16. NATURAL RESOURCES AND ENVIRONMENT

Table 16–1. FEDERAL RESOURCES IN SUPPORT OF NATURAL RESOURCES AND ENVIRONMENT

(In millions of dollars)

Function 300	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Spending:							
Discretionary Budget Authority	20,668	21,071	22,393	22,393	21,848	21,741	21,829
Mandatory Outlays:							
Existing law	667	1,045	1,012	863	911	907	843
Proposed legislation			113	74	62	97	104
Credit Activity:							
Direct loan disbursements	34	45	38	37	37	39	40
Tax Expenditures:							
Existing law	1,650	1,670	1,680	1,690	1,705	1,685	1,655
Proposed legislation		–8	–89	–92	–94	–96	–97

The Federal Government spends over $20 billion a year to protect the environment, conserve Federal resources, provide recreational opportunities, and construct and operate water projects.[1] The Federal Government manages about 700 million acres—a third of the U.S. continental land area—including 25 million acres managed by the Defense Department (DOD) and 56 million that the Interior Department holds in trust for Indian Tribes and individual Indians. The lands generate about $2.7 billion in receipts a year, mainly from royalties and revenues from the oil and gas, coal, and timber industries. About half of the receipts go to the Federal Treasury, the rest to States and to various Federal land and water resource programs. The Government also allocates nearly $1 billion a year in tax incentives for natural resource industries, especially timber and mining.

Federal lands include the National Park System, with such unique resources as Grand Canyon National Park, Everglades National Park, Yellowstone National Park and Gettysburg National Military Park; the 156 National Forests that the Forest Service manages for various uses, including timber harvesting, wildlife habitat, and recreation; the National Wildlife Refuge System, comprising 510 refuges for the conservation of migratory birds and other important species; and the 264 million acres that the Bureau of Land Management (BLM) manages in 11 Western States for economic, conservation, and recreational purposes. Visitors make about 700 million recreational visits a year on Federally-owned lands.

Federal spending on natural resources and the environment also includes the Environmental Protection Agency (EPA), for which the budget proposes $7.6 billion in 1998. EPA implements most of the Nation's major environmental laws, including the Clean Air, Clean Water, and Safe Drinking Water Acts; administers the Superfund program; and finances water infrastructure projects.

Largely due to Federal efforts, the air and water are cleaner across most of the

[1] The Natural Resources and Environment function does not reflect total Federal support for the environment and natural resources. It does not include, for instance, the environmental clean-up programs at the Departments of Energy and Defense.

United States, and a much larger share of Americans are served by secondary wastewater treatment. Our natural resources are better conserved—with national forests and public rangelands returned to sustainable levels of productivity, soil erosion substantially reduced, thousands of wetland acres restored, unique ecosystems protected, contaminated areas cleaned up by a record rate, and billions of dollars in flood damages averted. Formerly endangered or threatened species like bald eagles, wolves, and condors again grace the landscape in the lower 48 States. Finally, one of America's best inventions—its national park system—has been improved and preserved for future generations.

Parks and Recreation

The Federal Government invests over $1.4 billion a year to maintain the National Park System, which has 374 parks, covering over 83 million acres in 49 States, the District of Columbia, and various territories. The popularity of national parks has prompted a steady rise in congressional funding (almost five percent a year since 1986) for the National Park Service (NPS), but has generated even faster growth in the number of new parks and other NPS responsibilities. Since 1986, the number of national parks has grown by 10 percent, including the five designated in the 1996 Omnibus Parks Act. NPS also maintains an infrastructure of aging facilities, fragile ruins, and declining historic structures.

So, with demands growing faster than available funding (and with an estimated 280 million park visitors in 1996), NPS is taking new, creative approaches to managing parks, including broader cooperative arrangements with public and private groups. The Government, for instance, is establishing the Tallgrass Prairie National Preserve in Kansas at substantially less cost than a traditional national park unit, due to a partnership with a private group that owns most of the land. At the Presidio of San Francisco, a government corporation will be able to lease and manage hundreds of unused buildings in a manner consistent with park purposes, but that cuts taxpayer costs. More park managers also are accepting the support of individuals and corporate citizens that donate their time and money to help protect national parks. Finally, NPS is seeking additional resources by asking Congress for permanent authority to collect fees and retain all the receipts from new fees, and for reforms in park concessions policies to increase competition for concessions contracts and provide incentives for parks to negotiate higher returns from concessioners.

Conservation and Land Management

How we use the public lands that BLM manages (the 264 million acres in 11 Western States) has evolved over time—and continues to. To meet changing and diverse demands, BLM is promoting both biological diversity and the sustainable development of natural resources. In 1996, BLM provided for nearly 65 million recreational visits while accommodating more traditional users, including 20,000 Western ranchers, the timber industry, and other commercial interests.

BLM and the Forest Service, with combined annual budgets of about $3 billion, manage Federal forests for multiple purposes. Federal forest lands in the Pacific Northwest and northern California were plagued by conflict between environmentalists and industry over logging and, eventually, a court injunction that brought Federal timber sales to a virtual halt in 1991. To end the impasse, the President established his Northwest Forest Plan in 1994. Now, Federal forest management is nearing a fully sustainable level. The Federal Government offered for sale over 1.7 billion board feet from Federal forest lands in Washington, Oregon, and northern California from 1994 to 1996—enough to build 142,000 average homes and employ about 11,700 people. The Forest Plan also supports area communities by distributing grants and loans to help over 100 communities further diversify their economies.

Federal and non-Federal agencies also are implementing long-term restoration plans for the South Florida and Bay-Delta, California ecosystems. The South Florida ecosystem is a national treasure that includes the Everglades, Florida Bay, and other internationally-renowned natural resources. Its long-term viability and sustainability is critical for the tourism and fishing industries, as well as

for the water supply, economy, and quality of life for South Florida's population of over six million people. As with South Florida, the lack of enough clean water in the San Francisco Bay-San Joaquin Delta ecosystem has reduced the quality and quantity of wildlife habitat, endangered several species, and reduced the estuary's reliability as a source of high quality water.

The Interior Department's Fish and Wildlife Service (FWS) and Commerce Department's National Marine Fisheries Service (NMFS) protect species under the Endangered Species Act (ESA) while allowing economic development to continue. To protect species on non-Federal lands, these agencies work with States and local governments, private groups, and landowners to develop Habitat Conservation Plans (HCPs), which provide the flexibility and certainty that everyone needs to plan for, and use, their land. From 1983 to 1992, such parties devised only 14 HCPs but, from 1993 to 1997, the number issued or under development soared to 300—covering 8.4 million acres in the Pacific Northwest alone. To protect species on Federal lands, Federal agencies consult with State and local governments, groups, and others before allowing private parties to use the land.

Another important land conservation program is the Land and Water Conservation Fund (LWCF), which uses the royalties of offshore oil and gas leases to help Federal, State, and local governments acquire land for conservation and outdoor recreation. From its inception in 1964, the program has helped Federal, State, and local governments to acquire about seven million acres of parks and other lands. The program, for instance, is funding the acquisition of Sterling Forest in New York and New Jersey, the largest undeveloped tract of forest and open lands within 45 miles of downtown New York City, thus creating vast new recreational opportunities for the whole area.

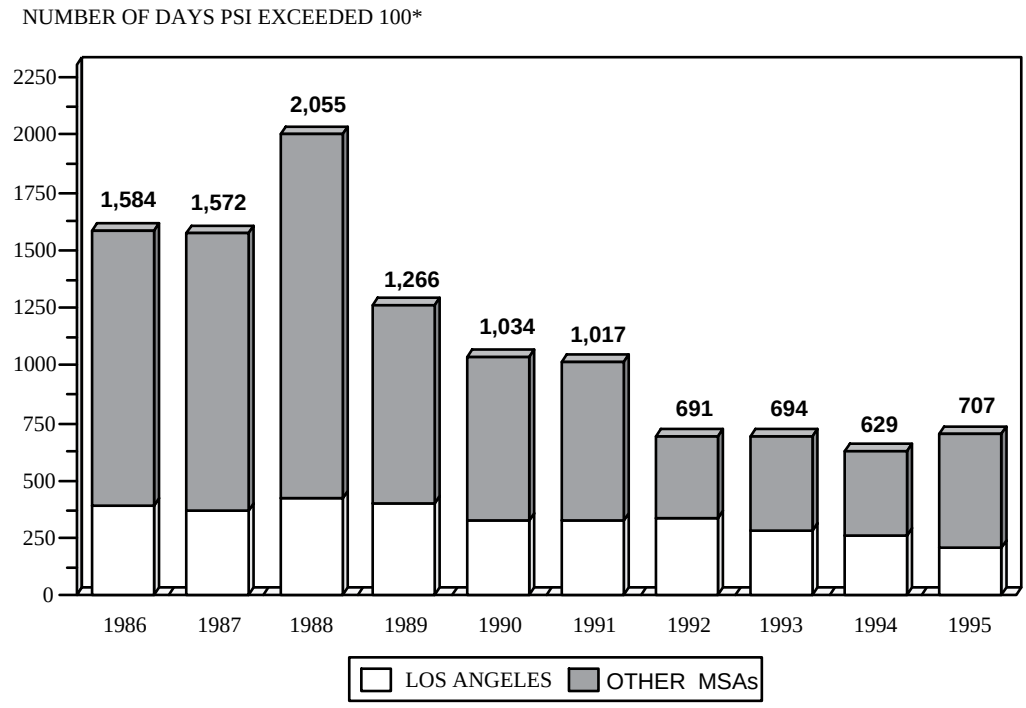
Half of the continental United States is cropland, pastureland, and rangeland owned and managed by two percent of Americans—farmers and ranchers. The Agriculture Department's (USDA) Natural Resources Conservation Service provides these private interests with technical assistance to ensure the health and sound management of this land. Other USDA programs mainly provide financial conservation assistance, the largest of which is the Conservation Reserve Program (CRP) through which USDA can maintain up to 36 million acres under land retirement contracts, reducing soil erosion by over 600 million tons a year. The 1996 Farm Bill should greatly enhance CRP's conservation benefits. Under it, for instance, producers may enroll partial fields into the CRP (e.g., filterstrips, riparian buffer areas, and grassed waterways) to gain the maximum conservation for the least cost.

Pollution Control and Abatement

The Federal Government helps achieve the Nation's pollution control goals in three ways. It (1) takes direct action, (2) funds action by State, local, and Tribal governments, and the private sector, and (3) imposes mandates on these parties. The Environmental Protection Agency's (EPA) $7 billion discretionary budget and the Coast Guard's $100 million Oil Spill Liability Trust Fund (which funds oil spill clean-ups in U.S. waters) finance the first two activities. EPA's discretionary budget, in turn, has three major parts—the operating program, Superfund, and water infrastructure financing.

- EPA's $3 billion operating program is the main Federal funding source to implement most Federal pollution control laws, including the Clean Air, Clean Water, Solid Waste Disposal, Safe Drinking Water, and the Toxic Substance Control Acts. EPA protects public health and the environment by developing national pollution control standards, which States largely implement and enforce under the authority that EPA delegates. These standards have led to major environmental improvements. EPA's pollution abatement efforts since 1970 also have generated major environmental improvements (see Chart 16–1).
- Superfund's $2 billion program pays for cleaning up hazardous substance spills and abandoned hazardous waste sites, and for compelling responsible parties to clean up inactive sites—with a goal of 900 completed cleanups by the year 2000 of the roughly 1,400 sites on EPA's high-priority

Chart 16-1. AIR QUALITY TRENDS IN URBAN AREAS



MSA= Metropolitan Statistical Area PSI=Pollutant Standards Index (Air Quality)
*Note: A PSI level greater than 100 is the level which denotes that residents are breathing unhealthy air.

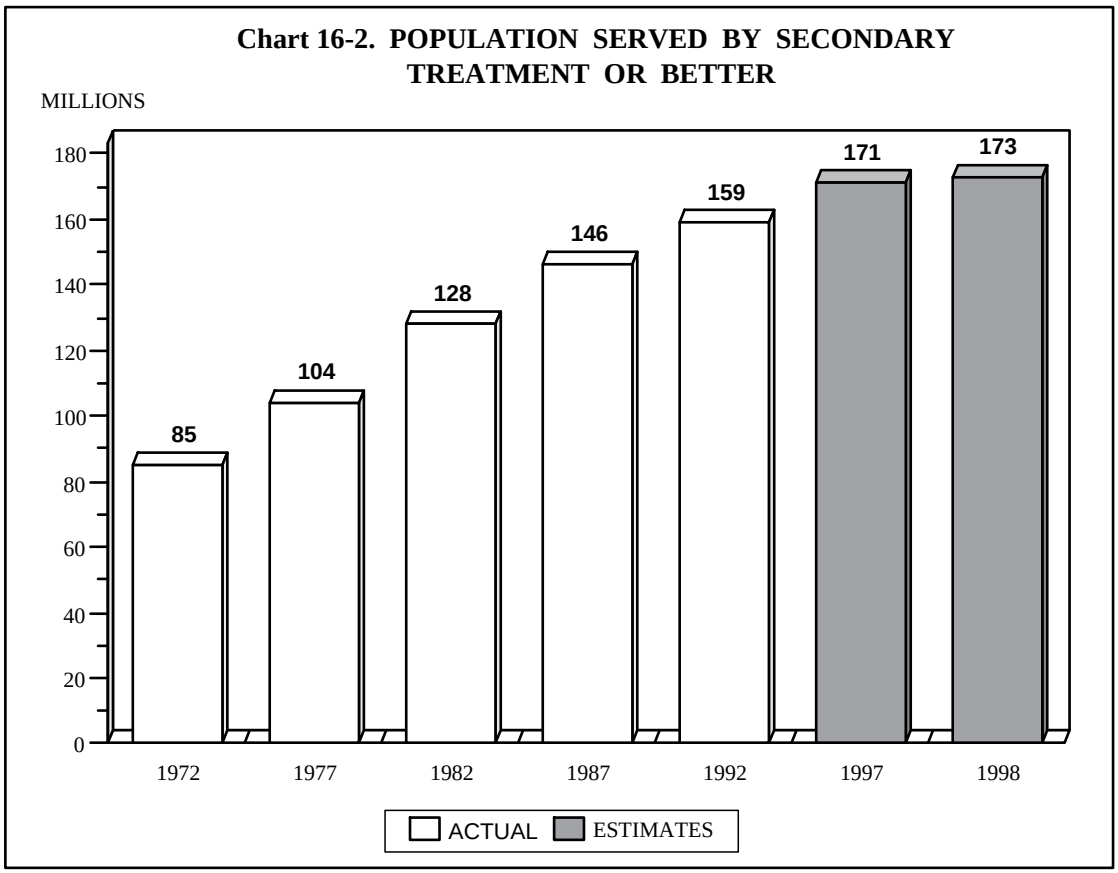
list. Private parties subject to Superfund's enforcement spend another $2 billion a year, and Federal agencies (largely DOD and the Energy Department) spend about $5 billion a year on hazardous waste cleanup. Superfund also supports the Federal brownfields program, designed to assess, clean up, and re-use former contaminated sites.

- Federal water infrastructure funds go primarily for capitalization grants to State revolving funds, which make low-interest loans to help municipalities pay for wastewater treatment and drinking water treatment systems, as Federal law requires. The more than $67 billion in Federal assistance since the 1972 Clean Water Act has dramatically increased the percentage of Americans served by secondary treatment (as shown in Chart 16–2) and better water quality. State and local governments (and private companies) also benefit from a tax break (costing $700 million in 1998) allowing State and local governments to issue tax-exempt bonds to construct private waste disposal facilities.

Water Resources

The Army Corps of Engineers and Interior's Bureau of Reclamation are the main Federal agencies that build and operate multi-purpose water projects. The Corps operates Nationwide, while the Bureau operates in the 17 western States. They both seek to develop or manage water resources to meet changing needs. The budget proposes $4.6 billion for the agencies in 1998—$3.7 billion for the Corps, $0.9 billion for the Bureau.

- While navigation and flood damage reduction remain the Corps' major focus, its projects, programs, and regulatory responsibilities increasingly address environmental objectives, including wetlands protection. The Administration will work with Congress to develop a consensus on priorities for the Corps Civil Works program in an era of stable or falling budgets.



- The Bureau was designed to support economic development in the West by financing and constructing reliable water supplies for irrigation and hydropower generation. With the West developed, the Bureau has sought since the late 1980s to remake itself into a customer-oriented "water resources management" agency, operating projects more efficiently and providing expertise on the best way to manage water resources, consistent with sound environmental and economic objectives.

Regulation

Millions of Americans have benefited not just from the spending programs discussed above, but from Federal regulations that are designed to protect the environment and public health. In issuing regulations, however, the Administration has sought to carefully protect the public without unduly burdening private interests. In this area and in others, the Administration has worked to eliminate unnecessary regulations while improving the regulations that are clearly necessary.

State, local, and Tribal governments and the private sector devote considerable resources to comply with Federal environmental laws and regulations to make the air and water cleaner and reduce risks from hazardous wastes.

Tax Incentives

The tax code offers incentives for natural resource industries, especially timber and mining. The timber industry can deduct certain costs for growing timber, pay lower capital gains rates on profits, take a credit for investment, and quickly write-off reforestation costs—all told, costing about $500 million in 1998. The mining industry benefits from percentage depletion provisions (which allow deductions that exceed the economic value of resource depletion) and can deduct certain exploration and development costs—together, costing about $335 million in 1998.