



Testimony of Dick Pedersen, Director, Oregon Department of Environmental Quality and President, Environmental Council of the States (ECOS) before the U.S. House of Representatives Committee on Appropriations Subcommittee on Interior, Environment and Related Agencies, April 10, 2014

I am Dick Pedersen, Director, Oregon Department of Environmental Quality, testifying as President of and on behalf of the members of the Environmental Council of the States (ECOS) on the FY 2015 budget for the U.S. Environmental Protection Agency (EPA). I am pleased to be here to present comments on the proposed appropriations for the State and Tribal Assistance Grants (STAG), which in the President's Budget request is \$3.01 billion. STAG are the essential funds that flow through EPA to the states and tribes to carry out our nation's major environmental law programs, including in part 19 Categorical Grants, the Clean Water State Revolving Fund (CWSRF), the Drinking Water State Revolving Fund (DWSRF), Diesel Emissions Reduction (DERA) Grant Program, Brownfields Projects, and other essential environmental protection programs and initiatives. The FY 2015 President's Budget request for EPA is \$7.89 billion, \$310 million less than FY 2014 enacted levels.

States are Front-Line Implementers of the Nation's Environmental Laws

States are co-regulators with EPA in the implementation of the nation's environmental laws and corresponding regulations and programs. The U.S. Congress included provisions in the major federal environmental statutes -- the Clean Water Act (CWA), the Safe Drinking Water Act (SDWA), the Clean Air Act (CAA), the Resource Conservation and Recovery Act (RCRA) and the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) -- for states to assume authority over the federal programs under the oversight of the EPA and to provide assistance to states to operate these federal programs. A state match is usually required under these statutes, and states -- through general operating funds, fees, and other means -- provide on average well over half and in many states, three-quarters of the funds to operate these federally delegated programs.

The integral relationship between states and EPA will be evident in EPA's soon to be released FY 2014-2018 Strategic Plan. Federal funding for states is critical because much of the work reflected in the Strategic Plan as well as the FY 2015 President's Budget request is performed by states through these delegated programs. States use a combination of federal and state funding to issue permits, conduct inspections and enforcement, gather and manage data, set standards, clean up sites, monitor ambient conditions, and other important activities.

In short, states are the front-line implementers of the nation's environmental laws. Critical to this work is the federal funding provided by Congress through STAG funds including Categorical Grants that support states as we implement federally delegated programs. However, federal funding for Categorical Grants have declined from \$1.137 billion enacted in 2005 to \$1.054 billion enacted in 2014 -- a decline of \$83 million over ten years.¹

Many states, including my own, have seen budget cuts on the state level and have sought to manage these reductions in part by implementing lean business process improvements, looking closely at staffing levels including furloughs and reductions-in-force, and rethinking how we accomplish our work such as through targeting inspections to priority areas. Working with all flexibilities available to states has been critical. Even with these approaches, the needs to operate

¹ FY 2015 EPA Budget in Brief, pg. 73.

federally delegated programs exceed the Congressionally appropriated amounts – and have for many years. What I am here to convey to you is that state commissioners need maximum flexibility to direct the federal resources we receive to the environmental needs in our states. Federal strings and directives must be minimized so that we can deliver the clean and healthy environment that all Americans desire and expect.

Support for Full Funding of Proposed STAG Efforts

The FY 2015 proposed funding levels for Categorical Grants is \$1.130 billion, an increase of \$76 million over FY 2014 enacted levels. Please note that of this, \$31 million is targeted for an increase to tribes through Tribal General Assistance Programs.

The FY 2015 budget request proposes increases above FY 2014 enacted levels in five Categorical Grant areas: Pollution Control (Section 106): +\$18.4 million; Environmental Information: +\$16 million; State and Local Air Quality Management: +\$15 million; Public Water System Supervision (PWSS)” +\$7.7 million; and Non-point Source (Section 319): +\$5.7 million. In total, the FY 2015 proposed Categorical Grant funding *increase to states is \$62.8 million*. These increases are offset by proposed decreases from FY 2014 enacted levels in five Projects and Categorical Grants areas: Brownfields Projects: -\$5 million and Hazardous Waste Financial Assistance: -\$0.1 million; and elimination of federal funding for Beaches Protection (-\$9.5 million), Radon (-\$8.1 million), and DERA (-\$20 million). In total, FY 2015 proposed STAG Projects and Categorical Grants funding *decreases to states is \$42.7 million*.

The proposed net change to FY 2015 STAG Projects and Categorical Grants funding for states is *an increase of \$20.1 million*. While modest, and acknowledging that the needs exceed this proposed allocation, states encourage Congress to provide this critical funding. Without this federal funding, we cannot continue the important day-to-day work to protect the nation’s environment and human health.

Need for Increased State Flexibility

Within individual states, the needs and priorities may vary from national priorities set at the federal level. For instance, water needs in the west may vary greatly from water concerns in the east and even within an individual state such as in my state of Oregon.

A number of the proposed FY 2015 funding increases are accompanied by budget justification language that appears to constrain states’ ability to respond to state priorities and needs while still supporting overall national environmental priorities. For instance, accompanying budget documents indicate the proposed +\$18.4 million increase to the CWA Pollution Control Section 106 Categorical Grant is directed to implement water pollution control programs and to strengthen nutrient management efforts consistent with the EPA’s 2011 Framework for state nutrient reduction.² In another example, accompanying budget documents contain more information on the proposed +\$15 million overall increase to the CAA State and Local Air Quality Management Categorical Grant. A proposed increase of \$19.8 million is directed to states to lay the groundwork to develop approvable state plans to meet Section 111(d) emission guidelines for reducing CO₂ as state plans may take several years to complete. Another proposed

² United States Environmental Protection Agency Fiscal Year 2015 Justification of Appropriation Estimates for the Committee on Appropriations, Pg. 763.

increase of \$4.5 million is directed to states to support the collection, review, and use of greenhouse (GHG) emission data as well as to support state and local GHG permitting activities to new and existing sources of greenhouse gas emissions that trigger permitting requirements as established in the GHG Tailoring Rule. These two proposed increases are offset by a decrease of \$9.3 million to carry out day-to-day air quality implementation activities. Budget documents note that while impacts by state may vary, states may be delayed in completing monitoring networks and in compiling updated emissions inventories to use in developing updated State Implementation Plans (SIPs).³

While states may agree with and appreciate funding for specific efforts, states need increased flexibility to budget for and implement work activities. Directed funding undermines state flexibility and needed support for on-going every day implementation of the nation's environmental laws. To the greatest extent possible, states, as co-regulators with EPA, wish to preserve and expand state flexibility to address state and regional priorities within EPA's national framework. Also, as the amount of directed funds increase, negotiations between states and EPA for federal grant dollars may increase. Fewer funding directions should help streamline state-EPA discussions about the work to be accomplished.

Additionally, reducing the number of dollars directed to individual work activities within a Categorical Grant expedites state utilization of funds. States have worked closely with EPA over the last several years to quickly award and then utilize valuable federal funding. Fewer instructions allow states to move more quickly to put federal dollars to work on the frontline.

Related to state concerns about directed funding, states oppose the proposed shift of funding for work related to fine particulate matter (PM 2.5) from Section 103 authority where no state match is required to Section 105 authority where a 40% state match is required. This shift effectively reduces the amount of federal funds available to states due to the increased state match requirement.

Key Investments in Electronic Permitting and Reporting

Many states and EPA have taken proactive steps to invest in electronic permitting and reporting. Electronic permitting and reporting systems allow information to be received, reviewed, and acted upon more quickly; serve to facilitate job creation; and create a more efficient and transparent government system while helping industry comply. States understand that future success for improving the nation's environment and economy depends on future business models.

E-Enterprise is a joint state-EPA initiative to enhance service to the regulated community while improving environmental outcomes by increasing the use of information technologies, monitoring, and transparency. E-Enterprise seeks to establish a seamless and secure network of services and systems to improve two-way business transactions between the regulated community and partners and among partners.

³ United States Environmental Protection Agency Fiscal Year 2015 Justification of Appropriation Estimates for the Committee on Appropriations, Pg. 774.

The Hazardous Waste Electronic Manifest System Fund (or e-Manifest Fund) is one of the efforts occurring under the E-Enterprise umbrella. The electronic manifest legislation enacted by Congress allows for information to be uploaded into systems through electronic manifests without data entry at the state or federal level. States support the FY 2015 President's Budget request of \$10.4 million for E-manifest. This investment builds a solid foundation to serve states, EPA, and industry well into the future.

Also in FY 2015, EPA plans to begin the transition to all-electronic reporting in the drinking water program and seeks funding to do so. Since FY 2013, EPA has been working to replace obsolete and expensive-to-maintain drinking water system information technology with a new system (SDWIS Primacy Agency). The new system seeks to reduce states' and the EPA's total cost of system ownership through a central system. States support this investment.

Investment in state's electronic infrastructure is equally as important and is complimentary to investment in EPA's electronic infrastructure. As states are delegated to implement programs, resources are needed to upgrade state systems. For instance, in FY 2015, states will be preparing for the National Pollutant Discharge Elimination System (NPDES) electronic reporting rule. States recognize the real challenges to be addressed to be able to receive legally-compliant facility reports from thousands of facilities and other reporters. States urgently support the request for \$25.7 million for the Categorical Grant: Environmental Information to invest in state E-Enterprise activities, an increase of \$16 million over FY 2014 enacted levels.

Concern Over Rescissions of STAG Funds

States were pleased that the FY 2014 President's Budget request and the FY 2014 enacted budget did not include rescissions in EPA's new appropriations funding. However, in the FY 2015 President's Budget request, a \$5 million rescission of STAG unobligated funds is included. Since 2008, \$295 million of STAG unobligated funds have been rescinded.⁴ States oppose the continued rescission of STAG unobligated funds. States rather seek maximum flexibility to work with EPA to reallocate any STAG funding to support important state work. Should Congress include rescissions - which again, states do not support - Congress should expand the bill language to allow EPA to take these rescissions from *any* unobligated funds – not just from unobligated STAG funds.

Importance of State Revolving Funds

The FY 2015 President's Budget request for STAG Infrastructure Assistance support is proposed at \$581 million less than FY 2014 enacted levels for CWSRF (-\$431 million) and DWSRF (-\$150 million). The CWSRF and DWSRF monies are a significant and critical funding source to assist small communities in meeting compliance mandates. Cities and counties suffer when their ability to raise local funds is limited and they are unable to gain access to needed federal dollars. DWSRF funding cuts also reduce funds available to state drinking water programs as permitted in statute. In addition, the National Association of Utility Contractors estimates that \$500 million invested in water and wastewater infrastructure can create over 13,000 jobs.

Mr. Chairman, Mister Ranking Member, I thank you for considering my testimony today, and I am happy to answer any questions.

⁴ FY 2015 EPA Budget in Brief, pg. 12.