

Budget Testimony of
Acting Secretary Quigley
Department of Environmental Protection
Governor's Proposed 2015-2016 General Fund Budget
House Appropriations Budget Hearing: March 11, 2015

Chairman Adolph, Chairman Markosek, Chairman Maher, Chairman Vitali and members of the committee.

Thank you for the opportunity to appear before you today to present Governor Tom Wolf's 2015-2016 proposed budget for the Department of Environmental Protection (DEP).

As you know, our mission is to protect Pennsylvania's air, land and water from pollution and to provide for the health and safety of our citizens. We are to guarantee that all Pennsylvanians, including future generations, have a safe, healthy environment. We are to work as partners with individuals, organizations, governments and businesses to achieve a balance in preventing pollution and protecting our natural resources, while carrying out these responsibilities in a fair and timely manner that respects both the environment and the regulated community, and is deserving of the public's trust.

At DEP, our duty begins of course with Article I, Section 27 of Pennsylvania's Constitution. We, as an agency, see it as our charge to protect the public's right to clean air, pure water and preserving our environment. We do that for today's generation and every generation of Pennsylvanians yet to come. Our broad mission means we, both as an agency and as a government, act as trustee of our natural resources.

Today, that mission includes the oversight of the quality of more than 86,000 miles of streams, the most miles in the 48 contiguous United States. Only Alaska has more. We also are charged with the reclamation of over 200,000 acres of abandoned mine lands. We regulate more than 23,000 underground storage tanks, more than 17,000 aboveground storage tanks, more than 33,000 X-ray units, nearly 17 million megawatts of electricity generation and even black fly control and West Nile prevention programs. We ensure safe drinking water for over 10 million Pennsylvanians. And this list is but a sample of the responsibilities of our agency.

And how do we manage this challenge? Each day, more than 2,700 environmental professionals, many recognized nationally for their qualifications and experience, are working to ensure:

- The water we drink is safe through our safe drinking water program with 92% of facilities meeting safe drinking water standards.
- That our resources are protected by inspecting over 22,000 oil and gas wells, 23,000 mining operations and 7,000 wastewater treatment facilities.
- That we can have confidence in the data we are using to make decisions because of the world-class laboratory we operate in Harrisburg and the 447 laboratories we oversee through the laboratory accreditation program we operate statewide.
- That we are saving both landfill space and energy by recycling 8.5 million tons of waste, annually.

- That we can safely breathe because of the 72 air monitoring stations we operate and maintain across the state.

And again, I am just scratching the surface of the monumental work being performed by DEP employees day in and day out. Our goal at DEP is to be recognized as one of the most highly regarded agencies in the Commonwealth and the leader among all state environmental protection agencies in the nation.

This budget is about investing in Pennsylvania's future – investing in both energy development and heavily in environmental protection. These two concepts are inextricably linked, and will pay dividends for our state and local economies. The budget also allows us to take the next steps toward modernizing the DEP's activities and policies, something that is long overdue.

The department's budget request includes \$147 million from the General Fund, with a total spending authorization request of \$697 million. The proposal includes \$356 million of Special funds spending, as well as \$193 million in Federal funding. The total increase in General Fund dollars represents a more than five percent increase over the current budget. The Governor's spending proposal adds more than \$7.8 million to the DEP's FY 14-15 general fund budget to continue to protect water and air quality, address abandoned mine reclamation, and improve enforcement of Pennsylvania's environmental laws.

The budget proposal before you today represents a down payment on the challenge made by the Governor in his remarks before the General Assembly on March 3. Specifically, it allows us to ensure we are delivering “jobs that pay” and a “government that works.”

Nowhere is this commitment more evident than in the Administration's approach to the Commonwealth's natural gas industry. Companies across the state are profiting from the extraction of gas and providing family-sustaining jobs to our citizens, and consumers are benefiting from lower energy prices.

However, the Governor also recognized it was time for the industry to pay its fair share for its use of and profit from the Commonwealth's resources. As part of the proposed Pennsylvania Education Reinvestment Act, Pennsylvania would join every other major oil and gas producing state by levying a severance tax. The Governor's proposal is a competitive rate of 5%, placing Pennsylvania in the mid-range of taxation rates imposed by other natural gas producing states.

In addition to maintaining the existing impact fee distribution to local communities and providing an historic reinvestment in our schools, a small but critical component of the tax revenues will support DEP's oversight of the industry. Ten million dollars will support additional inspection and enforcement staff to ensure that we are appropriately regulating the activities of the industry.

Earlier this week we released an updated draft of the regulations that govern surface activities of oil and gas well development and operation in the Commonwealth. We are providing Advanced Notice of Final Rulemaking (ANFR) to stakeholders, and additional time to review the regulations, prior to continuing the formal regulatory process. This will provide greater transparency and more opportunities for engagement.

In the last legislative session, the General Assembly identified that our conventional and

unconventional well activities are different, and directed that we bifurcate the regulations to recognize those differences. The ANFR follows through on that direction, and the revisions take into account the more than 24,000 comments we received on the proposed rulemaking, as well as the Department's recent experiences working with the industry.

Specifically, the ANFR recognizes that the use of pits is appropriate for the temporary storage needs of the conventional gas industry, properly regulates centralized impoundments as residual waste storage, treats underground storage tanks as the Department would any other similar tank, and requires drillers to account for existing active and inactive wells within the immediate area. We believe the ANFR represents a significant step toward ensuring the industry can continue to provide jobs that pay in the Commonwealth, while providing a government that works to protect the Pennsylvania's natural resources. I look forward to working with each of you as we move this important initiative forward.

Governor Tom Wolf's proposed budget will make Pennsylvania an energy leader through new investments that take full and responsible advantage of our rich natural resources, including natural gas, coal, wind, solar, and timber. To take the reins as the nation's energy leader, we must expand and develop new markets for Pennsylvania's energy technologies, services and fuels, and this budget makes historic investments to bolster and transform our energy economy. The Governor's budget attests to his commitment to create new jobs and protect public health and our environment, all of which strengthens Pennsylvania's economy. In addition, the plan also invests millions more to protect, clean and conserve the commonwealth's land, air and water.

As you know, Pennsylvania is a keystone for not only natural gas and coal, but also alternative energy. The Governor's proposal includes a bond funded by severance tax revenues to reinvest in our energy future.

The Governor's proposal includes \$25 million in Last Mile funding for natural gas pipeline projects. The Governor recognizes it is not enough to simply support natural gas production. We must also ensure that the citizens of the Commonwealth realize the benefits of using this low-cost, domestic fuel source. The Last Mile will ensure grant monies are in place to build out gas distribution infrastructure to areas where it might otherwise be uneconomical. We are blessed with an abundant and cheap fuel source here and it would be a waste to simply ship it all out of state or out of country.

The proposed bond funding would also provide financing for additional renewable and alternative energy sources throughout the state. Thirty million dollars in grants would be deployed to project using combined heat and power (CHP). Traditionally, companies receive electricity from a power plant and heating from a boiler, and both processes are typically less than 50 percent efficient. CHP projects provide both heat and power and can achieve efficiencies of up to 75 percent.

The bonds would also provide \$20 million to increase the state's fleet of wind energy plants, \$20 million in support for energy efficiency and distributed energy projects for the agricultural industry, and \$30 million dollars to be distributed through the Pennsylvania Energy Development Authority.

As further support for renewables, the proposed bond monies would support the relaunch of the wildly popular PA Sunshine Program. The program would include \$50 million in solar rebates for homeowners and small businesses, but would also expand the eligibility to include municipalities, universities, schools and hospitals. "Sunshine II" aims to incent the installation of more than 100 MW of solar capacity in its first year.

Finally, the Governor's proposed budget includes \$50 million in grants for energy efficiency at small businesses, local governments, schools and non-profits. It is worth noting that the combination of solar rebates and energy efficiency funding available to schools has the potential to reduce the amount spent keeping classrooms heated and lighted, freeing up valuable resources that can go directly to the benefit of our children.

There are significant environmental benefits inherent in this investment in increased use of natural gas, renewable energy and incentivizing energy efficiency. But perhaps more vital is the impact on delivering jobs that pay. Modernizing our Commonwealth's energy infrastructure means that Pennsylvanians will be employed in activities like laying distribution pipeline, installing solar panels or retrofitting a building to reduce energy usage.

While the governor has proposed new investments in energy as part of the Economic Growth Package, he has also increased general fund support for DEP's core programs. This restoration of funds for DEP is essential for us to continue our work protecting our public health and environment.

The budget proposal before you will allow the Department to focus on its core mission and values: cleaner air, cleaner water, safer waste disposal. It will ensure that our mines are safe, our mine-scarred lands are restored, and our oil and gas wells are properly developed. It will provide us the necessary boots on the ground to protect our public resources. And most importantly, it delivers on the Governor's promise to provide schools that teach, jobs that pay and a government that works.

Chairman Adolph, Chairman Markosek, Chairman Maher, Chairman Vitali and members of the committee, thank you for your time here today and for your support of this agency and its mission. I'd be happy to answer any questions you may have at this time.