

INTRODUCTION

The budget process begins when the President establishes the general budget and fiscal policy guidelines in the spring of the year before the budget is delivered to Congress. Based on these guidelines, the Office of Management and Budget (OMB) works with each Federal agency to establish specific policy directions and planning levels for the budget year and for the following five years.

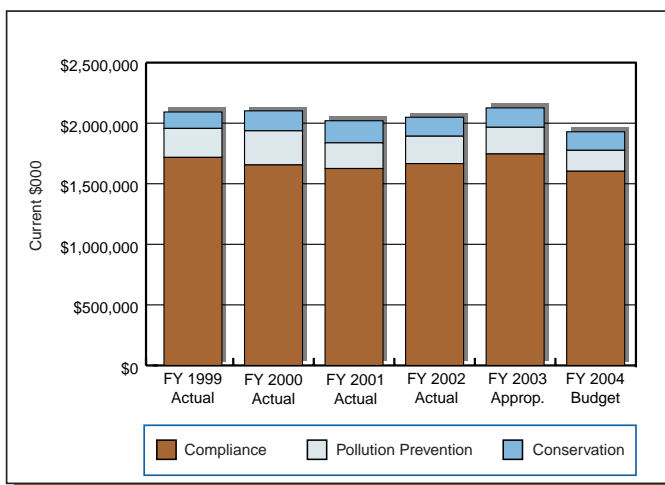
By law, the President is required to submit the budget for the entire Federal government to Congress in early February. The DoD Components then submit material to Congress to support their portion of the DoD budget request. This Environmental Quality (EQ) Annual Report to Congress supports the Environmental Quality portion of DoD's FY 2004 budget request.

THE ENVIRONMENTAL QUALITY PROGRAM BUDGET

The Environmental Quality Program budget includes funding for the three main areas of the Environmental Quality Program—pollution prevention, compliance, and conservation. The pollution prevention budget includes funds to reduce or eliminate pollution at the source. DoD invests conservation funds in natural, historical, and cultural resource conservation. The compliance budget includes funds for maintaining clean air and water, managing of solid and hazardous wastes, conducting

required compliance training, and paying environmental staff. Figure 1 illustrates the Environmental Quality Program's budget history by each of these areas.

Figure 1
DoD Budget Summary:
Environmental Quality Budget by Area



The graphs in Appendices C through G illustrate the President's Environmental Quality Program budget data by DoD Component for FY 1999 through FY 2004. Appendix H provides FY 1999 to FY 2004 DoD budget totals in both current and constant FY 2004 dollars.

FY 2002 EQ BUDGET EXECUTION

Even though the budget for the Environmental Quality Program has declined more than 14 percent since FY 1999, after allowing for inflation, performance of key measures of success have improved. In FY 2002, DoD invested approximately \$2.09 billion in Environmental Quality Program activities. This is approximately \$28 million more than DoD invested in FY 2001. DoD invested approximately 81 percent, or \$1.7 billion, to fulfill compliance requirements; 11 percent to conduct pollution prevention activities; and 8 percent to support natural and cultural resource conservation. DoD invested

approximately 48 percent of the FY 2002 Environmental Quality Program budget in one-time projects, or nonrecurring activities, and 52 percent in recurring activities, or the relatively constant costs of maintaining Environmental Quality programs at DoD installations (Figure 2).

Figure 2
DoD Budget Summary:
Environmental Quality Recurring Costs

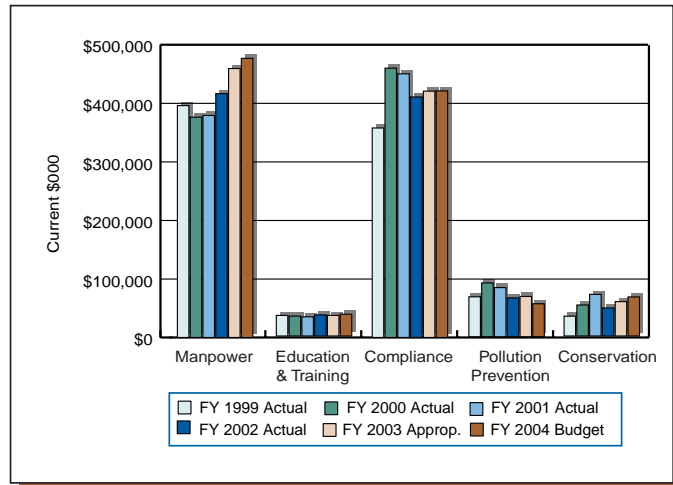
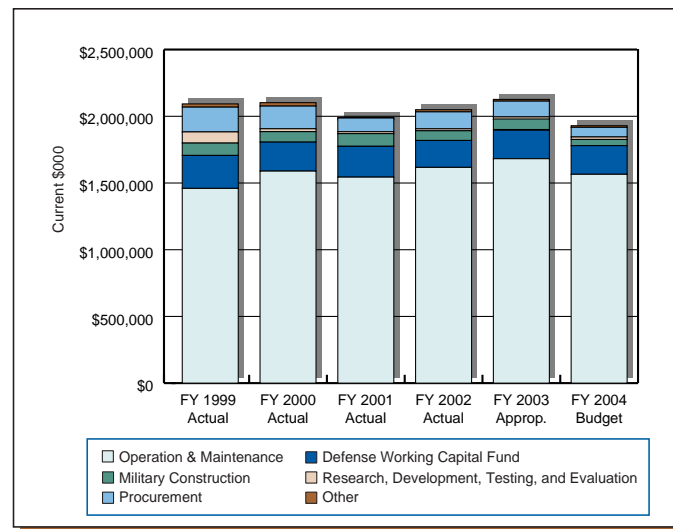


Figure 3 illustrates the FY 2002 Environmental Quality Program budget by appropriation — Operation and Maintenance, Defense Working Capital Fund, Research, Development, Testing and Evaluation, Military Construction, Procurement, and Other.

Figure 3
DoD Budget Summary:
Environmental Quality Budget by Appropriation



FY 2003 EQ Appropriations

The FY 2003 Environmental Quality Program appropriations are, after allowing for inflation, about three percent greater than the FY 2002 Environmental Quality Program budget. DoD is investing approximately 82 percent of the appropriations in the Compliance Program, 10

percent in the Pollution Prevention Program, and eight percent in the Conservation Program. The investments in recurring and nonrecurring efforts are approximately equal.

FY 2004 EQ Budget Request

The President's FY 2004 budget request for the Environmental Quality Program is about \$1.9 billion, a \$197 million decrease from the FY 2003 budget, as appropriated by Congress, of \$2.1 billion.

Figures 1, 2, and 3 illustrate budget trends within the Environmental Quality Program. The figures show FY 1999-2002 actual, FY 2003 appropriated, and FY 2004 budgeted funds. Appendices C through G of this report include graphs illustrating the FY 1999 through FY 2004 President's budget data by DoD Component in current year dollars. Appendix H provides FY 1999 through FY 2004 Environmental Quality Program budget totals in current dollars and constant FY 2004 dollars. This appendix provides information to compare investment levels after accounting for inflation.

POLLUTION PREVENTION BUDGET

Pollution prevention efforts at military installations reduce health and safety risks to DoD personnel and nearby communities. Pollution prevention is DoD's preferred strategy for meeting its compliance requirements. By preventing pollution, such as reducing or eliminating the use of hazardous materials, DoD reduces the growth of environmental budget requirements. DoD also reduces the number of accidents that can occur when using these materials and, thus, associated cleanup costs.

A pollution prevention project that eliminates the use of a hazardous materials also reduces the generation of water pollution, air pollution, and hazardous wastes. As a result, DoD potentially reduces compliance costs in all three areas. In addition, the project could eliminate the costs to buy, store, and deliver the hazardous material.

FY 2002 Pollution Prevention Budget Execution

During FY 2002, DoD invested \$226 million in pollution prevention activities. DoD invested about \$66 million, or 29 percent, of its pollution prevention budget in recurring costs, including managing recycling programs and Toxic Release Inventory (TRI) reporting. DoD invested the remaining \$160 million, or 71 percent, in one-time, nonrecurring projects, such as purchasing new pollution prevention equipment.

DoD's FY 2002 Pollution Prevention Program execution was 7 percent more than pollution prevention investments in FY 2001, allowing for inflation. This is due to the increased investment in the Marine Corps programs to find pollution prevention solutions to compliance issues.

Hazardous material reduction, Clean Water Act (CWA), and hazardous waste requirements are the areas of greatest emphasis within the Pollution Prevention Program. In addition, DoD funds efforts to prevent pollution on ships and to prepare source reduction plans through the Pollution Prevention Program. During FY 2002, DoD invested 33 percent of pollution prevention nonrecurring funds in reducing the use of hazardous materials; 13 percent in managing hazardous waste; 12 percent in reducing Clean Air Act (CAA) pollutants, including the use of ozone depleting substances; 4 percent in reducing municipal solid wastes and establishing recycling and composting programs; and 24 percent in reducing CWA pollutants. DoD invested the remaining 14 percent in other efforts, primarily preparing pollution prevention and source protection plans for drinking water resources.

FY 2003 Pollution Prevention Appropriations

The FY 2003 Pollution Prevention Program budget, as appropriated by Congress, is \$220 million. DoD is investing more than \$151 million of this amount, or 69 percent, in nonrecurring projects.

FY 2004 Pollution Prevention Budget Request

DoD is requesting \$173 million to fund the Pollution Prevention Program in FY 2004. The Pollution Prevention Program budget is declining because of the completion of shipboard pollution prevention and the completion of many one-time projects.

COMPLIANCE BUDGET

DoD's Compliance Program budget has declined by 6.4 percent from FY 1999 to FY 2004, allowing for inflation. At the same time, the Compliance Program has matured and performance of key indicators of success has improved each year. Through FY 2003, DoD continued to increase the use of emerging pollution prevention technologies and practices to reduce compliance costs.

FY 2002 Compliance Budget Execution

During FY 2002, DoD invested \$1.7 billion in compliance activities. Of this amount, DoD invested \$411 million in recurring compliance costs, excluding manpower and education and training. Recurring compliance costs are those relatively constant activities that an installation must accomplish to support the mission and maintain compliance with environmental regulations and permit requirements. These activities include routine sampling and analysis of discharges to air and water and hazardous waste disposal. Other recurring costs include purchasing supplies, maintaining and operating equipment, managing National Pollutant Discharge Elimination System permits and CAA inventories, and conducting self-assessments. Of the remaining recurring investments, manpower is the single largest cost. Note that FY 2002 manpower and education and training costs, totaling \$452.5 million, are not included in the Figure 2 totals.

DoD invested 48 percent, or \$803 million, of FY 2002 Compliance Program funds in nonrecurring projects, or one-time events, such as projects to upgrade wastewater treatment facilities or install air pollution controls to meet current standards. The largest nonrecurring investment each year is compliance with CWA regulations, which requires substantial infrastructure investments in wastewater treatment plants and storm water management.

FY 2003 Compliance Appropriations

The FY 2003 Compliance Program budget, as appropriated by Congress, totals \$1.75 billion. About 52 percent is for recurring costs. The two largest recurring costs are for personnel and such other recurring costs as preparing and updating management plans and implementing Final Governing Standards (FGS).

The nonrecurring portion of the Compliance Program budget is \$831 million, approximately 48 percent. The largest amount of funding is for Clean Water Act-related efforts such as repairing wastewater treatment facilities.

FY 2004 Compliance Budget Request

The Compliance Program budget request of \$1.6 billion is the largest percentage of the FY 2004 Environmental Quality Program budget request at 83 percent. DoD's FY 2004 budget request for the Compliance Program is \$143 million less than the FY 2003 budget as appropriated by Congress. This decrease is largely due to the completion of one-time projects.

CONSERVATION BUDGET

DoD is sensitive to the need to protect the natural, historical, and cultural resources located on and near its installations. The Department seeks to comply with the letter and the spirit of major statutes, including the Archaeological Resources Protection Act, the CWA, the Endangered Species Act, the Migratory Bird Treaty Act, the National Historic Preservation Act, and the Sikes Act. Conservation investments are essential to the long-term success of DoD's mission. The goals of DoD's investments in the Conservation Program are to support the military mission by providing for the sustained use of land, sea, and air resources; protecting valuable natural and cultural resources for future generations; meeting all legal requirements; and promoting compatible uses of those resources.

FY 2002 Conservation Budget Execution

In FY 2002, DoD invested approximately \$157 million in conservation efforts. Of this amount, DoD invested approximately \$109 million, or 69 percent, in supporting nonrecurring, innovative conservation projects. Of this nonrecurring budget, DoD invested approximately \$67 million in natural resource initiatives and \$42 million in historical and cultural resource initiatives.

Of the \$67 million to support natural resource protection, DoD invested \$5.9 million in wetlands protection—a decrease of 36 percent compared to FY 2001, allowing for inflation. DoD invested \$20 million in managing and protecting threatened and endangered species in FY 2002—an increase of 16 percent compared with FY 2001, allowing for inflation. In addition, DoD invested \$41 million in protecting other natural resources.

DoD invested approximately \$48 million, or 31 percent, of the Conservation Program budget in recurring costs. These activities include preparing and updating integrated natural and cultural resource management plans, coordinating with other conservation regulatory agencies, and other management actions.

FY 2003 Conservation Appropriations

The FY 2003 Conservation Program budget, as appropriated by Congress, remains high at \$160 million. This level of funding reflects DoD's commitment to protecting the natural and cultural resources entrusted to its care.

FY 2004 Conservation Budget Request

The President's FY 2004 Environmental Quality Program budget request includes \$153 million for DoD conservation initiatives. This request is \$7 million, or 6 percent, less than Congress appropriated in FY 2003 after allowing for inflation. This decrease is due to fewer non-recurring projects.

DoD invests in Conservation Program efforts to develop innovative processes and technologies to improve efficiency. In FY 2004, DoD will continue to lead stewardship efforts through collaborative planning, process improvements, and comprehensive resource management.

OVERSEAS ACTIVITIES BUDGET

Subparagraph (2)(F) of subsection 2706(b) in Title 10, United States Code, requires DoD to report on overseas environmental investments. These investments are necessary to comply with environmental requirements under standing treaties, laws, contracts, or other agreements. Final Governing Standards (FGS) establish the investment requirements for overseas military installations. DoD must include environmental restoration activities in its investments for overseas military activities.

Restoration funds are included in the overseas activities budget because Defense Environmental Restoration Act (DERA) funds can only be used in the United States. DoD identified the amounts invested overseas for the past four years in the three main Environmental Quality areas—pollution prevention, compliance, and conservation—plus investments in cleaning up past contamination. The overseas budget is a subset of the overall DoD Environmental Quality Program budget. Figure 4 illustrates the amounts invested in each of those areas.

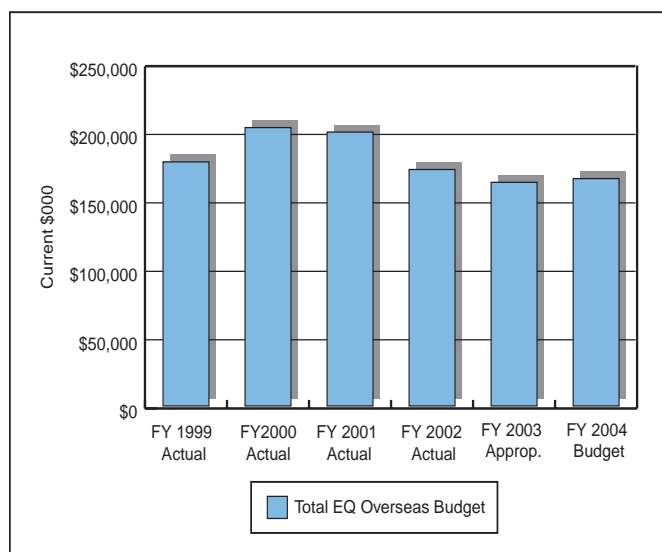
Figure 4
Overseas Budget by Area (Current \$000)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Approp.	FY 2004 Budget
Remediation	\$12,554	\$69,908	\$41,920	\$42,200	\$45,998
Compliance	\$168,560	\$175,917	\$171,082	\$165,472	\$152,780
Conservation	\$5,153	\$4,125	\$3,053	\$3,114	\$3,229
Pollution Prevention	\$17,054	\$30,715	\$16,613	\$15,930	\$10,049
TOTAL	\$203,321	\$280,665	\$232,668	\$226,716	\$212,056

FY 2002 Overseas Activities Budget Execution

During FY 2002, DoD invested \$215 million in Environmental Quality programs overseas (Figure 5). This amount is less than the \$233 million that DoD invested in FY 2001. In FY 2002, DoD invested approximately \$24 million to clean up past contamination, \$171 million to ensure that current operations meet environmental standards, \$17 million to prevent pollution, and \$3 million to conserve natural and cultural resources.

Figure 5
DoD Budget Summary:
Total Environmental Quality Overseas Budget



FY 2003 Overseas Activities Appropriations

The FY 2003 Environmental Quality Program budget, as appropriated by Congress, includes over \$206 million for environmental efforts overseas. DoD is investing approximately \$21 million to clean up past contamination, \$165 million to comply with current standards, \$16 million to prevent pollution, and more than \$3 million for conservation.

FY 2004 Overseas Activities Budget Request

The FY 2004 Environmental Quality Program budget includes a request for \$189 million for environmental activities that DoD will conduct overseas. This amount includes approximately \$23 million to clean up past contamination, \$153 million to comply with current environmental standards, \$10 million to prevent pollution, and \$3 million for conservation initiatives.

RESEARCH AND DEVELOPMENT

New technologies are important tools for meeting environmental requirements more efficiently and effectively. Accelerating the development and use of new environmental technologies results in reduced costs to comply with environmental, safety, and health laws; more efficient conservation initiatives; and a greater ability to prevent pollution at the source.

DoD's research and development (R&D) strategy is to address environmental needs through investments in technology; to identify technologies that provide the highest return on investment; to engage in partnerships that encourage the development of innovative technologies that can be used for more than one purpose; and to accelerate the use and commercialization of technologies. DoD has established a process to coordinate, integrate, and prioritize environmental technology R&D projects across the DoD Components.

FY 2002 Research and Development Budget Execution

In FY 2002, DoD invested approximately \$228 million in basic and applied research, advanced development, demonstration, and validation of technologies to support overall environmental functions. Of this amount, DoD invested approximately 72 percent to directly support the Environmental Quality Program. DoD allocated \$87 million for pollution prevention, \$63 million for compliance, and \$12 million for conservation R&D activities. Specifically—

- The Army invested \$43 million
- The Navy invested \$72 million
- The Strategic Environmental Research and Development Program (SERDP) invested \$39 million
- The Environmental Security Technology Certification Program (ESTCP) invested \$9 million.

Although there was no direct R&D project funding under the environmental technology program in FY02, the Air Force continues to maintain a robust EQ program that benefits from technology advancement by leveraging other programs and sources of funds.

These investments in technology support the Environmental Quality Program but are not part of the Environmental Quality Program budget. Therefore, these investments are not included in Appendices C through G, which summarize Environmental Quality Program requirements.

FY 2004 Research and Development Budget Request

The President's FY 2004 budget requests \$191 million for research, development, testing, and evaluation to create new technologies to support the Installations and Environment Program's goals and objectives. Of this amount, DoD requested approximately \$117 million to directly support the Environmental Quality Program—DoD will allocate \$52 million for pollution prevention, \$51 million for compliance, and \$14 million for conservation R&D activities. DoD Component R&D funding requests directed to Environmental Quality programs for FY 2004 are—

- Department of the Army: \$30 million
- Department of the Navy: \$44 million
- SERDP: \$28 million
- ESTCP: \$15 million.

The Air Force will continue to leverage other programs and sources of funds like SERDP and ESTCP to maintain a robust EQ program.