

GAO

Briefing Report to the Chairman,
Subcommittee on Oversight and
Investigations, Committee on Energy
and Commerce, House of
Representatives

November 1994

AIR POLLUTION

Reductions in EPA's 1994 Air Quality Program's Budget



**Resources, Community, and
Economic Development Division**

B-258558

November 29, 1994

The Honorable John D. Dingell
Chairman, Subcommittee on Oversight
and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

As requested, this briefing report provides information on (1) reductions in the Environmental Protection Agency's (EPA) fiscal year 1994 budget for its air quality program, (2) how the agency allocated reductions among various components of the air quality program, and (3) the extent to which the reductions affected efforts to meet certain requirements and deadlines established by the Clean Air Act Amendments of 1990. We briefed your staff on this information on November 22, 1994.

In summary, EPA's fiscal year 1994 air quality program's budget was reduced by \$32 million, from \$552 million in the President's budget request to \$520 million in the agency's June 30, 1994, operating plan that was approved by the congressional appropriations committees. The largest reduction to the air quality program—\$25.4 million—was made to comply with an \$81 million cut in EPA's budget for contracts, grants, personnel, research, and other activities. Additionally, the appropriations committees required a net reduction of \$825,000 in specific air quality programs and the EPA Administrator further reduced the air quality program budget by reprogramming \$5.7 million to fund the administration's high-priority initiatives. Although the \$32 million reduction represents only about 6 percent of EPA's air quality program budget, it had a significant budgetary impact on some individual programs. Specifically, funds for developing the toxic emission standards and implementing the Acid Rain Program were cut by 51 and 31 percent, respectively, in EPA's June 30, 1994, operating plan. Although a total of \$16.6 million was restored to the air program's budget in the last quarter of the fiscal year, according to EPA officials, the funds were received too late to meet 1994 needs and were carried forward into fiscal year 1995. Also, EPA officials told us that the agency's 1995 proposed operating plan shows that these programs will have their budgets reduced by comparable amounts, thus negating the benefits of the restored funds.

According to EPA officials, allocating the budget reductions among individual programs was a difficult task because of certain constraints imposed by the Congress and the administration. For example, EPA determined that about 60 percent of the \$319 million in the Abatement, Control, and Compliance (AC&C) budget, which provides funding for activities such as grants and contracts, was protected from cuts because of congressional requirements and the administration's priorities, such as grants to the states to help fund their air pollution control programs. In addition, EPA decided to reprogram funds from other programs to support the agency's role in carrying out the administration's Climate Change Action Plan—the U.S. strategy for reducing emissions that contribute to global warming. Therefore, the air quality programs that were not protected from budget cuts were reduced in order to absorb reductions in the AC&C budget and accommodate funding for the administration's priorities, such as the Climate Change Program.

These reductions will contribute to the agency's missing some important deadlines established by the Clean Air Act Amendments of 1990, according to EPA officials. For example, EPA officials told us that the significant reductions in funding for fiscal years 1993 and 1994 for maximum achievable control technology (MACT) standards will essentially preclude the agency from issuing standards to reduce emissions of toxic air pollutants by the 1994 and 1997 deadlines. Because of delays, the majority of the 1994 MACT standards have already been put on a court-ordered schedule to be issued between 1994 and 1996. Although the agency is attempting to streamline its development of the MACT standards, EPA officials told us that because of the budget reductions and the priority for issuing the 1994 standards, they expect delays in issuing many of the 1997 standards. Therefore, the officials anticipate that the courts will establish schedules to issue these standards as well.

Also, reductions in the fiscal year 1994 budget for the Acid Rain Program, intended to develop regulations to control sulfur dioxide and nitrogen oxides emissions that cause acid rain, have contributed to EPA's postponing the development of some rules mandated by the Clean Air Act Amendments of 1990. For example, reductions in the 1994 budget request contributed to existing delays in EPA's issuance of the Opt-in Rule, which provides for voluntary reductions of sulfur dioxide emissions. According to EPA officials, budget cuts will also jeopardize EPA's ability to issue phase II of the nitrogen oxides rule by the January 1997 statutory deadline. Section I contains more detailed information on each of the areas discussed above.

In conducting our review, we interviewed officials from EPA's Office of the Comptroller and Office of Policy, Planning, and Evaluation. Within the Office of Air and Radiation, we interviewed officials in the Offices of Program Management Operations, Air Quality Planning and Standards, and Atmospheric Programs. We analyzed data contained in EPA's budget requests to the Office of Management and Budget, the President's budget submissions to the Congress, and EPA's operating plans. We also examined EPA's Air Media Operating Plan Impact Analysis, describing the impacts of budget cuts on the agency's ability to carry out the requirements of the Clean Air Act Amendments of 1990. As you requested, we did not obtain written agency comments on a draft of this briefing report, but we did discuss the facts contained in the report with budget and program officials in the Office of Air and Radiation. Specifically, we held conferences with the Director, Office of Program Management Operations; Directors, Planning and Management and the Emission Standards Division within the Office of Air Quality Planning and Standards; and Directors, Program Management and Acid Rain Division within the Office of Atmospheric Programs. The officials generally agreed with the information that we provided, and we have incorporated their comments where appropriate.

As arranged with your office, unless you announce its contents earlier, we plan no further distribution of this briefing report until 30 days after the date of this letter. At that time, we will send copies to the Chairmen of the Senate Committee on Environment and Public Works and its Subcommittee on Clean Air and Nuclear Regulation; other appropriate congressional committees; the Administrator, EPA; and the Director, Office of Management and Budget. We will make copies available to others upon request.

Please contact me on (202) 512-6111 if you or your staff have any questions. Major contributors to this briefing report are listed in appendix I.

Sincerely yours,

A handwritten signature in black ink, consisting of a stylized 'P' followed by 'F' and 'G', with a long horizontal line extending to the right.

Peter F. Guerrero
Director, Environmental
Protection Issues

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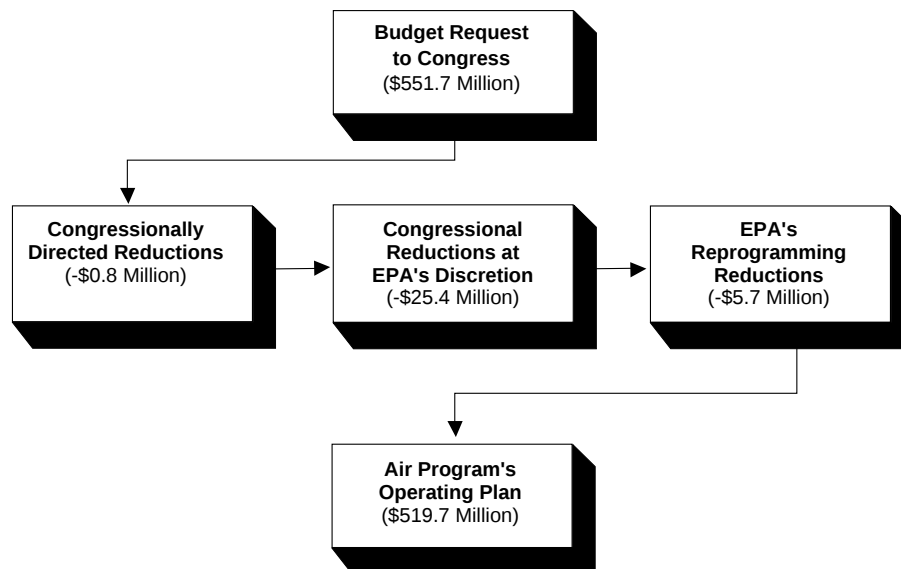
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Abbreviations

AC&C	abatement, control, and compliance
EPA	Environmental Protection Agency
GAO	General Accounting Office
MACT	maximum achievable control technology
OMB	Office of Management and Budget

Reductions in EPA's 1994 Air Quality Program's Budget

GAO EPA's Air Quality Program Budget Process for Fiscal Year 1994

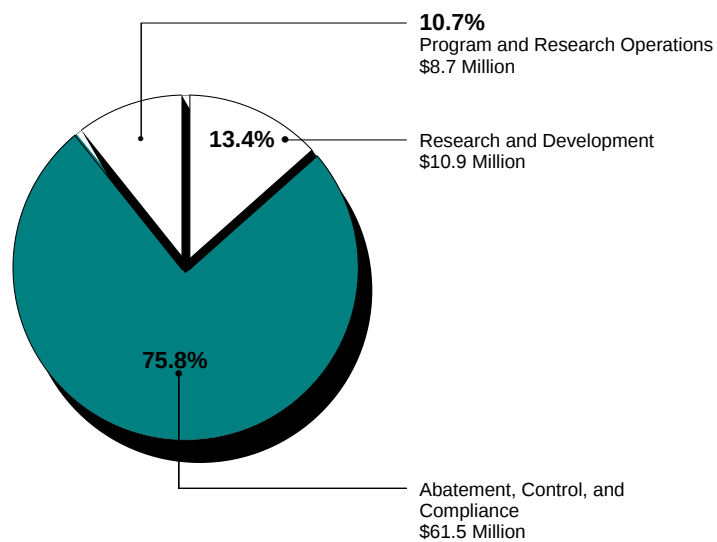


Source: GAO's analysis of EPA's budget process for fiscal year 1994. EPA's Operating Plan as of June 30, 1994.

EPA's Budget Process

Reductions in fiscal year 1994 funding for the Environmental Protection Agency's (EPA) air quality program have occurred at various stages in the budget process. After reviewing the President's budget request of \$552 million, the appropriations committees directed specific increases and reductions in some air programs, for a net decrease of \$825,000. The committees also required additional general reductions in EPA's budget, which resulted in the EPA Administrator's reducing funding for the air quality program by \$25.4 million. Additionally, the Administrator reprogrammed funds among EPA programs, which resulted in another decrease of \$5.7 million for the air quality program. This reprogramming was done in order to increase funding for programs or initiatives that the administration considered a high priority. These total reductions of about \$32 million were reflected in EPA's June 30, 1994, operating plan that was submitted to the appropriations committees for their approval.

GAO Analysis of the \$81 Million General Budget Reduction



Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan as of June 30, 1994.

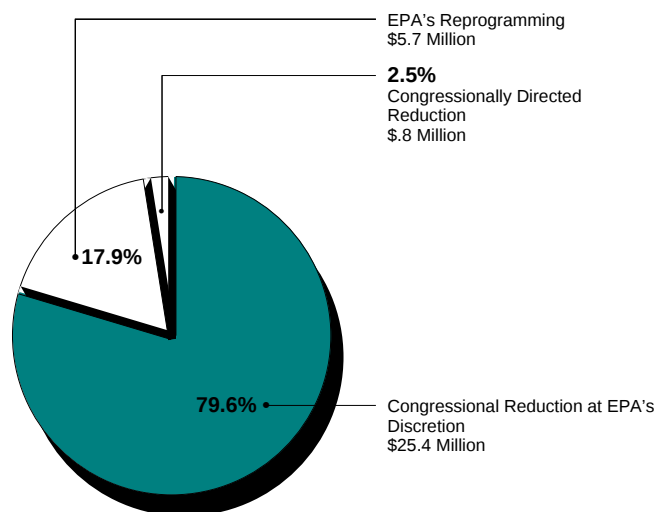
General Reductions to EPA's Fiscal Year 1994 Budget

The appropriations committees required an \$81 million general reduction in EPA's total budget request.¹ Additionally, the committees directed that the agency take approximately 75 percent, or \$61.5 million, of this general reduction from funds for the agency's contracting services in the Abatement, Control, and Compliance (AC&C) budget. Additional reductions of \$8.7 million in the Program and Research Operations and \$10.9 million in the Research and Development budgets were also required.

¹The appropriations committees required an additional \$45 million of general reductions that were specified for the Superfund Program and the Office of the Inspector General. We did not include these reductions because they did not affect the air quality program.

Section 1
Reductions in EPA's 1994 Air Quality
Program's Budget

GAO **Allocation of \$32 Million Air Budget**
Reduction

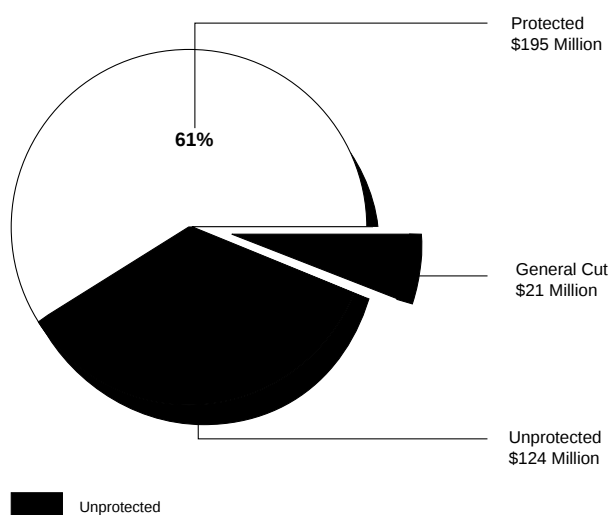


Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan as of June 30, 1994.

Allocating the Budget Reduction

Unlike the appropriations committees' directed reduction of \$825,000 for air quality programs, the \$81 million general reduction to EPA's budget was not designated for specific programs. Rather, the appropriations committees allowed the EPA Administrator to use discretion in allocating the general reduction among the agency's programs. While most programs were reduced, some were cut more than others. For example, the Administrator took \$25.4 million, or about 31 percent of the general reduction from the air quality program budget. About \$21 million was cut from the air program's AC&C budget, and \$4.4 million was cut from the Program and Research Operations and Research and Development budgets. According to EPA budget officials, a larger share of the reductions was taken from the air quality program because the program's budget was larger than other programs' and a smaller percentage of the air quality program's budget was protected from cuts. In addition to the congressionally directed reduction and EPA's allocation of a significant portion of the general reduction to the air quality program budget, the EPA Administrator reprogrammed an additional \$5.7 million from air quality programs to fund the administration's high-priority initiatives.

GAO Protected Funds in the Air Program's AC&C Budget

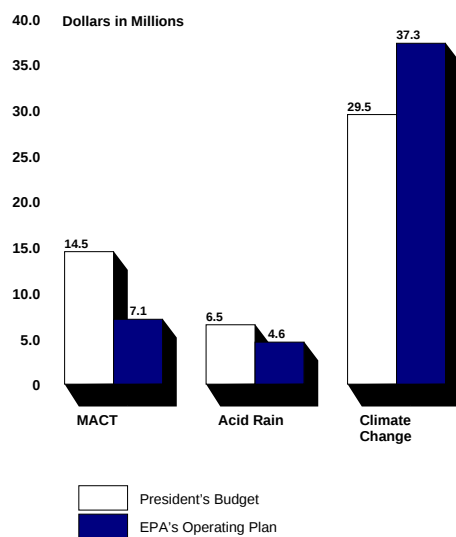


Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan as of June 30, 1994.

Some Programs Protected From Budget Cuts

According to EPA officials, allocating the budget reductions among individual programs was difficult. Many air quality programs were protected from budget reductions because they supported congressional and the administration's priorities. In addition to the appropriations committees' protecting funds to assist the states in operating their air pollution control programs, EPA protected funding for the Climate Change Action Plan, the Multilateral Fund of the Montreal Protocol to help developing countries discontinue the use of ozone-depleting chemicals, and other high-priority initiatives. EPA officials estimate that about 60 percent of the \$319 million in the air quality program's AC&C budget was protected from budget reductions. Therefore, the approximately 40 percent of the budget that was not protected had to absorb a \$21 million reduction. As a result, some programs, including programs with statutory requirements and deadlines, received significant reductions.

GAO Comparison of the 1994 Request & EPA's Operating Plan



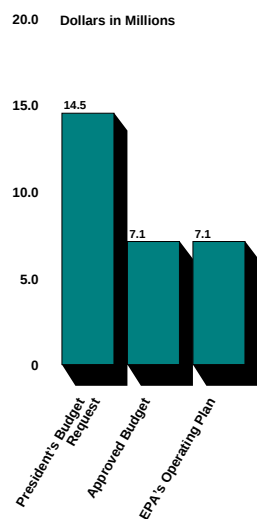
Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan as of June 30, 1994.

Fiscal Year 1994 Budget Reductions for Selected Air Quality Programs

As a result of the approximately \$32 million reduction in the President's air quality budget for EPA, funds for developing the maximum achievable control technology (MACT) standards and for implementing the Acid Rain Program were reduced by 51 and 31 percent, respectively. In contrast, funding for the Climate Change Program was increased by the EPA Administrator to \$37.3 million, a 59-percent increase over the amount appropriated by the Congress.

We examined the MACT standards and the Acid Rain Program because they must meet a significant number of statutory requirements of the Clean Air Act Amendments of 1990 and court-ordered deadlines. Also, these programs received some of the largest budget cuts among the air quality programs. We selected the Climate Change Program because, although it has few statutory requirements, it received a 59-percent increase in funding.

GAO Budget Cuts for the MACT Program



Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan as of June 30, 1994.

Note: Because MACT standards are part of a larger air quality program, EPA was unable to determine which portion of the \$7.4 million reduction was due to congressional cuts and the agency's reprogramming. Therefore, both bars—for the congressional appropriation and EPA's operating plan—reflect the total reduction.

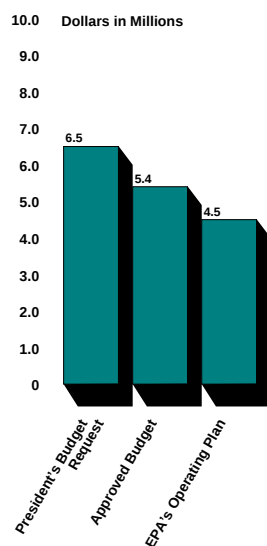
Reductions to Toxic Air Emission Standards

Title III of the Clean Air Act Amendments of 1990 required significant reductions in emissions of toxic air pollutants that cause serious health problems. The act requires EPA to issue MACT standards for 189 toxic air pollutants and identify the categories of sources that emit these pollutants. EPA is required to set standards for 25 percent of all source categories by 1994 and 50 percent of all categories by 1997.

While faced with meeting near-term and future MACT requirements, EPA's fiscal year 1994 budget request for MACT standards was reduced by \$7.4 million, or 51 percent. The reduction resulted from cuts in the agency's budget and the reprogramming of funds for the administration's priorities. According to EPA officials, the reductions contributed to the agency's inability to issue MACT standards by the statutory deadlines. EPA has focused largely on issuing the standards that were originally due in 1992 and 1994 but are currently under court order to be issued at various dates between 1994 and 1996. The agency has suspended most of its work on the standards for the source categories that are due in 1997.

In response to the budget reductions, EPA has initiated more efficient rulemaking procedures, including forming partnerships with states, industry, and environmentalists, to identify the best available data and resolve critical issues. According to EPA officials, however, the agency will probably continue to miss deadlines for issuing many MACT standards, and court-ordered schedules are likely for the 1997 standards.

GAO Budget Cuts to the Acid Rain Program



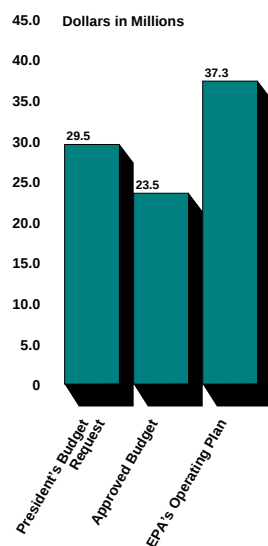
Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan of June 30, 1994.

Reductions to the Acid Rain Program

In order to combat the negative effects of acid rain, title IV of the Clean Air Act Amendments of 1990 sets goals for reducing annual sulfur dioxide emissions by 10 million tons from 1980 levels and annual nitrogen oxides emissions by 2 million tons from 1980 levels. To help meet these goals, the President's fiscal year 1994 budget request included \$6.5 million for the Acid Rain Program. However, in allocating EPA's general budget reductions, the EPA Administrator reduced the amount to \$5.4 million. Subsequent reprogramming of funds to other high-priority initiatives resulted in the program's being funded at \$4.5 million, 31 percent below the amount requested.

According to officials in the Acid Rain Program, funding reductions have contributed to EPA's inability to meet some requirements of the program. For example, reductions in the fiscal year 1994 budget request contributed to existing delays in EPA's issuance of the Opt-in Rule, which provides for voluntary efforts to reduce sulfur dioxide emissions. Also, reduced funding has hampered the development of phase II of a rule that will regulate the emissions of nitrogen oxides from coal-fired electric utility boilers. According to an EPA official, fiscal year 1994 budget cuts, coupled with expected cuts in fiscal year 1995, will jeopardize the agency's ability to issue the phase II nitrogen oxides rule by the January 1997 statutory deadline.

GAO Budget Increases for the Climate Change Program



Source: GAO's analysis of EPA's fiscal year 1994 budget data. EPA's Operating Plan as of June 30, 1994.

Increases to the Climate Change Program

The Climate Change Action Plan defines the U.S. strategy for addressing global warming and identifies a number of voluntary activities to reduce the emissions that contribute to global warming. EPA is implementing its portion of the action plan primarily through the agency's Climate Change Program. While the Congress specifically reduced funding for the program by \$6 million, EPA sought and received additional funding.

According to EPA officials, the increased funding was needed because funding for the Climate Change Action Plan was not included in the 1994 budget request. Therefore, in January 1994, the EPA Administrator proposed to reprogram \$30.4 million from other activities to implement EPA's activities in the action plan. The appropriations committees approved the reprogramming of only \$13.8 million, thus bringing the total funding for the Climate Change Program to \$37.3 million, a 59-percent increase in the amount the Congress had approved earlier.

In July 1994, EPA reallocated the remaining \$16.6 million of the funds initially requested to be reprogrammed to the action plan to programs with large statutory mandates, such as the MACT standards and Acid Rain programs. Because the funds were restored in the last quarter of the fiscal year, however, they could not be allocated in time to meet 1994 needs and were carried forward into fiscal year 1995. However, according to EPA officials, the air quality programs that received the \$16.6 million will have their funding reduced by a comparable amount in fiscal year 1995, thus negating the benefits of the restored funds.

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