

**Testimony of the National Association of Clean Air Agencies
Provided to the Senate Appropriations Committee
Subcommittee on Interior, Environment, and Related Agencies
Regarding the FY 2010 Budget for the U.S. Environmental Protection Agency
May 14, 2009**

The National Association of Clean Air Agencies (NACAA), representing the state and local air quality agencies in 53 states and territories and over 165 metropolitan areas across the country, appreciates this opportunity to provide testimony on the FY 2010 budget for the United States Environmental Protection Agency (EPA), particularly federal grants for state and local air pollution control agencies under Sections 103 and 105 of the Clean Air Act, which are part of the State and Tribal Assistance Grant (STAG) program. The President's FY 2010 budget request calls for \$226.6 million in grants to state and local air quality agencies. While we appreciate that this reflects a slight increase over FY 2009, it is unfortunately far short of the amount needed. NACAA recommends that grants within the STAG program for state and local air pollution control agencies under Sections 103 and 105 of the Clean Air Act be \$270 million in FY 2010, which is \$43.4 million above the President's request (\$46 million above the FY 2009 appropriation). Additionally, NACAA requests that grants for the particulate matter and lead monitoring programs *not* be shifted from Section 103 authority to Section 105 authority.

WHY IS CLEAN AIR IMPORTANT?

Air pollution is a significant public health concern. Every year tens of thousands of people die prematurely as a result of breathing polluted air. Millions more are exposed to unhealthy levels of air contaminants, resulting in many other health problems, such as aggravation of existing respiratory and cardiovascular disease, damage to lung tissue, impaired breathing, irregular heartbeat, heart attacks and lung cancer. In spite of the best efforts of federal, state and local authorities, according to EPA's own estimates, over 150 million people live in areas that violate at least one of the six health-based "criteria pollutants." This estimate is likely to increase once EPA completes the designation of areas that exceed the new fine particulate matter standard. Additionally, over 270 million people live in census tracts where the combined upper-bound lifetime cancer risk exceeds 10 in one million (one in one million is generally considered "acceptable"). It is very likely that poor air quality results in more deaths than any other problem under the jurisdiction of this Subcommittee.

WHAT ARE STATE AND LOCAL CLEAN AIR AGENCIES' RESPONSIBILITIES?

State and local air pollution control agencies have the primary responsibility for implementing our nation's clean air program. They carry out numerous activities, including efforts to develop and implement State Implementation Plans (SIPs), monitor emissions, compile emissions inventories, conduct sophisticated modeling of emissions impacts, inspect sources of pollution, conduct oversight and enforcement, provide technical assistance to regulated sources and respond to citizens' complaints. In order to accomplish this work, they receive funding from several sources, including state and local appropriations, the federal permit fee program under

Title V of the Clean Air Act, state and local permit and emissions fees and federal grants under Sections 103 and 105 of the Clean Air Act. Section 105 grants support the foundation of state and local air quality programs, while Section 103 grants have typically funded specific monitoring efforts, such as the fine particulate matter (PM_{2.5}) monitoring network.

STATE AND LOCAL EFFORTS HAVE BEEN UNDERFUNDED FOR YEARS

State and local air quality agencies have struggled for years with insufficient funding. In addition to the fact that federal funding levels have been relatively stagnant for a long time, over the past 15 years federal grants for state and local air quality agencies to operate their programs (not including the separate PM_{2.5} monitoring program) have actually decreased by approximately one-third in terms of purchasing power, due to inflation. This reduced spending power has come at the same time as increasing demands related to new programs, such as developing State Implementation Plans to meet ozone, PM_{2.5} and haze requirements. State and local agencies have felt the repercussions of these limited funds, resulting in adverse impacts on their programs that include: reduction in air monitoring and associated data analysis; stagnation of emission inventories; elimination of air toxics programs; curtailment of small business assistance; loss of trained and experienced staff or an inability to fill vacancies; reduction in staff training; inability to accept delegation of federal programs (especially related to toxic air pollutants from area sources); decline in enforcement and compliance activities; and cessation of some public education efforts. When state and local clean air agencies are forced to make hard choices and scale back essential air quality-related activities, public health and welfare suffer.

The proposed budget recommends shifting grants for PM_{2.5} monitoring from Section 103 (which does not require a 40-percent match from state and local recipients) to Section 105 authority. The PM_{2.5} monitoring program has traditionally been funded under Section 103 and this arrangement has worked very well in the past. We recommend that it continue. Therefore, we urge Congress to retain the PM_{2.5} and future lead monitoring programs under Section 103 authority.

STATE AND LOCAL FUNDING NEEDS – RESULTS OF A SURVEY

NACAA recently conducted a comprehensive survey of state and local clean air agencies regarding their resource needs and issued a report – *Investing in Clean Air and Public Health* (April 27, 2009) – which was provided to the Subcommittee. The findings include the following.

NACAA received responses from state and local air quality agencies in 35 states. They confirmed, as long suspected, that state and local governments continue to supply more than their fair share of the resources necessary for the nation's clean air program. Section 105 of the Clean Air Act authorizes the federal government to provide grants for up to 60 percent of the cost of state and local air quality programs, while states and localities must provide a 40-percent match. In reality, however, state and local air agencies report that they provide 77 percent of their budgets (not including permit fees under the federal Title V program), while federal grants constitute only 23 percent. Clearly state and local agencies are providing the lion's share of the funding. This will become increasingly difficult, however, as state and local budgets continue to shrink due to the country's current economic crisis.

How much additional funding over and above current levels do state and local agencies require on an annual basis? The needs are enormous. Not including Title V permit fees, which are intended to support only the permitting program, the survey results indicate that state and local air agencies need increases of 47 percent over what is currently expended to carry out their current programs and support activities they anticipate they will need to undertake in the next few years. In order to protect public health, state and local air agencies would need \$1.3 billion annually to operate their programs. If EPA supplied 60 percent of that amount, as the Clean Air Act envisions, federal grants would amount to approximately \$778 million annually. Unfortunately, recent annual appropriations under Sections 103 and 105 of the Clean Air Act have been only approximately \$200 million to \$220 million. Thus, federal grants should be increased by approximately \$550 million to \$575 million annually above recent levels to make up this difference and support necessary state and local clean air programs.

Further, as the demands placed on state and local air programs become greater, the effect of the shortfall will intensify. Unless state and local air quality programs receive substantial increases in federal funding, they will continue to face a serious financial deficit, and their ability to protect and improve air quality will be further compromised.

HOW WOULD ADDITIONAL FUNDING HELP?

According to our preliminary survey results, state and local air agencies report that the two program areas most in need of additional resources are climate change and toxic air pollution, where funding increases of over 1,000 percent and 100 percent, respectively, are needed. Currently there is little funding available for climate change activities – agencies report that over a quarter of the total additional funds needed would be for greenhouse gas-related efforts. Some of the specific activities for which additional funding is needed in these two areas include the following, among others: programs to address toxic air pollution from area (small) sources, including accepting delegation of the federal area source regulations, identifying and inspecting sources, providing compliance assistance and inspecting facilities; air toxics monitoring; modeling of toxic exposures and risk; greenhouse gas planning and permitting; development, review and analysis of emissions inventories for greenhouse gases and toxic air pollutants; greenhouse gas rule development; emission reporting; and public education and outreach on toxics and greenhouse gases.

Other types of programs besides climate change and toxic air pollution are also in need of significant funding increases. According to the survey responses, the general categories of activities, and the percentage of funding increases they need, are ambient monitoring (38 percent), SIP efforts (34 percent), visibility work (15 percent), and compliance and enforcement (27 percent). Additionally, there are activities that do not fall within one of these categories that require increased grants as well, including programs to address environmental justice, asbestos, odors, complaint response, indoor air, training, outreach, small business assistance, management, administration, information technology and many others.

While state and local agencies identified many specific activities for which they would most need additional funds, certain efforts appeared repeatedly in the survey responses. In addition to those listed above related to toxic air pollution and climate change, these activities

include: placement of additional monitors and commencement or continuation of monitoring activities related to new standards for fine particulates, ozone and lead; development of and/or improvements in emission inventories for criteria pollutants; development of SIPs for the new fine particulate matter, ozone and lead standards; increased frequency of compliance evaluations, inspections and enforcement, specifically for smaller sources; modeling for criteria pollutants; small business assistance; public education; regulation of emissions from animal feeding operations; programs to address emissions from minor sources; retention of experienced staff and hiring of additional staff to take on new programs and/or fill vacancies; and staff training.

GRANTS SHOULD BE INCREASED TO FACILITATE REGIONAL SHIFTS

In addition to the funding shortfalls revealed by the NACAA survey, there is another argument to be made for additional federal grants. For well over a decade, EPA has used a formula to distribute state and local Section 105 grants among the various regions of the country. The formula was developed several years after the passage of the Clean Air Act Amendments and reflected the conditions, priorities and population distribution that existed at the time. Over the intervening years, some adjustments have been made to the formula to account for new priorities and to apportion grant increases and decreases. However, a reexamination of the methodology and formula that serve as the foundation of the grant allocations had not been done and was overdue. For many months, EPA has been developing an updated methodology and is close to completing the project. Based on preliminary evaluation of EPA's efforts, it appears that the updated formula could result in substantial shifts in grants from certain regions of the country to others. During these difficult economic times, few if any agencies can easily afford to withstand any reductions in resources, including those that reallocations might create, and certainly not of the size reflected in the proposal under consideration. Since full and even partial implementation of the revised formula could create unacceptable disruptions in certain regions, NACAA believes that the most essential element of the reallocation process would be for the federal government to provide grant increases sufficient to ensure that no agency suffers a decrease, while those that are slated for an increased share of the total receive additional funds. At a minimum, grant increases of the size NACAA is recommending – \$43.4 million above the President's request – would facilitate these shifts.

NACAA'S RECOMMENDATION

While significant grant increases are warranted, NACAA realizes that there are many competing priorities for federal funds and that the current economy is very poor, and recognizes that full funding (an increase of \$550 million to \$575 million) is not viable right now. Therefore, for FY 2010, NACAA is proposing an increase in federal grants to state and local clean air agencies under Sections 103 and 105 of only \$43.4 million above the President's FY 2010 request (\$46 million over the FY 2009 appropriation), for a total of \$270 million. This is a modest increase, considering that the real needs are over an order of magnitude higher. Additionally, NACAA recommends that particulate matter and lead monitoring programs be funded under Section 103 authority, as such expenditures have been in the past.

Thank you for this opportunity to testify on this critical issue and for your attention to the importance of adequate funding for air quality and public health programs.