

**Commissioner Robert Klee
Presentation to the Appropriations Committee
Concerning the Governor's FY 17 Midterm Budget Adjustments
February 10, 2015**

Chairmen Bye and Walker, Ranking Members Kane and Ziobron, members of the Appropriations Committee.

Thank you for this opportunity to appear before you to discuss the proposed budget for Connecticut's Department of Energy and Environmental Protection (DEEP).

As Governor Malloy made clear in his budget address last week, Connecticut faces a new economic reality. There is no returning to the pre-recession world that existed prior to 2008.

We now have to base our spending on what the state and its taxpayers can afford – not on what we have done in the past. And we have to think differently about how our agencies operate – so that we can make best use of scarce resources.

This means we have to reduce General Fund expenditures, as the Governor has proposed.

This means supporting the Governor's proposal to consolidate funds within a single operating account, to give Commissioners the authority and flexibility needed to live within their budgets.

And at DEEP, it means continuing with our strong commitment to improved management practices and increased efficiency, by streamlining decision making and operations and opening up more opportunities for people to do business with us online.

As you know DEEP is a multi-faceted Agency with a wide range of responsibilities.

Under the Governor's budget proposal we will focus more carefully than ever on core priorities closely aligned with our goal of protecting human health, safety, and the environment while supporting economic growth.

To meet our objectives, DEEP is organized into three branches:

- Environmental Quality – which manages and protects the quality of our air, water, and lands.
- Energy – which promotes forward-looking policies – and where we regulate the state’s public utility companies.
- Environmental Conservation – which protects, and enhances natural resources and provides the public with outdoor recreation opportunities at state parks.

How does the Governor’s budget propose to fund our work?

It proposes General Funds of \$85.6 million – which includes \$20 million as DEEP’s share of employee fringe benefits. This reallocation of certain fringe benefit costs to our agency’s budget will allow our financial reporting to more accurately reflect true program related costs.

Prior to the addition of the General Fund fringe benefit costs, the Governor’s Mid-term proposal for DEEP’s FY 17 General Fund Appropriation is \$65 million.

The current FY 17 Appropriation is \$71.3 million.

Here’s a look at the adjustments proposed to move our General Fund number from \$71.3 to \$65 million.

- There is a \$500,000 reduction obtained by annualizing a portion of FY 16 savings attributed to the Deficit Mitigation Plan.
- There is a reduction of another \$1.2 million obtained by annualizing savings achieved through FY 16 Budget Lapses.
- There is a \$270,000 reduction obtained through elimination of line item funding for Conservation Districts.
- There is a reduction of nearly \$4 million from our adjusted budget – which is consistent with the 5.75% reduction in spending the Governor proposed for most state agencies.

In the other funding categories, the Governor’s budget proposes:

- \$3.6 million in Transportation Funds to support existing transportation related programs and to assume new costs for the transfer of the Harbor Liaison Officer from the Department of Transportation to DEEP.

- \$23.9 million in Public Utility Control Funds, to support the work of the Public Utilities Control Authority and our Energy policy bureau. Please note two important considerations here:
 - First, our Energy branch relies exclusively on the utility control funds for its work – and does not receive any General Funds.
 - And secondly, these funds are restricted to energy-related work and are not available for other purposes.

With the adjustments proposed by the Governor, DEEP's FY17 operating budget – including federal funds and other funds – would be just over \$199 million.

The federal funds portion of our budget is expected to total about \$45 million – or 25% of our overall budget. We have not seen any real growth in federal funds and the majority of these funds are restricted to support of very specific staff and program costs. Once again, these are not typically funds available for other purposes.

So how would DEEP adjust to life within the budget parameters outlined by the Governor?

As I noted earlier we'll have to focus on core priorities – programs and services that are critical to our mission.

This will require some soul searching and real choices on the Environmental Quality side. Like other agencies, we'll have to focus on core priorities and stop doing some things we have historically done. It's too soon to be too specific but we are in the process of identifying priorities.

The same holds true in our Environmental Conservation branch. More than 60% of our General Fund appropriation supports the work of this branch and related Agency infrastructure. As a result, these programs and our facilities would have to absorb impacts to achieve the General Fund reduction that has been proposed.

In the new economic reality we face, we have to adapt and change. We have to make difficult choices about priorities and core services.

At DEEP, we can do this.

We are committed to working with this committee and your subcommittee on Conservation and Development to meet this challenge, to finding the best solutions possible to the budget issues we face, and to making the best choices and decisions for the people of Connecticut.

Thank you for your time today. I'd now be pleased to respond to any questions you have.