

**Introductory Remarks Regarding the FY 2014 Budget  
to the**

**House Agriculture and Natural Resources Budget Committee**

**Presented by Aaron Dunkel  
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**February 18, 2013**

Chairman Hoffman and Committee members: Good afternoon, and thank you for the opportunity to present the Fiscal Year 2014 budget for the Kansas Department of Health and Environment.

The Kansas Department of Health and Environment is comprised of one operations section and three divisions: Health, Health Care Finance, and Environment.

There are seven Bureaus within the Division of Health. Dr. Moser also serves as the State Health Officer overseeing the operations of the Health Division, in addition to his role as Secretary. The Health Care Finance Division has three Bureaus – Medicaid, the State Employees Health Plan, and Projections and Informatics. The Division of Environment has five Bureaus and the Kansas Health and Environmental Laboratories.

We will walk through some budget handouts in a moment, but I want to highlight themes I hope will help place this budget request in the broader context of our vision moving forward.

With the funding and staffing available to DOE we provide emergency response services, public education, technical assistance, regulatory oversight, and general support for everyone from individuals to the largest corporate citizens in the state. KDHE and DOE are dedicated to assuring that Kansas has a business friendly and socially responsible approach when it comes to working with our partners and that above all else we are consistent and timely in the application of our environmental programs with a focus on education and compliance.

In the past year DOE has focused on several priorities intended to improve processes and to make our programs more customer focused. We have encouraged all employees to be customer focused and to strive to provide superior customer service. Customers contact our offices seeking information on a variety of topics which range from permitting, the need for technical assistance, and information seeking, to reporting of complaints and perceived environmental misconduct. Regardless of the reason, our ethic is to listen and to do our best to be helpful.

KDHE is committed to a robust focus on service. The Kansas Department of Health and Environment has an impressive collection of experience and expertise, and those resources can be incredibly effective when utilized prospectively to help Kansans protect and improve health and environmental outcomes.

Please let me provide you a wonderful example of how KDHE staff has provided excellent customer service to the citizens of Kansans while being diligent in the protection of our state's natural resources:

## **Bureau of Air and Bureau of Waste Management – Air Construction Permitting and Waste Management for the Oil and Gas Industry**

Oil and gas exploration in the Mississippian Lime Play (MLP) has generated more than just energy resources during the current drilling boom in south central Kansas. For the Kansas Department of Health and Environment's Bureau of Air (BOA) and the Bureau of Waste Management (BWM), the increase in drilling activity in 2012 resulted in both a need for a plan for dealing with the waste generated at these facilities and in 400 more air permit applications processed compared to previous years.

The MLP is a porous limestone formation containing natural gas and oil found in northern Oklahoma and southern and western Kansas. Decades ago the region was considered tapped out by vertical drilling, but recent advances in horizontal drilling techniques and hydraulic fracturing (or "fracking") have significantly revived the oil and gas activity. As a result, the workload in the BOA Permitting Section essentially doubled during 2012.

At the beginning of agency engagement on this issue, BWM worked with the Kansas Corporation Commission to develop a regulatory framework for managing oil and gas drilling waste through a new land-spreading process. The steps in this process included legislation to establish new disposal authority, the development of an online application process, the development of an agreement between KCC and KDHE regarding program implementation, and many meetings with interested parties to ensure that the best available information was used to develop best management practices and associated regulations.

Prior to this boom, BOA did not issue air construction permits to oil and gas production sites which utilized vertical wells. Emissions were lower than air permit thresholds and there were no federal air regulations for these sites. Larger quantities of oil and gas are generated at sites which utilize horizontal drilling and fracking, and the air emissions at these sites are above air permitting thresholds.

In 2012, the BOA issued 230 construction permits and 62 permit modifications for oil and gas production facilities. In 2011, only 38 construction permits and 10 permit modifications were issued for these facilities. All construction permit documents processed by KDHE totaled 932 in 2012, compared to 588 processed in 2011 and 517 processed in 2010.

With the large increase in the number of applications received from this industry, the amount of staff needed to standardize and process the applications in a timely manner also needed to increase; however, before new personnel could be hired, BOA was innovative in accomplishing the tasks with the current staff and overcame these challenges. To issue these permits timely, BOA completed new oil and gas permit templates, delayed the issuance and renewals of operating permits, and received temporary assistance from other BOA staff.

BOA started developing the permit document template prior to the uptick in this particular type of application to streamline the processing of applications for oil and gas drilling. In late 2011, when the BOA began receiving applications from oil and gas production sites, assistance was received from the Compliance and Enforcement Section to ensure the templates contained the necessary permitting and compliance requirements.

In 2012, even with the new template, the current permitting staff could not process the large number of applications in a timely manner. Issuance of air operating permits and renewals had to be put on hold. An air operating permit will remain effective until it is renewed, even if it is after the permit expiration date (if the renewal application is submitted timely). The BOA's Monitoring and Planning Section also put some work on hold and temporarily loaned four staff to write permits. Efforts of all BOA staff assisting the Permitting Section were invaluable.

Realizing this boom in oil and gas drilling represented new jobs and growth in the Kansas economy, KDHE ensured that air construction permits meeting the applicable state and federal laws were issued timely. When new regulations directly related to the production of oil and gas were issued by the U.S. Environmental Protection Agency in 2012, BOA staff quickly became experts on the new permit and enforcement requirements, and included these requirements into the permits.

At the end of 2012, with much of the new and expanded work underway, the Permitting Section received approval to hire three new staff in anticipation that work in the Mississippian Lime Play will not slow down and to address the air operating permit backlog. Oil and gas producers have confirmed to staff that the 2013 application rate will continue at the same pace or increase.

This is just one example of the types of activities that KDHE staff engages in everyday to have a positive impact on the health and environment of Kansans. It is my sincere belief that even with the level of work we do, we can do more. We are constantly engaged in process improvement and are always looking for more efficient and effective ways to deliver services to our citizens.

With that, please let me walk you through the budget handouts.