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July 1, 1996

The Honorable Lauch Faircloth
Chairman, Subcommittee on Clean Air,
Wetlands, Private Property and Nuclear Safety
Committee on Environment and Public Works
United States Senate

Dear Mr. Chairman:

The Environmental Protection Agency's (EPA) air and radiation program is largely dedicated to meeting the goals and milestones of the Clean Air Act Amendments of 1990, which require EPA to promulgate an ambitious array of regulations. While EPA's overall budget for the program has nearly doubled since 1990, recent appropriations have been less than EPA has requested. Over this period, the agency has made trade-offs in the budget for the Office of Air and Radiation (OAR), which plays the largest role in implementing the amendments, between funding the individual programs required by the act and others also given high priority by the administration.

To aid the Subcommittee in its oversight of EPA, this report describes (1) the funding trends for EPA's air and radiation program for fiscal years 1990 through 1995; (2) EPA's allocations in its fiscal year 1995 budget for the air and radiation program to meet the lower, appropriated level; and (3) agency officials' views on the impact of these allocations in meeting the mandates of the 1990 amendments.

In summary, EPA's funding for OAR increased from about $249 million for fiscal year 1990 to about $483 million for fiscal year 1995.[1] For fiscal year 1995, EPA

[1]These funding levels do not account for enforcement or research and development activities concerning air quality in other EPA offices. Nor do they include a relatively small amount budgeted for management activities in the Assistant Administrator for OAR's office and support for laboratories. All

requested $516 million for OAR's programs, and the Congress appropriated almost $488 million.[2] EPA's final operating plan, reflecting the agency's priorities and approved by the appropriations committees, called for the funding level of $483 million.

Accordingly, EPA adjusted the planned funding for individual air and radiation programs to match the approved operating plan. EPA made some adjustments in response to the appropriations committees' reductions of specific programs; others were administrative adjustments that EPA applied agencywide and therefore affected OAR's programs; and others were reductions that EPA targeted to certain of OAR's programs. Those programs that were targeted by the appropriations conference committee for reductions were protected by the administration from budget cuts other than those imposed agencywide.

Agency officials from the programs that experienced funding reductions told us that these reductions hampered their ability to meet some of the mandates of the act. For example, EPA has delayed issuing new regulations required by the act and reduced efforts to monitor compliance with existing regulations.

BACKGROUND

OAR comprises four program offices–those for Atmospheric Programs, Air Quality Planning and Standards, Mobile Sources, and Radiation and Indoor Air. The largest single element of OAR's budget is for grants to the states. While these grants are not directly administered by OAR, they do support the states' activities concerning air and radiation that are required by the act and have been included in the overall budget data in this report. In this report, the budget data for the four program offices also include funds administered by EPA's regions for activities related to the missions of those programs.

During fiscal years 1990 through 1995, EPA funded the air and radiation program's budget from two accounts: (1) the Program and Research

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budget data have been adjusted to constant 1995 dollars using the U.S. Department of Commerce's inflation factors.

[2]At the same time that the Congress provided this level of funding, the appropriations conference committee directed EPA to earmark nearly $5 million for specific congressional priorities.

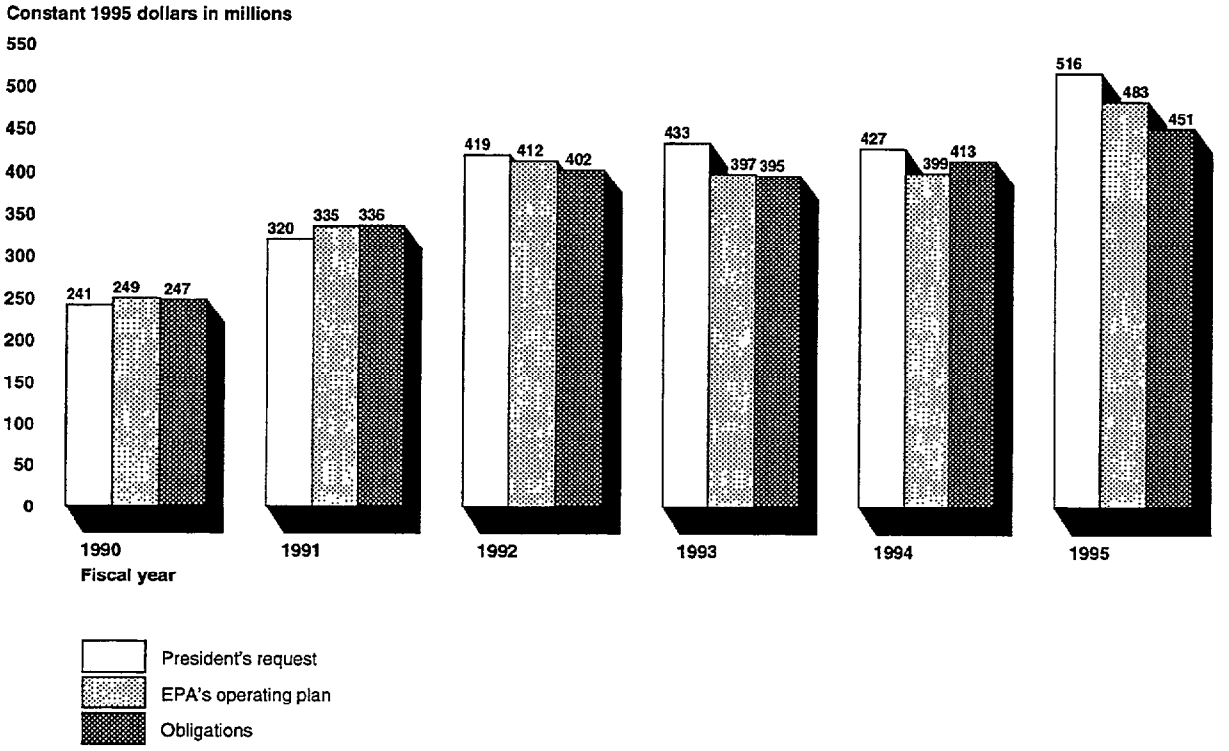
Operations account[3] and (2) the Abatement, Control, and Compliance account. The Program and Research Operations account covers, primarily, salaries and benefits for EPA employees. The Abatement, Control, and Compliance account covers, among other things, contracts and grants to external organizations. Funds in this account are known as "2-year money" and are available for 2 fiscal years.

FUNDING TRENDS FOR FISCAL YEARS 1990 THROUGH 1995

In fiscal years 1990 through 1995, EPA's overall budget for the air and radiation program increased by 94 percent, from less than $249 million to over $483 million. Although the funding has increased in each fiscal year except 1993, most of the increase occurred between fiscal years 1990 and 1992. Figure 1 shows the aggregated budget for OAR's four program offices and the state grants program during the 6-year period.

[3]This account, which was known as Salaries and Expenses before fiscal year 1993, covered personnel compensation and benefits, travel, and administrative contracts and expenses. From fiscal year 1993 on, the administrative contracts and expenses were included in the Abatement, Control, and Compliance account.

Figure 1: Funding for EPA's Air and Radiation Program, Fiscal Years 1990-95



Notes: The funding includes grants to states for air and radiation programs.

The obligations include obligated funds that were appropriated in both a fiscal year and the prior fiscal year. For example, the total for fiscal year 1995 includes 2-year money that was available from fiscal year 1994. As of the end of May 1996, OAR had obligated $459 million of the fiscal year 1995 appropriation.

Source: GAO's presentation of data from EPA's operating plans.

Over the course of the 6 fiscal years, the funding for each of OAR's four program offices has grown, but at different rates. The Office of Atmospheric Programs, which was created in fiscal year 1991, has experienced the greatest growth in funding, increasing by more than 300 percent through fiscal year 1995. The funding for the Office of Mobile Sources (including related regional activities) nearly doubled from fiscal year 1990 through 1995, while the funding for the Office of Radiation and Indoor Air increased by 34 percent during the same period. The Office of Air Quality Planning and Standards (OAQPS), which

according to OAQPS officials is responsible for about 60 percent of the statutory requirements of the 1990 amendments, reached its highest funding level in fiscal year 1992; however, its fiscal year 1995 funding is 16 percent lower than the fiscal year 1992 funding. The net increase in the budget for OAQPS (and related regional activities) during the 6-year period was about 23 percent. Enclosure I provides additional details about the funding for each of the four offices.

MODIFICATIONS TO EPA'S FISCAL YEAR 1995 BUDGET FOR OAR'S PROGRAMS

Even though EPA's funding for OAR was significantly larger for fiscal year 1995 than for fiscal year 1994, it was $28 million, or about 5 percent, less than the President requested. The appropriations conference committee also directed that EPA use about $5 million of the appropriated amount for unplanned activities. Therefore, EPA had to scale back from the planned funding for the air and radiation program.

EPA's first adjustments to the program were to implement the changes--the reductions and increases--that the appropriations committees specifically directed for individual programs. EPA then made a number of other reductions across OAR's budget, although the programs that had been the target of the committees' reductions were protected from some of these cuts.

The appropriations conference committee directed EPA to reduce several programs by $13.6 million. Most of the reductions, including a $7 million cut in the Multilateral Fund for the Montreal Protocol[4] and a $4.7 million cut in the Climate Change Action Plan, were made in the budget for the Office of Atmospheric Programs. The committee's report also directed EPA to increase the funding for other programs by nearly $5 million. These increases included $2 million for the Southwest Center for Environmental Research and Policy and $1.5 million for the Alternative Fuels Research Center. EPA offset these increases--and others directed by the appropriations committees to other parts of EPA and to which OAR contributed funds, as well as the general reduction that the Congress imposed on the agency--with reductions throughout OAR, as described below.

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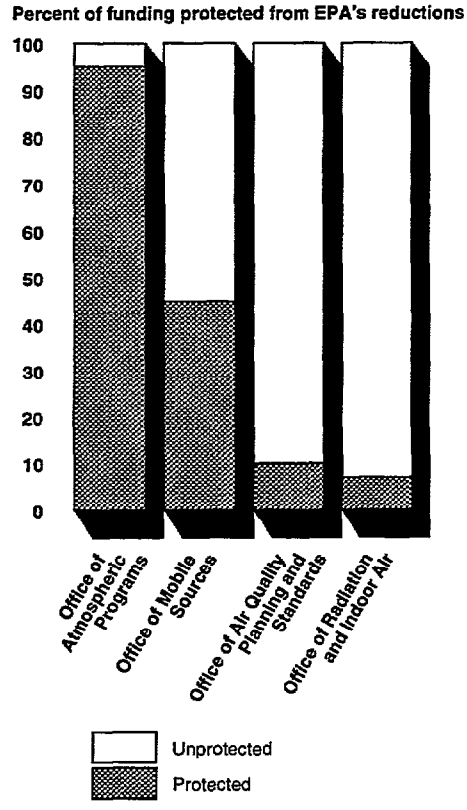
[4]The Montreal Protocol is an international agreement that phases out the use of substances that deplete the stratospheric ozone layer.

EPA allocated further reductions to all four of the program offices' budgets to support several agencywide administrative initiatives. This action included about a $6 million reduction in funds to cover the cost of converting contract personnel positions to permanent EPA positions and about a $4 million reduction in funding for administrative expenses. According to EPA, these reductions had the approval of the appropriations committees.

EPA then identified over $94 million in contract funds for activities in programs that had already been the target of reductions by the appropriations committees. According to EPA, because these programs had already been reduced at the direction of the committees, the agency did not subject them to further reductions. The majority of these protected funds were in the Office of Atmospheric Programs for the Climate Change Action Plan and the multilateral fund for stratospheric ozone protection. Other protected funds were in the Office of Mobile Sources and OAQPS for activities related to the U.S.-Mexico Border Action Program, such as air quality monitoring, and EPA's Environmental Technologies Initiative, which was intended to accelerate and facilitate the private sector's development and use of innovative environmental technology. The state grant programs were also protected by the administration from reductions. These grants included about $173 million administered by the regions, over $8 million administered by Office of Radiation and Indoor Air for state radon programs, and about $7 million administered by headquarters.

Figure 2 shows the percentage of contract funding that was protected in each of the program offices. EPA then reduced the unprotected contract funds by 21.3 percent in order to meet the appropriation provided by the Congress. Because some activities were protected, the effect of applying the 21.3 percent reduction to each program office affected their overall contract budgets differently. For example, the reductions initiated by EPA cut the Office of Atmospheric Programs' overall contract budget (protected and unprotected) by 1 percent, while they cut OAQPS' by 19 percent.

Figure 2: Protected and Unprotected Contract Funding for OAR's Program Offices, Fiscal Year 1995



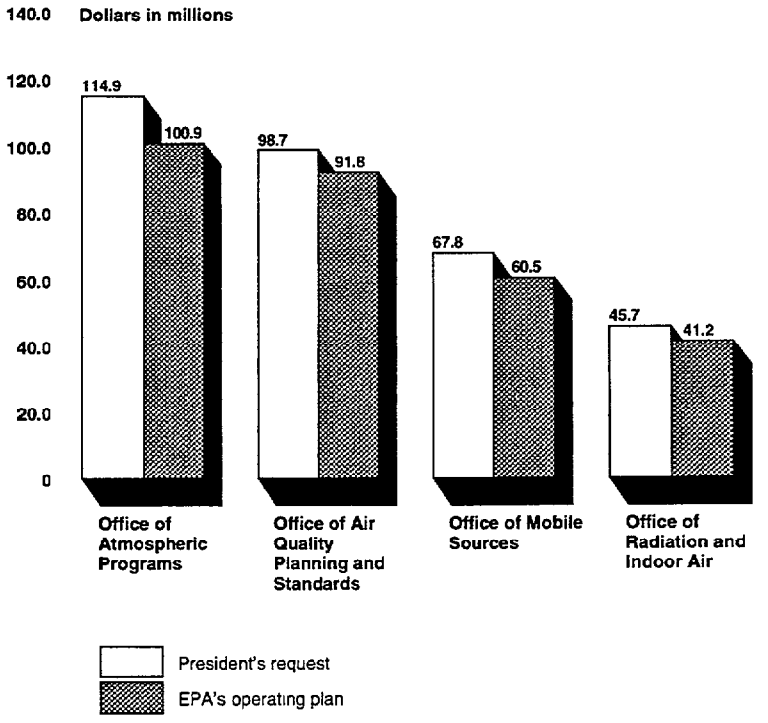
Note: The bars for OAQPS and the Office of Radiation and Indoor Air do not include their state grant program, which were entirely protected.

Source: GAO's presentation of data from EPA's fiscal year 1995 operating plan.

In summary, the reductions were a combination of cuts directed by the appropriations committees, those uniformly applied across OAR's offices, and those made by OAR to programs that had not been targeted by the committees. As a result of these reductions, all four of OAR's program offices received an appropriation in fiscal year 1995 that was less than the administration requested, although it should be noted that each program office's appropriation was more than in fiscal year 1994. EPA's fiscal year 1995 operating plan further reduced OAR's budget. Figure 3 shows the requested budget and the final operating plan for OAR's four program offices. The difference between the two

amounts is accounted for by the total of the reductions directed by the conference committee's report and by EPA.

Figure 3: Requested Budget and Operating Plan for OAR's Program Offices, Fiscal Year 1995



Note: These funding data do not include grants to states for air and radiation programs.

Source: GAO's presentation of data from EPA's fiscal year 1995 operating plan.

AGENCY'S VIEWS ON THE IMPACTS OF ALLOCATIONS

According to EPA officials, the reduced budget had a significant affect on the agency's ability to meet the requirements of the 1990 amendments. For example, in a December 1994 memorandum to the Assistant Administrator of OAR, the Director of OAQPS stated that the fiscal year 1995 budget level would have a significant impact on the Office's ability to meet the requirements, especially in issuing the 1997 standards for controlling toxic air pollutants and

developing the standards that must be issued by the year 2000.[5] In an attempt to meet as many of the deadlines for standards as possible, OAQPS reduced the amount of data collection and analysis it used in developing the standards, but OAQPS officials expressed their concerns that the quality of the newer standards for "air toxics" may suffer and that EPA may be vulnerable to lawsuits from industries that are being regulated and from environmental organizations.

According to the 1994 memorandum, EPA did not reduce funding for health effects assessments or other activities directly supporting the review of the national ambient air quality standards. However, it did cut some areas of support for the standards, such as developing models and control strategies, assessing monitoring data, and preparing economic analyses, which are needed for implementing the standards and are a part of the overall review process for standards. OAQPS reported that funding for developing scientific data and performing data analysis to support the revision of the standards for ozone, the principal component of "smog," was drastically reduced in fiscal year 1995. According to the memorandum, this could result in the implementation of ozone control strategies that are either unnecessary or significantly more costly than necessary. Furthermore, the memorandum stated that EPA reduced by half the regulatory analysis for the revision of the particulate matter standards.[6] According to EPA, the reductions for the implementation of the ozone and particulate matter standards meant an extension of the date for the proposal of these rules was needed to accomplish the requisite work on implementation strategies. The memorandum also stated that EPA had reduced by a third the funding for developing support for revising the standards for sulfur dioxide, a corrosive, gaseous pollutant produced primarily from the burning of coal and oil by electric utilities.

The Office of Mobile Sources reported some of the effects of resource limitations. The Emission Standards, Technical Assessment and

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[5]Title III of the 1990 amendments requires significant reductions in emissions of toxic air pollutants that cause serious health problems. The act requires that EPA issue maximum achievable control technology standards for 189 toxic air pollutants and identify the categories of sources that emit these pollutants. The two final deadlines in the schedule set by the act are in 1997 and 2000.

[6]The term particulate matter is used to describe a broad class of chemically and physically different solid and liquid particles that are small enough to remain suspended in the air.

Characterization program reduced its collecting of data to assess the effects of new emissions standards and test procedures for motor vehicles. The Office reported that the lack of these data would make it more difficult to determine what emission control measures the states will need to take to meet national air quality standards. The Office also reported that reductions would hamper its ability to monitor compliance with requirements for the sale of reformulated gasoline, which is to be used in certain urban areas not attaining the ozone standards. And the Office reported that reductions would limit its ability to test motor vehicles for compliance with emissions standards. The result could be additional air pollutant emissions that would have to be countered by more stringent state programs aimed at stationary sources or motor vehicles.

Congressional appropriations for the Office of Atmospheric Programs were less than EPA had requested. However, EPA's allocation of the lower appropriations among the Office's three programs–those for Global Change, Stratospheric Protection, and Acid Rain–reflected the administration's priorities and resulted in funding for the Global Change and Stratospheric Protection programs being increased by about 240 percent[7] and 50 percent, respectively, over 1994 levels. EPA's allocation for the Acid Rain program, on the other hand, increased by only about 3 percent over the 1994 level. As a result, according to the Director of the Acid Rain program, EPA delayed work on an emissions trading regulation required by the act. The purpose of the regulation is to give companies the opportunity to receive sulfur dioxide emission allowances. If the companies are able to reduce their emissions below a baseline level, they can sell the excess allowances to other companies. The regulation would not necessarily result in a reduction in emissions but is intended to help industry reduce emissions more efficiently. According to the Director, the regulation was due in May 1992 but has been delayed by several years because of inadequate funding.

SCOPE and METHODOLOGY

For our review, we analyzed data in the President's budget submissions to the Congress and EPA's operating plans for fiscal year 1990 through fiscal year 1995. We interviewed officials from the offices of Program Management Operations, Air Quality Planning and Standards, Atmospheric Programs, and Mobile Sources. We also examined documents from EPA describing the

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[7]The large increase in funding, according to EPA, was needed to implement the U.S. Climate Change Action Plan and meet the U.S. commitment of returning greenhouse gas emissions to 1990 levels by the year 2000.

impacts of budget cuts on the agency's ability to carry out the requirements of the Clean Air Act Amendments of 1990. We performed our work from March 1996 through June 1996 in accordance with generally accepted government auditing standards.

AGENCY COMMENTS

We provided a draft of this report to EPA for review and comment. We discussed the draft report with EPA officials and received comments from the Deputy Assistant Administrator for Air and Radiation. EPA generally agreed with the accuracy of the budget data in the report, although it did make several corrections that we have incorporated where appropriate.

EPA said that it did not subject certain of OAR's programs to further cuts because the appropriations committees had indicated what the funding level should be. EPA also commented that in allocating budget reductions, the agency attempted, to the extent possible, to minimize the adverse impact on specific programs while taking into consideration the appropriations committees' directions.

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As arranged with your office, unless you announce its contents earlier, we plan no further distribution of this report for 15 days. At that time, we will send copies to appropriate congressional committees; the Administrator, EPA; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

Please contact me on (202) 512-6520 if you or your staff have any questions. Major contributors to this report were William McGee, Ross Campbell, and Joseph Turlington.

Sincerely yours,

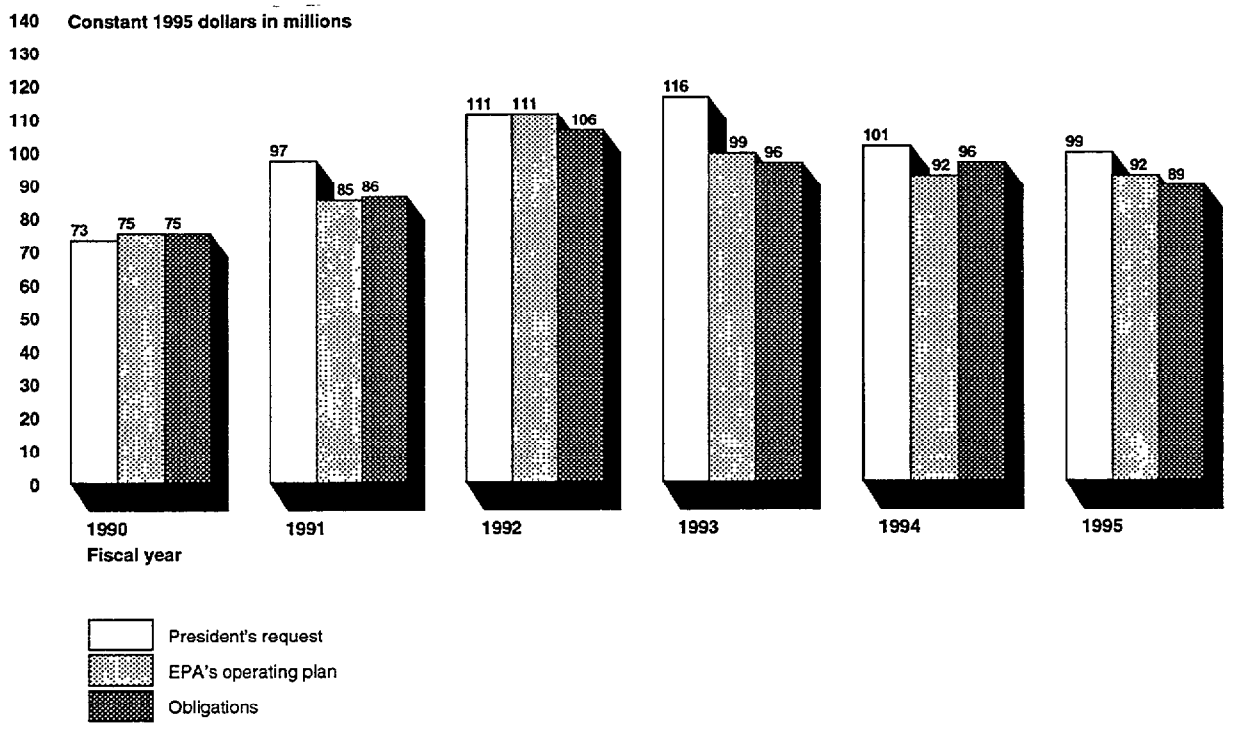
Stanley J. Czerwinski

Stanley J. Czerwinski
Associate Director, Environmental
Protection Issues

Enclosure

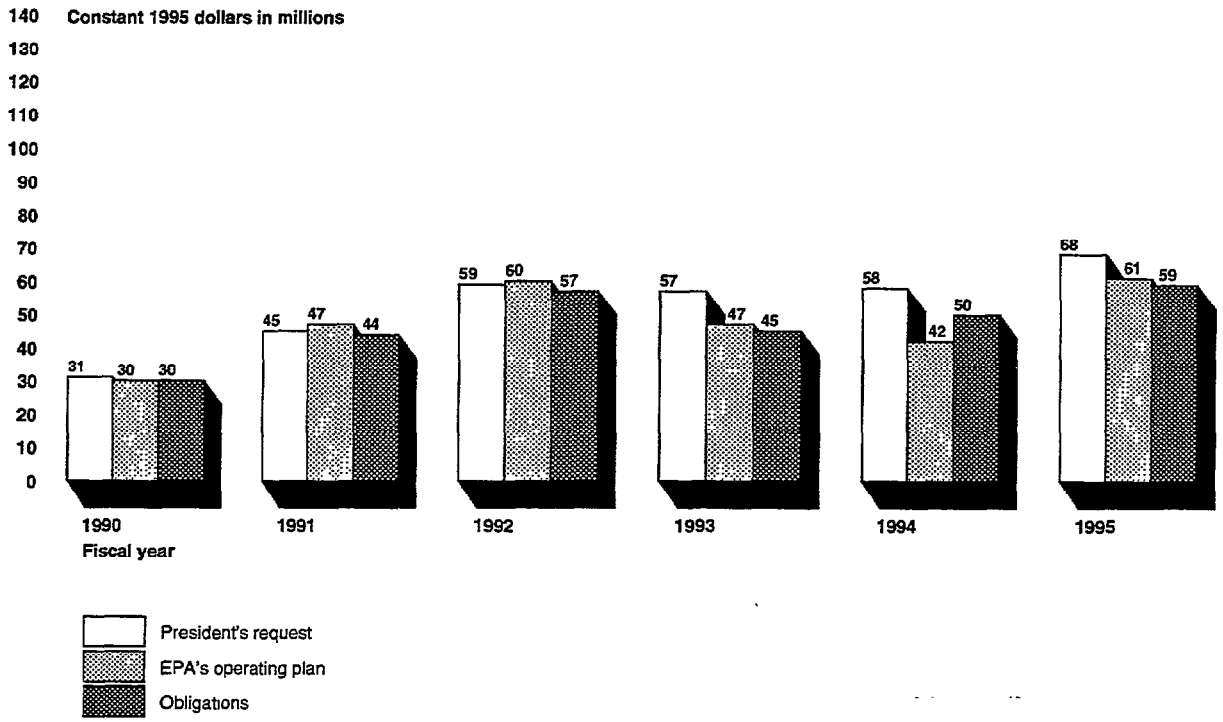
FUNDING FOR EPA'S AIR AND RADIATION PROGRAM, FISCAL YEARS 1990-95

Figure I.1: Funding for EPA's Office of Air Quality Planning and Standards and Related Regional Activities, Fiscal Years 1990-95



Note: Obligations made each fiscal year include 2-year contract and grant funds carried over from the previous fiscal year. As of the end of May 1996, Office of Air Quality Planning and Standards had obligated $88.7 million of the fiscal year 1995 appropriation.

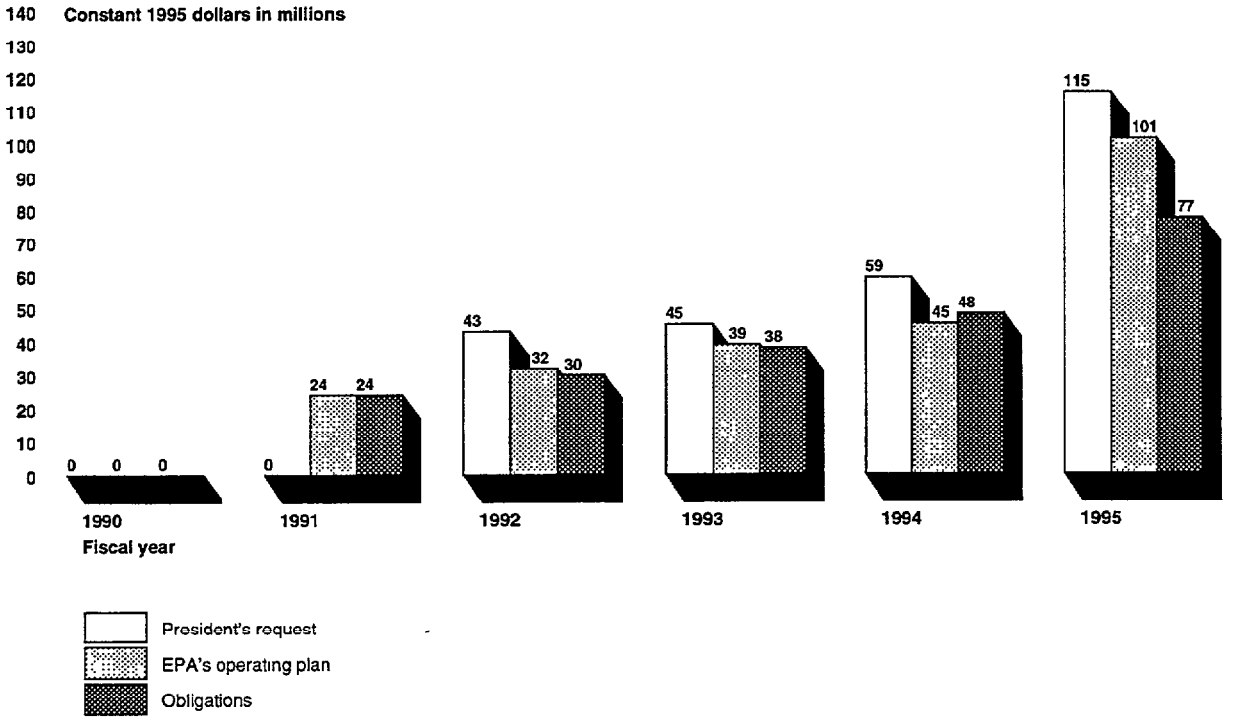
Figure I.2: Funding for EPA's Office of Mobile Sources and Related Regional Activities, Fiscal Years 1990-95



Notes: The budget data are based on estimates from the Office of Mobile Sources and reflect the reorganization of certain activities into the Office of Enforcement and Compliance Assurance.

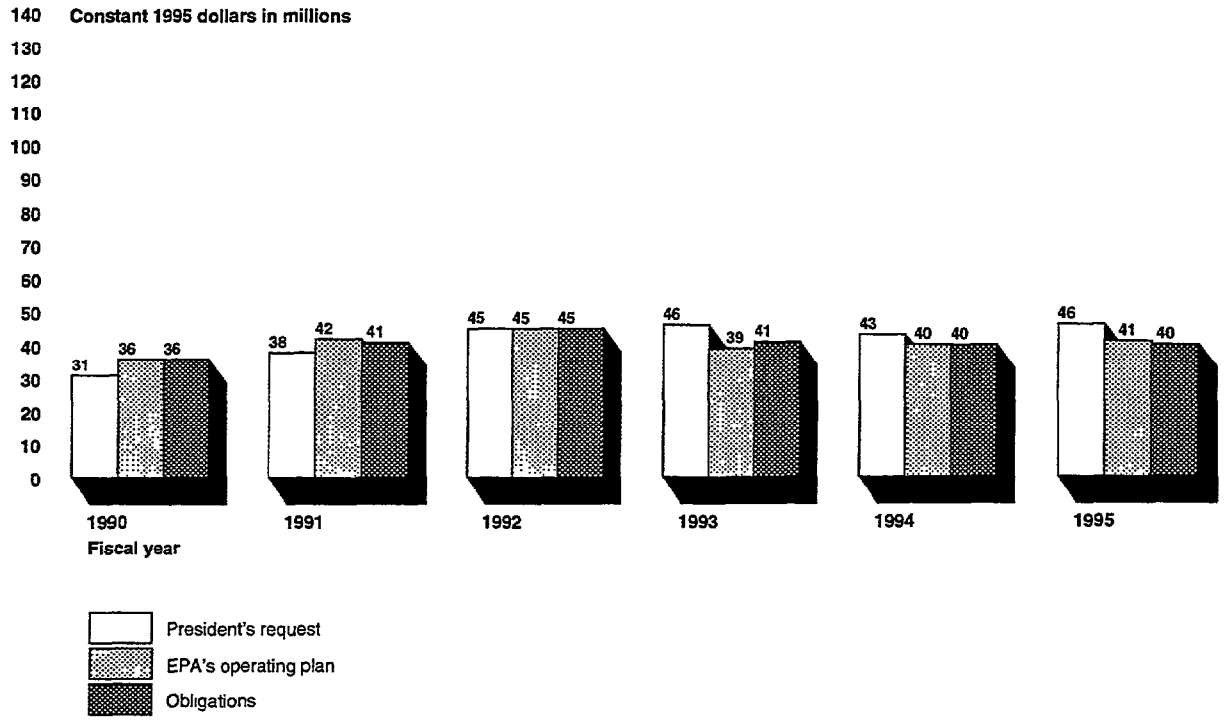
Obligations made each fiscal year include 2-year contract and grant funds carried over from the previous fiscal year. As of the end of May 1996, the Office of Mobile Sources had obligated $59.4 million of the fiscal year 1995 appropriation.

Figure I.3: Funding for EPA's Office of Atmospheric Programs, Fiscal Years 1990-95



Note: Obligations made each fiscal year include 2-year contract and grant funds carried over from the previous fiscal year. As of the end of May 1996, the Office of Atmospheric Programs had obligated $83.0 million of the fiscal year 1995 appropriation.

Figure I.4: Funding for EPA's Office of Radiation and Indoor Air and Related Regional Activities, Fiscal Years 1990-95



Notes: The Office of Radiation and Indoor Air's budget includes funding for both the indoor air program and various radiation programs.

Obligations made each fiscal year include 2-year contract and grant funds carried over from the previous fiscal year. As of the end of May 1996, the Office of Radiation and Indoor Air had obligated $40.0 million of the fiscal year 1995 appropriation.

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