

**PUBLIC HEARING ON THE  
MAYOR'S PROPOSED BUDGET FOR FISCAL YEAR 2011**

**COUNCIL OF THE DISTRICT OF COLUMBIA**

**THE HONORABLE COUNCILMEMBER MARY CHEH, CHAIRPERSON  
COMMITTEE ON GOVERNMENT OPERATIONS & THE ENVIRONMENT**



**TESTIMONY OF KEITH A. ANDERSON  
INTERIM DIRECTOR, DISTRICT DEPARTMENT OF THE ENVIRONMENT**

**FRIDAY, APRIL 30, 2010 AT 12:00 P.M.  
THE HISTORIC WILSON BUILDING  
1350 PENNSYLVANIA AVENUE NW, ROOM 120**

Good afternoon Chairperson Cheh and members of the Committee on Government Operations and the Environment. My name is Keith Anderson, and I am the Interim Director of the District Department of the Environment. I am pleased to appear before you today to discuss the Mayor's proposed budget for DDOE for Fiscal Year 2011.

## **Introduction**

The District Department of the Environment has been charged with the mission of working to improve the quality of life in the District of Columbia by protecting and restoring the environment. DDOE encompasses a diverse range of programs that protect, preserve, and restore the natural environment, conserve resources, and improve human health. DDOE also enforces the District's environmental laws and regulations via inspections, monitoring, and plan reviews. In addition, the agency conducts a broad range of outreach activities in order to promote sustainable choices and raise awareness of environmental issues. It is DDOE's fundamental goal to make the nation's capital an international model of environmental protection and sustainable practices.

Mayor Fenty has produced a balanced, workable budget that we at DDOE believe will permit the District to come through the current challenging economic times with a record of responsibility and accomplishment, which will be a source of pride for us all. Although we are experiencing lean times, I, and my dedicated staff are committed to continuing and advancing DDOE's important work with this proposed budget, with minimal impact on the fundamental activities of the enterprise. As directed by Mayor Fenty, DDOE will streamline its operations, and work hard to provide the same services as in the past, if not even more.

In my testimony today, I'd like to discuss the proposed budget in three parts. First, I will offer a summary of DDOE's fiscal year 2011 budget picture. I will then discuss some major mechanical changes in the budget. Finally, I will discuss our priorities for the coming fiscal year.

## **Summary of Budget**

DDOE's proposed FY11 overall budget is approximately \$105 million, and includes 320 FTEs. This budget represents a \$6.6 million decrease or 5.9 percent, from the FY 2010 approved budget. The overall decrease in the budget is primarily due to the following factors:

- \$1.5 million decrease for fixed costs transferred to a new fixed cost agency.
- \$5.5 million decrease in the budget for the Sustainable Energy Trust Fund, in order to use these and other revenues to help address the citywide revenue shortfall.
- \$3.3 million decrease in Local and TANF funding for LIHEAP energy assistance.
- \$3.7 million decrease in Stimulus funding due to an effort to expend these grants in FY10.
- \$900,000 decrease in the Soil and Erosion Sedimentation Control Fund, in order to align the budget with expected revenues.

Partly offsetting these decreases are the following significant increases:

- \$4.4 million in the federal LIHEAP energy assistance grant.
- \$4.1 million resulting from budgeting for the Anacostia River Clean-up and Protection Fund.

Specifically by fund type, our proposed budget changes break down as follows:

- **Local funds:** These funds total \$13.9 million and 72 FTEs, representing a decrease of \$3.4 million from FY10. The most significant changes attributable to this decrease include the transfer out of \$1.5 million for fixed costs to a new fixed cost agency; the transfer out of \$260,000 of assessments to the Office of Contracting and Procurement and the Department of Human Resources, the reduction of 13 FTEs and \$876,000 as part of the effort to address the citywide revenue shortfall, and the reduction of \$1.3 million in the LIHEAP program, that was offset by an increase in grant funding. There were also small increases to meet Local match requirements for grants, and to help establish the Green Economy program, a new program proposed for FY11, which I will discuss later.
- **Federal Grant funds:** These funds total \$52.7 million and 148 FTEs, which is a \$980,000 increase over the FY10 budget. This net increase is due primarily to a \$4.4 million increase in federal funding for the LIHEAP program, and smaller increases in other grants. These increases were partly offset by a \$3.7 million reduction in our ARRA

stimulus budget. In FY11, we are proposing to budget \$21.2 million of carryover funding for our stimulus grants. The additional 22 FTEs shown in the federal grant budget are primarily stimulus-funded FTEs. These FTEs were not part of our estimated FY10 budget as most of our stimulus grants were not awarded until after the FY10 budget was finalized.

- **Special Purpose Revenue funds:** These funds total \$36.9 million and 96 FTEs, which is a decrease of \$3.3 million from the approved FY10 budget. This decrease primarily results from a \$5.5 million decrease in the Sustainable Energy Trust Fund; a \$1.2 million decrease in the Stormwater fund as costs have shifted to the capital budget; a \$300,000 decrease in the Lead fund due to one-time expenditures in FY10; a \$900,000 decrease in the Soil Erosion and Control fund; and a \$120,000 decrease in the DC MAP fund, due to lower revenues.

These decreases were partly offset by the establishment of \$4.1 million in the Anacostia River Clean-up and Protection Fund, and by an increase of \$656,000 for energy assistance payments in the Energy Assistance Trust Fund.

- **Private Grant funds:** We have budgeted \$292,500 to reflect two private grants from the U.S. Fish and Wildlife Foundation to help clean up a portion of the Anacostia River and Rock Creek. This includes \$130,000 for Anacostia River restoration work on Watts Branch. A second grant from the foundation was received this year for work on Rock Creek, and \$162,500 for that grant is included in the proposed FY11 budget.
- **Intra-District funds:** These funds total \$1.3 million and 4 FTEs, a decrease of \$1.1 million from FY10. The reason for the decrease is the reduction of \$2 million of TANF funding for the LIHEAP program. Included in the intra-District budget is \$881,000 for the Green Summer program and the Mayor's Conservation Corps, representing funding from the Department of Employment Services for these programs. There is also \$93,000 in this budget expected from the Child and Family Services Administration for use by the Lead and Healthy Housing program. Also included in the budget is \$330,000 to reflect the work we do on behalf of the Department of Motor Vehicles for compliance with emission standards.

## **Specific Changes in the FY11 Budget**

- Establishment of Green Economy Program - DDOE made some changes in our budget structure in order to align it with our division-based performance plan. Most of these changes are minor, such as changing the titles of some budgeted programs and activities that align them with the titles in our performance plan. However, a significant change was to create the Green Economy program which I will discuss later, and has a budget of \$1.63 million and six FTEs.
- LIHEAP Funding - The total funding for LIHEAP energy assistance payments is expected to remain stable in FY11 at almost \$17 million. Due to an increase in the LIHEAP grant, that offsets the \$1.3 million reduction in Local funding and the \$2 million of TANF funding from the Department of Human Services that will not be forthcoming in FY11, the total amount of funding for LIHEAP energy assistance payments is expected to remain the same.
- Energy Trust Funds - The SETF proposed FY11 budget of \$10.2 million is \$5.5 million less than the FY10 budget. SETF programs will be curtailed in FY11 in order to use revenues to address gap-closing needs. The FY11 budget proposal includes using \$16.5 million of SETF revenue for this purpose, including \$9.8 million in projected FY11 revenues that would not be expended, and \$6.7 million of fund balance. Although difficult, this decision protected DDOE's other core programs, as well as maintains the energy efficiency programs that residents currently benefit from. The energy efficiency programs in FY11 will be funded through the SETF and other funding sources, including ARRA stimulus funds.
- In the Energy Assistance Trust Fund, the proposed budget has increased by \$656,000, primarily to budget for the higher level of expenditures in the Residential Assistance Discount program that were recorded in FY09 and that are expected in FY10. The additional funds will be used to pay the Pepco RAD invoices.

- Stimulus Funds

The budget includes \$21.1 million of Stimulus funding, which includes estimated carryover from FY10. This amount includes operating funds of: State Energy Program, \$10,887,733, the Weatherization Assistance Program, \$3,994,467; the Leaking Underground Storage Tank Program, \$75,366; the Water Quality Management Planning Grant, \$97,150; the Energy Efficiency Conservation Block Grant, \$5,321,224; the Energy Efficient Appliance Rebate Program, \$568,000; and the Energy Assurance Capabilities, \$125,873.

Finally, for the Clean Water State Revolving Fund, no new budget was established in FY11 as the original amount automatically carries over to FY11, which was budgeted as capital in FY10 at \$14,378,658.

### **Priorities for FY11**

- **Stimulus Funds** – During the past year, DDOE has investigated all available ARRA stimulus funding opportunities, and has met every statutory ARRA deadline. To date, DDOE has been awarded a total of approximately \$ \$57.4 million in ARRA grants. These grants break down as follows:
  - \$8 million for weatherization assistance for low-income persons.
  - Approximately \$22 million for the State Energy Program to develop cost-shared energy efficiency and renewable energy projects that meet a state’s unique energy needs, and are consistent with national energy goals.
  - Approximately \$254,000 for an Energy Assurance Capabilities grant to integrate new energy portfolios into energy assurance and emergency preparedness plans.
  - Approximately \$568,000 for Energy Efficient Appliance Rebate Support for rebate programs for residential ENERGYSTAR appliance products.
  - \$9.6 million in stimulus funding for Energy Efficiency and Conservation Block Grants to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency.

- \$1.73 million for State Clean Diesel Grant Projects to support clean diesel grant and loan programs that are designed to achieve significant reductions in diesel emissions.
  - \$607,000 for LUST to pay for activities at shovel-ready sites to assess and cleanup underground storage tank petroleum leaks.
  - \$194,300 for Water Quality Management Planning to assist in developing water quality management plans.
  - Approximately \$14.4 million in grants for Clean Water State Revolving Fund to finance high priority green infrastructure projects needed to improve water quality.
- **Summer Youth Programs** - The Mayor's Green Summer Jobs Corps and the Mayor's Conservation Corps will provide Summer Youth Employment Program (SYEP) participants with meaningful projects designed to clean and green their communities. Examples of Green Summer projects include community cleaning and beautification projects, cleaning of parks and open spaces, graffiti removal, community outreach and surveys, and other projects intended to green neighborhoods, parks and open spaces. DDOE funds will be used to fund a full-time program manager for each program, and potentially for temporary administrative staff to assist in the spring ramp-up period of program design, interviewing, and hiring.

The \$881,000 shown in the FY11 budget reflects funds to be transferred from DOES to DDOE to cover the costs of supplies and funding of grant partners. Managing SYEP activities in FY09 gave DDOE the experience necessary to estimate the amount and include it in the FY11 budget proposal.

- **Office of Green Economy** - The mission of the Office of Green Economy ("OGE") is to work with the private sector to become a more sustainable city. The Office's goals are: (1) to ensure that the District's green building goals are met; (2) to develop policies that encourage the private sector to pursue a level of sustainability beyond mere compliance with environmental legislation and regulations; (3) to assist the Department of Employment Services in translating gains in sustainability into job opportunities for District residents along the "green jobs ladder;" and (4) to maintain a relationship with private sector businesses and organizations that allows for information sharing and proactive policy refinement and troubleshooting.

The \$172,000 enhancement for the OGE will be used in large part to fund contractual research and analysis of potential interventions to support green practices and approaches in concert with the private sector such as environmental impact or econometric analyses of program proposals; independent research on cutting-edge technologies to determine their appropriateness to the District's environment; assessments of environmental standards, certifications, and trainings; and environmental-economic analysis to assist in shaping land use strategies appropriate to the District. Additionally, funds will be used to provide outreach and assistance on such issues as Energy Star benchmarking, LEED/Green Communities compliance, green incentives, and areas of potential green job growth, and to fund ongoing operation of the Mayor's Environmental Excellence Awards program and case studies.

- **Stormwater Administration** – Improving stormwater quality is critical to restoring the Anacostia River, Rock Creek and the District's other waterways, and is a high priority for the Mayor. The net effect of our stormwater efforts will be to reduce the pollutant loadings that reach our rivers and streams, which benefits all District residents by providing a cleaner and healthier natural environment. As you may know, on April 21<sup>st</sup> the U.S. Environmental Protection Agency announced that it has issued a proposed permit to the District requiring us to continue improving the MS4 program for controlling stormwater runoff. This proposed permit would require the District to take progressive steps that were not required by the old permit issued in 2004, which include:
  - Implementing a sustainable approach to promoting low impact development and green infrastructure, including enhanced tree planting, green roofs, and water reuse onsite to slow down the rate of runoff from paved areas of the District.
  - Complying with new discharge limits, and performance standards for on-site retention of storm flows for new development, redevelopment and retrofit projects.
  - Increasing monitoring of total maximum daily load (TMDL) or “pollution diet requirements” for the Anacostia and Potomac rivers, Rock Creek and the Chesapeake Bay.
  - Controlling and reducing trash through enhanced street sweeping and implementing the Anacostia River TMDL for a “Trash Free Potomac” by 2013.



DDOE's stormwater clean-up efforts are funded by the Stormwater Enterprise Fund, which is in its third full year of implementation. As MS4 projects have been developed, it has become clear that these water quality initiatives require capital funding. To meet this requirement for both internal projects as well as those to be executed by sister agencies, DDOE has requested additional capital funds financed with O-type revenue collected by DCWASA.

The MS4 permit's performance and compliance requirements are to be fulfilled over a five-year period; no minimum annual investment is prescribed for a given year. The average annual budget for the next five years to achieve the minimum terms of the MS4 permit (assuming the current MS4 permit standards) is \$10 million, with actual budgets and expenditures varying by fiscal year.

The Fund will be utilized to implement a variety of water quality projects as required to comply with the MS4 permit such as: green roofs and other low impact development initiatives by DRES and OPEFM; innovative stormwater management by DDOT (such as installing rain gardens and permeable pavement); and water quality projects to be implemented by DDOE (such as restoring eroded areas at stormwater outfalls).

- **Anacostia River Clean Up and Protection Act** - The proposed FY11 \$4.1 million budget for this fund includes \$2.6 million to fund DPW street sweeping, approximately \$600,000 for personnel costs and approximately \$900,000 for other projects including public awareness, education, and other priorities.

The fiscal impact assessment projected that the fund would receive \$3.6 million in FY10 and \$3.1 million in FY11; however, it is too early at this point to have an accurate projection of Fund revenues. The \$150,000 collected in January represents the first received revenues and is not a strong predictor of stabilized revenue collections. Also, not all businesses pay their taxes monthly, with some paying on a quarterly basis, and April will be the first month that all businesses will report on their bag fee collections. If revenues do not materialize to support these expenditure amounts, the spending plan will be revised.

DDOE will use available revenue to clean and protect the Anacostia River and other impaired waterways through a number of initiatives, including:

- Purchasing and installing equipment, such as storm drain screens and trash traps, designed to minimize trash pollution that enters waterways through storm drains.
  - Creating youth-oriented water resource and water pollution educational campaigns for students at the District public and charter schools.
  - Preserving or enhancing water quality and fishery or wildlife habitat (*e.g.*, rain garden projects).
  - Promoting conservation programs, including programs for wildlife and endangered species.
- **The Clean and Affordable Energy Act of 2008** - DDOE intends to have the Sustainable Energy Utility (SEU) established in FY11. The Performance Benchmarks are currently being developed for inclusion in the draft SEU RFP, which is expected to be completed by May 12, 2010. The SEU Board meets on a biweekly basis to provide advice and comments on the draft RFP and to discuss structure and finance issues regarding the SEU. DDOE will also:
    - Focus on expanding the scope of incentives/rebates offered under the Renewable Energy Incentive Program (REIP) to include rebates for Solar Thermal, Biomass, Geothermal, and Methane/Waste-Gas as authorized in the Clean and Affordable Energy Act of 2008.
    - Continue to provide comprehensive weatherization services to District residents to help reduce their overall energy burden and to improve the energy efficiency of their homes.
    - Help to stimulate green job creation in the District by partnering with other District Agencies and Community Based Organizations to provide weatherization training and job placement to local residents.
    - Provide energy audits and installation of energy efficient measures in Condominiums and Cooperatives Buildings, Non-profit Buildings, and Small Business Establishments.
- **Lead and Healthy Housing** – The projected overall reduction of \$445,202 in the Lead and Healthy Housing stems primarily from reductions in the amounts budgeted in DDOE’s O-type revenue fund and EPA federal grant. This reduction in funding, while not insignificant, should not hinder the agency’s ability to prevent lead poisoning and protect District residents and visitors. The FY10 budget was higher due to one-time implementation requirements. The

FY11 budget is reflective of what the on-going maintenance and implementation budget will look like going forward.

The Division's ability to levy fines and penalties for violations of the lead law should become effective by the end of FY10, and additionally, the District intends to seek authority from EPA to run its own Renovation, Repair and Painting program, beginning in late FY10 or early FY11. Thus, beginning towards the end of FY10 and continuing throughout FY11, a significant increase in revenue funding may occur, which should help make up for the projected decrease in overall budget in FY11.

As FY10 marked the first year of full enforcement of the District's lead law, our efforts to prevent lead poisoning are still in their early stages. By FY11, those efforts will be more effective than they have already proven to be in FY10, providing greater protection to the residents of and visitors to the District should be even more protected in FY11. In addition, the Division continues to develop productive relationships with other District agencies that will produce synergies and improve lead poisoning prevention efforts throughout the District well into FY11. Moreover, the Division intends to apply for the first time ever for some Healthy Homes grants during the latter half of FY10, which if awarded will supplement and augment the projected funding base for FY11.

- **Green Building Act** - DDOE will continue to focus on implementation of the energy benchmarking requirements that apply to public and private buildings. DDOE will coordinate the second round of public buildings benchmarking, allowing for a comparison of energy use in public buildings from FY 2009 to 2010. DDOE will intensify outreach to building owners and stakeholder groups such as AOBA and DCBIA. DDOE staff activities will include staff presentations, written outreach, web information pages, and training workshops on the use of ENERGY STAR's Portfolio Manager tool.

DDOE will also continue its work to coordinate information and implementation of LEED-based and Green Communities-based requirements under the GBA. This will include working with DRES, DCRA, DHCD, OPEFM, and other agency partners who have important roles in the public implementation process. Finally, DDOE staff will work closely

with DCRA and the Construction Code Coordinating Board to incorporate best practices for green building into the next round of codes.

- **Renewable Energy Incentive Program** – Finally, let me provide you with an update on the REIP program. Since the March 30th Roundtable, 49 project approval letters were sent to applicants, were returned, and are being processed, totaling \$486,806 in funds committed in Q3. An REIP Energy Program Specialist began on April 12, and an offer was made to a prospective REIP Program Coordinator candidate on April 28. With regard to a new, more robust web-based application processing system, the RFP closed on April 12, and the initial meeting of the proposal evaluation team will occur the first week of May.

In summary, the total year-to-date program expenditures, as well as 49 projects just mentioned, total \$875,743, which supports 87 projects. Program staff is on track to expend the remaining FY10 budget within the next two months, and the balance remaining could fund approximately 70 additional projects in FY10, at average request of \$9,900.

## **Closing**

Overall, the FY11 proposed budget will permit the District Department of the Environment to continue its work to address the environmental issues of greatest concern to our citizenry, albeit in a more streamlined manner. We will continue to employ all of our resources as effectively as possible to yield the greatest possible benefits for the city, while moving forward with innovative solutions to address the environmental challenges of our time.

I thank you again for the opportunity to testify and look forward to answering any questions the Committee may have.