

# STATES PUT THEIR MONEY WHERE THEIR ENVIRONMENT IS

## State Environmental Spending

States continue to spend most of the public money committed to environmental protection

by R. Steven Brown

Back in 1988, when I was with the Council of State Governments (CSG), I tried to find out how much states were spending on environmental protection. To my surprise, there was no data compiled on this subject, and so I began what turned out to be a long-term project—13 years so far—on the states’ contribution to environmental spending.

In this article, ECOS presents the latest set of data on state environmental budgets and spending, for fiscal 2000. Like many other areas of environmental protection, spending has seen a great deal of

change over the last 13 years. This article will not only present the latest data set, but will summarize previous findings and draw some conclusions

about the trends to be found.

ECOS’ mission is, in part, to “champion the role of states in environmental management.” The 14-year span of

environmental spending data (1986-2000) that we present here will help ECOS to demonstrate the states’ commitment to environmental protection.

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*In fiscal 2000, the States spent \$13.6 billion on environmental and natural resource protection – nearly double the budget of the entire U.S. EPA.*

Fiscal Year Counted	1986	1988	1991	1994	1996	2000
<b>Category counted</b>						
Air pollution	x	x	x	x	x	x
Drinking water	x	x	x	x	x	x
Forestry	x	x	x	x	x	x
Fish and wildlife	x	x	x	x	x	x
Geological survey	x	x	x	x	x	x
Hazardous waste	x	x	x	x	x	x
Indoor air pollution	x					
Land management	x	x	x	x	x	x
Marine and coastal programs	x	x	x	x	x	x
Nuclear waste	x	x	x	x	x	x
Pesticides control	x	x	x	x	x	x
Soil conservation	x	x	x	x	x	x
Mining reclamation	x	x	x	x	x	x
Solid waste	x	x	x	x	x	x
Watershed management districts	x					
Water quality	x	x	x	x	x	x
Water resources	x	x	x	x	x	

**Methodologies**

Collecting state spending data is a time-consuming and exhausting task. Sources include state budget documents and interviews with both state agency and state legislative staff. Early in the project design, we committed to capturing as much of the state environmental spending as was possible. Not only did we include money spent on water, air, and waste programs, but also on geological survey, forestry, and other “natural resource” programs that affected the environment, including those such as pesticides that are very likely in the state agricultural agency. We also tried to capture funds that might be found in capital construction budgets, such as funds for

large water resource projects. In short, if funding passed through the state budget on environment or natural resources, we tried to catch it and count it. In the first year, we decided to segregate the spending on 17 types of programs (see Tables 1 and 2).

We made a somewhat related attempt in 1988 to ask the states how many employees they had and what they did by function; that is, how many issued permits, how many did inspections, how many analyzed samples, etc. It was difficult for states to segregate their activities this way, however, and any thoughts that we might have had about segregating budgets this way as well were ended. This

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<b>Expenditure Category</b>	<b>Definition</b>
Air pollution	Those funds used to administer the state's clean air laws and the Clean Air Act.
Drinking water	Those funds used to administer the Safe Drinking Water Act, as well as state public drinking water laws, including laboratory testing, and monitoring systems construction and maintenance.
Forestry	Those funds used to manage and protect the state's forest resources.
Fish and wildlife	Those funds used to protect, manage, and enhance fish and wildlife resources and enforce the state's fish and games laws.
Geological survey	Those funds used to conduct research on the state's terrain, mineral resources, and possible geological hazards such as earthquakes, faults, volcanoes, etc.
Hazardous waste	Those funds used to develop and maintain a comprehensive hazardous waste management program (which could include remediation of Superfund sites and incidence of leaking underground storage tanks).
Land management	Those funds used to manage state-owned or state administered land resources (including rangelands and wetlands) not identified as state parks or recreation areas.
Marine and coastal programs	Those funds used to plan and implement programs for the orderly development and research of coastal zones (including Federal Sea Grants and related spending).
Nuclear waste	Those funds used to develop and maintain a comprehensive low-level and high-level nuclear waste management program.
Pesticides control	Those funds used to regulate the sale, use, disposal, and content of agricultural and/or commercial pesticides.
Soil conservation	Those funds used to coordinate and operate programs to conserve and protect the state's soil resources (which may include erosion and sediment control).
Mining reclamation	Those funds used to enforce mining reclamation standards, cleanup of abandoned mined lands, and/or administer state reclamation programs.
Solid waste	Those funds used to develop and maintain solid waste management programs (including sustained and pilot recycling programs).
Water quality	Those funds used to develop and maintain water quality protection and water pollution abatement programs (including requisite criteria of the Clean Water Act).
Water resources	Those funds used to administer the state's water conservation, development, use, and planning programs.
<p>Note: In the first year, two additional categories were present: Indoor air pollution and Watershed management districts. In subsequent years, Indoor air pollution was incorporated into Air pollution, and Watershed management districts were incorporated into water quality or water resources.</p>	

means that we have never been able, for example, to say how much money states spend on specific functions such as permitting or enforcement.

Because of the intensity of effort required, data for state spending could not be collected every year. Instead, data for state environmental spending was collected for the following years: 1986, 1988, 1991, 1994, 1996, and 2000. For all years except 2000, the data collected was for actual amounts spent. For 2000, the data collected for many states was for funds budgeted, although for a few states the data was for actual amounts spent. Because data for actual amounts spent cannot be compiled until the state books are closed, there was typically a two-year delay. That is, the data for 1986 was actually collected in 1988. However, the data for fiscal 2000 was collected in 2000 and 2001, since it was largely for budgeted amounts.

The hesitation to use budgeted data was founded somewhat on our experience with large contingency funds. For example, coastal states may have an oil spill cleanup contingency fund in the budget, which is not actually spent unless there is a spill. If one looks only at the budget, it may appear to be millions of dollars higher than what actually got spent. This might still be a limitation to our 2000 data, but such contingency funds seem now to be handled in such a way so as not to exaggerate the difference between budgeted amounts and expended amounts.

During the years that we compiled spending data, from time to time there was a state with a very large, one-year appropriation, such as for a water supply project. In such cases, we counted the expenditure the same way the state did. This might mean a one-time spike in the state budget, even though the project itself might be amortized over 30 years or more. If the state counted the funds as spent in a single year in one large amount, or over 30 years in smaller amounts, so did we. This might mean, however, that spending from a single state might appear to vault high and then sink low

from one year to the next. In the same vein, we did not count bonding authorities. States may pass environmental bonding authorities from time to time, and some of these have been for billions of dollars. However, these tended not to be included, as our focus was on expended amounts, not authorizations.

We also did not differentiate between the funding for “delegated” and “non-delegated” programs.

This was for several reasons. First, we did not assume that only money spent on programs delegated from the Environmental Protection

Agency (EPA) had value to the environment. Second, we did not want to have to separate out programs authorized and funded by the states themselves that were not part of the delegated program because we believed this would be too difficult. Finally, the natural resource programs in some states are much more integrated into the “environmental” agency than in others. Rather than count them in some states, and not in others, we decided

to count them everywhere. The only exceptions are for states with mining reclamation programs and marine/coastal programs. Although every state has some kind of mining rule (even if it is just gravel pits), usually states with large coal mining programs have a very large budget for this item. Of course, some states have coastal programs and some don't. Otherwise, the data were intended to be comparable.

We also decided to distribute indirect costs to the 15 various programs described in Table 2. For example, programs like a separate legal

arm of the agency or an agency-wide environmental laboratory were pro-rated and added to the individual categories. In this way we captured all the expenditures in a state agency (or agencies) and distributed them accordingly. This may mean, however, that our state-by-state figures for individual programs, such as air or water quality, may appear

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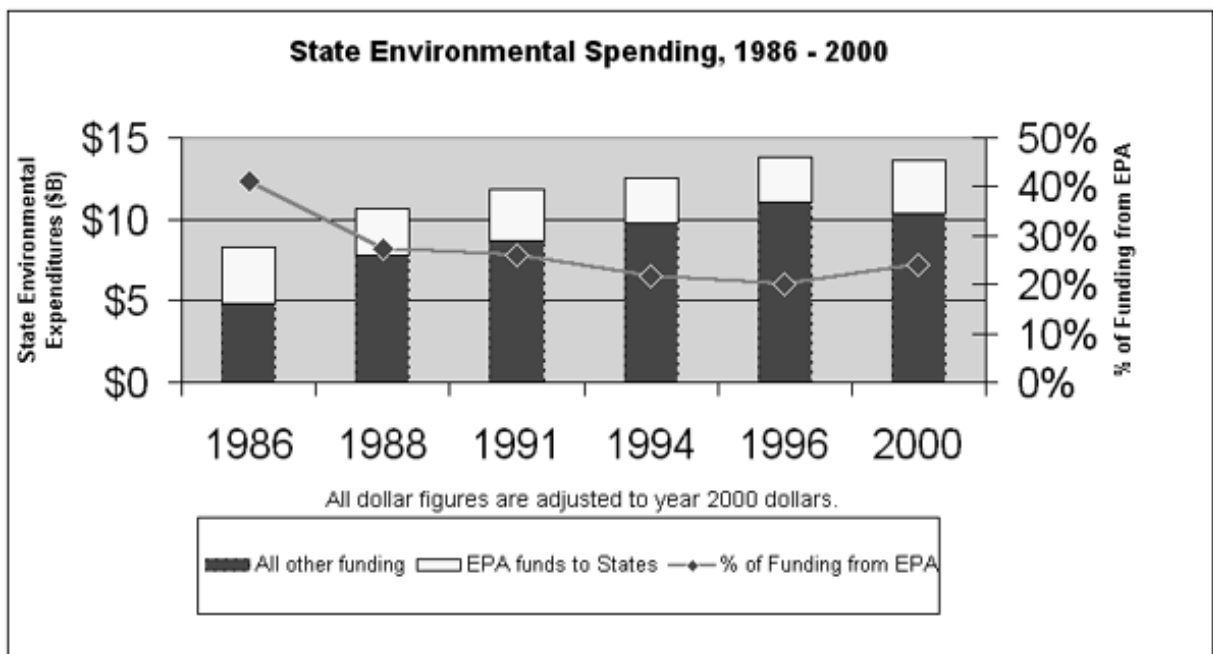
Media	Program	Budget	Subtotal
Water	Drinking Water	\$702,793,752	
	Marine & Coastal Programs	\$373,948,092	
	Water Quality	\$2,144,027,717	
	Water Resources	\$1,258,742,346	\$4,479,511,907
Land	Forestry	\$1,220,910,856	
	Geological Survey	\$154,919,436	
	Soil Conservation	\$200,445,616	
	Land Management	\$1,143,671,456	
	Mining Reclamation	\$398,849,417	\$3,118,796,781
Waste and Toxics	Hazardous Waste	\$1,404,520,882	
	Nuclear Waste	\$47,476,293	
	Pesticides Control	\$210,671,225	
	Solid Waste	\$1,224,341,397	\$2,887,009,797
Fish and Wildlife	Fish & Wildlife	\$2,192,359,084	\$2,192,359,084
Air	Air Quality	\$880,380,988	\$880,380,988
<b>Total</b>			<b>\$13,558,058,557</b>

to be inflated to people familiar with those budgets (persons interested in seeing the 50 state-by-state figures for 2000 for each program should contact the author at ECOS).

Starting in 1991, we began to calculate the contribution to state environmental expenditures from Congress through EPA. Later, we were able to provide this data for all years. States may obtain federal funding from other sources, such as the Department

of Interior (mining reclamation), the National Oceanic and Atmospheric Administration (coastal zone management), and others. However, the single largest federal source is EPA. Most other state funds come from either user fees or the state general fund. This latter source may vary widely from one state to the next, with some having all fees (i.e., Louisiana), and some relying much less on fees.

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**Findings**

In 2000, states budgeted just over \$13.5 billion for environmental and natural resources, the most ever (Table 3)<sup>1</sup>. Most money was budgeted for water (water quality, water resources, marine/coastal and drinking water) – more than \$4.4 billion. Lands programs (forestry,

During the same fiscal year, states spent about \$13.5 billion, which means that states continue to spend about twice as much money as does EPA.

*In the 14 years from 1986 to 2000, EPA funding to states declined over 4 percent while state funding for environment increased nearly 65 percent.*

According to the 2001 Federal Budget, EPA supplied the states (including tribes) \$3.26 billion in FY 2000. This means about 24 percent of the total amount budgeted by states last year came from EPA (\$3.26/\$13.5

**Table 4. EPA Contributions to State Environmental Funds**

	1986	1988	1991	1994	1996	2000	% change from 86 to 00
EPA funds to states <sup>2</sup>	3.4	2.9	3.07	2.7	2.78	3.26	-4.1%
All other funding	4.85	7.77	8.73	9.79	11.04	10.34	113.2%
Total state environmental spending <sup>3</sup>	8.25	10.67	11.8	12.49	13.82	13.6	64.8%
% of funding from EPA	41%	27%	26%	22%	20%	24%	

All figures in \$billions, adjusted to year 2000 dollars. All years are fiscal years.

land use management, soil conservation, mining reclamation, geological survey) were second, with \$3.1 billion. Money budgeted for waste and toxics management (hazardous waste, solid waste, nuclear waste, and pesticides) was third, at nearly \$2.9 billion. Fish and wildlife management was fourth, with nearly \$2.2 billion, and air programs were fifth at \$880 million.

In fiscal 2000, EPA's budget was \$7.4 billion.

billion). The last time this contribution was calculated was in 1996, when it was about 20 percent, so the EPA contribution rose somewhat during that four-year period, with most of the increase in the basic grants for air, water, waste, and drinking water programs.

Federal contributions from EPA have neverthe-

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**Table 5. Sources of State Environmental Funds, All Federal Sources**

	1986	1988	1991	1994	1996	2000	% change from 86 to 00
All federal funds to states	4.25	3.75	4.04	3.73	3.82	4.46	4.9%
State general fund and user fees	4	6.92	7.76	8.76	10	9.14	128.5%
Total state env. \$	8.25	10.67	11.8	12.49	13.82	13.6	64.8%
% of funding from federal sources	52%	35%	34%	30%	28%	33%	

All figures in \$ billions, adjusted to year 2000 dollars.

Sources: same as Table 4.

less declined sharply over the entire period for which data is available. As shown in Figure 1 and Table 4, states relied heavily on EPA funding in 1986, getting 41 percent of their funds from that source. But a mere two years later, state spending had increased from \$8.25 billion to \$10.67 billion, and the EPA contribution had decreased to 27 percent. In spite of the passage of the Safe Drinking Water Act Amendments of 1986 and 1996 and the Clean Air Act Amendments of 1990, and the establishment of the leaking underground storage tank trust fund in 1987, federal funding from EPA to states declined 4.1 percent from 1986 to 2000, from \$3.4 billion to \$3.26 billion. During this same period, total state funding rose from \$8.25 billion to \$13.6 billion, nearly a 65 percent increase.

Federal funding to states for environmental and natural resources purposes is not limited to EPA, however. Table 5 (all federal environmental funding to states) shows similar data as that in Table 4 (funding from EPA only), but includes other sources as noted in Table 6. Some of the sources listed in Table 6 may not really be contributions to states. For example, forestry includes “private and international” forestry along with state work. NOAA includes “operations, research, and facilities.” At least two categories – Parks and Recreation and Historic Preservation – are not included in the CSG/ECOS totals. In any case, the data shows that states still are the source of at least 2/3 of the funding spent at the state level.

### Other Related Work

In 1995, we compiled at CSG a summary of state environmental agency budget changes from 1995 to 1996 that addresses the source of the funds.<sup>4</sup>

**Table 6. Categories Included in Federal Budget as "Outlays to States"**

Agriculture	Resource conservation and development
	Watershed and flood prevention operations
	State, private, and international forestry
	Management of national forest lands for subsistence uses
Commerce	NOAA: Operations, research, and facilities
	Pacific coastal salmon recovery
	NOAA: Coastal zone management
Environmental Protection Agency	State and Tribal Assistance Grants
	Hazardous substance superfund
	Leaking underground storage tank trust fund
Interior	Miscellaneous permanent payment accounts
	National forests fund, payment to states
	Leases of lands for flood control, navigation, etc.
	Mines and minerals
	Bureau of Reclamation loan program account
	Water resources and research
	Fish and Wildlife Service
	Fish and Wildlife Service (Sport fish restoration)
	Parks and recreation
	Land acquisition (land and water conservation fund)
	Historic preservation fund
	Everglades watershed protection
	Priority Federal Land Acquisitions and Exchanges
Everglades restoration account	
Treasury	Payment to terrestrial wildlife habitat restoration trust fund

This work marked the first time that anyone had looked at the source of the funds that state environmental agencies use. We identified three main source categories: Federal, State General Fund, and “Special Revenues.” Nearly all the “Special Revenues” were fee-based (permits, user fees, inspection fees, etc.). This work was repeated the following year, comparing changes from 1996 to 1997.<sup>5</sup> Only state “environmental agencies” were included in these compilations – that is, many of the other categories such as forestry, soil conservation, and fish and wildlife were not included. Therefore, the data is not comparable to the other work previously described. Table 7 shows the summary findings of this work. The data shows that a considerable amount of the state environmental budget comes from user fees (almost 60 percent). The State General Fund is the smallest source of the three we identified. It appears that states

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**Table 7. Contributions to State Environmental Spending from Federal, State General Fund, and User Fees**

	1995	1996	1997	Totals	Percent
Federal	\$1,404,517,291	\$1,532,685,780	\$1,276,966,117	\$4,214,169,188	22.7%
State General Fund	\$1,138,054,547	\$1,222,470,727	\$951,330,439	\$3,311,855,713	17.8%
User Fees & other special revenue	\$3,446,116,538	\$4,058,473,619	\$3,488,850,995	\$10,993,441,152	59.2%
<b>TOTAL</b>	<b>\$5,998,688,368</b>	<b>\$6,807,628,295</b>	<b>\$5,757,139,550</b>	<b>\$18,563,456,213</b>	

Notes:  
 1) Expenditures are for air, water, waste, drinking water programs and related environmental regulatory programs; natural resource programs are not included in this data.  
 2) Data for 1997 excludes spending for those states with biennial budgets (this spending is included in 1995 and 1996 instead).

created this policy in order to put the majority of the payment burden on those causing the pollution. Also note that the federal contribution determined by this method is about 23 percent, which is very close to the figure obtained by other methods previously described.

In May 2000, the National Association of State Budget Officers (NASBO) released a report entitled, "State Environmental Expenditures and Innovations."<sup>6</sup> The report includes data for all states except Texas, and covers FY 1998, a year not included in any of the aforementioned reports. The report focuses on air, water, waste, drinking water programs, and the infrastructure and cleanups associated with them, and "other" environmental programs. It does not include some of the natural resource categories included in the CSG and ECOS work previously described. The report found that the states spent \$9.2 billion in 1998, and that \$2.5 billion (27 percent) of this came from federal sources. The CSG figure for state spending in 1996 was \$12.59 billion unadjusted (\$13.82 billion adjusted to 2000). The percentage of state spending from EPA for that year was 20 percent. For 2000, ECOS found \$13.6 billion in state spending, with 24 percent from EPA sources. The NASBO figure for state spending is somewhat lower, but that is probably because NASBO did not include some of the natural resource categories that CSG and ECOS included. NASBO found the federal contribution to be 27 percent, which is comparable to the CSG and ECOS findings.

**Conclusions**

States continue to be the principal contributor

to environmental and natural resource protection. Over the 14 years for which we have data, the state financial commitment to environmental protection has grown far faster than that of their federal partners. Along with increases in delegated programs, and the states' contributions to environmental information, enforcement, and other efforts that ECOS and others have reported elsewhere, the states have proven that they are reliable stewards committed to the protection of America's environment.

- 1 The amount for 1996 was \$12.59 billion. However, when the 1996 figure is adjusted for inflation it is \$13.82 billion in year 2000 dollars.
- 2 Federal Budget 2001, Historical Tables, pp. 233, 241, 250. Available at: <http://w3.access.gpo.gov/usbudget/fy2002/maindown.html>
- 3 Brown, et al. Resource Guide to State Environmental Management, First, Second, Third, Fourth, and Fifth Editions. Lexington, Kentucky: The Council of State Governments. Fifth Edition, published 1999, pg. 32.
- 4 "State Reports: Environmental Agency Budgets, 1995-1996," ecos Magazine, September/October 1995. Vol. III, No. 1, pp. 4-15.
- 5 "State Reports: Environmental Agency Budgets, 1996-1997," ECOS Magazine, September/October 1996. Vol. IV, No. 1, pp. 3-8.
- 6 State Environmental Expenditures and Innovations. Washington: National Association of State Budget Officers. May 2000. pg. 1.

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