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Environmental Protection Agency: Appropriations for FY2005

Updated August 26, 2004

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Summary

The House Appropriations Committee, as of the August 2004 congressional recess, had marked up the Veterans Affairs, Housing and Urban Development (VA-HUD), and Independent Agencies appropriations bill for FY2005, which includes funding for EPA, but had not filed its report on the bill. The current draft markup of the bill would provide \$7.75 billion for EPA in FY2005, \$36 million less than the Administration's request, and \$613 million less than FY2004. The FY2005 budget request decrease in funding from FY2004 levels was mostly due to a reduction in funding for water infrastructure projects, many of which were congressionally mandated projects in FY2004, and scientific research, part of a larger reduction the Administration proposed for non-defense scientific research among several agencies.

The House draft markup funding level of \$765 million (after transfers) for the Science and Technology appropriation account is \$40 million more than the FY2005 budget request, and reflects reinstatement of funding for certain scientific research activities. However, the draft markup includes \$2.24 billion for the Environmental Programs and Management account, \$75 million less than requested and \$39 million less than appropriated for FY2004. The House draft markup funding for the following EPA appropriations accounts is similar to the FY2005 budget request and the FY2004 appropriation: Buildings and Facilities, Oil Spill Response, Office of the Inspector General, and the Leaking Underground Storage Tank (LUST) Program.

The House draft markup includes \$3.36 billion for the State and Tribal Assistance Grants (STAG) account, \$519 million less than appropriated for FY2004. The Administration had requested \$3.23 billion. The markup includes \$850 million for wastewater infrastructure, as reflected in the FY2005 budget request (about \$500 million less than the \$1.35 billion appropriated for FY2004), and \$845 million for drinking water infrastructure, the same as appropriated for FY2004. At levels similar to FY2004 appropriations, the draft markup also provides \$323 million earmarked for special community projects to fund drinking water, wastewater and stormwater infrastructure projects that were not included in the FY2005 request.

Another prominent issue in EPA's FY2005 budget is the adequacy of proposed funding in the Superfund account to meet cleanup needs, and the complete reliance on general Treasury revenues to support this account. An industry-supported trust fund paid for most of the Superfund program in the past, but it has been expended, as taxing authority for it expired at the end of 1995. The House draft markup includes \$1.21 billion (after transfers) for the Superfund account, \$124 million less than the FY2005 budget request, and the same as appropriated for FY2004.

The House passed the conference agreement on the FY2005 budget resolution (S.Con.Res. 95, H.Rept. 108-498), but the Senate has not yet voted. In addition to the House draft appropriations bill, a stand-alone bill (H.R. 4421) that would appropriate \$8.8 billion for EPA in FY2005, about \$1 billion more than requested, was introduced and referred to the House Appropriations Committee and the House Ways and Means Committee. This report will be updated to reflect appropriations action.

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Environmental Protection Agency: Appropriations for FY2005

Introduction

On February 2, 2004, the President submitted his FY2005 budget request to Congress, which included \$7.8 billion for the Environmental Protection Agency (EPA). The request is about \$600 million less than the \$8.4 billion that Congress appropriated in the Consolidated Appropriations Act for FY2004 (P.L. 108-199, H.R. 2673). The collective reductions that the Administration has proposed in FY2005 for various programs and activities are greater than the \$600 million difference. However, proposed funding increases for some existing program activities, as well as proposed funding for new initiatives, partially offset the total reductions, resulting in a net difference of \$600 million. The most controversial elements of the request are the level of funding for wastewater infrastructure, science and technology activities, and the cleanup of hazardous waste sites under the Superfund program. Another prominent issue is whether special taxes on industry should be reinstated to reduce the use of general Treasury revenues to fund hazardous waste cleanup under the Superfund program.

Another element of the FY2005 request is the Administration's proposal to discontinue projects for which Congress "earmarked" funding for FY2004. Many of the projects that received earmarked funding in FY2003 were reinstated or created as new earmarks during the FY2004 appropriations process. The degree to which earmarks are funded in FY2005 may require changes to other parts of the Administration's request, depending on the flexibility afforded the committees under their individual budget allocations, and within the priorities set for the Veterans Affairs, Housing and Urban Development (VA-HUD) and Independent Agencies appropriations bill, which includes funding for EPA. Some of the many national programs competing for funds within this bill include veterans affairs, housing, disaster assistance, and space exploration.

The following sections of this report indicate congressional budget and appropriations actions on funding for EPA in FY2005, provide background information on the history and mission of EPA, explain the federal budget and appropriations process, discuss budgeting and planning changes in the Administration's FY2005 request, examine the request by appropriations account, and analyze key funding issues for Congress.

Congressional Action

On July 22, 2004, the House Appropriations Committee approved a draft bill (hereafter referred to as the "House draft markup") recommending FY2005 appropriations for Veterans Affairs, Housing and Urban Development (VA-HUD),

and Independent Agencies, which includes funding for EPA. As of the 2004 August congressional recess, the committee had not filed its report on the bill. The Senate Appropriations Committee had not marked up its version of the bill prior to the August recess. According to the press release from the House Appropriations Committee, its markup of the bill would provide \$7.8 billion for EPA in FY2005, \$36 million less than the Administration's request, and \$613 million less than the FY2004 appropriation.

Hearings have been held in the House and Senate to examine the President's FY2005 budget request for EPA. On May 20, 2004, Representative Obey, Ranking Minority Member of the House Appropriations Committee, introduced a stand-alone bill (H.R. 4421) that would fund EPA in FY2005, rather than in a VA-HUD bill. H.R. 4421 would provide \$8.8 billion for EPA, about \$1 billion more than requested. The increase would be allocated primarily to wastewater infrastructure projects and science and technology activities. The bill was referred to the House Appropriations Committee and the House Ways and Means Committee.

In accord with procedures of Congress requiring targets set in a nonbinding budget resolution that generally precedes appropriations, the House passed the conference agreement on the FY2005 budget resolution (S.Con.Res. 95, H.Rept. 108-498) on May 19, 2004. The Senate has not acted on the agreement. The resolution allocates \$32.1 billion in budget authority for the Natural Resource and Environment function, about \$1.8 billion more than the Administration's request of \$30.3 billion. In passing their respective versions of the resolution prior to conference, the House had proposed \$31.2 billion, and the Senate had proposed \$36.2 billion. This functional category includes several federal land management agencies and EPA. While the House and Senate resolutions included funding assumptions for certain EPA programs and activities, the specific funding levels for EPA and other federal agencies will be determined in the appropriations process. (For a discussion of the budget resolution as it pertains to federal funding as a whole, see CRS Report RL32264, *The Budget for Fiscal Year 2005*).

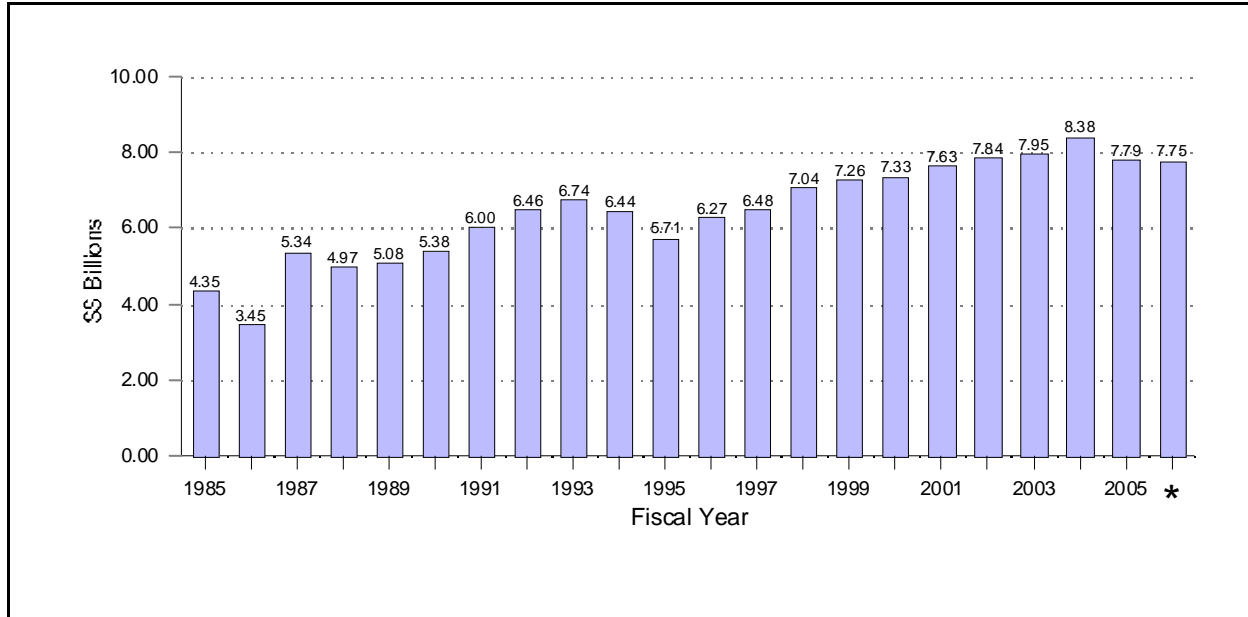
History and Mission of EPA

The Nixon Administration established the Environmental Protection Agency (EPA) in 1970 to consolidate federal pollution control responsibilities that had been divided among several agencies. EPA's responsibilities have grown as Congress has enacted an increasing number of environmental laws, as well as major amendments to these statutes, over three decades. Annual appropriations provide the funds necessary for EPA to carry out its responsibilities under these laws, such as the regulation of air quality and water quality, use of pesticides and toxic substances, management and disposal of solid and hazardous wastes, and cleanup of environmental contamination. EPA also awards grants to assist state, tribal, and local governments in controlling pollution in order to comply with federal laws. (For further discussion, see CRS Report RL30798, *Environmental Laws: Summaries of Statutes Administered by the Environmental Protection Agency*).

EPA's funding trends over the history of the agency generally reflect the evolution of statutory responsibilities and authorities enacted by Congress in response to a range of environmental concerns. In terms of the overall federal

budget, EPA's annual appropriation has represented a relatively small portion of total federal funding (about 0.3% in recent years). Historically, without adjusting for inflation, EPA's funding has grown from \$1 billion when EPA was established in FY1970 to \$8.4 billion in FY2004. **Figure 1** provides a 20-year funding history (not adjusted for inflation) for EPA from FY1985 through FY2004, and indicates the FY2005 request and the House draft markup.

Figure 1. EPA Budget Authority FY1985-FY2004, FY2005 Budget Request, and Action on Appropriations
(billions of dollars, not adjusted for inflation)



* The last two bars represent the FY2005 budget request for EPA and the House Appropriations Committee draft markup appropriations recommendation for EPA, respectively.

Source: Prepared by the Congressional Research Service with data from the Office of Management and Budget, *Budget of the U.S. Government FY2005: Historical Tables*, Table 5.2, Budget Authority by Agency 1976-2009, pp. 95-96; and from the House Appropriations Committee.

Federal Budget and Appropriations Process

The annual budget process for all federal agencies, including EPA, involves numerous steps leading up to the consideration of appropriations. Each year, the President submits his budget request to Congress, which includes projections of revenues and expenditures. Congress then develops its own budget in the form of a concurrent resolution after evaluating revenue and spending projections. The federal budget is organized according to 20 budget functions. EPA's activities are placed under Function 300 for Natural Resources and Environment for purposes of overall fiscal planning.

The House and Senate Budget Committees develop the concurrent resolution on the budget according to procedures established under the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 631 et seq.), and after considering the views and estimates of authorizing committees. Although the House and Senate

vote on the budget resolution, it is not submitted for the President's approval, and therefore does not become law. Instead, the budget resolution is an agreement between the House and Senate on a budget plan with which all subsequent budgetary legislation should be consistent.

This annual resolution establishes overall budget policies and assumptions for spending and revenue, and sets the level of budget authority and outlays for the 20 budget functions.¹ Federal funding in the budget resolution is allocated to the House and Senate Appropriations Committees in accordance with the priorities established in the resolution, as represented by the functional categories. The appropriations committees then sub-allocate this funding to the 13 subcommittees that draft the annual appropriations bills. The specific funding level for EPA is determined out of the suballocation for VA-HUD and Independent Agencies. (For further discussion of the federal budget process, see CRS Report RL32246, *Congressional Budget Actions in 2004*, and CRS Report RS20095, *The Congressional Budget Process: A Brief Overview*.)

Budgeting and Planning Changes in the FY2005 Request

In recent years, EPA has submitted a strategic plan as mandated by the 1993 Government Performance and Results Act (GPRA, P.L. 103-62), spelling out its mission and 10 major goals and associated objectives. The FY2005 budget request, referred to as the "2005 Annual Plan and Budget," is the seventh presented under provisions of GPRA, which directs that a performance plan accompany the budget.² However, EPA has significantly revised the planning, budgeting, accounting, and performance structure of the FY2005 budget proposal to match its new Strategic Plan,³ reducing its number of performance goals from 10 to 5. EPA uses these goals to plan, budget, and execute resources, and to review the relationship of resources to performance. **Table 1** compares the new goals for FY2005 with the goals used in Congressional Budget Justifications for FY2004 and recent previous years.

Also introduced in the FY2005 request are the concepts of "program/project" and "activity." The program/project describes what EPA does, and arrays resources in a structure intended to communicate effectively with partners and stakeholders. The activity structure is intended to show how EPA does its work and demonstrates compliance with the government-wide Business Reference Model, allowing for cross-federal agency comparisons.

¹ Budget authority is new funding that may be spent within the year it is made available, or in some cases, carried over to future years. Outlays are the actual amounts that are spent within a year. Generally, budget authority is a more accurate indicator of funding trends, because outlays can vary widely depending on many factors, such as the payment of funds obligated in past years for the completion of long-term projects.

² Supporting documents for EPA's FY2005 budget and previous fiscal years' budgets, including *Budget Summaries of the EPA Budget*, *Annual Performance Plans*, and *Congressional (Budget) Justifications*, are available on the agency's Office of Chief Financial Officer website at [<http://www.epa.gov/ocfo/budget/budget/htm>].

³ EPA, *2003-2008 EPA Strategic Plan — Direction for the Future*, September 30, 2003, available at the agency's website at [<http://www.epa.gov/ocfo/plan/plan.htm>].

Table 1. EPA Budget Goals for FY2004 Compared to FY2005

FY2004 Budget Goals	
Goal 1:	Clean Air
Goal 2:	Clean and Safe Water
Goal 3:	Safe Food
Goal 4:	Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems
Goal 5:	Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response
Goal 6:	Reduction of Global and Cross-border Environmental Risks
Goal 7:	Quality Environmental Information
Goal 8:	Sound Science, Improved Understanding of Environmental Risk, and Greater Innovation to Address Environmental Problems
Goal 9:	A Credible Deterrent to Pollution and Greater Compliance with Law (Enforcement)
Goal 10:	Effective Management
FY2005 Budget Goals	
Goal 1:	Clean Air and Global Climate Change
Goal 2:	Clean and Safe Water
Goal 3:	Land Preservation and Restoration
Goal 4:	Healthy Communities and Ecosystems
Goal 5:	Compliance and Environmental Stewardship

Source: Prepared by Congressional Research Service based on information from EPA's FY2005 Congressional Budget Justification.

Finally, the FY2005 budget request for EPA reflects the Administration's government-wide management reform priorities. For example, the results of the Administration's Performance Assessment Rating Tool (PART) were used to determine increases and decreases proposed for certain programs in EPA's FY2005 budget request.⁴ EPA has also incorporated Measurement Development Plans (MDPs) into this year's Annual Plan and Budget. MDPs, which recognize that environmental performance does not necessarily improve in one year, describe efforts to fill identified measurement gaps so that progress toward developing fully functioning measures, whether long-term or short-term, can be tracked. MDPs are intended to provide a road map for developing improved long-term and short-term performance measures for inclusion in the next strategic plan, tracking current strategic targets that cannot be measured annually, and assessing progress in addressing performance measurement gaps.

⁴ The priorities and the Performance Assessment Rating Tool (PART) are contained in the President's strategy for improving the management of the federal government, focusing on five areas of management weakness across the government. PART, a diagnostic tool for assessing program activities to improve performance, is intended to help link performance to budget decisions and lead to recommendations for improving results. Information on the President's Management Agenda is available on the Office of Management and Budget website at [<http://www.whitehouse.gov/omb>]. Also see CRS Report RS21416, *The President's Management Agenda: A Brief Introduction*.

EPA's Budget for FY2005 by Appropriations Account

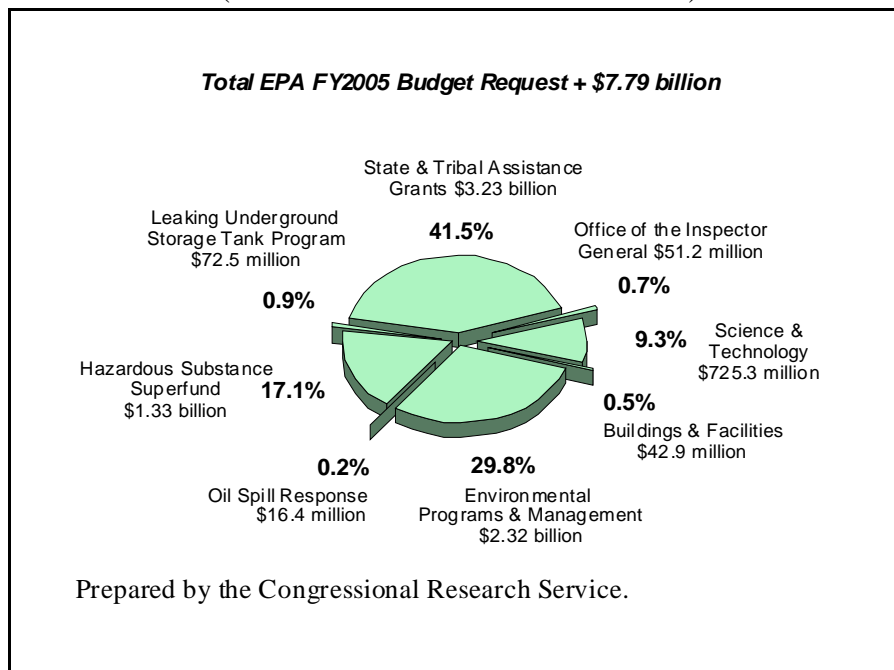
Traditionally, EPA's annual appropriation has been requested, considered, and enacted according to various line-item appropriations accounts, of which there currently are eight. Congress established these accounts in the FY1996 appropriations process to reflect recommendations made by the National Academy of Public Administration (NAPA) to change EPA's management and structure to focus federal spending on activities "of greater environmental benefit."⁵ Appropriations for the programs that EPA administers are distributed among the following eight accounts:

- Science and Technology;
- Environmental Programs and Management;
- Office of Inspector General;
- Buildings and Facilities;
- Hazardous Substance Superfund;
- Leaking Underground Storage Tank Program;
- Oil Spill Response; and
- State and Tribal Assistance Grants.

Figure 2 displays the portion of the FY2005 request allocated to each account. **Table 2** presents a breakdown of enacted appropriations for EPA by appropriations accounts from FY2003 through FY2004, the FY2005 request, and the House draft markup. A discussion of the activities funded under each account, the House draft markup, EPA's FY2005 request, and key funding issues for Congress follows.

Figure 2. FY2005 EPA Budget Request by Appropriations Account

(includes transfers between accounts)



⁵ National Academy of Public Administration report to the Senate VA-HUD and Independent Agencies Appropriations Committee, *Setting Priorities, Getting Results: A New Direction for EPA*, released April 1995. See also testimony at a hearing before the committee on May 17, 1995. S.Hrg. 104-258, Part 2.

Table 2. EPA Appropriations Accounts: FY2003-FY2004 Enacted, FY2005 Request, and Action on Appropriations^a
(in millions of dollars)

Appropriations Account	FY2003 Enacted	FY2004 Enacted	FY2005 Request	FY2005 House Comm.
Science and Technology	\$715.6	\$781.7	\$689.2	\$729.0
+ transfer from Superfund account	\$85.6	\$44.4	\$36.1	\$36.1
Science and Technology Total	\$801.2	\$826.1	\$725.3	\$765.1
Environmental Programs and Management	\$2,097.9	\$2,280.1	\$2,317.0	\$2,241.5
Office of Inspector General	\$35.8	\$37.3	\$38.0	\$37.0
+ transfer from Superfund account	\$12.7	\$13.2	\$13.2	\$13.0
Office of Inspector General Total	\$48.5	\$50.5	\$51.2	\$50.0
Buildings & Facilities	\$42.6	\$39.8	\$42.9	\$39.0
Hazardous Substance Superfund	\$1,264.6	\$1,257.5	\$1,381.4	\$1,257.5
— transfer to Office of Inspector General	\$12.7	\$13.2	\$13.2	\$13.0
— transfer to Science and Technology	\$85.6	\$44.4	\$36.1	\$36.1
Hazardous Substance Superfund (Net)	\$1,166.3	\$1,199.9	\$1,332.1	\$1,208.4
Leaking Underground Storage Tank Program	\$71.8	\$75.6	\$72.5	\$74.0
Oil Spill Response	\$15.5	\$16.1	\$16.4	\$16.0
Pesticide Registration Fund ^b	n/a	n/a	\$19.4	\$19.4
Pesticide Registration Fees (offset)	n/a	n/a	\$19.4	\$19.4
State and Tribal Assistance Grants	\$3,834.9	\$3,877.8	\$3,231.8	\$3,359.0
Total EPA Accounts	\$8,078.7	\$8,366.0	^c \$7,789.2	\$7,753.0

Source: Prepared by the Congressional Research Service.

^a Amounts for FY2003 are from the House Appropriations Committee report for the FY2004 appropriations bill (H.Rept. 108-235; P.L. 108-199), and reflect an across-the-board rescission of 0.65% required by law. Amounts enacted for FY2004 and requested for FY2005 are from the VA, HUD and Independent Agencies Subcommittee of the House Appropriations Committee. Amounts for FY2004 reflect an across-the-board rescission of 0.59% required by law. FY2005 amounts are from the House Appropriations Committee draft markup. The amounts in the above table differ somewhat from amounts in EPA's Congressional Budget Justification documents due to different accounting adjustments.

^b The FY2005 request reflects EPA's estimate of anticipated collection of pesticide registration service fees under a Pesticide Registration Fund, as authorized in FY2004 appropriations (P.L. 108-99, Title IV of Division G). This Fund functions as an offset, as it is a revenue fund rather than an appropriations account. The committee budget tables did not make a reference to other EPA estimates for existing or proposed FY2005 "user-fee" revenues, including expected \$27 million in revenues from related "pesticide maintenance fees" also authorized in FY2004 appropriations.

^c In the EPA FY2005 Congressional Budget Justification, the Administration included a \$30 million offset based on anticipated revenues from two "user-fee" proposals, resulting in the total of \$7.76 billion reflected in the FY2005 request. The two fee proposals include \$4 million from an increase to existing fee levels for Premanufacture Notices (PMNs) under the Toxic Substances Control Act, and \$26 million from pesticide fee authority promulgated in 1988 but prohibited by Congress since 1988. These fees would be deposited into a special fund in the U.S. Treasury, available to EPA but subject to appropriation. The Administration's total for EPA does not appear to reflect an offset for other proposed, or existing, user-fee revenue estimates. (See EPA's Congressional Budget Justification on the agency's website at [<http://www.epa.gov/ocfo/budget/budget>]).

Science and Technology. The House draft markup includes \$765.1 million (including transfers) for the Science and Technology (S&T) account, \$39.8 million more than the FY2005 budget request, and \$61 million less than the FY2004 appropriation. The total for the S&T account reflects the transfer of \$36.1 million from the Hazardous Waste Superfund account to the S&T account as the Administration requested, discussed later. The committee recommended a general reduction of \$2.8 million in this account. It is the agency's discretion to determine which program activities, not among those specified in the draft committee report, would not be funded at the levels originally requested.

Incorporating elements of the former research and development account, the S&T account provides funding for developing the scientific knowledge and tools necessary to support decisions on preventing, regulating, and abating environmental pollution. It also supports efforts to advance the base of understanding for environmental sciences. These activities are conducted through contracts, grants, and cooperative agreements with universities, industries, other private commercial firms, nonprofit organizations, state and local government, and federal agencies, as well as through work performed at EPA's laboratories and various field stations and offices.

Table 3. Science and Technology Account: FY2002-FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Request	House Draft Markup
\$825.3	\$801.2	\$826.1	\$725.3	\$765.1

Note: Amounts include transfers from the Superfund account.

The FY2005 request reflects reductions in funding from FY2004 levels for a number of S&T account activities. In some cases, reductions are characterized as efficiencies gained as a result of combining individual research projects into broader funding categories. While the EPA Congressional Budget Justification asserts that the FY2005 budget request would place a high priority on researching the effects of pollution on human health, some have expressed concern that the proposed reduction in overall funding for scientific research at EPA and other agencies could compromise further understanding of the effects of potentially hazardous substances on human health. The House draft markup generally reflects restoring funding levels for most projects near FY2004 appropriations levels, resulting in increases for some activities and decreases for others.

The House draft markup specifies a \$16.2 million increase above the FY2005 request for the Science to Achieve Results (STAR) and STAR Fellowship programs, intended to fully restore these programs to FY2004 levels. In recent years, the Administration's budget requests have proposed to decrease funding for various aspects of the STAR program, but Congress has typically reinstated the funding during the appropriations process. For example, EPA did not request any funding for the STAR Fellowship for FY2003, but Congress restored the funding. The proposed \$1.2 increase above the FY2004 budget request of \$4.9 million for the STAR Fellowship program included in the FY2005 request, is nearly \$4.0 million less than the \$9.75 million appropriated in FY2004 and FY2003. In addition, the FY2005

request includes reductions of \$35 million from the previous year budget request (FY2004) for other STAR research areas. The reductions included in the S&T account represent the largest single proposed decrease in the account (nearly 35% of the overall requested reduction of \$101 million for the S&T account). Although it is unclear from the House draft markup how funding for specific STAR projects activities would be affected, the FY2005 budget request had proposed reductions in the S&T account for the STAR program that would have eliminated funding of grants in four research areas:

- a \$22.1 million reduction that would eliminate extramural ecosystems research grants (approximately 50 grants overall);
- a \$4.9 million reduction that would eliminate grants to fund research on endocrine disrupting chemicals (EDCs);
- a \$2.0 million reduction that would eliminate grants for researching the effects of exposure to mercury on human health; and
- a \$5.0 million dollar transfer of funds from the Agency's Office of Research and Development to the Office of Pesticides, Prevention, and Toxic Substances that would eliminate pollution prevention research supported through the STAR.

The FY2005 budget request for EPA's scientific research activities, in particular the proposed cutbacks in the STAR project areas, have received attention in hearings on EPA's budget, including a hearing held by the House Science Committee on March 11, 2004, and a hearing held by the Senate Environment and Public Works Committee on March 25, 2004. Several Members expressed concern with proposed reductions in STAR funding for mercury research, given the growing evidence of associated health risks posed by this substance. In its FY2005 Congressional Budget Justification and in testimony at these hearings, EPA indicated that it will maintain in-house research in these areas where reductions have been proposed, and that the proposed reductions are part of an overall strategy to realign and consolidate EPA's cumulative risk research under the human health and ecosystems program/project to improve coordination of this effort.

EPA's role in climate change research and the Administration's Climate Protection Program have been an issue of debate this year, as in past appropriations deliberations. In addition, the scientific basis supporting several recent EPA air quality initiatives and regulations has been questioned by a number of stakeholder groups, as well as by some Members of Congress.⁶ The House draft markup includes a combined reduction of \$16.0 million to the Administration's FY2005 request (from \$138 million to \$122 million) for three clean air activities: Federal Vehicle and Fuels Standards and Certification, Research for Particulate Matter, and Clean Air Allowance Trading Program. According to the FY2005 EPA Congressional Budget Justification, more than 25% of the FY2005 request for the S&T account (\$205.8 million) would have been designated for one of the agency's restructured goals,

⁶ For a discussion of air quality and climate change issues, see CRS Issue Brief IB10107, *Clean Air Act Issues in the 108th Congress*; CRS Report RL37719, *Air Quality: Multi-Pollutant Legislation in the 108th Congress*; CRS Issue Brief IB89005, *Global Climate Change*; and CRS Report RL32055, *Climate Change Legislation in the 108th Congress*.

“Clean Air and Global Climate Change.” FY2005 S&T requested funding for this goal was a \$6.2 million increase from the FY2004 budget request.⁷

Environmental Programs and Management. The House draft markup includes \$2.24 billion for the Environmental Programs and Management (EPM) account, \$75.5 million below the FY2005 budget request, and \$38.6 million less than the FY2004 appropriation of \$2.28 billion. In the House draft markup, the committee recommended a general reduction of \$23.2 million in this account. It is the Agency’s discretion to determine which program activities, not among those specified in the draft committee report, would not be funded at the levels originally requested.

**Table 4. Environmental Programs and Management Account:
FY2002-FY2004 Enacted, FY2005 Request, and Action on
Appropriations**
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Request	House Draft Markup
\$2,093.5	\$2,097.9	\$2,280.1	\$2,317.0	\$2,241.5

The EPM account — representing roughly one-third of EPA’s budget in past years — reflects the heart of the agency’s regulatory, standard-setting, and enforcement efforts for various media programs such as water quality, air quality, and hazardous waste management. This account funds the development of environmental standards, monitoring and surveillance of pollution conditions, federal pollution control planning, technical assistance to pollution control agencies and organizations, preparation of environmental impact statements, and compliance assurance and assistance. Many complex or contentious regulatory/standard-setting issues can be associated with this account. (CRS Issue Brief IB10115, *Environmental Protection Issues in the 108th Congress*, discusses many of them.)

With a few exceptions, the FY2005 budget request included relatively small increases above FY2004 levels for a majority of the program activities identified within the EPM account. The House draft markup includes recommendations for minor decreases in the increased funding requested for a majority of the identified activities, bringing funding closer to FY2004 levels. However, in three program areas the reductions are relatively substantial. The House draft markup includes \$10 million for the Great Lakes Legacy Act, the same as FY2004 but \$35 million below the \$45 million FY2005 request;⁸ \$103 million for Information Technology/Data Management, nearly the same as FY2004 but \$33.2 million less than requested; and \$308 million for Facilities Infrastructure and Operations, nearly \$1 million more than FY2004 but \$18.8 million less than requested.

⁷ Authorized FY2004 appropriations (P.L. 108-199) are not broken out by EPA strategic goals, and therefore, the FY2005 budget request cannot be directly compared to FY2004 appropriations by EPA goal.

⁸ The FY2005 budget request proposed funding would approach the level of \$50 million that Congress authorized in the Great Lakes Legacy Act of 2002 (Title I of P.L. 107-303).

It is worth noting that the House draft markup includes a recommendation to fund the Brownfields Program at the FY2004 level of \$25 million but to reduce the EPM account's portion by \$2.0 million. Additional resources for the Brownfields revolving fund are provided in the STAG account (see discussion later in this report).

The House draft markup reinstates funding for EPA's Environmental Education Program near the FY2004 funding level, providing \$9.2 million. As in the FY2003 and FY2004 budget request, the FY2005 request included no funding for EPA's Environmental Education Program based on the Office of Management and Budget's measured effectiveness of the program.⁹ Congress appropriated \$9 million in FY2004. Advocates of the program counter that it has had a positive impact on a national level, awarding grants to elementary and secondary schools in each of the 50 states for teacher training, the purchase of textbooks, the development of curricula, and other educational activities. In response to this support, Congress reinstated the funding for this program during the appropriations deliberations in FY2003 and FY2004. (For further discussion, see CRS Report 97-97, *National Environmental Education Act of 1990: Background, Implementation, and Reauthorization Issues*.)

The draft markup also includes increases above the FY2005 request for four program activities to bring them to FY2004 level: the National Estuary Program/Coastal Waterways, the Toxic Substances Lead Risk Reduction Program, the Long Island Sound Program, and Environmental Justice.

Under the Administrative Provisions of the draft House committee report, the committee expresses its concern regarding the Administration's proposal for additional pesticide fees in the FY2005 budget request. The proposal is viewed as in conflict with the Pesticide Registration and Improvement Act (PRIA) enacted by Congress in the FY2004 appropriations (P.L. 108-99, Title IV of Division G). The provisions included in the FY2004 appropriations reauthorized¹⁰ the collection of "maintenance fees" (primarily for re-registration), and authorized new annual "registration service" fees intended to cover a portion (but not all) of the cost of activities associated with the registration of "new" pesticides, and for expediting the overall process under the Food Quality Protection Act (FQPA; P.L. 107-170).¹¹ Provisions under PRIA also rescinded EPA's existing authority to collect additional registration fees.¹² The FY2005 budget request proposed discontinuing these

⁹ The Office of Management and Budget (OMB) gave the program a "Results Not Demonstrated" rating using the PART tool in its FY2005 government-wide assessment of federal programs, and has used this rating as its primary justification for proposing to terminate the program.

¹⁰ Maintenance fees were initially authorized in the 1988 amendments to the Federal Insecticide, Rodenticide and Fungicide Act (FIFRA; P.L. 100-532).

¹¹ See CRS Report RL32218, *Pesticide Registration and Tolerance Fees: Overview*.

¹² In the FY2004 omnibus appropriations (P.L. 108-99, Title IV of Division G), Congress also suspended authority for the collection of fees for establishing tolerances (maximum allowable limits of pesticides in food; "tolerance fees"), and continued the prohibition of
(continued...)

congressional restrictions on the use of “other” fee collection authority, and estimated that \$26 million in additional revenues would be collected in FY2005.

Office of Inspector General. The House draft markup includes \$50.0 million (including transfers) for EPA’s Office of Inspector General (OIG), \$1.2 million less than the FY2005 budget request, and \$0.5 million less than the FY2004 appropriation. The draft markup includes a transfer of \$13.0 million to the OIG account from the Superfund account. The OIG performs EPA audit and investigative functions to identify and recommend corrective actions of management, program, and administrative deficiencies, which may create conditions for instances of fraud, waste, and mismanagement of funds. As in the FY2004 appropriations, \$750,000 of the total recommended funding for the OIG in the House draft markup is to be used to carry out the IG’s duties for the Chemical Safety and Hazard Investigation Board. This provision was not included in the FY2005 or the FY2004 budget requests.

Table 5. Office of Inspector General Account: FY2002-FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Requested	House Draft Markup
\$45.9	\$48.5	\$50.5	\$51.2	\$50.0

Note: Amounts include transfers from the Superfund account.

Buildings and Facilities. The House draft markup includes \$39.0 million for the Buildings and Facilities account, \$3.9 million less than the FY2005 budget request, and \$764,000 less than the FY2004 appropriation. This account funds repairs, improvements, extensions, or alterations of buildings, facilities, or fixed equipment. It also funds new construction projects.

Table 6. Buildings and Facilities Account: FY2002-FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Requested	House Draft Markup
\$25.3	\$42.6	\$39.8	\$42.9	\$39.0

Hazardous Substance Superfund. The House draft markup would provide \$1.26 billion for the Superfund account for FY2005, the same as the FY2004 appropriation. The Administration had requested \$1.38 billion. Of the proposed House amount, \$36.1 million would be transferred to the Science and Technology account, and \$13.0 million would be transferred to the Office of Inspector General. After these transfers, there would be a net appropriation of \$1.21 billion available for the cleanup of hazardous waste sites.

¹² (...continued)

collecting registration fees using other pre-existing authority (40 *Code of Federal Regulations* 152(u) and 172).

Table 7. Hazardous Substance Superfund Account: FY2002-FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Request	House Draft Markup
\$1,262.5	\$1,166.3	\$1,200.0	\$1,332.1	\$1,208.4

Note: Amounts indicate net Superfund funding levels, after the transfer of funds to the accounts for Science and Technology and the Office of the Inspector General.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, 42 U.S.C. 9601 et seq.) created the Superfund program to clean up the nation's worst hazardous waste sites, and established the National Priorities List (NPL) to identify sites that present the greatest risk to the public and the environment. The Superfund account in EPA's budget funds the agency's efforts to remove contamination that presents an immediate threat to human health and the environment, and to remediate contamination for which there is a potential pathway of exposure. This account also funds EPA's efforts to enforce CERCLA and to require potentially responsible parties (PRPs), including federal facilities, to remediate contamination. The Superfund account pays for the cleanup when there is no financially viable party at the private sector sites. The costs of remediation at federal facilities are paid by the federal agency that caused the contamination, rather than the Superfund account.

Among the major concerns associated with the Superfund account is whether the funding level is adequate to clean up contamination at a pace that sufficiently protects human health and the environment. EPA's FY2005 Congressional Budget Justification indicated that the Administration's request would fund "500 final site-assessment decisions" (number of actual sites being assessed is not indicated) to determine the extent of contamination, the selection of final cleanup remedies at 20 sites, and the completion of construction for cleanup remedies at 40 non-federal and federal sites combined. The total of 40 construction completions that the Administration has proposed for FY2005 is lower than the annual average of about 67 over the previous five years. Although some Members of Congress maintain that steady funding for the Superfund program is sufficient to meet cleanup needs, other Members, states, environmental organizations, and communities argue that steady funding is not enough. They also assert that the Administration's requested increase for FY2005 is still not enough to adequately protect human health and the environment, and advocate even higher funding.

The most recent estimate of funding needs for the Superfund program was released in 2001 in a study by Resources for the Future (RFF), a private organization. Congress had directed EPA to fund this study, titled *Superfund's Future: What Will It Cost?* RFF estimated that \$14 billion to \$16 billion in funding would be necessary from FY2000 through FY2009 to meet cleanup needs. At a minimum, RFF projected that annual expenditures of \$1.5 billion would be necessary through FY2006 to maintain an adequate pace of cleanup. Annual appropriations in recent years have been around \$1.25 billion (prior to transfers). (For further discussion of the Superfund program, see CRS Issue Brief IB10114, *Brownfields and Superfund Issues in the 108th Congress.*)

The source of funding for the Superfund program has also been an ongoing issue. Three dedicated taxes (on petroleum, chemical feedstocks, and corporate income) historically provided the majority of funding for the Superfund program. However, the taxes expired at the end of 1995, and the amount of remaining revenues were essentially expended by the end of FY2003. Consequently, Congress funded the program entirely with general Treasury revenues for the first time in FY2004.

Some Members advocate reinstating the Superfund taxes, and argue that the use of general Treasury revenues undermines the “polluter pays” principle, spreading cleanup costs across the economy by funding them from the general Treasury. Other Members and the Administration counter that financially viable parties still pay for the cleanup and that polluters are therefore not escaping their responsibility. In recent years, EPA has stated that approximately 70% of sites on the National Priorities List are cleaned up by responsible parties. (For further discussion of the trust fund, see CRS Report RL31410, *Superfund Taxes or General Revenues: Future Funding Options for the Superfund Program*.)

An amendment to the Senate FY2005 budget resolution (S.Con.Res. 95) proposed to reinstate the Superfund taxes, but it was not agreed to. The amount proposed for the Superfund account in the House draft markup, and the Administration’s request, would continue the practice of funding this account entirely with general Treasury revenues.

Leaking Underground Storage Tank Program. The House draft markup includes \$74.0 million for the Leaking Underground Storage Tank (LUST) Program account, \$1.5 million more than the FY2005 budget request, and \$1.6 million less than the FY2004 appropriation. The Superfund Amendments and Reauthorization Act of 1986 (SARA, Title V of P.L. 99-499) established the LUST Trust Fund to conduct corrective actions for releases from leaking underground storage tanks containing petroleum and other hazardous substances. The Trust Fund is used to implement the LUST program through state cooperative agreement grants, enforce responsible parties to finance corrective actions, and recover expended funds used to clean up abandoned tanks.

**Table 8. Leaking Underground Storage Tank Program Account:
FY2002-FY2004 Enacted, FY2005 Request, and Action on
Appropriations**
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Requested	House Draft Markup
\$73.0	\$71.8	\$75.6	\$72.5	\$74.0

The status of state LUST programs is a significant issue, as many states are finding it difficult to finance their programs. At the same time, the fact that the balance of the LUST Trust Fund has passed the \$2.2 billion threshold, and the likelihood it will grow even larger if not drawn upon significantly, has led some to call for allowing greater use of the fund balance by states. (See CRS Report RS21201, *Leaking Underground Storage Tanks: Program Status and Issues*.)

Oil Spill Response. The House draft markup includes \$16.0 million for EPA's Oil Spill Response account, \$425,000 less than the FY2005 budget request and \$113,000 less than the FY2004 appropriation. While the U.S. Coast Guard is responsible for responding to oil spills in coastal and inland navigable waterways, EPA is responsible for responding to spills that occur on the land, as a result of leaking pipelines, accidents in transport, or other events. Appropriations in this account only fund EPA's oil spill response activities. EPA reports that it responds to approximately 300 oil spills each year. EPA is reimbursed for site-specific response expenses from the Oil Spill Liability Trust Fund, which is administered by the U.S. Coast Guard. The requested increase for FY2005 would have been devoted to improving the EPA's capabilities to respond to emergency threats posed by oil spills.

Table 9. Oil Spill Response Account: FY2002-FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Requested	House Draft Markup
\$15.0	\$15.5	\$16.1	\$16.4	\$16.0

State and Tribal Assistance Grants. The House draft markup would provide \$3.36 billion for the State and Tribal Assistance Grants (STAG) account for FY2005, \$519 million less than the FY2004 appropriation. The Administration had requested \$3.23 billion. Historically, this account has represented the largest portion of EPA's annual appropriation, comprising about 40% of the agency's budget in recent years. The majority of the account provides seed monies in the form of grants for State Revolving Funds (SRFs) for water infrastructure projects. From these funds, states primarily issue loans to local communities for constructing and upgrading water infrastructure in order to meet federal requirements. There are separate SRFs for clean water and drinking water projects. The clean water SRF provides funds for wastewater infrastructure, such as municipal sewage treatment plants. The drinking water SRF provides funds for drinking water treatment facilities and other projects needed to comply with federal drinking water requirements.

The remainder of the STAG account funds categorical grants to states and tribes for numerous pollution control activities, grants for water infrastructure in geographic-specific areas such as the U.S./Mexico Border and in Alaska Native Villages, Brownfields grants, and grants for clean school buses. Key funding issues regarding the SRFs, and other grants funded within the STAG account, are discussed below.

Table 10. State and Tribal Assistance Grants Account: FY2002-FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

FY2002 Enacted	FY2003 Enacted	FY2004 Enacted	FY2005 Request	House Draft Markup
\$3,738.3	\$3,834.9	\$3,877.9	\$3,231.8	\$3,359.0

State Revolving Funds. As the Administration requested, the House draft markup would cut funding for the clean water State Revolving Fund (SRF) by about \$500 million, from \$1.35 billion in FY2004 to \$850 million in FY2005. It would provide \$845 million for the safe drinking water SRF, the same as the FY2004 appropriation, but \$5 million less than requested. The proposed funding levels for both SRFs have been contentious, especially the significant decrease proposed for the clean water SRF, as there is disagreement about what level of federal support is adequate. This issue was addressed in floor debate on the Senate FY2005 budget resolution (S.Con.Res. 95). An amendment passed to increase budget authority for the Natural Resource and Environment Function by \$3 billion, devoted to increasing support for both SRFs. However, this funding assumption was not adopted in the conference report (H.Rept. 108-498).

Numerous studies have estimated the future capital needs for water infrastructure. EPA issued its most recent needs survey for the construction of wastewater treatment facilities in August 2003, estimating remaining needs at \$181 billion nationwide.¹³ EPA's most recent drinking water needs survey projected that public drinking water systems need to invest \$151 billion over 20 years.

Some stakeholder groups have projected higher funding needs than those estimated by EPA. In 2000, the Water Infrastructure Network (WIN) issued the following report, *Clean and Safe Water for the 21st Century*, estimating total wastewater and drinking water capital needs to be \$940 billion over the next 20 years, even more if operation and maintenance needs are included (which currently are not eligible for federal assistance). Of the \$940 billion amount, WIN estimates that 20-year capital funding needs for wastewater are about \$460 billion and for drinking water are about \$480 billion. WIN foresees a \$23 billion per year funding gap: \$12 billion for wastewater and \$11 billion for drinking water capital needs.

While much attention is devoted to the role of federal appropriations in water infrastructure financing, some advocate that statutory changes are needed to meet state and local needs more effectively. Legislation to reauthorize funding for the SRFs has been introduced in the 108th Congress (see CRS Issue Brief IB10108, *Clean Water Issues in the 108th Congress*).

Another related issue is the extent to which funding should be earmarked for water infrastructure projects in specific communities, rather than provided competitively through the SRFs. Whereas communities compete for loan funds provided through the SRFs which must be repaid, earmarked funding is awarded noncompetitively as grants that do not require repayment to states. As the overall amount of funding earmarked for water infrastructure projects has risen in recent years, whether these needs should be met with SRF loan monies or grant assistance has become controversial. (For further discussion, see CRS Report RL32201, *Water*

¹³ The survey did not provide a uniform planning horizon because of variability in community planning horizons across the country. The reported aggregate "needs" estimate represents a summary of capital expenditures that might be made at different points in time over a multi-year time frame. EPA, *Clean Watersheds Needs Survey 2000: Report to Congress*, August 2003, EPA-832-R-03-001; see [<http://www.epa.gov/owm/mtb/cwms/index.htm>].

Infrastructure Project Earmarks in EPA Appropriations: Trends and Policy Implications.)

The House draft markup would provide \$323 million in earmarked funding within the STAG account for special project grants to specific communities for drinking water, wastewater, and storm water infrastructure projects, the same as the FY2004 appropriation. As in recent previous fiscal year budget requests, the Administration did not request any funding for these projects for FY2005.

Other Water Infrastructure Grants. The House draft markup also would provide \$74 million within the STAG account for three other water infrastructure grants for geographic-specific areas included in the Administration budget request:

- \$50 million for wastewater infrastructure projects along the U.S./Mexico border, the same as requested;
- \$20 million for the construction of wastewater and drinking water facilities in Alaska Native Villages (half of the \$40 million requested); and
- \$4.0 million for an infrastructure project to upgrade the Metropolitan Sergio Cuevas wastewater treatment facility in San Juan, Puerto Rico, the same as requested.

Categorical Grants. The House draft markup includes \$1.16 billion to support state and tribal assistance, or “categorical” grants, within the STAG account, compared to the \$1.25 billion in the FY2005 budget request and \$1.18 billion in the FY2004 appropriation. In general, categorical grants have a narrow range of eligible activities relative to other type of grants. EPA categorical funds are traditionally distributed through multiple grants to support various activities within a particular media (air, water, hazardous waste, etc.) program. These grants are used by states to support the day-to-day implementation of environmental laws, including a range of activities such as monitoring, permitting and standard setting, training, and other pollution control and prevention activities. Grant funding is also used for multimedia projects such as pollution prevention incentive grants, pesticides and toxic substances enforcement, the tribal general assistance program, and environmental information.

In the House draft markup, the committee generally recommended funding the categorical grants at levels similar to FY2004 appropriations. This results in significant reductions from the Administration’s FY2005 budget request for certain categorical grants, including \$200 million for Pollution Control under Section 106 of the CWA, a \$22.4 million reduction; \$12 million for Underground Storage Tanks, a \$25.9 million reduction; and \$19.5 million for Environmental Information, a \$5.5 million reduction. In the case of Nonpoint Source categorical grants (Section 319 of the CWA), the committee recommendation of \$235 million in the draft markup is an increase of \$26.1 million above the FY2005 budget request.

The draft markup included no funding for a new performance-based grant program for all categorical activities (multi-media), referred to as the “State and Tribal Performance Fund,” proposed in the FY2005 budget request. The FY2005 budget request proposed \$23.0 million for this new competitive grants program intended to enhance the environmental performance and accountability of state and

tribal programs. Funding would have been awarded on the basis of environmental and health outcomes/achievements.

EPA's FY2005 Annual Performance Plan and Congressional Budget Justification presents 25 individual categorical program grants in six categories: air and radiation, water quality, drinking water, hazardous waste, pesticide and toxic substances. Examples of grants within these categories include air quality grants to support fine particulate matter (PM2.5) monitoring and data collection, water quality grants to support implementation of non-point source management programs, grant assistance for development and implementation of hazardous waste programs, pesticide program implementation and pesticide enforcement, and pollution prevention incentive grants. **Table 11** below shows a comparison of the amounts included in the House draft markup, the FY2005 budget request, and appropriations for FY2004 for each of the six categories. EPA's FY2005 Congressional Budget Justification also provides detailed descriptions for the individual grant programs.

Table 11. Funding for EPA State and Tribal Categorical Grants, FY2004 Enacted, FY2005 Request, and Action on Appropriations
(millions of dollars)

National Program Category	FY2004	FY2005	House Draft Markup
Air & Radiation	\$246.3	\$247.8	\$243.8
Water Quality	\$495.0	\$508.5	\$494.4
Drinking Water	\$117.9	\$121.1	\$116.3
Hazardous Waste	\$167.4	\$204.4	\$166.3
Pesticides & Toxics	\$ 51.5	\$ 51.9	\$ 51.0
Multimedia	\$ 90.2	\$118.8	\$ 89.8
Total	\$1,168.3	\$1,252.3	\$1,161.6

Source: Prepared by the Congressional Research Service with data from EPA's FY2005 Annual Performance Plan and Congressional Budget Justification, and the House Appropriations Committee draft markup.

According to the EPA FY2005 Congressional Budget Justification, the agency is continuing the National Environmental Performance Partnership System (NEPPS) initiated through a formal agreement between EPA and the states in FY1995.¹⁴ NEPPS is intended to improve coordination for setting environmental priorities by states and EPA, and to allow states the flexibility to direct resources to where they are needed the most, in exchange for more effective measuring and reporting of environmental improvements. Several states have entered into Performance Partnership Agreements outlining approaches, activities and goals for environmental

¹⁴ *Joint Commitment to Reform Oversight and Create a National Environmental Performance Partnership System*, May 17, 1995. For and additional information regarding the National Environmental Partnership Program, Partnership Agreements, and Partnership Grants, see EPA's website at [<http://www.epa.gov/ocir/nepps/index.htm>].

improvement. These activities are frequently funded with Performance Partnership Grants (PPGs), although formal agreements are not required for states to qualify for PPGs. PPGs permit states and tribes the flexibility of combining multiple (cross-media) categorical grants to address broader environmental protection activities. Congress first provided this authority, which significantly reduces administrative burden and provides states flexibility, with the FY1996 appropriations.¹⁵

Brownfields Grants. The Brownfields Program provides assistance to states and tribes for the cleanup and redevelopment of abandoned, idled, or underutilized commercial and industrial sites. EPA had funded the Brownfields Program out of the Superfund account until FY2003. Funding for grants under this program is now provided within the STAG account, and funding for administrative expenses is provided within the Environmental Programs and Management account.

The House draft markup would provide \$145 million within the STAG account for Brownfields grants in FY2005, about the same as the FY2004 appropriation. The Administration had requested \$181 million. Of the House amount of \$145 million, \$95 million would be for grants to perform brownfield assessments, establish revolving loan funds, clean up sites, and create job training programs. Assessment and cleanup of petroleum-contaminated sites is also authorized out of this \$95 million. The remaining \$50 million would be for categorical grants to states and Indian tribes to establish or enhance their voluntary response (cleanup) programs. States and tribes may also use these monies to capitalize revolving loan funds, purchase insurance, or develop risk sharing pools or insurance mechanisms to provide financing for response actions.

As noted earlier, the House draft markup would provide an additional \$23 million under the Environmental Programs and Management account for administrative expenses of the Brownfields Program. The amount under this account and the STAG account combined yield a total of \$168 million for the program, about the same as the FY2004 appropriation. The Administration had requested nearly \$209 million.

Clean School Bus Initiative. The House draft markup would provide \$10 million to fund cost-share grants for clean school buses, twice the FY2004 appropriation of \$5 million.¹⁶ Funding awarded under these grants is mainly used to retrofit older diesel-powered school buses to reduce emissions of particulate matter, and to raise awareness of the health risks posed to schoolchildren from exposure to

¹⁵ The Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134, 110 Stat. 1321(1996)). See also EPA's FY1998 appropriations, Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998 (P.L. 105-65, 111 Stat. 1344 (1997)).

¹⁶ Congress provided the FY2004 appropriation for this activity within the Environmental Programs and Management account, rather than in the STAG account. EPA had requested \$1.5 million for FY2004. The conference report on the Consolidated Appropriations Act for FY2004 (H.R. 2673, H.Rept. 108-401) did not specify a reduction in the \$1.5 million request for diesel engine retrofitting activities proposed in the FY2004 budget request. Therefore, it is presumed that the \$5.0 million added by Congress for school bus retrofitting is supplemental to the requested amount.

diesel emissions. EPA reports that 24 million children travel by bus to school each day, exposing those who ride on older buses to potentially harmful emissions. The program has been popular at the local level, and the Administration had requested a substantially larger increase, \$65 million, to award grants in a greater number of school districts. Although the House draft markup would provide a 100% increase for this program, relative to FY2004, some have expressed concern that local interest in these grants would greatly exceed the House amount.

EPA began the Clean School Bus Initiative in April 2003 as a pilot program. It was an extension of the Voluntary Diesel Retrofit Program¹⁷ to upgrade/retrofit diesel engines, which began in 2000. The goals of this program are to reduce emissions by developing strategies to eliminate unnecessary idling, and by replacing older (pre-1991) school buses with buses that have more effective emissions controls, and retrofitting newer (post-1991) buses with similar updated controls, by 2010. EPA's initial grant solicitation in FY2003 sought demonstration projects to assist school districts in reducing pollution from diesel-powered buses. EPA received more than 120 grant proposals from school districts, state and local agencies, and nonprofit organizations, seeking a total of \$60 million in funds. With the \$5 million appropriated in FY2003, EPA awarded grants for 17 demonstration projects in 14 states.¹⁸

Recipients of grant awards using funds appropriated in FY2004 were to be selected according to a streamlined process based on the criteria and evaluations conducted for the 2003 grant solicitation. Drawing from the pool of applicants that did not receive funding in 2003, EPA planned to award grants in enough time to allow retrofits/replacements to occur this summer and place cleaner buses in operation by the start of the 2004-2005 school year.

Conclusion

The draft House Appropriations Committee markup for EPA appropriations, like the Administration's FY2005 budget request, recommends less funding than appropriated in the previous year. Although the draft House markup includes increases for some existing programs and proposes funding for some new projects, the collective reductions more than offset the increases to yield \$36 million less than requested, and a \$613 million reduction in the FY2004 funding level overall.

The largest reduction proposed in the Administration's FY2005 request was for water infrastructure projects, including the clean water SRF and congressionally mandated projects that received earmarked funding in FY2004. The House Appropriations Committee markup includes \$850 million for clean water SRFs, the same as requested and about \$500 million less than the \$1.35 billion appropriated in

¹⁷ EPA initiated this program in anticipation of new diesel engine emission standards. The program promotes innovative technology to comply with the standards, implements demonstration projects to encourage more fleet retrofits, and evaluates emission control technologies. For more information, see the EPA website at [<http://www.epa.gov/otaq/retrofit/index.htm>].

¹⁸ For more information, see [http://www.epa.gov/otaq/schoolbus/grants_2003.htm].

FY2004. The extent to which water infrastructure projects should be funded competitively through the SRFs, or through direct grants with earmarked funding, continues to be an issue. In past years, Congress has added specified funding for water infrastructure projects and other activities during the appropriations process. The House draft markup would provide \$323 million in earmarked funding within the STAG account for special project grants to specific communities for drinking water, wastewater, and storm water infrastructure projects, the same as the FY2004 appropriation. The extent to which funding may be appropriated for earmarked projects in FY2005 will depend primarily on the priorities of Congress and the availability of funding for competing needs within the suballocation for the VA-HUD appropriations bill, which funds EPA.

The adequacy of funding for the Superfund program to clean up hazardous waste sites also continues to be the subject of debate. The House draft markup includes funding for the Superfund account near the FY2004 level, while the Administration proposed a \$132 million increase. Even at the requested level, the funding is perceived as insufficient to some Members of Congress, states, and environmental organizations. They argue that higher funding is necessary to adequately address the risks to human health and the environment from hazardous waste sites, whereas the Administration asserts that the proposed funding is sufficient to meet cleanup needs. In addition to this issue, how the Superfund program is funded continues to be a point of contention in the debate over EPA's budget. As the balance of the Superfund Trust Fund has eroded, the program is now supported entirely with general Treasury revenues, which has motivated some Members of Congress to advocate the reinstatement of the taxes on industry that once supported the trust fund. The Administration and other Members assert that individual polluters continue to pay for site cleanups and that a tax on industry as a whole is therefore not needed.