining our core programs that serve to protect the environment and the people of this State.

Budget Overview

The DEP's Fiscal Year 2015 budget is set at \$334.1 million. While this gives an appearance of a \$17.3 million reduction when compared with the Fiscal Year 2014 adjusted appropriation of \$351.4 million, the figure is adjusted because of a reversal of a one-time supplement for the Site Remediation Program of \$15.8 million and \$1.5 million for Nuclear Emergency Response and for the Hunters & Anglers Fund. This is only a portion of the total \$1.3 billion in resources available to and managed by the DEP when factoring in all federal funds, dedicated monies, special revenues and bond funds expected in FY 2015.

These figures include the budget appropriation for the in-but-not-of Palisades Interstate Park Commission, which is to be funded at \$2.8 million, the Highlands Council, which is to receive \$2.3 million and the Pinelands Commission at \$2.5 million. Each of these are comparable to the amounts budgeted for Fiscal Year 2014.

As defined in the Constitution, there is an annual allocation of four percent of the Corporate Business Tax (CBT) revenues collected for various environmental purposes. CBT funding helps to support the DEP's key goals and priorities, such as projects in the Barnegat Bay watershed, capital projects for State Parks, diesel retrofits, and cleanups of contaminated sites and

brownfields. The projected CBT appropriation level for the DEP is relatively unchanged at \$103 million and continues to support:

- State Parks capital projects at \$16.0 million
- State Site Remediation Program at \$29.9 million
- Grants to municipalities for brownfields projects and grants to homeowners for underground storage tank cleanups and replacements at \$23.1 million
- Watershed program at \$16.0 million
- Diesel Retrofit Program at \$18.1 million

The DEP's overall staffing will remain comparable to FY 2014, with a total of 2,813 Full Time Employees (FTEs) in FY 2015. We are continuing to prioritize programs and staffing to meet our goals and our commitment to protect the State's environment and public health and safety as well as meeting the needs of post-Sandy recovery and rebuilding. We will continue to backfill public health and safety roles like forest firefighters, park police and conservation officers as well as other critical openings across the DEP like emergency responders and critical programs involved in assisting with Sandy rebuilding or day-to-day operations of our critical programs.

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 fees. The General Fund supports numerous broad-based public functions including Parks operations, forestry management, dam safety and shellfish regulation.

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

Sandy Recovery and Rebuilding

While all of the DEP's programs continue to operate, Governor Christie has been clear that Sandy recovery continues to be a top priority. The DEP continues to focus on our efforts to respond to and recover from Sandy. We still maintain a cadre of staff whose primary focus in FY 2015 will be to help those who are recovering and rebuilding from Sandy.

Shore Protection

The DEP is working closely with the U.S. Army Corps of Engineers (USACE) and local governments to place about 44 million cubic yards of sand along New Jersey's beaches to create a comprehensive shore protection system to protect all 127 miles of our coastline. The primary purpose of these coastal restoration projects is to reduce risk to lives and property and to restore and enhance the resilience of New Jersey's entire coastline through a series of engineered beaches. The works is being accomplished through a number of contracts with sand obtained from different sources, including navigation channels and offshore borrow areas.

USACE will have completed all eight post-Sandy beach restoration projects, which were previously constructed but not completed and have the necessary easements, at an estimated cost of \$345 million by mid-June—most before Memorial Day. These are previously constructed projects that since Sandy have been repaired and rebuilt to original design specifications, not just to pre-Sandy conditions. The only remaining repair projects are Keansburg (expected completion by June 1) and Long Branch (by June 16).

USACE estimates that the cost of the 11 new coastal and flood protection projects, which have required updated design, economic and environmental analyses, and acquisition of easements prior to commencement this summer, will be \$1 billion. The DEP continues to work closely with USACE and municipalities to obtain the necessary easements for these projects and to obtain required federal and State permits.

In the months since Sandy, USACE personnel have been assessing impacts, performing engineering and design work to prepare for the upcoming coastal work, and working with federal, state, local and industry partners to award contracts for the placement of sand for these previously unconstructed shore protection projects as well as for the dredging of federal navigation channels.

Buyouts

On May 16, 2013, Governor Christie announced the Blue Acres Superstorm Sandy Program. The Administration established a goal of buying 1,000 properties in tidal areas affected by Sandy and another 300 properties in other areas, such as along the Raritan and Millstone Rivers and communities in the Passaic River Basin that have repeatedly flooded.

The State anticipates using \$300 million in federal disaster recovery funds and State funds to give homeowners the option to sell Sandy-damaged homes at pre-storm value in flood prone areas. The State will buy clusters of homes or whole neighborhoods that were flooded during Sandy or have been impacted by habitual flooding. As of April 16, we have closed on 69 homes in Sayreville and South River and the first 4 homes in Sayreville have been demolished. This land will be permanently preserved as open space, accessible to the public for recreation or conservation. The preserved land will serve as natural buffers against future storms and floods.

The goal of the Blue Acres Program is to help families who wish to relocate out of harm's way to do so, and to dramatically reduce the risk of future catastrophic flood damage. The DEP is already having a positive impact in Sandy flood-impacted communities. Beginning in Sayreville and South River, the DEP has either secured funding or is targeting funding for potential buyouts in Woodbridge, East Brunswick, Newark, Old Bridge, Linden and the Delaware Bay community of Lawrence Township.

In addition there are 695 more properties in the pipeline to meet our goal of up to 1,300 buyouts.

Hazard Mitigation Grant Program – Elevation Program

The DEP has been charged with overseeing the State's involvement in FEMA's \$100 million Hazard Mitigation Grant Program (HMGP) Elevation Program. The HMGP Elevation Program is a reimbursement program designed to assist homeowners with the elevation of their primary single-family residences to meet the requirements of the flood insurance risk maps in affected communities. Eligible applicants can receive reimbursement of up to \$30,000 for elevations on existing homes.

The program is limited to the Sandy-impacted counties of Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean and Union. There are no income limits for this program.

The calculation of HMGP assistance takes into consideration the cost of elevation and other funding the owner has received for elevation from other sources such as insurance, FEMA, Small Business Administration, and non-profits.

As of April 24, there are 2,608 active applications. 757 applications have been sent on to FEMA via the New Jersey Office of Emergency Management (NJOEM) for final approval.

I am pleased to highlight that through the dedication of our Elevation team at DEP and in coordination with the NJOEM and FEMA, the first batch of applications in Brigantine have been approved.

Infrastructure Resiliency

We are also focused on efforts to make our infrastructure more resilient if and when the next storm impacts our State. Sandy caused an estimated \$2.6 billion in damage to wastewater and water treatment infrastructure across the state. The storm damaged or knocked out power to more than 400 water systems, 70 of which are considered larger scale community systems. It also had impacts on 94 wastewater treatment plants. The DEP will continue to work with local and state government and public utilities to ensure that water systems and wastewater treatment plants damaged by Sandy are fully restored and made more resilient to future storm and flood events.

The FY 2015 Program will utilize federal funds available through the Disaster Relief and Recovery Act enacted after Sandy (approximately \$229 million) to finance resiliency measures for wastewater treatment systems and water supply facilities to protect (or otherwise minimize the impacts to) the infrastructure from similar events. The state is combining Environmental Protection Agency State Revolving Fund monies along with New Jersey Environmental Infrastructure Trust (EIT) bonding to create a \$1 billion fund for water infrastructure loans and grants that will help rebuild and harden facilities such as those run by the Passaic Valley Sewerage Authority and Middlesex County Utilities Authority, as well as other water supply and wastewater agencies that were hit hard by Sandy.

The EIT, working in partnership with the DEP, recently closed on its first-ever disaster-emergency bridge loan, a \$2.95 million package that will pay for the replacement and relocation of a sewage pumping station at Monmouth County's Lake Como that was damaged by Sandy.

With bipartisan support from the Legislature, the Christie Administration has developed the Statewide Assistance Infrastructure Loan (SAIL) Program to provide operators of water treatment and wastewater infrastructure with low-interest, short-term bridge loans in anticipation of federal disaster aid, allowing work on these critical projects to move forward sooner and more efficiently than they might have otherwise. This is the first time any state has created a program

that provides money to local communities up front to expedite work prior to the release of federal government grant funds.

Transformation Update

As part of the DEP's transformation initiative, we continue to upgrade technology throughout 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. NJDEP Online users can set up secure accounts that allow access to over 115 on-line services and this list keeps expanding as we continue to further simplify and automate our permitting, licensing, and reporting processes. Users can define their own customized profile which allows them to add and manage the list of regulated facilities they commonly interact with, designate delegated authorized users, and define preferred services that they use may use on a frequent basis.

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. Recently the DEP has added new services including Air RADIUS submissions, Solid/Hazardous Vehicle Registrations, Tidelands Licensing Renewals and Aquatic Pesticides Permits. Coming soon will be RSP Services for Safe Drinking Water Physical Connection Permits, Site Remediation General Information Notices/Confirmed Discharge Notices/Remedial Investigation Report submissions, Air GP004A for Fuel Dispensing Facilities, Land Use Letter of Interpretation (LOI) processing, Forest Fire Recreational and Agricultural Open Burning Permits, and many more. Several additional online services to simplify and expedite Air and Land Use permits are planned for 2014.

In total, over the last four years, more than 60 permits, certifications and renewals have been posted online.

Without a doubt, Sandy tested whether our transformation and culture change efforts have been successful. I'm proud to be able to say that the DEP's transformation efforts helped us to better react to Sandy's impacts and to address the storm's aftermath. The transformation initiatives we had already undertaken enabled us to leverage our resources to respond more efficiently. Our customer service focus and stakeholder involvement enabled us to identify more quickly where

the needs were. Enhanced technology allowed us to process emergency permits and other approvals more quickly, and to use GIS to map critical infrastructure and resources. The systematic review of our rules and streamlining of our administrative processes meant rebuilding could begin quickly and with more certainty. The staff cross-training we had done magnified the resources at our disposal. In those 24/7 weeks immediately following the storm, this was crucial—and continues to be.

Transformation has allowed us the ability to devote significant resources to Sandy rebuilding efforts while still protecting the environment through our other important programs.

Environmental Accomplishments

Even with DEP's focus on Sandy recovery, we still continue to achieve tangible environmental results in other Sandy and non-Sandy areas. Here are just a few examples of those accomplishments.

Air

- In August 2013, the EPA determined that all of New Jersey had achieved compliance with EPA's health-based air pollution standards for the fine particles of soot known as "PM 2.5" that are emitted from motor vehicles, power plants, wood burning and certain industrial processes. EPA then went on to impose an even more stringent standard for those fine particles. However, New Jersey's air quality improvement efforts have been so successful over the last five years, our State already meets even the new, lower standard—well in advance of EPA's deadline.
- The mandatory diesel retrofit of public vehicles continues to be highly successful, with 12,000 retrofits installed to date. A pilot program established under Executive Order No. 60 to reduce diesel emissions at state construction sites has resulted in over 130 retrofits of fine particle controls on construction engines so far. Forty-five more are expected soon in order to meet the goal of 175 by the summer of 2014. About 5,000 remain to be installed over the next year and a half. These pilot projects were selected to be conducted in urban areas that are disproportionately affected by diesel emissions.

Water

- New Jersey's ocean beaches were open to bathing over 99.8% of the time in 2013. The 0.2% closings were precautionary and largely a result of heavy rainfall events.
- As of January 1, 2014, the State completed its 10-month FEMA-funded effort to remove Sandy debris from the State's waterways. As part of this project, State contractors removed 106,353 cubic yards (CY) of debris from the waters of the State, including 195 vessels/vehicles; 160,000 CY of sediment from 27 severely impacted marinas, and 323,214 CY of sediment from backbay "overwash" areas.
- All draft Combined Sewer Overflow (CSO) permits have been issued. In January of this year, the DEP issued the last of 25 draft permits for our CSO permittees. These permits mandate the consideration of green infrastructure in the development of Long-Term Control Plans and encourage the communities in a "sewer shed" to work together to identify iterative improvements in water quality. These permits incorporate stormwater, residual and pretreatment requirements, and therefore represent a comprehensive approach to addressing clean water requirements. All of these permits will be finalized by early next year.

Land

- Through emergency rulemaking, the DEP has made several amendments to our Flood Hazard Area and Coastal rules to facilitate rebuilding of the State. Among other provisions, they include incorporating FEMA's advisory base flood elevation maps (ABFEs) to ensure that those rebuilding use the best available flood data to guide their decisions; allowing wet flood-proofing of non-residential buildings where elevating and dry flood-proofing are not practical; allowing homeowners to rebuild, elevate, and expand up to 300 square feet under a Permit By Rule; providing General Permits to facilitate dredging of sand and other storm materials from waterways; and providing a General Permit for "living shorelines" to promote resiliency, enhance the environment, and promote beneficial reuse of clean dredged material.

- Thanks in part to bipartisan support from the Legislature; fifteen of the twenty-one counties that had assumed the responsibility to prepare Water Quality Management Plans have submitted compliant maps. Of the four counties that did not take on these responsibilities, the DEP has worked to develop plans by working with individual municipalities. Of the counties that did submit maps, all but two have been adopted. We anticipate the remaining county maps will be adopted after a mandatory public hearing and comment process is concluded. As a result, approximately 200,000 acres of environmentally sensitive lands have or will be withdrawn from sewer-based development potential. This represents the greatest shift of land out of sewer service in the history of this State, and the first time many WQMP maps have been amended in over 20 years.

Natural Resources

- As the steward of New Jersey's rich and diverse natural, historic, cultural and recreational resources, the DEP continues to maintain and operate 39 parks, three recreation areas, 11 forests, three marinas and 52 historic sites—including the recently reopened Ringwood Manor—and to manage more than 815,000 acres of parkland and wildlife areas for the benefit of present and future generations. 35 of our 39 parks sustained heavy damage due to Sandy, not only to lands and trees but also to buildings and infrastructure. In particular our two most popular State Parks, Liberty and Island Beach, suffered severe damage from Sandy. In addition to making needed clean-up efforts to 1,000 miles of trails damaged from the storm, including hazardous tree removal projects across the State Park system, we completed dock repairs in various parks coastal areas and lake boating concession areas.
- In the last year recreational areas have increased for our residents as over 9,000 acres were added to our State Parks and Wildlife Management Areas through land preservation.

Energy Resiliency

- In the aftermath of Sandy, energy resiliency became a focus for the Administration. DEP's team has been a key player in "heat mapping" critical infrastructure throughout the state, with the goal of bringing regional energy resiliency and concepts like "islanding" to vulnerable areas and to large energy users such as wastewater treatment facilities. We are shifting the dialogue toward utilizing cleaner energy such as Combined Heat and Power (CHP). We are supporting the efforts of the BPU and EDA to establish an Energy Resiliency Bank in order to bring needed monetary resources to this new way of thinking.
- Within the past year, New Jersey celebrated reaching the milestone of 1 gigawatt of installed solar-generated electricity. Since then, more than 5,000 additional solar facilities have been installed statewide, which puts New Jersey third nationwide in total installations, just behind California and Arizona.

Site Remediation

- The Licensed Site Remediation Professional (LSRP) Program continues to be extremely successful. Since 2009, the number of contaminated sites has decreased from about 20,000 to only about 14,500 as of April 2014, as sites continually come in and out of the system as old sites are remediated and new sites are identified. 10,500 of the sites are currently overseen by licensed professionals. To date, the Site Remediation Professional Licensing Board has successfully administered five permanent licensing exams resulting in 512 LSRPs.

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. It also allows us to play a significant role in the State's post-Sandy rebuilding and recovery efforts.

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 as we continue to recover from Sandy. 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.