

# COPING WITH THE BUDGET CRUNCH

## When the Axe Falls—How State Environmental Agencies Deal with Budget Cuts

by R. Steven Brown

Every year one or two state environmental agencies face a budget cut. During this year, however, many states began to see shortfalls in their revenue projections for the first time since the early 1990s. In a report published on October 31, 2001, the National Conference of State Legislatures (NCSL) indicated that the “outlook is bleak” and that the downturn in state revenue that had begun in the spring was distinct by about August. Any impact of the terrorist attacks had not yet been ascertained.

When such a downturn occurs, states have few options but to cut their budgets. States cannot print money and are usually reluctant to borrow to meet routine budget needs. So, governors and legislatures began to ask (or tell) agencies to cut their budgets.

At the ECOS Annual Meeting in August, Karen Studders of Minnesota made a presentation on this issue. The ECOS officers subsequently instructed staff to conduct a survey of state environmental agency experiences and responses to the 2001 budget cut crisis. This article presents the results of that survey.

ECOS received information from 42 of the 50

states surveyed regarding environmental agency budget reductions during the current fiscal year and for the upcoming fiscal year. ECOS also inquired about the extent of the reductions, where they were coming from, and what the impact on the agency and the public might be. We also asked states to tell us what budget impacts environmental security measures have had.

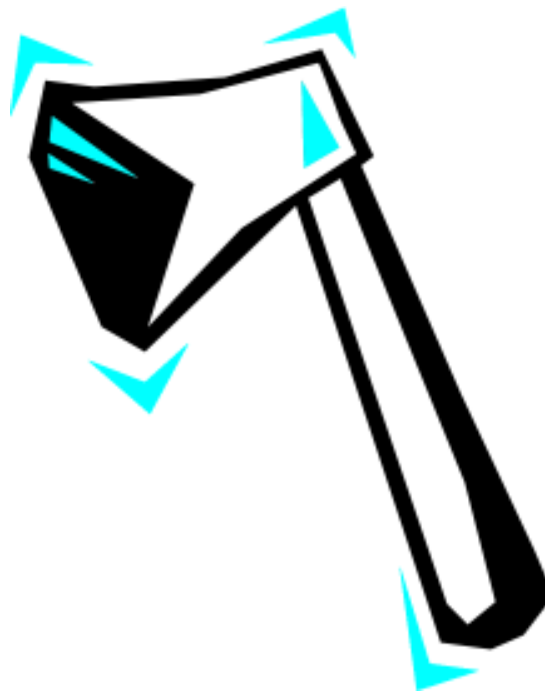
In nearly every case, budget cuts are being required because of lower-than-expected tax revenues caused by a slow down in the economy, confirming NCSL’s analysis.

### Results—Current Fiscal Year

Thirty of 42 states reported that their agency was asked to cut or reduce its budget for the current fiscal year. “Cut” usually meant a permanent reduction, while “reduce” usually applied to the current

year only. Cuts were nearly always only from the general fund portion. Some of the 12 states that were not

facing cuts said that they might be asked to do so soon, but had not been asked as of our survey date (early December 2001).



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	<b>High</b>	<b>Average</b>	<b>Low</b>
Dollars Cut Per State	\$89,100,000	\$6,547,407	\$18,800
Percent Cut (usually of General Fund)	26.3%	6.2%	1.0%
Gen. Fund Percentage of Total Budget	60.0%	21.5%	6.4%
Percentage of Cut from Operating Budget	100%	77.2%	12.7%

A total of \$196,422,200 is being cut from the current fiscal year across the States we surveyed. The average cut in the environmental budget in these 30 states with cuts was about \$6.5 million. The highest cut was more than \$89 million, while the lowest non-zero cut was \$18,800 (see Table 1).

For some states the mid-year cut was a minor event, but for some the cuts were very deep. The average cut was 6.2 percent from the general fund budget. For a few states, the cut included trust fund or restricted fund money. The highest cut was over 26 percent, while the lowest non-zero cut was one percent.

States told us that on average 21.5 percent of their budget was from the general fund. The high was 60 percent and the lowest was 6.4 percent, with 12 states providing this information. This is consistent with the findings in previous studies.

This means that the average cut was 6.2 percent of 21.5 percent of the total agency budget—that is, the cut of the total agency budget averaged just over one percent. General funds, however, are often the only fungible funds that a state agency has, and when reduced, agencies may lose the ability for a flexible response.

As might be expected, operating budgets took the worst hits. States reported that their operating budgets absorbed about 77 percent of the cuts on average, with the rest of the cuts usually going to trust fund programs. Many states reported that 100 percent of the cuts were from the operating budget, while the lowest non-zero percentage was 12.7 percent.

States used many methods to achieve these budget reductions. Some of the most common were: staff actions, travel restrictions, redirection of funds, amended or delayed contracts,

and changes in business operations.

Staff actions were most often mentioned as ways to meet required budget reductions. Twenty states indicated they would either leave positions vacant longer or institute a hiring freeze. A few states (six) indicated they would eliminate some full-time or part-time positions. Only one state anticipated any layoffs.

Nine states indicated that travel restrictions would be imposed. Four states said that they would replace cuts with funds from other sources where possible. Seven states said they would delay or reduce contracts for goods and services.

Another common technique was to reduce purchasing and operating expenses (10 states). Table 2 lists all types of budget reduction techniques that states referenced in our survey.

ECOS was interested in whether environ-

<b>Staff</b>	
	12—leave positions vacant longer
	8—hiring freeze
	4—eliminate some positions
	2—reduce number of temporary and part-time workers
	2—no salary increases/promotions
	cautious hiring
	layoff
	moving staff among programs
	no promotions
<b>Travel</b>	
	9—travel reduction
<b>Redirecting Funds</b>	
	4—use of other funds to make up shortfall (e.g., federal or trust funds when possible)

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Contracts	
	4- award delays
	3- reduction in contracts
Changes in Business Operations	
	10- reduced purchasing, operating expenses
	3- increased fees
	2- reduced operating hours at some facilities
	2- capital project delays
	leasing vehicles instead of buying
	energy efficiencies
Program Reductions Impact to the Public	
	9- minimal impact to the public
	3- general reduction in activities and outputs
	3- reduce TMDL program
	3- reduce service period of certain programs
	2- eliminate some technical assistance programs
	2- eliminate/reduce wellhead and source water protection programs
	2- reduce data management projects
	2- reduce parks access and services
	2- reduce inspections
	reduce land acquisition for open space preservation
	reduce residential UST cleanups
	reduce auto emission testing program
	reduce pollution prevention program
	eliminate medical waste program
	no new initiatives
	eliminate indirect source permitting
	eliminate 401 certifications
	eliminate waste tire facility permitting
	reduce environmental justice program
	reduce children's health program
	reduce international boundary program
	reduce drinking water program
	permitting delays

mental agencies were singled out or spared from budget cuts, compared to other agencies. For the most part, the environmental agencies' cuts were similar to those for the rest of state government. Table 3 presents the results of this inquiry.

Table 3. Comparative Cuts with other State Agencies	
20—Same as other agencies (but see following notes)	
	1—same, but legislature restored some other agencies' cuts
	5—same, but some agencies exempted from cuts
6—not comparable, or, lower than some and higher than others	
3—cuts were more at the environmental agency	
1—cuts were less (due to previous extra appropriation)	

States told us that environmental security measures had not been a significant expense for about two-thirds of the states. Twenty-two states responded, with the results shown in Table 4.

Table 4. Environmental Security Expenses	
1—noticeable effect on current year budget	
4—small, but noticeable effect on budget	
	several hundred thousand dollars of unplanned, unbudgeted expenditures
	all hazardous material suits in use with none to spare
13—minimal effect on budget (see following notes)	
	1—minimal, if federal dollars are forthcoming as promised
	1—\$800,000 in new state dollars for this purpose
	1—\$100,000 to \$200,000 in new equipment needs
	1—\$160,000, which should be reimbursed by FEMA
3—no costs or no impact	

## Results—Upcoming Fiscal Year

Unfortunately, the outlook for next fiscal year is even bleaker, as it appears that nearly an additional 11 percent may be cut. Of the states able to respond to this question, 23 reported that they expect to take cuts amounting to just over \$167 million (see Table 5). If this level of cuts holds

Table 5. Upcoming Fiscal Year Cuts (23 states)			
	High	Average	Low
Dollars Cut Per State	\$89,100,000	\$7,264,791	\$270,000
Percent Cut (usually of General Fund)	15.0%	7.1%	2.0%

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3—increase user fees (if legislature permits it)
2—cuts in water resources
2—cut water monitoring/water quality program
cut training of POTW operators
cut CAFO program
cut pass throughs to local governments and watershed groups
reduction in parks
no raises
less inspections on compliers and more on "bad actors"
cuts in pest management and/or wildlife management
cuts in assistance programs
permit delays
cut right-to-know program
cut air program
cuts will be handled by not growing as was planned
cut odor program
cut public outreach
cut interagency contracts
cut ambient toxic monitoring
shift funding sources where possible

for the remainder of the 30 states (the number that reported for the current fiscal year in the first section of this article), the cut will be almost \$217 million, nearly an 11 percent increase in cuts over those imposed during the current fiscal year. Several other states said that

cuts might be coming but that it was too soon to tell. Some of these cuts are continuations of those imposed this year, while others are in addition to those of this year. The average percentage that appears likely to be cut is 7.1 percent.

How will state environmental agencies cope with these cuts? Most said they haven't addressed that issue yet, but budget reduction options get more desperate when cuts occur in back-to-back years, and the options that states gave us reflect that (see Table 6). States were much more likely to list cuts in programs and raised fees (if leg-

islatively possible) as their only option to meet reduced budgets. Water programs were mentioned often for cuts, but no program will be spared if cuts are as deep as seems likely next fiscal year.

During the past 10 years, state environmental agency budgets have risen steadily, as states assumed control of more federal programs and passed their own, state-specific programs. States have not faced cuts such as these since the very early 1990s. Now it seems likely that "doing more with less" will return to the agendas of many ECOS members.

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