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STATUS OF STATE ENVIRONMENTAL AGENCY BUDGETS, 2009-2011

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STATEMENT OF ISSUE

This report reviews state environmental agency budgets for fiscal years 2009 to 2011, focusing on the non-infrastructure portions of these budgets, which are used to implement federally delegated programs and state laws. Infrastructure funds are primarily the State Revolving Loan Funds (SRF). We included administrative funds associated with the American Recovery and Reinvestment Act of 2009 (ARRA) when states could provide them. Thus, this report attempts to gauge the general financial health and spending habits of state environmental agencies.

SUMMARY

Thirty-seven ECOS member agencies responded to the ECOS budget survey in May 2010 – 36 states and Puerto Rico, hereinafter referred to as “states.” The survey was focused primarily on total state environmental agency budgets – 27 respondents included stimulus funds, and 10 did not. Seventeen respondents answered a second, more specific request: that states only include administrative funds from SRF/ARRA if they were going to have SRF/ARRA funds in their total budgets. We asked for state budgets with SRF/ARRA infrastructure funds removed, in part because ECOS was unable to resolve differences between SRF/ARRA infrastructure funds data from states and data from U.S. EPA.

Overall, state environmental agencies’ budgets have decreased from FY2009 to FY2011. That said, there is a budget increase from FY2009 to FY2010 among states that included SRF/ARRA administrative funds. There has been a slight overall drop in money coming from state general funds, while funds from the federal government have increased marginally, and funds from “other” sources, such as those raised through permitting fees, have remained relatively constant.

INTRODUCTION

States and their respective environmental agencies, which operate approximately 96% of federal programs that are delegable to them, receive most of their funding from state-imposed permit fees, the federal government, and state general funds, in declining order. ECOS sought to determine how the state agencies' budgets have fared in the wake of the economic downturn. ECOS attempted to analyze this by taking a look at states' spending patterns for fiscal years 2009, 2010, and 2011.

The American Recovery and Reinvestment Act had a major impact on state environmental budgets. Passed by Congress in February of 2009 and implemented over the subsequent year, ARRA temporarily increased federal funds for environmental programs run by the states. States committed 100% of the safe drinking water and clean water ARRA funds within the time allotted.¹ States were permitted to retain up to 4% of those funds for administrative purposes. This one-time surge in money available certainly helped stem many states' environmental budget shortages, but data confirm it was a temporary lift.

METHODOLOGY

Previous ECOS reports have commented on certain aspects of state budgets, such as the impacts of budget reductions² and how states were coping, or ideas for mitigating budget shortfalls³. This report, however, simply seeks to provide the actual budget numbers over a three-year period and to see what trends are present.

In May 2010, ECOS sent out a budget survey to its members, asking that they provide their budgets for FY2010 and FY2011, along with their actual expenditures from FY2009. We were most interested in delegated federal programs and related state programs that address air, water, drinking water, and waste issues.

We asked for the total environmental agency budget, the status of that budget, whether or not that figure included SRF/ARRA funds, and the percentages of the budget that came from the agency's general fund, the federal government, and from other sources. Most agencies included SRF/ARRA funds in their initial budgets. For our initial methodology, we did not ask that states specify administrative or infrastructure, only whether or not their budgets included SRF/ARRA funds. ECOS was given data by U.S. EPA that listed the amounts of total SRF/ARRA funds granted to each state per fiscal year.

Our initial methodology for determining state budgets with the SRF/ARRA funds removed was simply to subtract the numbers provided by EPA from those given by states that indicated ARRA funds were included in their survey response. However, our

¹ Brown, R. Steven, Testimony Before the Subcommittee on Interior, Environment, and Related Agencies, March 19, 2010

² Phillips, Victoria; Emme, David; Graves, Beth, "Impacts of Reductions in FY2010 on State Environmental Agency Budgets," 2010

³ Graves, Beth; Abhold, Kristyn, "Funding Environmental Protection: State Budget Shortfalls and Ideas for Mitigating Them," 2009

approach was flawed, because some states that included stimulus money actually had a negative budget after we subtracted the figure given by EPA. This happened because the SRF/ARRA figure exceeded the state's total budget amount, which was said to include the SRF/ARRA funds. Because of this, ECOS decided to contact the states a second time asking that they provide their budgets with stimulus funds removed. We did, however, encourage states to include the administrative funds associated with SRF/ARRA; just not the infrastructure funds. We did this because ECOS was trying to obtain an accurate picture of the funds that states had at their disposal to support the daily functions of the agency. Infrastructure funds are passed through to municipal governments, and so were not included.

Ten states had initially given us their budgets with all SRF and ARRA funds already excluded, while 17 offered revised budgets, taking out the infrastructure funding, for a total of 27 states without the SRF/ARRA infrastructure funds. ECOS used data from 24 of these states, as we were unable to normalize the data from three respondents⁴. We asked for budget data at the end of FY2010, a very busy time for the fiscal personnel completing the survey, which may have limited the number of respondents.

Once the data were gathered we calculated the overall averages, observed how many states had budget increases and declines across each year, and analyzed any changes in sources of funding. Then, we separated states that had included ARRA administrative funding (eight) from those that excluded stimulus funds completely (16) and repeated the process. With the revised budgets and a clear comparison between states' budgets with administrative funds versus them without, it was easier to draw conclusions about states' environmental spending situations.

When states provide "budget" numbers (instead of "actual expenditures"), they are listing the maximum possible expenditures for the agency. That is, such budgets are the optimum spending plan for the agency. It is quite possible that many states will be unable to generate enough revenue in 2011 to cover the expenditures laid out in their budgets. If that happens, the states will cut the general fund portion of the budgets during the fiscal year. Thus, the numbers we have are essentially the best case scenarios for state budgets. Such a scenario is very unlikely for EPA, as a comparison. Once Congress and the President have agreed on an agency budget, it is rare that it is modified during the course of the year. This is a major difference between states and the federal government in the manner in which environmental agency budgets are handled.

FINDINGS

The overall trend we see is that state budgets are decreasing, by an average of about \$9 million per state in FY2010 and nearly \$12 million per state FY2011, as shown in Appendix Table 1, which gives the combined totals and averages of all twenty-four states.

The 16 states that provided data without SRF/ARRA funds show an overall decline. There is a consistent budget decline from FY2009 to FY2011 that averages approximately \$18

⁴ See addendum.

million per year, as shown in Appendix Table 2. For FY2011, 10 of the 16 states show a budget decline since FY2010, while five states' budgets have increased, and one state's budget has remained the same. However, four of the five budget increases have been small enough that when accounting for inflation, the states' purchasing power still may have decreased, and the fifth state's increasing budget is still far lower than it was in FY2009.

There is a small increase each year in the percentage of federal funds for state budgets that did not include SRF/ARRA money. One reason for this is that states have cut their planned expenditures, usually due to decreased state revenues. Because the states' spending is generally lower as outlined in the previous paragraph, federal funds would make up a larger portion of the resulting states' reduced budgets.

For states that included SRF/ARRA administrative funds for FY2009 to FY2011, as shown in Appendix Table 3, things look a bit different. The most obvious difference is an increase in total agency budgets between FY2009 and FY2010. There is an average increase in state budgets of approximately \$10 million in FY2010, followed by an average decrease of about \$500 thousand between FY2010 and FY2011. This latter decline indicates that the administrative funds associated with SRF/ARRA money are being expended and are no longer available.

Also, among states that included ARRA administrative funding, the percentage of budgets coming from state general funds drops sharply between FY2009 and FY2010, while the percentage of federal funds increases for FY2010, then drops slightly for FY2011, as shown in Figure 1 below. The steep drop in general fund and increase in federal fund percentages can be attributed to the inclusion of the SRF/ARRA administrative funds. The figures from states that included these funds confirm that federal dollars have temporarily lessened the burden on states for a year.

The total combined data of all surveyed states (Appendix Table 1) shows that there are more state budget increases than decreases from FY2009 to FY2010. That said, the overall budget decrease in FY2010 shows that while there are many states with small budget increases for that year, these increases are outweighed by large budget decreases in the remaining states. For FY2011, nearly two thirds of state environmental budgets are declining, as confirmed by the far lower average budget per state. Appendix Table 1 shows that federal funding constitutes 20.1% of average state environmental agency budgets in FY2010, an increase of 3.1%. Federal sources remained at 20.1% for FY2011. State general funds and other sources declined by 1.5% from FY2009 to FY2011, confirming that federal funding is temporarily relieving stressed state budgets. However, 2011 federal funding will not actually be received by the states until much later in the year. This means that if Congress does not approve the President's 2011 budget proposal and instead imposes a continuing resolution based on 2010, we expect the total federal funds for states for 2011 to decline, because the 2011 budget included a substantial increase for State and Tribal Assistance Grants/Categorical Grants compared to 2010 levels.

CONCLUSIONS

State environmental budgets are in significant decline, having continually decreased since FY2009. While the American Recovery and Reinvestment Act of 2009 helped state environmental agencies with funding for one year, this was only intended as a temporary solution. States are counting on categorical grant increases as outlined in the President's 2011 Budget Proposal for EPA, and if these are not appropriated, the totals presented herein for that year are very likely to be lower.

APPENDIX

Table 1 – Total data for all of the states used

Totals for 24 States

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$4,389,472,043	\$4,166,074,324	\$3,882,617,503
Avg. per state	\$182,894,668	\$173,586,430	\$161,775,729
Number of states with declining budgets	-	7	15
Number of states with increasing budgets	-	17	8
Budget includes SRF/ARRA funds (Yes/No)?	No Loan/Grant funds. May include Admin set asides.	No Loan/Grant funds. May include Admin set asides.	No Loan/Grant funds. May include Admin set asides.
Avg. % from General Fund	19.7%	16.5%	18.1%
Avg. % from Federal Government (e.g., EPA)	17.0%	20.1%	20.1%
Avg. % from Fees, Other	63.2%	63.1%	61.7%

Table 2 – Data for states that did not include any SRF/ARRA funds in their budgets

States not Including SRF/ARRA Data

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$2,765,558,181	\$2,461,604,930	\$2,181,466,033
Avg. per state	\$172,847,386	\$153,850,308	\$136,341,627
Number of states with declining budgets	-	5	10
Number of states with increasing budgets	-	11	5
Budget includes SRF/ARRA funds (Yes/No)?	No.	No.	No.
Avg. % from General Fund	14.2%	13.2%	14.5%
Avg. % from Federal Government (e.g., EPA)	14.1%	16.9%	17.3%
Avg. % from Fees, Other	71.5%	69.4%	68.3%

Colorado

	FY 2008-2009	FY 2009-2010	FY 2010-2011
Environmental Agency Budget	\$61,588,869	\$60,619,938	\$59,906,708
Status of Budget	Actual Expenditures	Final	Adopted (no special bills)
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	6.70%	6.40%	6.40%
% from Federal Government (e.g., EPA)	40.60%	32.60%	31.70%
% from Fees, Other	52.70%	61.00%	61.90%

Florida

	FY 2009	FY 2010	FY 2011

Environmental Agency Budget	\$593,040,482	\$296,795,879	\$401,196,035
Status of Budget	SFY 08-09 state budget adopted	SFY 09-10 state budget adopted	SFY 10-11 state budget adopted
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	6.90%	7.70%	9.80%
% from Federal Government (e.g., EPA)	7.60%	18.20%	9.60%
% from Fees, Other	85.50%	74.10%	80.60%

Idaho

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$57,973,200	\$63,151,800	\$58,342,800
Status of Budget	Actual	Estimated	Appropriated
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	31%	23%	25%
% from Federal Government (e.g., EPA)	60%	65%	60%
% from Fees, Other	9%	12%	15%

Indiana

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$114,768,589	\$110,694,772	\$92,494,772
Status of Budget	Final	Final, as passed; Excludes Tank fees	Final, as passed; Excludes Tank fees
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	27%	25.90%	31%
% from Federal Government (e.g.,	19%	19%	21.50%

EPA)			
% from Fees, Other	48%	48.60%	48.50%

Kentucky

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$72,955,642	\$79,890,900	\$78,509,400
Status of Budget	Final	Adopted	Adopted (reduction in General Funds will likely occur in FY11)
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	29%	27%	28%
% from Federal Government (e.g., EPA)	30%	29%	28%
% from Fees, Other	41%	44%	44%

Maine

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$73,262,428	\$73,643,422	\$74,506,145
Status of Budget	Final, as spent	As enacted	As enacted
Budget includes SRF/ARRA funds (Yes/No)?	Yes	No	No
% from General Fund	11.60%	8.90%	8.90%
% from Federal Government (e.g., EPA)	22.30%	20.50%	20.50%
% from Fees, Other	66.10%	70.60%	70.60%

Maryland

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$274,594,411	\$314,696,703	\$269,074,854

Status of Budget	Final	Current	Current
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	16%	11%	12%
% from Federal Government (e.g., EPA)	23%	17%	20%
% from Fees, Other	61%	71%	68%

Nevada

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$30,589,435	\$31,634,453	\$31,639,598
Status of Budget	Actual	Legislatively Approved	Legislatively Approved
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	2%	1%	1%
% from Federal Government (e.g., EPA)	37%	37%	37%
% from Fees, Other	61%	62%	62%

Rhode Island

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$31,900,000	\$42,300,000	\$44,300,000
Status of Budget	Final	Current	Enacted
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	51.40%	36.60%	37.40%
% from Federal Government (e.g., EPA)	23.40%	32.60%	30.20%
% from Fees, Other	25.20%	26.40%	32.40%

South Dakota

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$14,855,929	\$15,807,196	\$15,831,694
Status of Budget	Actual Expenditures	Final	Final
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	43.30%	36.70%	36.70%
% from Federal Government (e.g., EPA)	40.40%	42.30%	42.20%
% from Fees, Other	16.30%	21.00%	21.10%

Tennessee

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$186,205,900	\$187,094,200	\$180,336,300
Status of Budget	Approved Budget	Approved Budget	Proposed Budget
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	14.70%	12.30%	12.00%
% from Federal Government (e.g., EPA)	11.10%	15.30%	12.30%
% from Fees, Other	74.20%	72.40%	75.70%

Texas

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$652,000,000	\$523,000,000	\$465,300,000
Status of Budget	Active	Current	Proposed
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	1.70%	2.90%	3%

% from Federal Government (e.g., EPA)	6.40%	7.70%	8.60%
% from Fees, Other	91.90%	89.40%	88.40%
		FY 2010	FY 2011
Total Appropriation		\$507,600,000	\$437,400,000
% from General Fund		3%	3.20%
% from Federal Government		7.90%	9.10%
% from Fees		89.10%	87.70%

Note: "Total Appropriation" figures and percentages used for FY2010 and FY2011 because they reflect additional impending state budget cuts.

Utah

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$49,313,200	\$55,945,500	\$51,361,300
Status of Budget	Actual	Authorized	Appropriated
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	29.94%	18.70%	20.80%
% from Federal Government (e.g., EPA)	34.63%	43.92%	40.03%
% from Fees, Other	38.43%	37.38%	39.17%

Virginia

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$288,010,096	\$353,630,167	\$131,866,427
Status of Budget	Final, Audited	Current	Adopted
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	14%	10%	25%

% from Federal Government (e.g., EPA)	6%	7%	16%
% from Fees, Other	80%	83%	59%

Wisconsin

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$229,200,000	\$236,300,000	\$222,900,000
Status of Budget	Actual Expenditures	Approved Budget	Approved Budget
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	40%	30%	23%
% from Federal Government (e.g., EPA)	13%	13%	13%
% from Fees, Other	47%	57%	64%

Wyoming

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$35,300,000	\$31,800,000	\$31,800,000
Status of Budget	Appropriated	Appropriated	Appropriated
Budget includes SRF/ARRA funds (Yes/No)?	No	No	No
% from General Fund	48%	47%	47%
% from Federal Government (e.g., EPA)	28%	27%	27%
% from Fees, Other	24%	26%	26%

Table 3 – Data for states that included SRF/ARRA administrative funds in their budgets

**States including SRF/ARRA
Administrative Fund Data**

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$1,623,913,862	\$1,704,469,394	\$1,701,151,470
Avg. per state	\$202,989,232.75	\$213,058,674.25	\$212,643,933.75
Number of states with declining budgets	-	2	5
Number of states with increasing budgets	-	6	3
Budget includes SRF/ARRA funds (Yes/No)?	Includes admin. funds	Includes admin. funds	Includes admin. funds
Avg. % from General Fund	29.1%	21.2%	22.9%
Avg. % from Federal Government (e.g., EPA)	21.9%	24.6%	23.8%
Avg. % from Fees, Other	49.1%	54.1%	53.2%

Illinois

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$213,914,319	\$278,528,325	\$265,591,300
Status of Budget	Final spending	Current	Proposed
Budget includes SRF/ARRA funds (Yes/No)?	No	Yes	Yes
% from General Fund	0.75%	0.05%	0%
% from Federal Government (e.g., EPA)	20.52%	26.26%	24.91%
% from Fees, Other	78.73%	73.69%	75.09%

Iowa

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$46,800,000	\$52,400,000	\$51,000,000
Status of Budget	Approved	Current	Budgeted
Budget includes SRF/ARRA funds (Yes/No)?	Yes	Yes	Yes
% from General Fund	15%	12%	9%
% from Federal Government (e.g., EPA)	36%	39%	41%
% from Fees, Other	49%	49%	50%

Massachusetts

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$113,110,030	\$101,322,315	\$91,127,101
Status of Budget	Final	Final	Governor's Request
Budget includes SRF/ARRA funds (Yes/No)?	No	SRF Admin Only	SRF Admin Only
% from General Fund	68.10%	52.80%	62.30%
% from Federal Government (e.g., EPA)	28.40%	38.30%	34.90%
% from Fees, Other	3.50%	8.90%	2.80%

North Carolina

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$492,814,022 Actual expenditures	\$340,943,272	\$361,361,090
Status of Budget	Final	Current	Proposed
Budget includes SRF/ARRA funds (Yes/No)?	Yes	Yes	Yes
% from General Fund	54.50%	32.00%	39.40%

% from Federal Government (e.g., EPA)	29%	31.80%	30.20%
% from Fees, Other	16.50%	36.20%	30.40%

Ohio

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$188,166,282	\$210,681,973	\$208,330,476
Status of Budget	Final-Audited	Current	Adopted
Budget includes SRF/ARRA funds (Yes/No)?	No	Yes	Yes
	SRF admin, only, loans not included	SRF admin. only, loans not included	SRF admin. only, loans not included
% from General Fund	0	0	0
% from Federal Government (e.g., EPA)	18%	18%	16%
% from Fees, Other	82%	82%	84%

Oklahoma

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$55,569,071	\$67,829,984	\$68,578,056
Status of Budget	Final	Current	Proposed
Budget includes SRF/ARRA funds (Yes/No)?	Yes	Yes	Yes
% from General Fund	17.49%	12.70%	11.29%
% from Federal Government (e.g., EPA)	25.00%	35.32%	39.00%
% from Fees, Other	57.51%	51.98%	49.71%

Oregon

	FY 2009	FY 2010	FY 2011
Environmental Agency Budget	\$102,567,044	\$103,198,738	\$101,980,738
Status of Budget	Actuals	Approved	Approved
Budget includes SRF/ARRA funds (Yes/No)?	Yes, but operating funds only	Yes, but operating funds only	Yes, but operating funds only
% from General Fund	17.50%	13.75%	12.70%
% from Federal Government (e.g., EPA)	13.50%	17.40%	17.60%
% from Fees, Other	69.00%	68.85%	69.70%

Washington

		FY 2009	FY 2010	FY 2011
Environmental Agency Budget	Operating	\$195,774,180	\$200,174,780	\$203,792,702
	Capital	\$215,198,914	\$349,390,007	\$349,390,007
	Total	\$410,973,094	\$549,564,787	\$553,182,709
Status of Budget		Actuals	Enacted Budget	Enacted Budget
Budget includes SRF/ARRA funds (Yes/No)?		No	No	No
% from General Fund	Operating	16%	21%	18%
	Capital	27%	37%	37%
	Total	22%	31%	30%
% from Federal Government (e.g., EPA)	Operating	19%	21%	21%
	Capital	10%	17%	17%
	Total	14%	18%	18%
% from Fees, Other	Operating	65%	58%	61%
	Capital	63%	46%	46%
	Total	64%	51%	52%

Note: "Total" numbers and percentages used.

ADDENDUM

ECOS omitted data provided by Michigan, New Hampshire, Pennsylvania, and West Virginia. Michigan's Department of Environmental Quality and Department of Natural Resources were combined in 2010, resulting in an abnormally large budget increase since 2009. We decided not to use Pennsylvania's information because its budget for FY2011 was not yet available, and we wished to have our data completely normalized. Finally, we omitted New Hampshire and West Virginia's data because they appeared to still include some ARRA infrastructure funding.