



**Testimony of Dick Pedersen, Director, Oregon Department of Environmental Quality and Past President, Environmental Council of the States (ECOS) before the U.S. House of Representatives Committee on Appropriations Subcommittee on Interior, Environment and Related Agencies, March 18, 2015**

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Good afternoon Chairman Calvert, Ranking Member McCollum, and members of the Subcommittee. I am Dick Pedersen, Director, Oregon Department of Environmental Quality, testifying as Past President and on behalf of the members of the Environmental Council of the States (ECOS) on the Fiscal Year (FY) 2016 budget for the U.S. Environmental Protection Agency (EPA).

I am pleased to support the President's Budget Request of \$3.6 billion in appropriations for the State and Tribal Assistance Grants (STAG). Within STAG, there are 19 categorical grants proposed at **\$1.162 billion** which support core state work in clean air, water, and waste. The STAG also requests \$2.3 billion for the important clean water and drinking water state revolving funds, \$110 million for brownfields projects, \$10 million for diesel emission reduction grants, and \$15 million for several focused assistance programs.

*If enacted by Congress, the 2016 President's Budget Request would be the highest categorical grant amount since the creation of EPA in 1970 - other than the Fiscal Year 2004 enacted level of \$1.168 billion. The difficult appropriations climate over an extended time means that states have been operating with flat or declining federal funds for years while federal requirements increase. When limited funding is combined with new mandates, variability in the timing and amount of federal funds, and increasing state payroll demands due to rising benefits even when staffing levels are flat, states' ability to meet their delegated commitments becomes increasingly challenging. I am here to tell you that the time is now to meaningfully invest in states.*

In the near term, states will be implementing new federal regulations for ozone and fine particulate, methane, new electronic reporting rules, and new waste programs – to name a few. Our nation will realize environmental and public health benefits from many of these programs. While we seek ways to save resources through efficiency efforts, our work just simply cannot be done in a flat or reduced fiscal state. Congress must recognize how important the state role is to environmental protection and services by funding the STAG at the requested \$3.6 billion level. I'd like to offer a few reasons why your investment in states will deliver many times over.

**States are the 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 Congress included provisions in the major federal environmental statutes -- the Clean Water Act, the Safe Drinking Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, and the Federal Insecticide, Fungicide and Rodenticide Act – for states to assume authority over the federal programs and to provide financial 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 federally delegated programs.

States perform much of the work set out in EPA's Strategic Plan as well as in the FY 2016 President's Budget request through these delegated programs – making federal funding essential. States use a combination of federal and state funding, and fees assessed on regulated entities, to issue permits, conduct inspections and enforcement, gather and manage data, set standards, remediate sites, monitor ambient conditions, and other important activities. Now more than ever, states are the front-line implementers of the nation's environmental laws. Critical to our success is strong federal funding through STAG.

### **The Reality of the STAG Request**

States are encouraged that the President's Budget Request increases eight categorical grants and that overall, categorical grants receive a \$108 million requested increase. We are pleased to see \$25 million requested for state development of Clean Air Act 111(d) plans, and \$15 million more for core air programs. However, when divided nationally, we are looking at an increase of under \$500,000 per state for the significant new work necessary to respond to the Clean Power Plan. Averaging several hundred thousand per state, the \$18 million increase to water programs is important, as is the \$5.6 million national increase for nonpoint source control programs. The bottom line is that every federal dollar matters— particularly as states are asked to do more to maintain our delegated programs.

We know the Budget Request was prepared in a difficult fiscal climate, and recognize that most of the proposed increases come from proposed reductions to programs valued by stakeholders, including by states. In many of these areas, EPA has proposed alternative ways to support the sectors affected by the proposed reductions through programs on the Agency's side of the ledger. For example, while a reduction is proposed for the Clean Water State Revolving Fund (SRF), EPA is proposing to expend core funds on a Water Infrastructure and Resilience Finance Center, in the new Water Infrastructure Finance and Innovation Authority, and through targeted technical assistance for integrated planning. We appreciate the Agency's innovation, but are concerned with reductions to the revolving loan funds below needed and historic amounts. ECOS Resolution 08-1, revised in 2014, refers to estimates that over \$700 billion is required to address wastewater and drinking water needs over the next 20 years. Thus, while we appreciate the long overdue increase proposed for the Drinking Water SRF, it appears to come at the expense of the Clean Water SRF.

I must note that not all of the requested \$108 million categorical grant increase goes to states. \$31 million of this amount is directed to the Tribal General Assistance Program. This means that the actual increase requested for state environmental program implementation, if appropriated, *would be \$77 million more than Fiscal Year 2015 enacted* – just over \$1 million more per state. However limited, I encourage you to appropriate these funds to help us continue the important day-to-day work to protect our nation's environment and public health.

### **Support for the Electronic Environmental Future**

Among the categorical grant increases, we especially encourage you to appropriate the requested \$15.7 million increase to the Environmental Information Categorical Grant to states. Technology is essential to enhancing how states deliver inspections, monitoring, permits, and public information. It is an old phrase to say technology is the wave of the future. This categorical grant, which is competitively awarded, would total \$25.3 million nationally (only

\$500,000 per state). When leveraged with state resources it is essential to bringing state environmental business models into the modern age, and often supports development of shared services for states. These funds will facilitate states' continued efforts to implement electronic permitting and reporting systems proactively – allowing information to be processed, reviewed, shared between states and EPA, and acted upon more quickly. This facilitates job creation, contributes to improved public health, and creates a more efficient and transparent government system that brings more and more regulated entities into compliance while creating incentives for all facilities to perform at high levels. The future lies in implementing modern business processes to do our work.

States and EPA as co-regulators cannot operate a 1980s model of environmental protection and services in 2015. Through the e-Manifest program, SDWIS Prime for drinking water, the NPDES e-Reporting rule, and ICIS Air, every major program implemented by EPA and the states is in rapid modernization – efforts that are absolutely necessary. We are committed to joint governance, to better decision-making, and to increasing transparency and efficiency through the E-Enterprise for the Environment initiative. Your support for this Categorical Grant, and for EPA's request for funding its work on E-Enterprise for the Environment aligned projects, will make a real difference to the states, companies, and the public. We are truly transforming environmental governance. We ask you to support this effort to make critical change, and to see states' and EPA's absolute dedication to modernizing environmental systems for a better future.

### **The Adverse Impact of Rescissions**

After many years of highlighting the significant difficulties that rescissions cause at the state level, I must express appreciation that the President's Budget Request contains no rescissions. The \$40 million rescission in the Fiscal Year 2015 enacted budget takes away money that could have been distributed to states, and may not have even yet been made available to us. There are many reasons funds remain unspent by states, including delayed transfer from the federal government, and restrictive rules on how funds are considered obligated.

We are working with EPA to improve the administrative processes that lead to the impression that funds are unspent and thus unneeded, because this impression could not be further from the truth. States need every dollar appropriated to them. We urge you not to include any rescissions of unobligated STAG funds in the Fiscal Year 2016 enacted budget. If rescissions must occur due to hard choices you must make, rescissions should be taken equitably from the one or more of the Agency's budget accounts and the STAG account – something that has not occurred in the past when rescissions were made.

### **Open the Clean Power State Incentive Fund to All States**

The FY2016 budget includes a proposal to provide funds for states that can go above and beyond the guidelines that will be in the final Clean Power Plan for emissions reductions, or that can achieve them more quickly. Like the Administration, states value investments in energy efficiency, and in renewable and clean energy. In the case of this \$4 billion proposal, it is perplexing to states that it is proposed to be available only to those states that can exceed what are anticipated to be very aggressive, challenging emission reduction budgets. We encourage you to support this new Fund, but to make it available to all states. Every state can use clean energy funding. States that will need to change their power portfolios in dramatic ways to

achieve the Plan's goals, or states that need every month in the timeline set, need these funds as much as those who might be able to meet the targets in an accelerated way.

### **The No Cost Item: State Flexibility**

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.

Within individual states, the needs and priorities may vary from national priorities set at the federal level. State commissioners require maximum flexibility to direct the federal resources we receive to the environmental needs in our states. Several of the proposed FY 2016 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 Clean Water Act 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.<sup>1</sup> In another example, the EPA's budget justification for the \$5.7 million increase to the Nonpoint Source (Section 319) Categorical Grant notes that states will be required to develop and maintain current Nonpoint Source Management Programs to focus priorities funded through Section 319. EPA also states that the Section 319 program will also use incentives to leverage state and local funding for nonpoint source projects.<sup>2</sup>

While states may agree with and appreciate funding for specific efforts, states need 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.

Reducing specific spending directives 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 ground. Flexibility is a no-cost item that should be made available more readily in difficult budget times.

Mr. Chairman, Ms. Ranking Member, I thank you for the opportunity to provide the state environmental agency perspective today. I am happy to answer any questions.

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<sup>1</sup> United States Environmental Protection Agency Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations, Pg. 783.

<sup>2</sup> United States Environmental Protection Agency Fiscal Year 2016 Justification of Appropriation Estimates for the Committee on Appropriations, Pg. 774.