

Budget Testimony of
Michael Krancer, Acting Secretary
Department of Environmental Protection
Governor's Proposed 2011-2012 General Fund Budget

Chairman Adolph, Chairman Markosek and members of the committee, I am honored to stand before you and I thank you for the opportunity to discuss Governor Tom Corbett's 2011-2012 Executive Budget for the Department of Environmental Protection. Joining me today are Jeff Logan, Executive Deputy Secretary of Administration and Management and John Hines, Executive Deputy Secretary for Programs.

We as Pennsylvanians are all aware of the economic situation we are facing and each of us have had to evaluate what our true needs are. The Governor has asked us all to focus on the difference between the must-haves and the nice-to-haves. I can report to you that the Governor's proposed budget provides adequate funding to enable the Department to meet its obligations to protect the environment and public safety.

Our budget, like the overall state budget does reflect that the federal stimulus money is ending this year. There was a widely reported misconception within hours after Governor Corbett's budget address that state funding had been cut for the renewable energy programs at DEP. That is incorrect. The truth is, as Governor Corbett said, "this marks the year that the federal stimulus money ends." The current budget reflects that there is no more stimulus money. The Department will continue to encourage and assist in the development of cleaner, renewable energy sources. For instance, the Alternative Fuels Incentive Grant Program (AFIG) helps improve our environment and economy by developing cleaner burning, less polluting forms of transportation. It also encourages the use of fuels indigenous to Pennsylvania, such as natural gas. The latest AFIG round of investments is being matched by \$2,076,063.83 in private funds for a total economic impact of approximately \$3,026,265.32. Nine projects from nine counties

will be funded. This is just one example of how public-private partnerships are critical to the success of the department and state government. Public-private partnerships will be even more critical in the coming years. We will work hard to develop those partnerships with organizations that bring unique and innovative solutions to our doorstep.

Likewise, our budget reflects that certain money from prior state budgets was set to end. The Flood Control Project line item is in that category. Rest assured that the Dam Safety Program is not affected and the overall flood control program will continue to exist. Dam and large flood control projects are funded by the capital budget and/or the H2O Fund. What are affected would be the smaller localized projects which, to some extent, had been funded by State money and managed by DEP. The State taxpayers can simply no longer fund or pay for the oversight of these small very localized projects. Local governments will be asked to set their priorities and fund those local projects as they see fit.

The expansion of the deep shale gas industry presents a tremendous opportunity for generations to come. This industry has already begun to add real jobs and real economic growth to our economy. We will ensure that this business is done right and done in a safe and responsible manner. Our regulations are always being reviewed and assessed to make sure that we are addressing environmental and public safety concerns. Just in the last nine months we have brought on line new wastewater treatment regulations and new well construction regulations. Those regulations were the product of our work with stakeholders and technical experts from both within DEP and outside. Governor Corbett has said he wants to do more. At his direction we are evaluating our laws and rules regarding all activities at and around gas well facilities. Also, at his direction, the Marcellus Shale Advisory Commission is convening next week to review all aspects of the industry and make recommendations. We will regulate the extraction of this resource based on sound science to ensure that it is done safely and

responsibly. We will regulate it with consistency and transparency. We will regulate it with appropriate on the ground oversight.

Right now we do have enough “boots on the ground” to get the job done. We have 78 inspectors. Last year we did about 5,000 Marcellus well inspections; a 100% increase over the year before. This year we have already done 1,431 and are pace to do about 7,200; a 44% increase over last year. Of course we are always evaluating our needs in the field. As the industry grows and we get more requests for permits, we will use the increasing permit application fees generated to fund any additional staffing needs.

Governor Corbett has stressed to us as Department heads the value of working together. Intra-agency cooperation will be a priority of this Administration. DEP will work together with our sister agencies of state government to assure timely and efficient decision-making which will help our economy grow.

The Department also must and will press our interests with federal agencies to be sure that our federal partners do not lose sight of the interests of Pennsylvania at the federal regulatory table.

I believe that the Department has the staff needed to perform the necessary functions of the agency, including permitting and inspection. Per Governor Corbett’s direction, I have called upon senior staff to evaluate all of our programs to look for more efficient ways of doing business. Our goal is to refocus the Department on its core mission of protecting the environment and public safety.

Chairman Adolph, Chairman Markosek and members of the committee, I greatly appreciate your time and consideration today. I would be happy to answer any questions that you may have for me.

