

***The States' Proposal to Congress  
for EPA's 2008 STAG Budget  
(State and Tribal Assistance Grants Budget)***

***An Alternative to US EPA's 2008 Budget Proposal  
Supported by the States' Environmental Agencies***

*prepared by*

***The Environmental Council of the States (ECOS)  
February 2007***



## ***Executive Summary***

In this document, the States respectfully submit their budget proposal for the portion of the U.S. Environmental Protection Agency's budget that supports states, tribes, and local governments, the State and Tribal Assistance Grants (STAG). States request \$3.72 billion for these purposes.

The States are integral partners and co-regulators with the U.S. Environmental Protection Agency (EPA) in the implementation of the nation's environmental laws. States in fact conduct most of the permitting, enforcement, inspections, monitoring, and data collection required by those laws on EPA's behalf. To assist the States, Congress provides funds through EPA's budget in STAG.

Additionally, Congress provides federal funding to capitalize funding for vital water and wastewater infrastructure needs. Cuts are once again proposed for these programs, and the cuts are the highest in the history of the agency.

In 2004, the STAG budget was 46% of EPA's overall budget. But in 2005 and 2006, the STAG budget took 94% and 100% of the cuts to EPA's budget. Now in 2008, more cuts are proposed that would result in the largest cuts in support to states in the history of the agency. These cuts threaten to undermine the states' ability to provide the environmental protection mandated by Congress.

### **The States' budget proposal is based on three primary principles:**

1. In times of fiscal crisis, when resources are in short supply, the core mandated environmental programs funded through STAG, including infrastructure capitalization, must be funded first;
2. Reductions in EPA's budget, if they must occur, should be shared proportionately by EPA and the States after STAG levels are returned to their 2004 levels; and
3. States should be afforded the flexibility to run their core programs in a manner that will obtain the highest level of attainment with the standards set by Congress and EPA without undue hindrance from EPA, but within its oversight responsibilities.

**ECOS' budget recommendation is revenue neutral.** It recommends reallocation of funds from nonessential contracts and programs not mandated by Congress to core environmental programs with these provisions in mind:

1. EPA staffing can remain intact as presented in the President's 2008 budget proposal.
2. No programs need be eliminated beyond those described in the President's 2008 budget proposal.
3. No decrease in protection of human health or the environment will result.
4. There will be no net increase in EPA's budget above the 2007 levels.

ECOS suggests that at least \$500 million is available from EPA's non-STAG budgets by reducing the agency's excessive use of non-vital contracts.

ECOS is prepared to present additional details and suggestions as requested.

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***About The Environmental Council of the States (ECOS)***

The Environmental Council of the States (ECOS) is the national non-profit, non-partisan association of state and territorial environmental agency leaders.

The purpose of ECOS is to improve the capability of state environmental agencies and their leaders to protect and improve human health and the environment of the United States of America.

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# ***The States' Proposal to Congress for EPA's 2008 STAG (State and Tribal Assistance Grants) Budget***

## ***What the States Contribute to our National Environmental Protection System***

State environmental agencies conduct the vast majority of core environmental programs that protect public health and our nation's air, land, and water resources.<sup>1</sup> Most of the major federal environmental statutes are designed for States to assume authority over the federal programs under the oversight of the U.S. Environmental Protection Agency (EPA). In 1992, EPA had delegated only 40% of these programs to the States, but by 2000, the States were managing more than 75% of them – and 95% - 100% of them for some programs. States are the implementing agencies for nearly all of the nation's environmental and public health laws.

In recognition of this key role in environmental service delivery, Congress included provisions in the Clean Water Act (CWA), the Safe Drinking Water Act (SDWA), the Clean Air Act (CAA), and the Resource Conservation and Recovery Act (RCRA) to provide assistance to States to operate these federal programs. A state match is usually required under these statutes, and States now provide well over half (in most States, two-thirds) of the funds needed to operate federal programs. States also operate their own programs that address state-specific needs. These do not require federal funds.

These core environmental protection activities required by federal (and State) law include permitting, inspections, enforcement, monitoring, and site cleanup. For example, States conduct 97% of the inspections at regulated facilities; provide 94% of the data in EPA's six major databases; conduct over 90% of all enforcement actions; and are first responders at spills, cleanups, and natural disasters.

***These core environmental protection activities required by federal (and state) law include permitting, inspections, enforcement, monitoring, and site cleanup.***

To fund these activities, Congress provides assistance to States primarily through State and Tribal Assistance Grants (STAG), which are composed of two parts: Categorical Grants (which assist with the operation of delegated programs) and Infrastructure funds (which are used primarily by local governments). Over the years that States have operated federal programs, State environmental agencies have successfully leveraged funding to support those programs to the point where federal funding has been reduced to about one-third of the cost of program operation. It is very unlikely that future state funding in the form of fees and general revenue will be available, in the face of continuing unfunded mandates and a growing pattern of EPA transferring funds from core environmental programs to non-mandated programs and contracts.

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<sup>1</sup> We also recognize the significant role played by local governments and tribes. In this document we acknowledge that we do not speak on behalf of other grantees, such as the tribes, or on programs administered by other agencies such as the State agricultural departments. We encourage EPA to contact these entities directly.

Local governments rely heavily on Infrastructure funds – the Clean Water State Revolving Loan Fund (CWSRF) and the Drinking Water State Revolving Loan Fund (DWSRF). Again, these are not the only sources of funding for infrastructure needs; locals use private financing, Rural Water Assistance Grants from the U.S. Department of Agriculture, municipal bonds, and other state bond money. States know, however, that for many communities – particularly mid-size and small ones – the State Revolving Funds (SRFs) are vital as a source of funds for their Clean Water Act and Safe Drinking Water Act compliance needs. According to EPA, nearly 90% of the SRF projects go to towns smaller than 100,000 people, and nearly half go to the very smallest towns.

From the States' point of view, *both* the Categorical Grants and the Infrastructure funds are essential to provide resources to meet congressional requirements about public health and the environment. One cannot be reduced to benefit the other.

### ***Recent Declines in Funding Support***

In FY 2006, 42% of EPA's budget was dedicated to STAG funding support to States, tribes, and local governments. Cuts to STAG funds occurred in both FY 2005 and 2006 – the first time in EPA's history that States received back-to-back STAG reductions. The CWSRF particularly was reduced, but Categorical Grants were reduced as well. In 2007, the new Congress prevented further cuts to STAG proposed by EPA.

While States understand that Congress has many funding-related demands, we note that EPA has not suffered any reductions in its non-STAG budgets in recent years. In FY 2005 and 2006, 94%

***In EPA's proposed 2008 budget, the States once again take more than 100% of the cuts – plus, EPA proposes to keep \$26 million of STAG funds for its own agenda, including non-essential contractors and a growing number of programs not mandated by Congress.***

and 100% of the agency's budget reductions, respectively, were passed to States and locals. In fact, in FY 2006, the agency kept an additional \$60 million – beyond the net cut to the agency – previously assigned to States and locals. From the States' point of view, EPA was keeping funds previously assigned to the States in order to fund its own priorities. In EPA's proposed 2008 budget, the States once again take more than 100% of the cuts – plus, EPA proposes to keep \$51 million of 2007 STAG funds for non-essential contractor activities and a growing number of programs not mandated by Congress.

Furthermore, during this period EPA continued to issue new rules that it expects the States to implement and administer. Office of Management and Budget (OMB) research shows that EPA issues about 50 new rules per year for States to implement on its behalf. These rules include the 2005 Energy Act's provisions mandating State inspection of gas station tanks, the Clean Air Interstate Rule, the Microbial Disinfectant By-Products Rule, and the Arsenic in Drinking Water Rule, to name just a few. These are not trivial rules to implement. States must adopt such rules, conduct inspections and monitoring to determine compliance, and conduct enforcement if necessary. Implementation of these federal rules thus requires some federal resources.

### ***The States' Funding Principles***

States developed this FY 2008 STAG budget proposal that we hoped would be strongly considered by EPA, OMB, the Council on Environmental Quality, and the President during the preparation of the agency's 2008 budget proposal. We presented these ideas and many others to EPA leadership in June of 2006. While only a few of our recommendations were taken, we believe the States' alternative budget provides Congress with a number of other opportunities would not result in any overall increase in commitment of federal funds, and is "budget neutral."

The States' budget proposal is based on three primary principles:

1. In times of fiscal crisis, when resources are in short supply, the core mandated environmental programs funded through STAG, including infrastructure capitalization, must be funded first;
2. Reductions in EPA's budget, if they must occur, should be shared proportionately by EPA and the States after STAG levels are returned to their 2004 levels; and
3. States should be afforded the flexibility to run their core programs in a manner that will obtain the highest level of attainment with the standards set by Congress and EPA without undue hindrance from EPA, but within its oversight responsibilities.

We also note that EPA sometimes uses STAG funds for its own administrative purposes, including grants to entities other than states. Such use of the funds does not help States in meeting their part of the nation's environmental mission. The agency should deliver STAG funds directly to the States, tribes, and through the States to the local governments and to projects that the States themselves have requested through their associations, without any discretionary authority for other uses, including the cost of administering the program(s).

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2. Reductions in EPA's budget, if they must occur, should be shared proportionately by EPA and the States after STAG levels are returned to their 2004 levels; and
3. States should be afforded the flexibility to run their core programs in a manner that will obtain the highest level of attainment with the standards set by Congress and EPA without undue hindrance from EPA, but within its oversight responsibilities.

EPA also allocates STAG resources for projects, more appropriately funded by non-STAG accounts. For example, in the 2006 budget EPA took resources away from the Section 106 water grants to create a national program for "probabilistic monitoring." Research for this program was not requested by States, would not benefit every State, and was not needed in every State.

The 2007 Clean Diesel Initiative, which ECOS and the States endorsed, presents another challenge. First, the National Governors Association, the National Conference of State Legislatures, and ECOS all agreed that funding should not be provided at the expense of existing state programs. Regrettably, EPA ignored this advice. Furthermore, EPA informs ECOS that only 30% of the funding in its proposal actually goes to States – the remainder is competitively bid. We have no objection to competition, but that is not the purpose of the STAG account. Its purpose is to support States, tribes, and local governments. States believe that 100% of the initiative should be for States, tribes and local governments if the initiative is funded in the STAG account. In our budget proposal, we have removed the Clean Diesel Initiative from STAG and suggest it be placed in EPA’s Environmental Programs and Management (EPM) account. We do support its funding as part of the EPM account.

### ***STAG Budget Proposal***

The States request that in FY 2008 Congress provide a total of \$1.22 billion for 24 “Categorical” program grants for State and tribal governments.

***We will show that for every \$1 Congress commits to the States, the nation receives at least \$1.80 in environmental services.***

We are also requesting \$2.512 billion for infrastructure support to be spent on wastewater, drinking water, Brownfields, and other environmental infrastructure needed to meet the goals of the core environmental statutes.

Because our requests result in a net increase above 2007 levels of about \$500 million, we are also suggesting that Congress might find these funds within existing parts of EPA’s budget. This means the States’ request would not result in any overall increase in commitment of federal funds, and is “budget neutral.”

Finally, we show that funding allocated to States results in the best bargain for the federal government. We will show that for every \$1 Congress commits to the States, the nation receives at least \$1.80 in environmental services.

### ***Flexibility***

In FY 2008, we propose that Congress instruct EPA to offer flexibility to State and tribal governments to manage their environmental programs, providing that States can demonstrate that such flexibility will lead to improved results through the implementation of the National Environmental Performance Partnership

***...the States’ request would not result in any overall increase in commitment of federal funds, and is “budget neutral.”***

System (NEPPS). NEPPS is designed to allow States more flexibility to operate their programs, while increasing emphasis on measuring and reporting environmental improvements. Performance Partnership Grants will continue to allow States and tribes funding flexibility to combine Categorical program grants to address environmental priorities.

## ***Part 1: Categorical Grants***

### **1. Core Programs – The States’ Top Priorities**

The following are programs that States believe are the “core delegated environmental programs” in the Categorical Grants section of STAG. By that, we refer to the congressionally mandated programs that have been largely delegated to the States. These programs stem directly from the major environmental statutes and EPA regulations and guidance, and all of them have undergone at least one OMB PART (Program Assessment Rating Tool) review. The States believe that these seven core environmental programs must be funded first, especially during tight fiscal times. These programs provide the basic public health benefits and the most appropriate environmental protection, and they are the law of the land.

***The States believe that these seven core environmental programs must be funded first, especially during tight fiscal times.***

ECOS suggests that funding for most of these programs be returned to FY2004 levels during these tight fiscal times. For the UST and CWA 106 programs, we propose modest increases to assist with increased federal mandates and rules.

- State and Local Air Quality Management – funding to implement parts of the CAA
- Public Water System Supervision (PWSS) – funding to implement the SDWA
- Brownfields Categorical Grants – funding used to establish or enhance the State response programs
- Hazardous Waste Financial Assistance – funding used to run RCRA (hazardous waste and related) programs
- Underground Storage Tanks (UST) – funding to implement the UST programs
- Nonpoint Source (CWA Sec. 319) – funding used to clean up pollution from nonpoint sources
- Pollution Control (CWA Sec. 106) – funding for the National Pollutant Discharge Elimination System (NPDES) program and related CWA programs

### **2. Moderate Priority Programs**

This category includes programs important to environmental protection, but not “core.” That is, federal law may not require them; they may not be delegable; they may exist in only some States; the State role is limited by statute; they may be very narrow in focus; or they may be a subset of one of the core programs. Some of these have had an OMB PART review.

ECOS suggests funding for these programs remain at FY2007 levels, except as noted.

- Environmental Information – program that assists States with the requirements to submit data to EPA. Due to success of the States in implementing this program, ECOS believes a funding reduction is in order.
- Beaches Protection – limited to coastal States; mandated
- Homeland Security – primarily supports drinking water.
- Lead – lead abatement

- Pesticides Enforcement – enforcement related to pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA)
- Toxic Substances Compliance – helps support state involvement in the Toxic Substances Control Act (TSCA), which is not delegable
- Pesticides Program Implementation – pesticides (FIFRA) management
- Pollution Prevention – supports broad environmental goals; not mandated
- Radon – radon abatement
- Tribal Air Quality Management – supports tribes
- Tribal General Assistance Program – supports tribes
- Underground Injection Control (UIC) – delegated to about two-thirds of the States
- Wastewater Operator Training - Section 104(g)(1) of the CWA; used for training
- Water Quality Cooperative Agreements - Section 104(b)(3) of the CWA; used to support monitoring and for other research. ECOS suggests this program be returned to 2004 levels.
- Wetlands Program Development – monitoring, mitigation, and protection research on non-CWA wetlands; not generally delegated

### ***3. Low Priority Programs***

The final category includes programs recently added to the state workload since 2002 via an EPA “initiative” without congressional mandate. None of these have had an OMB PART review.

ECOS suggests significant reductions in funding for these programs.

- Sector Program – assists EPA with its sector facility enforcement and compliance program
- Targeted Watersheds – “community-based” watersheds and water trading groups apply for EPA grants funded through the STAG program. ECOS recommends this program be eliminated.

## ***Part 2: Infrastructure and Special Projects Funds***

The States’ 2008 budget proposal includes a total of \$2.51 billion for Infrastructure programs. Infrastructure support to States is primarily to assist local governments in the construction of sewage treatment facilities and drinking water facilities.

Infrastructure funding under the STAG appropriation provides financial assistance to States, municipalities, and tribal governments to fund a variety of drinking water, wastewater, air, and brownfields environmental projects. These funds are essential to fulfilling the federal government’s commitment to provide adequate funding to construct the facilities that comply with federal environmental requirements to ensure public health and revitalize contaminated properties. The current size of the States’ SRFs is inadequate to meet these challenges.

The Brownfields Environmental Program provides States, tribes, and local governments with essential tools, information, and strategies. These are necessary for promoting a unified approach to returning contaminated sites with little or no value back to productivity.

States also consider the first two items listed (the SRFs) as a “core environmental program” as described in Part 1 of the budget.

### ***The States’ Top Infrastructure Priority:***

#### ***Capitalizing Clean Water and Drinking Water State Revolving Loan Funds***

The Clean Water and Drinking Water State Revolving Loan Fund programs demonstrate a true partnership between States, localities, and the federal government. These programs provide federal financial assistance to supplement other sources of funding for States, localities, and tribal governments to protect the nation’s water resources by capitalizing loan funds for the construction of drinking water and wastewater treatment facilities. The SRFs are two important elements of the nation’s substantial investment in wastewater treatment and drinking water treatment systems that provide Americans with significant benefits in the form of reduced water pollution and safe drinking water. Through the SRF program, the federal government helps to capitalize financial assistance for wastewater and other water projects, including nonpoint source, estuary, storm water, and sewer overflow projects. Water infrastructure projects directly improve ecosystems by lowering the amount of pathogens, nutrients, and toxic pollutants in all types of surface waters. These projects also help ensure safe drinking water – both by reducing the amount of pollutants that reach sources of drinking water and by assisting in the building of water treatment and distribution facilities.

The States recommend \$1.4 billion in funding for the CWSRF. More than \$22 billion already has been provided to capitalize the CWSRF, well over twice the original CWA-authorized level of \$8.4 billion, however this amount does not reflect the many rules and court requirements that have been added since that the creation of the program. Nor does it reflect the funding problems common in many small communities, which must comply with the standards, have trouble entering the bond market, and are sometimes unable to repay the loans at market rates. Since 1987, loan repayments, state match dollars, and other funding sources have provided approximately \$52 billion, which means that non-federal sources have paid for almost 58% of the costs. One federal dollar leverages an even greater amount in public and private sector capitalization to revolve in perpetuity.

The dramatic progress made in improving the quality of wastewater treatment since the 1970s is an unprecedented national success. In 1972, only 84 million people were served by secondary or advanced wastewater treatment facilities. Today, 99% of community wastewater treatment plants, serving 181 million people, use secondary treatment or better.

The States recommend \$1 billion for the Drinking Water State Revolving Loan Fund. This will help assure that the DWSRF will be self-sustaining in the long run and will help offset the costs of ensuring safe drinking water supplies and assisting small communities in meeting their responsibilities. Since its inception in 1997, the DWSRF program has made available \$7.9 billion to finance 3,654 infrastructure improvement projects nationwide, with a return of \$1 .67 for every \$1 of federal funds invested.<sup>2</sup>

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<sup>2</sup> States have recommended several structural changes to the DWSRF that would allow greater access by State drinking water programs to urgently needed set-asides (e.g., increasing the administrative set-aside from 4% to 6%

The States recommend continuation of authority provided in the 1996 SDWA Amendments allowing States to transfer an amount equal to 33 percent of their DWSRF grants to their CWSRF program, or an equivalent amount from their CWSRF program to their DWSRF program. The transfer provision gives States flexibility to address the most critical demands in either program at a given time. The statutory transfer provision expired September 30, 2002.

### ***Brownfields Environmental Projects***

The States recommend \$88.6 million for Brownfields environmental cleanup projects. EPA will award grants for assessment activities, cleanup, and revolving loan funds. This includes cleanup of sites contaminated by petroleum or petroleum products and environmental job training grants. States request that all \$88.6 million be provided directly to States, local governments, and other eligible entities identified in the Small Business Liability and Brownfields Revitalization Act of 2002.

### ***Clean School Bus USA Initiative and the Clean Diesel Initiative***

In FY 2008, the States recommend that this program be moved from STAG into EPA's Environmental Programs and Management account. This is because the majority of funds are not for use by State and local governments. We support full funding at authorized levels in the EPM account.

ECOS' resolutions recommend that the Diesel Emissions Reduction Program, authorized at \$200 million annually, be fully funded, but not at the expense of other core mandated environmental programs.

### ***Special Regional Projects***

The States defer to Congress and the President on funding of these state-specific programs. We have included the President's request in our budget.

## ***Part 3. The States are a Bargain***

The States went through very tight fiscal times earlier this decade, and some are still facing them. In fact, several States have presented information to EPA to show how we dealt with significant budget reductions during that time. The States understand the necessity of squeezing the total possible value of every tax dollar spent. That is why the States are such a bargain for the federal government, and are the government's best "outsourcing" option.

Most of the nation's primary environmental statutes provide for the federal programs to be "delegated" or "authorized" to the States, and most of them have been. For these programs, federal funding is supplied through STAG to augment a larger sum of funds raised by the States themselves to run these programs. States use permit fees, general funds, and trust funds to supply anywhere from 50% to 95% of the cost of running the federal programs. ECOS' research

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and reducing or eliminating the 120% match requirement for a 10% set-aside for certain state drinking water program activities). Implementation of these changes would improve local government access to the DWSRF.

indicates that the typical State obtains about one-third of its program funding from federal sources.

There are two factors that make States such a bargain.

The first is that States are required to match most federal grants with a 5% - 50% amount. In 2005, States provided a 36% match to federal funds.<sup>3</sup>

The second is that State employees on average cost about a third less than federal employees.<sup>4</sup>

***...a federal dollar spent in Washington, D.C. buys \$1 worth of environmental protection, but when spent in a State, it buys \$1.80 worth....***

When combined, these factors mean that a federal dollar sent to the States results in \$1.36 after the match is applied. This \$1.36 buys one-third more employee effort, for a net value of \$1.80. In other words, a federal dollar spent in Washington, D.C. buys \$1 worth of environmental protection, but when spent in a State, it buys \$1.80 worth of environmental protection.

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<sup>3</sup> President's 2007 EPA Budget Proposal

<sup>4</sup> ECOS, 2005 "State Pay Comparison to EPA Headquarters, 2005."

## A Budget to Support Core Environmental Programs

This is a budget proposal prepared by ECOS for the STAG Portion of EPA's 2008 Budget.

State and Tribal Assistance Grants (all figures in thousands of dollars)

	FY 2004 Enacted	FY 2005 Enacted	FY2006 Enacted	FY2007 CR	ECOS' PROPOSAL 2008	Rationale
<b>Highest Priority</b>						
State and Local Air Quality Management	\$237,297	\$223,200	\$220,250	\$220,250	\$245,297	increase for new requirements
Public Water System Supervision (PWSS)	\$101,904	\$99,746	\$98,274	\$98,274	\$101,904	same as '04
Brownfields CG	\$50,000	\$49,600	\$49,262	\$49,262	\$50,000	max. allowed
Hazardous Waste Financial Assistance	\$103,689	\$103,466	\$101,939	\$101,939	\$103,689	same as '04
Underground Storage Tanks	\$11,725	\$11,904	\$11,774	\$11,774	\$37,567	increase for new requirements
Nonpoint Source (Sec. 319)	\$241,542	\$207,328	\$204,268	\$204,268	\$241,542	same as '04
Pollution Control (Sec. 106)	\$202,937	\$208,320	\$216,162	\$216,162	\$229,326	increase for new requirements
<b>Moderate Priority</b>						
Environmental Information	\$19,474	\$19,344	\$19,705	\$19,705	\$14,850	State progress in this area allows for a reduced request.
Beaches Protection	\$8,826	\$9,920	\$9,852	\$9,852	\$9,852	same as last yr
Homeland Security	\$4,051	\$4,960	\$4,926	\$4,926	\$4,926	same as last yr
Lead	\$14,100	\$13,392	\$13,498	\$13,498	\$13,498	same as last yr
Pesticides Enforcement	\$19,776	\$19,344	\$18,621	\$18,621	\$18,621	same as last yr
Toxics Substances Compliance	\$5,036	\$5,007	\$5,074	\$5,074	\$5,074	same as last yr
Pesticides Program Implementation	\$13,225	\$12,896	\$12,907	\$12,907	\$12,907	same as last yr
Pollution Prevention	\$6,150	\$4,960	\$4,926	\$4,926	\$4,926	same as last yr
Radon	\$8,062	\$6,944	\$7,439	\$7,439	\$7,439	same as last yr
Tribal Air Quality Management	\$12,385	\$10,743	\$10,887	\$10,887	\$10,887	same as last yr
Tribal General Assistance Program	\$62,196	\$61,504	\$56,651	\$56,651	\$56,651	same as last yr
Underground Injection Control (UIC)	\$10,800	\$10,694	\$10,838	\$10,838	\$10,838	same as last yr
Wastewater Operator Training	\$0	\$1,488	\$1,182	\$1,182	\$1,182	same as last yr
Water Quality Cooperative Agreements	\$16,608	\$16,864	\$0	\$0	\$16,608	same as '04

Categorical Grants

	Wetlands Program Development	\$17,110	\$14,880	\$15,764	\$15,764	\$15,764	same as last yr
	<b>Low Priority</b>						
	Sector Program	\$1,838	\$2,232	\$2,217	\$2,217	\$1,838	same as '04
	Targeted Watersheds	\$7,472	\$17,856	\$16,607	\$16,607	\$0	elim. in favor of WQCA above
	Subtotal, Categorical Grants	\$1,176,203	\$1,136,591	\$1,113,022	\$1,113,022	\$1,217,451	
	<b>Highest Priority</b>						
	*Clean Water SRF	\$1,397,785	\$1,091,200	\$886,716	\$1,083,817	\$1,397,785	same as '04
	*Drinking Water SRF	\$881,524	\$843,200	\$837,454	\$837,454	\$1,000,000	increase for new requirements
	<b>Moderate Priority</b>						
	Brownfields Projects	\$87,380	\$89,280	\$88,672	\$88,672	\$88,672	same as last yr
	Clean Diesel	\$0	\$7,440	\$6,897	\$6,897	\$0	move to EPM account, as most funds are not for states/locals
	Congressionally Mandated Projects (Note 1)	\$263,524	\$309,548	\$197,048	\$0	\$0	Note 1.
	Infrastructure Assistance: Alaska Native Villages	\$37,434	\$44,640	\$34,483	\$34,483	\$15,500	President's request; no recommendation
	Infrastructure Assistance: Mexico Border	\$64,846	\$49,600	\$49,262	\$49,262	\$10,000	President's request; no recommendation
	Infrastructure Assistance: Puerto Rico	\$0	\$3,849	\$0	\$0	\$0	President's request; no recommendation
	Subtotal, Infrastructure	\$2,732,493	\$2,438,758	\$2,100,532	\$2,100,585	\$2,511,956	
	<b>TOTAL, ALL ITEMS</b>	<b>\$3,908,696</b>	<b>\$3,575,349</b>	<b>\$3,213,553</b>	<b>\$3,213,606</b>	<b>\$3,729,407</b>	

\* These are Core Infrastructure Programs.

Note 1. These are included here as part of the CW SRF funds. ECOS follows EPA's practice of not budgeting these, but we do not oppose the use of Congressional Priorities.

All figures are post-rescission, including 2006.

These are actual-year dollars, not adjusted.

ECOS is the Environmental Council of the States, and is the national non-profit, non-partisan association of state and territorial environmental agency leaders.

## *Appendix*

### *Details for High Priority Core Categorical Grants Programs*

#### **Air: State & Local Air Quality Management**

The FY 2008 request includes \$245 million for Air State and Local Assistance grants for partial support of state and local air management programs. These funds provide resources to state and local air pollution control agencies for the development and implementation of programs for the prevention and control of air pollution or for the implementation of national primary and secondary ambient air standards. They can also be used to support the coordination and acceleration of research, investigations, experiments, demonstrations, surveys, and studies relating to the causes, effects (including health and welfare effects), extent, prevention, and control of air pollution.

#### **Drinking Water: Public Water System Supervision Grants**

The States' 2008 budget proposal includes \$102 million for Public Water System Supervision (PWSS) grants. These grants provide part of the funds States use to implement Safe Drinking Water Act requirements, and enforce National Primary Drinking Water Regulations to ensure the safety of the nation's drinking water resources and to protect public health.<sup>5</sup> Much of what state drinking water programs do is designed to ensure that local water systems have critical technical, managerial, and financial capacity to enable them to provide safe drinking to their customers.

#### **Waste: Brownfields Grants**

The States' 2008 budget proposal includes \$50.0 million to continue the Brownfields grant program that provides assistance to States and tribes to develop and enhance their state and tribal response programs. This funding will help States and tribes develop legislation, regulations, procedures, and guidance, to establish or enhance the administrative and legal structure of their response programs. In addition, grant funding will help States to capitalize Brownfields cleanup, purchase environmental insurance, and conduct site-specific related activities such as assessments and remediation at Brownfield sites.

#### **Waste: Hazardous Waste Financial Assistance Grants**

The States' 2008 budget proposal includes \$103.7 million for Hazardous Waste Financial Assistance grants. These grants are used along with State funds for the implementation of the RCRA hazardous waste program, which includes permitting, authorization, waste minimization, enforcement, and corrective action activities. Recent analysis has shown this program to be significantly underfunded with greater burden-shift to State delegated programs which must overmatch or stretch out lower priority service delivery.

#### **Waste: Underground Storage Tanks (UST) Grants**

The States' 2008 budget proposal includes \$37.6 million for UST grants. This is a significant

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<sup>5</sup> State drinking water administrators have a documented need (based on a full, 50 state census) of \$370 million in FY 06 required to implement the delegated federal programs. This budget proposal represents a small step away from declining resources and could be viewed as a new and better "floor" for state drinking water program resources.

increase to cover new federal mandates on States, including required inspection of gas station underground tanks, delivery prohibitions, operator training programs, and increased public information and reporting. States and tribes will use these resources in addition to state funds to ensure that UST owners and operators routinely and correctly monitor all regulated tanks and piping in accordance with regulations, and also to develop programs with sufficient authority and enforcement capabilities to operate in lieu of the federal program. No additional funds have been provided for these new mandates in the initial two fiscal years since the statute became effective.

**Water: Nonpoint Source Watershed (Section 319) Grants**

The States' 2008 budget proposal includes \$241.5 million to assist States in reducing nonpoint water pollution, which remains the top water quality priority. States use these funds along with State funds to improve fisheries, reduce pollutant loading, and increase public awareness in such areas as: urban watersheds, construction, agriculture, and silviculture. The CWA requires States to: conduct statewide assessments of their waters to identify those that are impaired or threatened because of nonpoint sources; develop nonpoint source management programs to address the impaired or threatened waters identified in the nonpoint assessments; and implement their EPA-approved nonpoint source programs. Section 319 efforts pre-date, complement, and do not duplicate other efforts, such as the Farm Bill provisions.

**Water: Water Pollution Control (CWA Section 106) Grants**

The States' 2008 budget proposal includes \$229.3 million for Water Pollution Control grants. This increase is due to new mandates imposed on the States by EPA, such as "probabilistic monitoring." This increase in funds will be used to supplement state implementation of NPDES permitting efforts as the number of permittees expands greatly; enhance water quality monitoring activities; and improve water quality standards to get the information and science needed for making pollution control decisions.

**Details for Moderate Priority Programs**

**Environmental Information Grants**

In FY 2008, the States' budget proposal includes \$14.85 million to continue the Environmental Information Exchange Network (Exchange Network) grant program. This is a reduction from 2007 and marks the success of States in implementing these changes over the past few years. Started in 2002, the Exchange Network grant program provides assistance to States, territories, tribes, and tribal consortia to develop the information management and technology capabilities they need to participate in the Exchange Network. The Exchange Network is an Internet and standards-based information systems network that allows EPA and its partners to exchange a variety of environmental data that states are required to submit to EPA electronically. Implementation and continued use of the Exchange Network improves environmental decision making, increases environmental data quality and accuracy, and reduces burden on those who provide and access information.

### **Beaches Protection Grants**

BEACH Act grants are awarded to eligible coastal and Great Lakes states, territories, and tribes to develop and implement beach monitoring and notification programs. The States recommend \$9.8 million in the 2008 budget for this purpose.

### **Homeland Security Grants**

These funds assist States with homeland security grants to support States' efforts to work with drinking water and wastewater systems to develop and enhance emergency operations plans; conduct training in the implementation of remedial plans in small systems; and develop detection, monitoring, and treatment technology to enhance drinking water and wastewater security.

### **Lead Grants**

The States' 2008 budget proposal includes \$13.5 million for Lead grants. This funding will support the development of authorized programs in both States and tribes to prevent lead poisoning through the training of workers who remove lead-based paint, the accreditation of training programs, the certification of contractors, and the use of renovation education programs. Another activity that this funding will support is the collection of lead data to determine the nature and extent of the lead problem within an area.

### **Pesticides and Toxics Enforcement Grants**

The States' 2008 budget proposal includes funds to assist States and tribes and in addressing environmental and public health threats related to pesticides and toxics. The enforcement state grants request consists of \$18.6 million for Pesticides Enforcement and \$5.07 million for Toxic Substances Enforcement Grants. State and tribal enforcement grants will be awarded to assist in the implementation of compliance and enforcement provisions of TSCA and FIFRA .

Under the Pesticides Enforcement Grant program, EPA provides resources to States and tribes to conduct FIFRA compliance inspections, take appropriate enforcement actions, and implement programs for farm worker protection. Under the Toxic Substances Compliance Grant program, States receive funding for compliance inspections of asbestos and polychlorinated biphenyls (PCB5) and for implementation of the state lead abatement enforcement program. The funds will complement other federal program grants for building state capacity for lead abatement and enhancing compliance with disclosure, certification, and training requirements.

### **Pesticides Program Implementation Grants**

The States' 2008 budget proposal includes \$12.9 million for Pesticides Program Implementation grants. These resources will assist States and tribes in implementing the safer use of pesticides through worker protection, certification and training of pesticide applicators, protection of endangered species, tribal pesticide programs, integrated pest management and environmental stewardship, and protection of water from pesticide contamination.

### **Pollution Prevention Grants**

This FY 2008 request includes \$4.9 million for Pollution Prevention grants. The grant program provides technical assistance toward reducing pollution through source reduction, and helps reduce the costs of other programs through pollutant avoidance.

**Radon**

This request includes \$7.4 million for Radon grants to provide funding for state radon programs.

**Tribal Air Quality Management**

Tribal Air Quality Management grants, requested in the amount of \$10.9 million, provide funds to tribes to develop and implement air pollution prevention and control programs, or to implement national primary and secondary ambient air standards.

**Tribal General Assistance Program Grants**

The States' 2008 budget proposal includes \$56.7 million for the Indian General Assistance Program (GAP) to help federally recognized tribes and inter-Tribal consortia develop, implement, and assume environmental programs.

**Underground Injection Control (UIC) Grants**

The States' 2008 budget proposal includes \$10.8 million for the UIC grants program. Ensuring safe underground injection of waste materials is a fundamental component of a comprehensive source water protection program. Grants are provided to States that have primary enforcement authority (primacy) to implement and maintain UIC programs.

**Wastewater Operator Training Section**

The States' 2008 budget proposal includes \$1.18 million for training of local wastewater operators. Section 104(g)(1) of the CWA states that "the [EPA] Administrator shall finance pilot programs, in cooperation with State and interstate agencies, municipalities, educational institutions, and other organizations and individuals, of manpower development and training and retraining of persons in, or entering into, the field of operation and maintenance of treatment works and related activities." States continue to require assistance in creating and modifying these programs.

**Water Quality Cooperative Agreements**

States request \$16.6 million for this program. Under authority of CWA Section 104(b)(3), EPA makes grants to state water pollution control agencies; interstate agencies; and other nonprofit institutions, organizations, and individuals to promote innovative and more effective approaches to storm water control, watershed protection, data management, and other challenges. Among the efforts that are eligible for funding under the Section 104(b)(3) program are research, investigations, experiments, training, environmental technology demonstrations, surveys, and studies related to the causes, effects, extent, and prevention of pollution. Funds awarded through this program may not be used to support continuing program operations such as ongoing administrative, program, research, or other ineligible costs. States are recommending that funding for this program, which was cut in 2006, be restored.

**Wetlands Grants**

The States' 2008 budget proposal includes \$15.8 million for Wetlands Program grants. These grant resources will be used to assist States and tribes in protecting wetlands and waters not covered by the CWA.

### *Details for Low Priority Non-Mandated Added Programs*

#### **Sector Enforcement Grants**

The States' 2008 budget proposal funds sector enforcement grants at \$1.8 million. Funding is for development of innovative sector-based, multi-media, or single-media approaches to enforcement and compliance assurance, in categories selected by EPA. Such efforts may include economic, social science, statistical research, development, studies, surveys, demonstrations, investigations, public education, training, and fellowships. States continue to support this approach, but recommend that some of the recent funding increases for this program be returned to Core Environmental Program support.

#### **Targeted Watershed Grants**

The States' 2008 budget recommends this program be cut, in favor of restoration of the Water Quality Cooperative Agreements program described above.