

**Testimony of
Kathleen A. McGinty, Secretary
Department of Environmental Protection
on the
Governor's Proposed 2005-06 General Fund Budget
Before the
House Appropriations Committee
March 3, 2005**

Chairman Feese, Chairman Evans and members of the Committee: I appreciate the opportunity to appear before you today to talk about Governor Edward G. Rendell's 2005-06 budget request for the Department of Environmental Protection.

As the Governor stressed in his address: Pennsylvania faces many challenges this year, and this budget is constructed to meet those challenges. Federal support to ensure the most vulnerable among us are cared for is shrinking, and as a result, we face a number of painful choices and difficult decisions. In order to meet the challenges presented by this situation, the Department of Environmental Protection was required to reduce its 2005-06 budget request by \$18.93 million, or 10 percent, compared to current operating levels. These cuts run deep as the Department also must hold the line to absorb anticipated cost increases next year --- those that result from salaries and benefits, expenses such as fuel, and contract and lease agreements.

This budget request follows actual reductions of roughly 26 percent in the 2003-04 fiscal year, including elimination of \$52 million for sewage treatment plant operations, and another 5 percent in 2004-05. Over the last two years, the Department has substantially cut costs and enhanced the efficiency of our work. We have taken steps to ensure our resources are put to use in the best manner possible. And, we have worked with the Governor to present to the Legislature solutions to our most pressing financial problems as well as plans to invest in the economic and environmental health of our Commonwealth.

Despite these cutbacks to offset ever-increasing health-care costs, daunting budget deficits and a sluggish national economy, we continue to make unprecedented progress. The Department is fully committed to fulfilling the Governor's priority of improving residents' quality of life creating the jobs we critically need while ensuring the highest standards of environmental protection and public health.

An example of how environmental protection serves as a driver for economic growth is the Spanish wind-energy company Gamesa Corp.'s decision to locate its U.S. headquarters and East Coast development offices in Philadelphia and open a manufacturing facility for wind turbine generator blades near Johnstown, Cambria County. The company's development plans represent a \$40 million investment in Pennsylvania, promising as many as 1,000 jobs over the next five years and the promise of enough clean energy to power more than 300,000 homes.

Further developing our indigenous energy resources is an area where Pennsylvania can realize measurable impacts on pollution reduction, environmental protection and economic growth. Since its inception in May 2003, the Pennsylvania Energy Harvest Grant Program has awarded \$10 million and leveraged another \$26.7

million in private funds to help make Pennsylvania a national leader in building and deploying advanced energy technology.

Working with our partners in the General Assembly, our Commonwealth now proudly boasts one of the most far-reaching and ambitious clean energy measures in the nation—a two-tiered portfolio standard that ensures in 15 years, 18 percent of all of the energy generated in the Commonwealth comes from clean, efficient sources. The plan promises to cut pollution, improve public health, encourage investments in advanced technologies, promote economic development and cut energy costs for Pennsylvania customers.

Efforts aimed at making government more efficient and saving the regulated community time and money already are producing results --- all while we move to clean up contaminated sites and eliminate any threat to public health and safety. DEP approved its first Brownfield Action Team project this summer to redevelop 1,600 acres of the former Bethlehem Steel Corp. site in Northampton County with a mix of commercial, office, manufacturing and warehousing spaces that eventually will employ 6,000 workers with an annual payroll of \$210 million.

This enhanced management approach is helping to transform today's abandoned industrial sites into the economic opportunities of the future, strengthening communities across the state. Other projects are approved and moving ahead in Adams, Beaver, Berks, Bradford, Cambria, Chester, Lackawanna, Luzerne, Monroe and Philadelphia counties.

DEP has formed and helped fund a unique partnership of environmental groups and Wall Street brokers to design a nutrient trading program for the state. Much progress has been made, as we completed the first successful trade as part of the Conestoga River Nutrient Trading Pilot Project. The project is among the first to apply trading as an incentive to assist farmers, communities and industry to meet and exceed state and federal water quality goals by establishing a voluntary pollution credit-trading program.

The Department will continue to move aggressively to advance innovative measures that help us achieve our mission of keeping residents healthy and safe, and protecting Pennsylvania's air, land and water from pollution. This effort to find new and better ways to do things becomes even more important as budget constraints continue.

As noted earlier, Medical Assistance cuts at the federal level combined with ever escalating health-care costs have reduced dramatically the resources available to our Commonwealth. To meet further cost reductions in the 2005-06 fiscal year, we responded by making some very difficult resource allocation decisions.

In working with the Governor's Budget Office, every program in the Department placed a top priority on investing in staff to ensure we will be able to deliver the services Pennsylvanians count on to protect their health and preserve their environment. If we had to make the required budget reductions for the 2005-06 fiscal year by relying solely on complement, the department would have lost 143 positions. We simply could not support a staff reduction of this size and still run our core air, water, mining, waste and radiation protection permitting and compliance programs. Recall that DEP's complement was reduced by 145 positions at the beginning of 2003-04 fiscal year before Governor Rendell came into office due to pressure on the General Fund. Since then, we have constantly juggled priorities to focus available staff on the most important efforts.

For this reason, the Department adjusted its budget request to include a complement reduction of only 13 positions, all of which we aim to absorb through

attrition or retirement. However, this means the cuts for the upcoming fiscal year will be felt mostly in operational expenses.

Turning to specific line items in the budget, the Department reluctantly proposed elimination of the \$4.4 million Black Fly Suppression Program. Although the program is fully funded for this fiscal year, spraying will end June 30. This program cut was not our first choice, nor was it singled out. In fact, the black fly program has been supported by this administration even as DEP's General Fund has experienced substantial cuts over the last two years ago.

The governor recognizes that controlling the black fly population is a quality of life issue for many Pennsylvanians. Last year, 1,587 stream miles in 39 counties were sprayed to kill black fly larvae. More than 3 million residents across the state currently enjoy the benefits of the program. But hard choices could not be avoided. Budget pressure this year meant the black fly program could not be spared.

The Black Fly Suppression Program was not alone. The Department's \$6.8 million waste tire pile cleanup program was not renewed. Most of the priority tire piles have been cleaned up over the last few years. In fact, DEP has spent \$29 million on remediating tire piles since passage of the original act in 1996, and we have removed more than 24 million tires through grants or enforcement actions. Funding still exists in other line items, such as West Nile Control and the Solid Waste Abatement Fund, for a reduced cleanup program. Moreover, we have not yet obligated the current year \$6.8 million. Therefore, we can continue this important effort if only at a reduced level.

Also eliminated from the budget is the \$7.5 million line item for Safe Water Grants. Money for these projects remains available through programs such as Pennvest. The Department also had to leave behind \$250,000 in increased support for mushroom composting in the southeast, and enhanced funding for the river basin commissions --- \$500,000 of the increase from last year for the Susquehanna River Basin Commission and \$250,000 of the increase for the Delaware River Basin Commission.

In addition to taking a hard look at our environmental programs, we also are taking a number of steps to control spending. Last year, we reduced the use of paid interns, eliminated staff recognition and longevity luncheons, and substantially reduced catering costs incurred for advisory committee meetings. Staff attendance at conferences, workshops and out-of-state meetings also were limited. This year, we are continuing to do more with less by implementing other administrative efficiencies. They include restricting overtime essentially to emergency situations and emergency training exercises, restricting interns to critical needs and reducing association memberships and information technology equipment spending.

We have also begun a major new initiative to ensure that every budget dollar helps us achieve measurable progress on environmental protection and improved human quality of life. We have developed "real world" outcome-based performance measures and numeric targets for each of our programs. These measures and targets, which are included in the Governor's budget, show that this budget will enable us to continue making progress toward cleaner air, cleaner water, better protection of land, more livable communities and sustainable energy.

As I said earlier, this is a difficult budget. Tough decisions had to be made. Additional choices may have to be made in the future. Our Department is watching very closely all of negotiations regarding the federal budget, which takes effect in October.

President Bush has proposed slashing funding for the U.S. Environmental Protection Agency by more than \$200 million below what the agency requested for fiscal year 2005 and some \$400 million below what Congress provided after restoring much of those cuts. Make no mistake: Any cut in funds that severe at the federal level will have an impact on our work here in Pennsylvania.

For example, President Bush's budget would cut EPA's Clean Water State Revolving Fund by one-third, proposing \$730 million in fiscal 2006 compared to the current year budget of \$1.09 billion. This fund administers grants to states, localities and tribal governments for clean water and other environmental improvements. For Pennsylvania, the fund has been a significant part of our water-quality improvement efforts for nearly two decades, contributing a major part of financing for water and wastewater treatment system upgrades. Plans to cut funding by one-third come at a time when all signs indicate costs for maintaining water quality are heading upward. The combined pressures of aging wastewater treatment systems, localized population growth and continuing non-point source pollution pose serious challenges.

That makes it all the more important that we act quickly to secure significant investments by supporting Governor Rendell's initiative, Growing Greener II, to rescue key environmental programs and launch new efforts that are critical to both the economic and environmental health of our Commonwealth.

Just last month, many of you embraced the Governor's initiative and helped move Pennsylvania one step closer to securing this historic investment by passing legislation for an \$800 million bond referendum. This is an encouraging step, as the deadline for action to ensure this initiative is placed before voters on the spring ballot is March 17.

All of us remain committed to achieving this goal. However, the Governor has made very clear that he would veto the House-approved companion legislation, GreenPA, because it falls substantially short in meeting the very pressing environmental problems we face. While these two plans are similar on the surface --- both fund investments in the environment using bond financing, with debt service on the bond to be paid for with waste-related fees --- the two proposals actually are quite different.

For your further review, I have attached to my testimony a copy of a joint letter that Conservation and Natural Resources Secretary Michael DiBerardinis and I sent on Feb. 11 to a number of organizations that requested a detailed analysis of GreenPA and its comparison to Growing Greener II.

I do want to highlight one point of difference between GreenPA and Growing Greener II. The Governor's plan would provide up to \$25 million per year for recycling to support this growing industry and assist municipalities that recently started new recycling programs mandated by Act 101. GreenPA is silent on this issue. The distinction here is important. Because of the way the recycling grant program is structured, the end of this program is closer than it appears. Recycling grants are paid out over three years. That means the next round of municipal recycling grants issued by the Department will be our last before the \$2 tipping fee on municipal waste expires in January 2009.

Finally, as this Committee by now is aware, without a new funding source for the Hazardous Sites Cleanup Fund, the program is on the verge of bankruptcy. Because of this pending financial crisis, the Department already has stopped new public protection projects and has been forced to triage ongoing cleanups. Some of the projects that have been put on hold include:

- ChemFab in Bucks County, where the design, installation and operation of an underground treatment system is on hold. Toxic metal contamination has been found in groundwater, surface water and soils.
- Wolf Run in Montgomery County, where further investigation to pinpoint the source of contaminants affecting residential water supply wells has been put on hold.
- Girardville MGP in Schuylkill County, where the state cannot continue with the development and implementation of a cleanup plan for coal tar contamination of groundwater and soil at a site where a playground has been built.
- Berkley Products Plant Site in Lancaster County, where funding is needed to address contamination in groundwater that is causing vapor migration into at least two homes.
- Rife Road PCE site in Dauphin County, where funding is needed to address PCE contamination in groundwater that has affected adjacent private well supplies.
- Punxsutawney Groundwater Contamination Site in Jefferson County, where funding is needed to implement a cleanup of soil contamination and to further examine the extent of groundwater contamination. The contaminants of concern at the site are solvents and heavy metals.
- Tri-State Oil Site in Allegheny County, where funding is required to design and implement a remedy for VOC's affecting soils and groundwater.
- Currie Landfill in Erie County, where funding is needed to develop and execute a cleanup of drummed waste and solvent and heavy metal contamination of both soils and groundwater.

In announcing GreenPA, House Republicans acknowledge that: “The state’s Hazardous Sites Cleanup Fund currently faces the prospect of running out of money in the next few months, forcing Gov. Rendell’s Department of Environmental Protection to begin scaling back cleanup and support services for these sites.” It is a situation playing out in communities across the Commonwealth. In addition, the state may have to notify the federal government that DEP no longer is in a position to meet its obligations under the Resource Conservation and Recovery Act and the Comprehensive Environmental Response Compensation Liability Act, commonly referred to as Superfund.

The Legislature’s support is essential and urgent to ensure that the Department of Environmental Protection has the money to ensure the public health and safety of Commonwealth residents. Even if we succeed in putting a bond initiative on the spring ballot, the General Assembly still must provide stopgap emergency funding to keep the Hazardous Sites Cleanup Fund alive.

I thank you for your attention. Chairman Feese, Chairman Evans, members of the Committee: I’d be happy to answer any questions you have at this time.

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Measures:	2003-04	2004-06	2005-06	2006-07	2007-08	2008-09	2009-10
Protection of Air Quality							
Percent of population in counties attaining the ambient ozone standard	12%	35%	35%	35%	69%	70%	70%
Tons of hazardous air pollutants emitted...	44,404	44,400	44,400	44,400	41,150	41,150	41,150
Tons of emissions avoided by pollution prevention activities encouraged by the department	4,249	4,678	4,739	4,919	5,016	5,122	5,239
Protection of Water Quality							
Cumulative miles of assessed streams attaining assessed water uses**	56,600	61,880	66,100	66,355	66,670	67,505	68,940
Cumulative miles of assessed streams attaining assessed water uses	56,600	61,880	66,100	66,220	66,400	67,100	68,400
Cumulative miles of assessed streams	69,760	76,460	83,160	83,160	83,160	83,160	83,160
Annual miles of assessed (and reassessed)	8,919	6,700	6,700	4,000	4,000	4,000	4,000
Annual miles of stream buffers installed or improved**	500	250	500	785	785	785	785
Annual miles of stream buffers installed or improved**	500	250	660	820	1,080	1,340	1,500
Annual miles of stream buffers installed or improved	500	250	500	500	500	500	500
Acres of wetlands restored or improved**	650	500	650	650	990	990	990
Acres of wetlands restored or improved...	650	500	650	650	650	650	650
Allocation of Water Resources							
Streams protected by in-stream flow protection requirements	192	199	206	213	220	227	234
Safe Waste Management							
Tons of municipal solid waste generated per capita	0.87	0.87	0.87	0.87	0.87	0.87	0.87
Tons of municipal solid waste recycled (millions)**	4.09	4.10	4.15	4.20	4.75	4.80	4.85
Tons of municipal solid waste recycled (millions)	4.09	4.10	4.15	4.20	4.25	4.30	4.35
Tons of municipal solid waste imported into Pennsylvania (millions)	10.56	10.60	10.60	10.60	10.60	10.60	10.60
Tons of non-wastewater residual waste generated per million dollars of Gross State Product	60	59	45	44	41	40	37
Tons of hazardous waste generated per million dollars of Gross State Product	0.74	0.72	0.70	0.68	0.65	0.64	0.60
Protection of Land							
New releases from storage tanks	407	400	400	400	400	400	400
Mine subsidence insurance policies in effect	53,487	56,160	58,960	61,910	65,010	68,260	71,670
Restoration of Land							
Cleanups completed at sites contaminated with hazardous substances**	282	300	300	300	300	300	300
Cleanups completed at sites contaminated with hazardous substances	282	300	0	0	0	0	0
Acres of abandoned mine land reclaimed**	2,520	2,590	2,490	3,470	3,270	3,270	3,270
Acres of abandoned mine land reclaimed	2,520	2,590	2,490	2,490	2,290	2,290	2,290
Abandoned or orphaned oil and gas wells plugged **	219	225	225	315	315	315	315
Abandoned or orphaned oil and gas wells plugged	219	225	225	225	225	225	225

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Sites contaminated by hazardous substances known by the department**	10,868	10,800	10,700	10,600	10,500	10,400	10,300
<i>Sites contaminated by hazardous substances known by the department</i>	10,868	10,800	10,700	10,900	11,100	11,300	11,500
Leaking storage tank sites known by the department.....	4,873	4,500	4,175	4,000	4,000	4,000	4,000
Acres of abandoned mine land known by the department **.....	39,000	39,000	39,000	39,000	38,110	37,220	36,300
<i>Acres of abandoned mine land known by the department</i>	39,000	39,000	39,000	39,000	39,000	39,000	39,000
Abandoned or orphaned oil and gas wells known by the department **.....	8,712	8,600	8,500	8,400	8,120	7,930	7,740
<i>Abandoned or orphaned oil and gas wells known by the department</i>	8,712	8,600	8,500	8,400	8,300	8,200	8,100
Safe Drinking Water							
Percent of population served by water supply systems that meet health-based standards.....	95%	95%	95%	95%	95%	95%	95%
Percent of community water system source water areas with source water protection strategies in place.....	12%	15%	25%	45%	65%	85%	95%
Radiation Protection							
Annual number of buildings with radon mitigated by certified installers (both residential and commercial).....	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Annual number of buildings measured with unsafe radon levels (both residential and commercial).....	23,056	23,000	23,000	23,000	23,000	23,000	23,000
Nuisance and Vector Control							
New human infections with West Nile Virus.....	250	250	250	250	250	250	250
Breeding areas treated to control West Nile Virus.....	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Emergency Preparedness and Response							
Percent of material contained or recovered in emergency responses.....	NA	75%	80%	85%	90%	90%	90%
Emergency responses to environmental releases.....	3,368	3,600	3,800	4,000	4,200	4,400	4,600
Flood Protection and Dam Safety							
High-hazard dams upgraded or repaired ..	32	35	45	45	45	45	45
Mine Safety							
Lost time accidents per 200,000 employee-hours of exposure.....	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Advanced Energy Development							
BTUs generated from renewable energy resources and coal-mine methane (billions)**.....	7,580	8,110	9,360	12,584	20,912	24,684	30,794
<i>BTUs generated from renewable energy resources and coal-mine methane (billions)</i>	7,580	8,110	9,360	10,930	14,660	16,920	19,580
BTUs generated from advanced non-renewable energy resources including waste coal (billions) **.....	64,624	70,000	75,000	81,200	89,600	139,500	139,500
<i>BTUs generated from advanced non-renewable energy resources including waste coal (billions)</i>	64,624	70,000	75,000	80,000	85,000	90,000	90,000

Environmental Protection

Program: Environmental Protection and Management (continued)

Program Measures: (continued)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Value of advanced energy development resulting from the department's activities (\$ thousands)**	\$4,100	\$5,200	\$5,300	\$8,700	\$15,900	\$24,000	\$24,000
Value of advanced energy development resulting from the department's activities (\$ thousands)	\$4,100	\$5,200	\$5,300	\$6,000	\$6,000	\$6,000	\$6,000
Energy Conservation and Efficiency							
BTUs of electricity consumed per dollar of Gross State Product	1,144	1,132	1,120	1,108	1,096	1,084	1,073
Number of entities provided assistance for energy efficiency	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Department-wide Totals							
Percent of facilities with no health, safety or environmental violations	90%	90%	90%	90%	91%	91%	91%
Complaints received	5,605	5,516	5,516	5,516	5,516	5,516	5,516
Permit applications or requests for authorizations processed**	23,957	23,938	23,595	23,645	23,625	23,640	23,665
Permit applications or requests for authorizations processed	23,957	23,938	21,805	21,855	21,835	21,850	21,875
Inspections completed**	100,042	100,123	100,253	99,013	97,403	97,923	99,583
Inspections completed	100,042	100,123	98,338	97,098	95,488	96,008	97,668
Enforcement matters executed**	11,597	11,208	11,095	11,000	10,930	10,855	10,805
Enforcement matters executed	11,597	11,208	10,945	10,850	10,780	10,705	10,655
Permits or authorizations required by regulated entities	199,084	197,743	195,626	193,838	192,585	191,260	190,100

** Measures show performance that would be achieved if the Administration's Growing Greener II Initiative is enacted by the General Assembly.

*** Measures show performance that would be achieved if the Administration's ACRE Proposal is enacted by the General Assembly.