

Testimony of Patrick McDonnell, Secretary, Pennsylvania Department of Environmental Protection and President, Environmental Council of the States to the U.S. Senate Appropriations Subcommittee on Interior, Environment, and Related Agencies Addressing the FY22 Budget for the U.S. Environmental Protection Agency, June 25, 2021

Environmental Council of the States (ECOS) is the national nonprofit, nonpartisan association of state and territorial environmental agency leaders. For the Fiscal Year 2022 (FY22) U.S. Environmental Protection Agency (EPA) budget appropriations, ECOS requests \$630.1M for three specific Categorical Grant programs, as well as continued support for other Categorical Grants and infrastructure investments as noted.

State environmental agencies are the engines of environmental progress in our nation. Under America's system of cooperative federalism, states exercise more than [90 percent](#) of the delegable authorities under these and other federal laws. [Through an ECOS resolution](#), states urge the U.S. Congress and EPA to financially support state implementation efforts commensurate with the complexity and breadth of federal requirements so we may fulfill our obligations to our communities. Please consider the following requests:

I. Support Investment in Critical Water, Wastewater and Stormwater Infrastructure

States are keenly aware of the importance of infrastructure resiliency. During recent crises caused by winter storms, states offered technical assistance, outreach, and in some cases, brought critical supplies to local water systems. States also support funding for water and wastewater upgrades for cybersecurity and physical security. States work with water and wastewater systems facing enforcement actions and pilot creative solutions to infrastructure funding needs. As an example, in Oklahoma, its Funding Agency Coordination Team (FACT) streamlined the application process for infrastructure funding sources available to public water and wastewater systems. The FACT meets with eligible entities and works with them to develop the right funding package for their circumstances.

State Revolving Funds (SRFs) support critical state-level investments in local infrastructure that provide our citizens safe drinking water, sanitation, and clean aquatic environments. The American Society of Civil Engineers [2021 Infrastructure Report Card](#) estimates that our nation faces more than \$1,045 billion in drinking water, wastewater, and stormwater infrastructure needs with a \$434M funding gap¹. EPA's assessment on drinking water infrastructure is even more staggering - its most recent assessment from March 2018 cites a [\\$472.6 billion need](#). We encourage Congress to allow 2% of annual Clean Water SRF capitalization grant funds to go to technical assistance to small, disadvantaged, and underserved communities as is done with the Drinking Water SRF. This would provide much-needed support to communities that lack the professional expertise to build wastewater infrastructure. We also encourage you to consider recommendations in the [April 13 letter](#) from ECOS and other water associations to

¹ Data taken from ASCE Failure to Act 2021 study. www.asce.org/failuretoact.

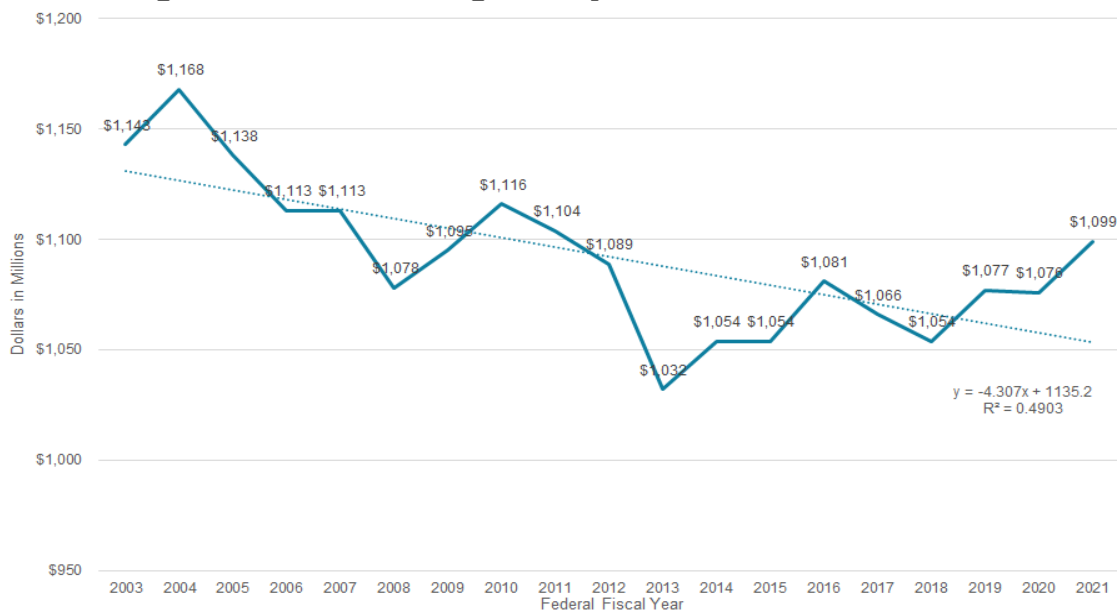
Congressional leaders regarding maximizing federal investment in water infrastructure as appropriate.

Since 2018, Congress has established and funded seven new STAG infrastructure assistance grants related to drinking water safety, totaling \$139M as of FY21.² States encourage Congress to consider making these STAG infrastructure grants eligible for Performance Partnership Grants (PPGs) to minimize grant administrative burdens. While states share Congress’ commitment to achieving the specific purposes of each of these grant programs, additional programs may increase administrative burden and many states already have a complex system of matchmaking to efficiently distribute funds to the communities in most need.

II. Increase State and Tribal Assistance (STAG) Categorical Grants

STAG Categorical Grants fund a wide range of states’ core regulatory work. But these critical programs face an equally wide range of increased pressures: to move to electronic permitting and remote public participation, to increase data transparency, to enhance compliance presence in communities overburdened by pollution, to address emerging contaminants, and other activities. In FY02, STAG Categorical Grants were \$1.1 billion enacted and are at \$1.1 billion enacted in FY21 – nineteen years later. ECOS encourages Congress to increase its funding of Categorical Grants, the most significant federal support to core delegated programs.

STAG Categorical Grant Funding History³



[ECOS has documented that the federal government provides, on average, 27 percent of state environmental agencies’ budgets.](#) As program expectations expand with flat

² New STAG infrastructure assistance grants: assistance for small and disadvantaged communities, reducing lead in drinking water, lead testing in schools, drinking water infrastructure resilience and sustainability, technical assistance for treatment works, sewer overflow control grants, and water infrastructure and workforce investment.

³ Sources: FY2021 EPA Budget in Brief, p.89 and ECOS Green Report on Status of Environmental Agency Budgets, 2017, p.11.

federal funding, fees (already our largest funding source comprising 61% of our budgets on average) have risen from \$5.9B in FY2016 to \$6.7B in FY2019, a 14% increase;⁴ further fee increases are unsustainable. Even if fees were increased, this may not address program needs. For instance, in an [April 2020 report](#), the Association of Air Pollution Control Agencies (AAPCA) notes that “[states] collect fees for pollutant emissions on a per-ton basis..., but have seen major decreases in revenue from the program as it meets its primary goal: driving emissions down to create better air quality.” In addition to permitting work, state air agencies have seen increasing ambient monitoring infrastructure programs as well as State Implementation Plan (SIP)-related and National Ambient Air Quality Standards (NAAQs) related planning workload.

ECOS looked closely at three critical Categorical Grant programs: State and Local Air Quality Management (CAA §103, 105, and 106); Pollution Control (CWA §106); and Hazardous Waste Financial Assistance (RCRA §3011). This review found that federal funding levels for these three grant programs have not meaningfully increased, or have decreased, since 2010. Between inflation and increases in the cost of administering regulatory programs over this period, states propose that a 1% compounding annual escalation is the minimum federal funding trajectory needed.

STAG Categorical Grant	State and Local Air Quality Management (CAA §103, 105, and 106)	Water Pollution Control (CWA §106)	Hazardous Waste Financial Assistance (RCRA §3011)	11-year Enacted Level Increase	Total
FY10 Enacted ¹	\$226.6M	\$229.3M	\$103.3M		\$559.2M
FY21 Enacted ²	\$229.5M	\$230.0M	\$101.5M	\$1.8M	\$561.0M
FY21 if 1% Escalation started 2010	\$252.8M	\$255.8M	\$115.2M		\$623.3M
<i>Delta: 1% escalation vs. FY21 enacted</i>	<i>\$ 23.3M</i>	<i>\$ 26.5M</i>	<i>\$11.9M</i>		<i>\$ 61.7M</i>
FY22 Funding Request	\$255.3M	\$258.4M	\$116.4M		\$630.1M

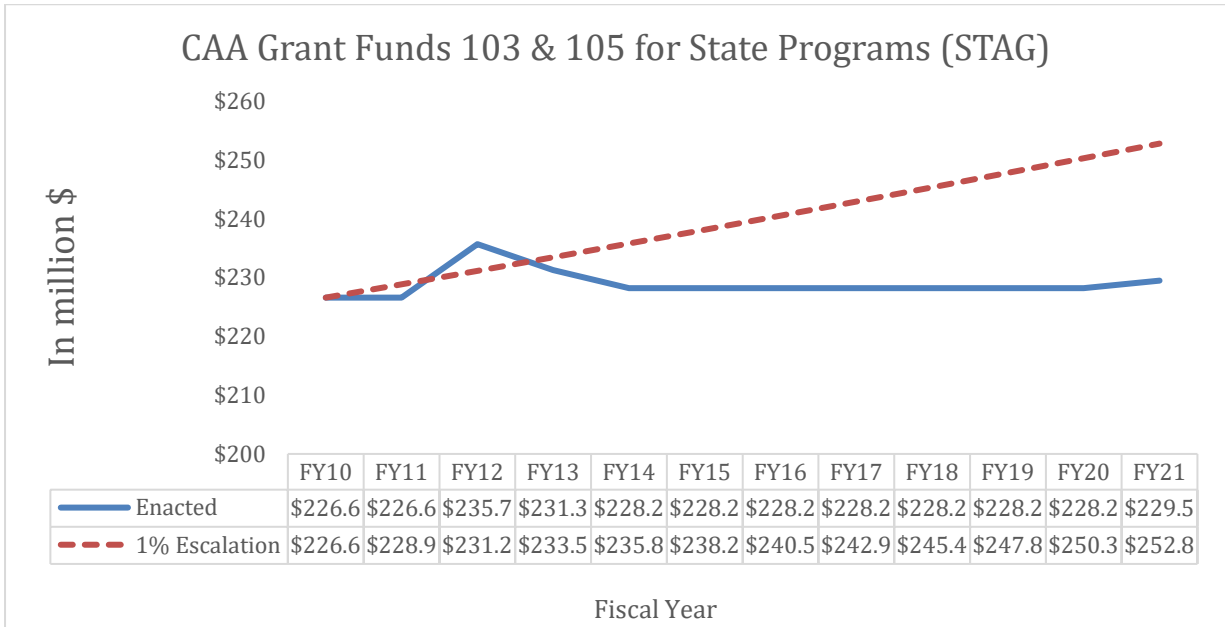
¹ Source: FY11 EPA Budget in Brief pg. 69; ² Source: FY21 Omnibus

As noted in the above table, if a 1% compounding escalation had been implemented for these programs starting in FY10, this would amount to a \$61.7M funding level increase by FY21. For FY22, ECOS requests that Congress consider enacting a combined \$630.1M for these three programs as shown in the above table - \$255.3M for air/105 and 103; \$258.4M for water/106, and \$116.4M for hazardous waste. As a further

⁴ State environmental agency average excluding CalEPA. Source: ECOS Green Report: Status of State Environmental Agency Budgets Fiscal Years 2016 to 2019.

demonstration of a 1% compounding escalation, figure 1 shows this in greater detail for the air/105 and 103 program. Other charts may be shared if requested but are not included due to space constraints.

Figure 1. State and Local Air Quality Management (Sections 103, 105, and 106)



III. Additional Considerations

ECOS has testified in the past on a number of topics that remain important to state environmental agencies. These include:

1. **Importance of Flexible STAG Multipurpose Categorical Grant.** This is an important resource to enable nimble project deployment, and we hope Congress will continue and expand this resource and continue to provide states flexibility to use these federal funds to address local needs and priorities.
2. **State Research Needs.** In February, ECOS' affiliate the Environmental Research Institute of the States (ERIS) published responses from 43 states and territories of their research needs across all media, plus PFAS. ECOS urges Congress to provide funding to EPA to help meet these needs.
3. **Oppose shift from 103 to 105 air funds.** States ask that Congress push back against the proposed CAA §103-§105 funding shift at states' expense.
4. **Rescissions.** States continue to oppose rescission of STAG Categorical Grant funds before a state receives them and appreciates Congress' diligence in preserving funds for their identified purposes.

ECOS thanks the subcommittee for considering the views of state environmental agencies as you prepare the FY22 budget for EPA. We would welcome further discussion with you about how federal funding can support state-level work to protect human health and the environment. Please do not hesitate to contact me or ECOS Executive Director Don Welsh at dwelsh@ecos.org or 610-608-4641 (remote cell).