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Resources, Community, and
Economic Development Division

B-280744

September 29, 1998

The Honorable Jerry Lewis
Chairman, Subcommittee on VA, HUD,
and Independent Agencies
Committee on Appropriations
House of Representatives

Subject: Environmental Protection: EPA's Fiscal Year 1999 Budget Request

Dear Mr. Chairman:

On February 2, 1998, the President requested \$7.8 billion for the Environmental Protection Agency (EPA) in fiscal year 1999. Included in this request was funding for (1) accelerating toxic waste cleanups performed under the Superfund program, (2) reducing greenhouse gas emissions under the climate change programs, and (3) expanding citizens' right to know about local environmental risks under the Environmental Monitoring for Public Access and Community Tracking (EMPACT) program. Together, the requested fiscal year 1999 budget for these three programs totals about \$2.1 billion and represents about 27 percent of EPA's total budget request.

Because of your continuing interest in EPA's annual budget submissions, you asked us to review the underlying support for EPA's requested fiscal year 1999 budget increases for the Superfund, climate change, and EMPACT programs. Specifically, we determined if supporting documentation existed for the requested budgetary increases and, if so, whether the supporting documentation establishes a clear link between the increased funding and the results that EPA anticipates for the three programs.

BACKGROUND

EPA was established in 1970 to protect human health and to safeguard the natural environment. The agency has several programs that address the environmental risks relating to water, air, and toxic waste. Each year, the agency requests budget authority to carry out these programs and on

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February 2, 1998, the President requested \$7.8 billion for EPA's fiscal year 1999 budget—approximately \$400 million, or 6 percent greater than the agency's \$7.4 billion appropriation for fiscal 1998. As shown in table 1, EPA has requested an increase totaling \$691 million for the Superfund, climate change, and EMPACT programs in its fiscal year 1999 budget request, or about 48 percent more than EPA's appropriation in fiscal 1998.

Table 1: EPA's Fiscal Year 1999 Budget Request Compared With the Enacted Fiscal Year 1998 Budget for the Superfund, Climate Change, and EMPACT Programs

Dollars in millions

Program	FY 1998 enacted budget	FY 1999 budget request	Difference	Percent change
Superfund ^a	\$1,340.2	\$1,926.6	\$586.4	44
Climate change ^b	77.6	163.2	85.6	110
EMPACT	16.0	35.0	19.0	119
Total	\$1,433.8	\$2,124.8	\$691.0	48

Legend

FY = fiscal year

^aDesignated as "Hazardous Substance Superfund" within EPA's fiscal year 1999 budget justification for the program objective entitled "Reduce or Control Risks to Human Health."

^bThese amounts relate only to the "Environmental Program and Management" portion of EPA's climate change budget request, which includes EPA's voluntary climate change programs—Green Lights and Energy Star Buildings.

Source: GAO's analysis of EPA's data.

The budget requests developed by EPA and other agencies are prepared under guidance contained in Office of Management and Budget (OMB) Circular No. A-11 and submitted to OMB for review. This guidance is used for preparing the President's budget and specifies that an agency's written budget justifications should include (1) a comparison of a program's total benefits to its total costs using objective data as well as judgmental material and (2) supporting information that takes into account evaluations of the agency and other programs. OMB also requires that an agency's budget justifications emphasize outcomes that reflect the results of the program.

RESULTS IN BRIEF

The supporting material for EPA's fiscal year 1999 budget for the Superfund, climate change, and Environmental Monitoring for Public Access and Community Tracking programs does not establish a clear link between the requested increased funding and the results—more Superfund cleanups, lower emissions of greenhouse gases, and better community access to environmental risk information—that EPA anticipates for the three programs.

For the Superfund program, EPA's requested increase of \$586.4 million was to meet the estimated cost of cleaning up 136 additional sites during fiscal year 1999. Planning data that EPA considers to be primary budgetary support addresses only 114 of the 136 sites that EPA states it will clean up during fiscal year 1999. In fact, not all of the 114 sites were ready for cleanup when EPA submitted its fiscal year 1999 budget request. Furthermore, EPA did not designate 136 specific sites but, rather, estimated that 136 (out of 900 candidate sites) would be cleaned up. Because an unknown portion of these sites will be cleaned up at the expense of parties other than EPA, the link between the requested budget increase and the 136 additional sites to be cleaned up is uncertain.

For the climate change programs, EPA estimated that its requested increase of \$85.6 million would reduce greenhouse gas emissions by 40 million metric tons of carbon equivalent annually. However, EPA has not identified the net impact of the Green Lights and Energy Star Buildings programs on emissions reductions. Other factors, independent of EPA's climate change programs, may also affect the annual levels of greenhouse gas emissions. Consequently, the supporting material does not establish a clear link between the requested increase and the anticipated results.

For the Environmental Monitoring for Public Access and Community Tracking program, EPA requested an increase of \$19.0 million to improve the dissemination of information on pollutants at the local level. However, EPA could not furnish documentation supporting the program's anticipated milestones, criteria for monitoring and evaluating the program's performance, or the program offices' spending plans.

SUPERFUND SPENDING NOT SUPPORTED
BY SPECIFIC SITE INFORMATION

EPA's requested increase of \$586.4 million to accelerate Superfund cleanups at 136 sites during fiscal year 1999 is not fully supported for two major reasons. First, planning data that EPA considers to be primary budgetary support addresses only 114 of the 136 sites that EPA states it will clean up during fiscal

year 1999. Additionally, not all of the 114 sites were even ready for cleanup as of the date of EPA's budget submission. Second, although EPA has prepared a list of 900 candidates from which to draw the 136 sites that it intends to clean up during fiscal year 1999, the agency cannot specifically identify those sites or their associated cleanup costs. EPA cannot state specifically which of the sites would be financed by Superfund or by parties potentially responsible for the cleanups even though EPA expects these parties to perform 70 percent of the cleanups during fiscal year 1999.

In developing EPA's fiscal year 1999 request, Superfund officials stated that they used planning data from the agency's Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) database as of September 8, 1997.¹ The data were compiled from preliminary regional estimates. EPA's budget justification states that 136 sites will be cleaned up during fiscal year 1999. However, the regional estimates that EPA provided as support address only 114 of the 136 sites that EPA has indicated it will clean up during fiscal year 1999. In fact, not all of the sites were ready for the cleanup phase of the Superfund process as of EPA's fiscal year 1999 budget submission.

We also noted that according to the data provided for the 114 sites, cleanup costs total \$483.8 million, which represents EPA's planned obligations for fiscal year 1999. However, this planning estimate is not consistent with another EPA-prepared listing of 900 sites on the Superfund program's National Priorities List (NPL), which EPA considers as candidates for cleanup by the end of 2001. This candidate site listing—also based on CERCLIS—shows that the agency's funding needs total \$667.7 million for fiscal year 1999 and that this amount is based on information compiled for 165 sites. While the September 1997 regional estimates and the 900-candidate site listing indicate planned expenditures at Superfund sites, neither document directly supports the \$586.4 million funding request for cleaning up the 136 sites, which is EPA's cleanup goal for fiscal year 1999.

Another source of uncertainty is the extent to which fiscal year 1999 cleanups will be financed by Superfund or potentially responsible parties. As part of its 136-site cleanup goal, EPA has also stated that it will obtain commitments from responsible parties for 70 percent of the cleanup work to be conducted at NPL sites. According to EPA, approximately 70 percent of all long-term cleanup actions are now financed and conducted by potentially responsible parties.

¹CERCLIS is EPA's repository for data on specific Superfund sites. CERCLIS contains information on hazardous waste site assessment and remediation from 1983 to the present. The data in CERCLIS are uploaded from each EPA region, and the system is designed to report site planning and cleanup information.

However, EPA did not identify which specific sites would be financed and cleaned up by Superfund or potentially responsible parties during fiscal year 1999. This lack of specificity also raises questions about whether EPA's request reflects the actual needs for these sites. With more accurate information on which to estimate costs and specific identification of cleanup responsibilities for each site, EPA could more accurately estimate the funding needs to achieve the 900-site goal.

EFFECT OF CLIMATE CHANGE
PROGRAMS ON EMISSIONS IS UNCLEAR

The requested increase of \$85.6 million for EPA's climate change programs is not fully supported. The reduced emissions of greenhouse gases, such as carbon dioxide, that EPA claims would result from the two largest climate change programs—Green Lights and Energy Star Buildings—have not been separated from other factors that may also contribute to reduced emissions. In addition, the administration is planning to propose future financial incentives to reduce emissions that could further induce companies to curtail greenhouse gas emissions. This proposal adds further uncertainty to the future benefits of the climate change programs.

Begun in 1991, Green Lights, EPA's largest climate change program, encourages organizations to install energy-efficient lighting technologies in their buildings to reduce electrical usage and, thus, emissions, such as carbon dioxide, that are produced as a by-product of generated electricity. In 1995, EPA created the Energy Star Buildings Program, which focuses on a more comprehensive strategy for saving energy in buildings' heating, cooling, and air-handling systems. According to EPA's fiscal year 1999 budget justification, the agency intends to use the budget increase of \$85.6 million, which includes increases for the Green Lights and Energy Star Buildings programs, to reduce—on an annual basis—greenhouse gas emissions by the equivalent of 40 million metric tons of carbon,² reduce energy consumption by over 45 billion kilowatt-hours, and cut participants' energy bills by over \$3 billion.

In June 1997, we reported on four of EPA's voluntary climate change programs and found that EPA did not adjust the reported reductions in emissions for the Green Lights program to account for non-program-related factors that

²Greenhouse gases have varied effects on the atmosphere as measured by their global warming potentials. These potentials are applied to emissions to arrive at a common measure for greenhouse gases; the measure is expressed in million metric tons of carbon equivalent.

contributed to reduced emissions.³ We identified four factors that contributed to these reductions, one of which included lighting upgrades made by several companies—both active program participants and others who had not participated. Most of the representatives of organizations we spoke with about lighting upgrades, some of whom had participated in the programs and others who had not, told us that they would have likely made some changes even without EPA's programs. According to EPA, the 2,500 participants in the Green Lights and Energy Star Buildings programs saved, on average, about \$200,000 in 1997 as a result of their energy-saving actions.

EPA stated in June 1997 that previous methodologies understated the net impacts of its programs and that the agency intended to assess the programs' benefits during the coming year. According to an official in EPA's Office of Air and Radiation, as of May 1998, EPA had contracted for or would be contracting for detailed evaluations of the impact of the Green Lights and Energy Star programs. The official noted that the evaluations are not expected to be completed for several months.

While the net benefits, to date, of the Green Lights and Energy Star Buildings programs will not be known until EPA has completed its comprehensive evaluations, the agency is continuing to research these issues. As a first step, EPA arranged for a limited survey of its Green Lights participants. According to EPA, the study found that participants understated their savings by more than 30 percent. EPA also cites an independent study of other energy-saving programs, which claims that nonprogram factors account for about 12 percent of gross energy savings. Nevertheless, specific energy-savings information resulting directly from EPA's Green Lights and Energy Star Buildings programs is needed in order to determine their effect when measured against the contributions of nonprogram factors. Without this information, the programs' benefits are uncertain and difficult to compare with requested budgetary increases.

Furthermore, an incentive proposed in October 1997 by the administration is another nonprogram factor that could influence companies to reduce their greenhouse gas emissions. As part of a three-stage national effort to curb greenhouse gas emissions, the President proposed that companies receive an immediate financial incentive for taking near-term voluntary actions to reduce emissions. If these incentives become available, businesses that reduce their emissions in 1999, for example, will benefit financially by reducing energy expenditures and receiving economically valuable incentives.

³Global Warming: Information on the Results of Four of EPA's Voluntary Climate Change Programs (GAO/RCED-97-163, June 30, 1997).

INTENDED USE OF EMPACT FUNDS IS NOT APPARENT

EPA's requested increase of \$19.0 million for the EMPACT program is not fully supported by underlying documentation. The agency could not furnish documentation supporting the program's anticipated milestones, the criteria for monitoring and evaluating the program's overall performance, or the program offices' spending plans.

The EMPACT program was designed to provide the public with real-time information on the risks faced by the public from exposure to pollutants at the local level and is intended to provide at least 75 of the largest U.S. metropolitan areas with access to information about the quality of their local environment. EMPACT is currently supporting 11 pilot projects in 54 metropolitan areas. The fiscal year 1999 budgetary increase of \$19.0 million would be used to expand the implementation of some of these pilot projects that began in fiscal year 1998 to reach additional metropolitan areas.

In fiscal year 1998, an EPA-wide steering committee reviewed and ranked various EMPACT proposals submitted by 6 of EPA's program offices and 10 regional offices, which resulted in the approval of the 11 pilot projects. As of September 1998, according to the EMPACT program manager, 26 additional pilot project proposals have been submitted for review by the steering committee. EPA's EMPACT program officials noted that final recommendations for allocating fiscal year 1999 resources to the program offices and regional offices will be made by the steering committee early in fiscal year 1999. The final allocation decisions are scheduled to be completed by October 1998.

While EPA allowed its program offices to develop approaches for disseminating information, these offices have not developed action plans for how they expect to achieve the EMPACT goals nor have they prepared spending plans for projects they expect to fund in fiscal year 1999. The program offices' spending plans are generated once the funding levels have been determined. EPA officials stated that funding levels and spending plans for the program offices and regional offices for fiscal year 1999 will depend on the number of pilot projects selected for funding during fiscal 1999. We also noted that EPA's request for increased funding did not contain supporting documentation for the program's anticipated milestones or criteria for monitoring and evaluating the program's performance.

AGENCY COMMENTS AND OUR EVALUATION

We provided EPA with a draft of this report for review and comment. EPA disagreed with our position that its Superfund budget request for fiscal year 1999 is not based on information that supports its budget. According to EPA officials, the fiscal year 1999 budget request was based on site data from CERCLIS and these data clearly justify the \$586.4 million requested increase. Our examination of several documents that EPA considers to be primary support for its requested increase found that each shows differing numbers of sites to be cleaned up as well as differing cleanup costs. We do not believe that these estimates support EPA's contention that it will clean up 136 sites during fiscal year 1999. Furthermore, during the course of our review, EPA did not provide information that would show the specific sites to be cleaned up during fiscal year 1999 and, most importantly, the associated cleanup costs. Therefore, we have made no changes to this section of the report.

With regard to identifying specific sites to be cleaned up by Superfund or potentially responsible parties, EPA contends that additional specificity does not necessarily provide more accuracy in estimating funding needs. EPA indicated that the agency's goal is to obtain a 70-percent commitment rate from potentially responsible parties for financing cleanups. If EPA's goal for fiscal year 1999 is to complete 136 cleanups overall and if its goal is to have a responsible party participation rate of 70 percent, then EPA should specifically determine which sites it can reasonably expect to clean up with financing from Superfund as well as potentially responsible parties. However, EPA was concerned that designating sites to be cleaned by potentially responsible parties in advance could affect negotiations on cleanup financing and responsibilities. It is unclear how, in the budget formulation process, the designation of sites to be cleaned up by potentially responsible parties would impact negotiations. With more accurate information on which to estimate costs and specific identification of cleanup responsibilities for each site, EPA could more accurately estimate the funding needs to achieve the 900-site goal. We have maintained this position in our report.

With regard to our review of EPA's climate change programs, EPA had no objections to our discussion of the requested increase. EPA suggested and we agreed to use actual 1997 data on average benefits per Green Lights participant rather than projected 1998 benefits.

For the EMPACT program, EPA disagreed with our characterization of the lack of program milestones, criteria for monitoring program performance, and spending plans. According to EPA officials, they provided us with a chart that shows key milestones for tracking the program's progress. However, that chart only showed dates for activities primarily related to the grant selection process

through 1998 and could not be considered as representing program milestones. According to the EMPACT Deputy Program Manager, three phases are involved: planning, evaluation and integration of approaches, and transfer to the states and local communities in fiscal year 2001. However, EPA's chart did not provide dates for completing any of these phases, nor did EPA provide dates for any program activities subsequent to December 1998. Moreover, as late as August 10, 1998, EPA still considered its criteria for monitoring the EMPACT program as a draft performance plan.

With regard to the lack of EMPACT program spending plans, EPA stated that spending plans at the program level are not available—only for individual projects. EPA noted that final decisions about the allocation of fiscal year 1999 funding are scheduled for completion by October 1998. Without an overall spending plan, the agency cannot demonstrate a clear need for the funds being requested. At the time of our review, EPA could not provide information in sufficient detail on how the fiscal year 1999 EMPACT funding would be spent.

SCOPE AND METHODOLOGY

We performed our work at EPA's headquarters office located in Washington, D.C. We reviewed the underlying support for EPA's fiscal year 1999 budget request for the (1) Superfund program, including the documentation prepared by EPA to justify its need for resources to clean up Superfund sites; (2) climate change programs, including the administration's proposals to reduce greenhouse gas emissions; and (3) EMPACT program and the role of EPA's program offices in implementing this program. We also met with EPA officials to review the processes used by the agency in preparing its budget assumptions.

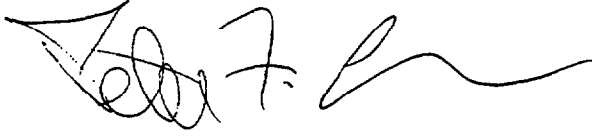
We conducted our review from February through August 1998 in accordance with generally accepted government auditing standards.

We are sending copies of this report to appropriate congressional committees, interested Members of Congress, the Administrator of EPA, and other interested parties. We will also make copies available upon request.

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Major contributors to this report were Harriet Drumblings, David Marwick, Donald E. Pless, John A. Wanska, and John D. Yakaitis. Please call me at (202) 512-6111 if you or your staff have any questions.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Peter F. Guerrero", with a long horizontal flourish extending to the right.

Peter F. Guerrero
Director, Environmental
Protection Issues

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