

June 2003

ENVIRONMENTAL COMPLIANCE

Better DOD Guidance Needed to Ensure That the Most Important Activities Are Funded





Highlights of [GAO-03-639](#), a report to the Senate and House Committees on Armed Services

Why GAO Did This Study

The Department of Defense (DOD) and its military services are responsible for complying with a broad range of environmental laws and other requirements that apply to the lands they manage, including more than 425 major military installations covering about 25 million acres across the United States. Through its environmental quality program, DOD spends about \$2 billion per year to comply with these requirements. Although the services have made significant improvements in environmental management in recent years, DOD has not reached full environmental compliance. In response to the Senate Armed Services Committee's report on the National Defense Authorization Act for Fiscal Year 2002, we assessed how DOD and the services identify, prioritize, and fund their environmental quality activities to determine whether the most important and appropriate activities are funded.

What GAO Recommends

DOD should establish a more specific policy on which activities are eligible for funding through the environmental quality program and how such activities should be prioritized and funded. The military services should revise their policies and processes to conform to the revised DOD policy. DOD did not provide comments on these recommendations as of the issuance date of this report.

www.gao.gov/cgi-bin/getrpt?GAO-03-639.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Anu K. Mittal at (202) 512-3841 or mittala@gao.gov.

ENVIRONMENTAL COMPLIANCE

Better DOD Guidance Needed to Ensure That the Most Important Activities Are Funded

What GAO Found

DOD's and the services' policies and processes for the environmental quality program do not always ensure that program funds are targeted to the most important and appropriate environmental activities. Instead, GAO found that some installations have funded low-priority or other activities that were ineligible under their environmental quality funding policies, at the same time that higher-priority activities were not funded. For example, at certain large installations that GAO visited, low-priority activities, such as noise monitoring, or ineligible activities, such as pest management, landscaping, and roof replacement, were funded while high-priority activities to prevent soil erosion were not.

At the root of the problem is DOD's broad program policy that does not provide specific guidance on what activities are eligible for the program and the resulting inconsistent interpretation and implementation of this policy by the military services. DOD's policy requires that all high-priority activities be funded, but gives the services broad discretion in how this policy is put into place. As a result, GAO found (1) inconsistencies across and within the services about which activities are eligible for environmental quality program funding and (2) the funding of some activities through the program that more closely relate to military operations or base maintenance. For example, some services use program funds for oil and hazardous material spill response plans, equipment, and cleanup costs, while other services require the organization responsible for the spill to pay for the cleanup portion of those costs. Similarly, service policies can differ regarding responsibility for funding maintenance of structures such as water and sewer treatment facilities and historic buildings.

Without a consistently implemented approach, there is no assurance that DOD's requirement to fund all high-priority activities is being met. Instead, some high-priority projects are being deferred. Generally, these deferrals involve projects that, although required by law, do not have to be completed by specific dates (e.g., surveys of properties required by historic preservation law). Deferring such activities, however, can lead to larger and more costly problems later. Moreover, to fund unbudgeted emergency environmental activities, the installations may have to defer other high-priority environmental program activities, obtain funds from other sources at the installation such as maintenance activities, or obtain funds from higher command levels. Some services have recently indicated that the availability of funds for environmental activities is likely to get worse in future years, because of expected reductions in their budgets for this program. Such constraints make a well-implemented prioritization process even more important.

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Abbreviations

DOD	Department of Defense
GAO	General Accounting Office
NEPA	National Environmental Policy Act

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G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

June 17, 2003

The Honorable John W. Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Department of Defense (DOD) and its military services—the Air Force, Army, Navy, and Marine Corps—must comply with a broad spectrum of federal, state, and local environmental laws, regulations, and executive orders that apply to the lands they manage, including more than 425 major military installations covering approximately 25 million acres across the United States. Through its environmental quality program, DOD spends about \$2 billion per year to comply with environmental requirements that address (1) routine activities to ensure environmental compliance, such as the proper disposal of hazardous waste; (2) pollution prevention activities; and (3) a wide range of conservation activities, including the preservation of prehistoric sites and the protection of more than 300 endangered plant and animal species found on installations. To ensure that the environmental quality program funds the most important and appropriate activities, DOD has developed a general policy for the military services to follow in identifying, prioritizing, and funding environmental quality activities. In turn, each military service has established its own policy or guidance to implement the environmental quality program across its installations.

Although the services have, over the past decade, made significant improvements in their environmental compliance record, according to DOD's estimates these improvements have leveled off in recent years and DOD has not yet reached its goal of full environmental compliance. In response to provisions of the Senate Armed Services Committee's report on the National Defense Authorization Act for Fiscal Year 2002, we

assessed DOD's and the military services' policies and processes for identifying, prioritizing, and funding their environmental quality activities, including unexpected or emergency needs, to determine the extent to which these processes and practices ensure that the most important and appropriate activities are funded.

As part of our work, we reviewed policies and procedures established by DOD and the services to guide implementation of the environmental quality program. We also visited 11 military installations to review how they were implementing the program and reviewed the environmental funding requests for fiscal years 1999 through 2001 for these 11 and another 4 installations.¹ We selected these installations based on their large environmental budgets and because they represent a range of major commands, missions, and geographic locations. Our observations about individual projects or activities at these installations are not generalizable to projects or activities at all military installations. We conducted our work between May 2002 and May 2003 in accordance with generally accepted government auditing standards. A more detailed description of our review scope and methodology is in appendix I.

Results in Brief

The Department of Defense's and the military services' policies and processes for the environmental quality program do not always ensure that the most important and appropriate environmental activities are funded. Instead, we found that some installations had funded low-priority activities or ones that were ineligible under their policies, such as pest management and roof replacement, at the same time that higher-priority activities were not funded. At the root of the problem is DOD's broad program policy that does not provide specific guidance on what activities are eligible for the program and the resulting inconsistent interpretation and implementation of this policy by the military services. The variations among the services' programs can result in different eligibility requirements for environmental activities across the services.

¹ The installations we visited include the Air Force's Eglin Air Force Base and Vandenberg Air Force Base; the Army's Fort Bliss, Fort Campbell, and Fort Carson; the Marine Corps' Camp Lejeune and Camp Pendleton; and the Navy's Mid-Atlantic Region (Naval Station Norfolk and Naval Weapons Station Yorktown) and Southwest Region (Naval Air Station North Island and Naval Station Point Loma). At the two Navy regions, we reviewed environmental funding requests for Naval Station Norfolk, Naval Air Station Oceana, Naval Weapons Station Yorktown, Naval Amphibious Base Little Creek, Naval Station San Diego, Naval Air Station North Island, Naval Base Point Loma, and Naval Auxiliary Landing Field San Clemente Island.

For example, under the Air Force's and the Army's policies, the cleanup of oil and hazardous substance spills is eligible for environmental quality program funding, while the Navy and Marine Corps require the organization responsible for the spill to pay the cleanup costs. The variations can also result in funding activities through the environmental quality program that may be more closely related to military operations or base maintenance. For example, at some installations we visited the environmental quality program funded routine maintenance activities. Without a consistently implemented approach, there is no assurance that DOD's requirement for funding all high-priority environmental activities is being met. We found that the services have not always been able to fund all high-priority activities through the environmental quality program and in some cases the installations we visited had to defer certain environmental activities when funding was not available. Moreover, the installations we visited were able to fund their emergency, unbudgeted, high-priority environmental activities by redirecting funds from other activities such as base maintenance. Some services indicated that this situation is likely to worsen in the future with expected reductions in their budgets for the program. Such constraints make a well-implemented prioritization process even more important.

Because the broad nature of DOD's policy and the resulting differences in program implementation among the military services make it difficult to ensure that the most important and appropriate environmental activities are being funded, we are making recommendations to DOD aimed at establishing a more specific policy on which activities are eligible for environmental quality program funding and how such activities should be prioritized and funded. Further, we are recommending that once the department revises its policy, the services should update their own policies and processes to ensure consistency with the revisions.

We provided DOD with a draft of this report for review and comment. DOD provided technical clarifications, which we incorporated as appropriate. However, DOD did not provide overall comments as of the issuance date of this report.

Background

DOD's operations at military installations and other defense sites in the United States are subject to the same environmental laws and regulations, such as the Clean Air Act and the Clean Water Act, as is private industry.² Additionally, DOD policy calls for its organizational components to achieve, maintain, and monitor compliance with all applicable executive orders, as well as all federal, state, and local statutory and regulatory requirements.

DOD has an environmental quality program to address these requirements, which fall into three main categories: (1) environmental compliance activities; (2) pollution prevention activities; and (3) conservation activities, such as the protection of natural and cultural resources present on military installations.³ DOD has developed and implemented policies for activities in each major program category.⁴

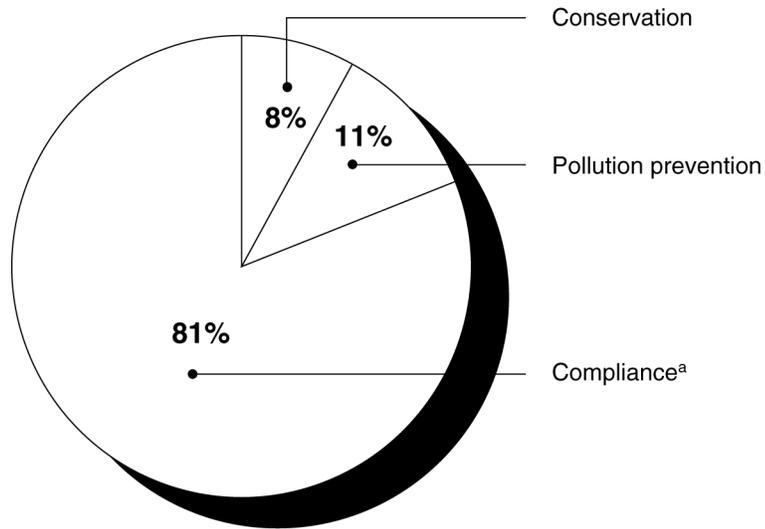
By far, the majority of DOD's investment in its environmental quality program is for its environmental compliance requirements. For example, in fiscal year 2002, about 81 percent of DOD's investment of more than \$2 billion in the environmental quality program was for compliance activities, including personnel costs for the entire program; 11 percent was for pollution prevention; and 8 percent was for conservation activities. (See fig. 1.)

² Other requirements and policies apply to DOD's activities overseas and to Navy ships at sea; these are outside the scope of this review.

³ In addition to its environmental quality program, DOD has a program focusing on the cleanup of contamination associated with past DOD activities. This program, known as the Defense Environmental Restoration Program, was established by section 211 of the Superfund Amendments and Reauthorization Act of 1986. Under the environmental restoration program, DOD is authorized to identify, investigate, and clean up environmental contamination at active or closing military installations, and on land that DOD formerly owned or leased. Funding for environmental restoration activities is provided through Component Environmental Restoration accounts; activities funded through these accounts are outside the scope of our review.

⁴ See Department of Defense Instruction (DODI) 4715.3, *Environmental Conservation Program*, May 3, 1996; DODI 4715.4, *Pollution Prevention*, June 18, 1996; and DODI 4715.6, *Environmental Compliance*, April 24, 1996.

Figure 1: DOD's Environmental Quality Funding, Fiscal Year 2002



Source: DOD.

^a Compliance includes personnel costs for the entire environmental quality program.

Funding allocated to the environmental quality program in recent years has come largely from DOD's appropriation for operation and maintenance activities.⁵ This appropriation account funds a diverse set of activities, including military training, depot maintenance, base operations

⁵ In recent years, DOD's operation and maintenance account has funded about 77 percent of the environmental quality program. About 23 percent of environmental program funding in recent years has been from other DOD accounts, including the Defense Working Capital Funds, the procurement accounts, and the military construction account.

support, and real property maintenance.⁶ The funding allocated to the environmental quality program from the operations and maintenance account may be used for other, nonenvironmental, purposes as needed by the services or installations. For example, once funding for operations and maintenance activities, including environmental quality activities, has been allocated to an installation commander, the commander has the authority to use these funds as necessary for the needs of the installation. Likewise, if funding allocated to an installation by the service or the major command for environmental quality activities is not sufficient to ensure that the installation remains in compliance with its environmental requirements, the installation commander has the authority to reallocate funds to the environmental quality program.

Installation commanders are responsible for ensuring that their installations are in compliance with environmental requirements. The installations are responsible for identifying all regulations and other environmental requirements that apply to them, and identifying and tracking pending requirements.⁷ To carry out their environmental responsibilities, the installation commanders are typically supported by an environmental program office, including staff with expertise in various environmental areas such as air, water, or hazardous waste. Managers for these areas are responsible for identifying current and pending environmental requirements applicable at their installation. Additionally, DOD has regional environmental offices that assist installations in identifying current and pending environmental requirements, particularly at the state and local levels.

⁶ In fiscal year 2002, DOD replaced its real property maintenance program, which had been funded through the operations and maintenance appropriation, with two distinct activities and accounting structures: (1) sustainment and (2) restoration and modernization. Sustainment funds, which come primarily from the operations and maintenance appropriation, cover expenses for all recurring maintenance costs and contracts, as well as for major repairs of nonstructural components (e.g., replacing a roof or repairing an air-conditioning system). Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes altering, or modernizing, facilities to meet new or higher standards, accommodate new functions, or replace structural components. Restoration and modernization activities are funded through both the operations and maintenance appropriation and the military construction appropriation. For more information on these topics, see U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities*, [GAO-03-274](#) (Washington, D.C.: Feb. 2003).

⁷ In the Navy, these responsibilities are performed by regional environmental offices rather than by offices associated with each installation.

Officials at each installation develop a list of planned activities, along with the priority levels and estimated costs of these activities, for the installation's environmental quality program for the upcoming 6 fiscal years. The greatest emphasis and detail is provided for those activities for funding in the first 2 fiscal years, called the budget years.

DOD's environmental quality policy uses the following classification system to prioritize environmental activities:

- **Class 0** activities are recurring activities needed to keep an environmental program running and meet compliance requirements, such as employee salaries, costs of environmental permits, and office supplies.
- **Class I** activities are nonrecurring projects and activities that must be funded in the current program year (and, in some cases, up to several years in the future to complete the project or activity) to correct noncompliance with an environmental requirement or to ensure that the installation will remain in compliance.
- **Class II** activities are those that have compliance deadlines, but these deadlines will not occur until after the current budget year.
- **Class III** activities are typically referred to as "nice to have" activities that address overall environmental goals and objectives, but are not necessary for an installation to remain in compliance with environmental requirements.

Based on DOD's policy, the services have developed prioritization systems for making funding decisions. Consistent with DOD policy, Army and Air Force policies specify that Class 0 and Class I activities must be funded.⁸ Similarly, the Navy and Marine Corps also have a policy of funding all Class 0 and I activities, according to service officials, but their official program policy guidance does not mention this. Consistent with DOD policy, the services also require that selected Class II activities be funded in time to ensure compliance with future requirements. None of the services' policies require funding of Class III activities. In this report, "must fund" Class 0 and I activities are referred to as high-priority activities.

⁸ The Air Force and Navy use the term "level" rather than "class"; in this report, however, the term "class" will be used to describe all of the services' priority levels.

DOD's policy does not differentiate among activities within Class 0 and Class I. For example, because any unfunded Class I activity will result in noncompliance with an environmental requirement, all Class I activities have equal weight as "must fund" activities, according to DOD's policy. However, in addition to the priority categories described above, some major commands have developed their own, more detailed prioritization approaches to help ensure that the most important environmental activities will be funded before other, less important activities within the same class. These approaches are intended to rank proposed environmental activities by their relative importance. These approaches emphasize somewhat different considerations, such as the risk of harm to human health or the environment should an activity not be funded, or the risk of receiving a notice of violation from a regulator if the installation is out of compliance with an environmental requirement.

After the environmental program's staff has identified, prioritized, and estimated the costs of proposed activities, the list of proposed activities may be reviewed by other installation officials, such as legal staff or the installation commander. The list is then forwarded to the next higher command level for its approval. For the Air Force, Army, and Navy, this next higher level is the major command,⁹ while Marine Corps installations forward their proposed environmental budgets directly to their environmental program's headquarters. In some cases, the major command disagrees with the priority level that an installation assigned to an activity or the funding level that the installation requested. The command, or headquarters, in the case of the Marine Corps, may disapprove, or "invalidate," a proposed activity for environmental funding, revise the funding level estimate (either up or down), or change the priority level. The major command consolidates the requests from each installation under its authority, then submits a commandwide request to its service headquarters.

The service headquarters are involved to differing degrees in reviewing the details of the installations' environmental requests. The Air Force's environmental staff rely on the reviews of individual proposed activities by their major commands. As mentioned above, the Marine Corps' environmental office is involved in assessing and prioritizing proposed

⁹ The Navy refers to its higher command level as a "claimant"; however, for the purposes of this report, the term major command will be used. Beginning in fiscal year 2004, the Army's new Installation Management Agency will serve as the next level for reviews of the Army's environmental quality program.

activities at installations. The Navy's environmental staff reviews proposed activities to assess whether they are legally required to undertake them, whether the cost estimates are reasonable, and whether the proposed time frames for completing the activities are realistic. The Army's environmental staff reviews selected environmental activities that were approved by the major commands. Army headquarters officials told us that they expect to expand their review to all activities approved by their major commands now that they have automated their database of proposed environmental activities.

Next, the Office of the Secretary of Defense reviews the environmental quality program budget requests. The Secretary's office does not review these budgets on a project-by-project basis; instead, its review focuses on the services' overall environmental compliance track records and whether the proposed budgets will serve to continue to improve each service's compliance performance. Finally, the estimates for the environmental quality program budget are incorporated into each service's estimate of its overall needs, and DOD's overall budget request is included in the annual presidential budget request to the Congress.¹⁰

DOD's and the Services' Policies and Processes Do Not Always Ensure That the Most Important and Appropriate Environmental Quality Activities Are Funded

Based on broad DOD policy, each military service has established its own policy and processes to implement the environmental quality program. Specifically, the four services have developed somewhat different criteria under their policies and practices for determining which activities are eligible for funding through their environmental quality programs and which activities are funded. Given these differences, DOD cannot be certain that it is funding the most important and appropriate activities across the services and, likewise, the services cannot ensure that they are devoting program funds to the most important and appropriate environmental activities at their installations.

¹⁰ This process, which DOD calls its Planning, Programming, and Budgeting System, or PPBS, takes about 2 years from planning to execution. For more information on this process, see Congressional Research Service, *A Defense Budget Primer*, Dec. 9, 1998.

The Services' Varying Interpretations of DOD's Broad Policy Have Resulted in Inconsistent Eligibility Criteria and Funding of Activities More Closely Related to Military Operations or Maintenance

DOD's policy provides the services with a broad charge to comply with applicable environmental requirements, such as statutes and regulations, but leaves to the services most decisions about which activities are appropriate for funding through their environmental quality programs. We found that the services' varying interpretations of this policy have resulted in different eligibility requirements and in funding of activities through the environmental quality program that may have been more closely related to military operations or maintenance.

The Services' Policies Differ in Which Activities Are Eligible for Their Environmental Quality Programs

Although the services have developed policies intended, in part, to clarify which activities can be funded through the environmental quality program, implementation of these policies has sometimes led to inconsistencies across the services in the types of activities they determine eligible for funding. Also, some of the services or their organizational components have developed additional guidance to assist installations in determining whether certain activities can be funded through their environmental quality programs. For example, the Air Force's Environmental Quality Programming Matrix provides an extensive listing of activities and indicates whether or not each is valid for environmental quality program funding. The Navy's Pacific Fleet has similarly developed guidance, its Policy on Environmental Issues Matrix, to help clarify what is eligible for environmental funding. The Pacific Fleet's guidance also indicates who should pay for activities that are not eligible for environmental quality program funding, something that the Air Force matrix does not address.

While these efforts to provide additional guidance are helpful to the individual services' environmental quality program managers, they do not address or resolve the cross-service inconsistencies on what activities are eligible for funding. For example, we found the following differences in program eligibility:

- **Environmental impact statements.** Under the National Environmental Policy Act (NEPA), the military services are required to assess the environmental effect of their major proposed actions, such as new construction or certain military training on their installations. The Navy's and Air Force's environmental quality programs consider NEPA-required environmental assessments or environmental impact statements as high-priority environmental activities. In fiscal year 2002, for example, the Navy's environmental quality program spent \$17.8 million to comply with NEPA requirements. In contrast, the Marine Corps' and Army's policies generally do not treat NEPA requirements as eligible for environmental

quality program funding. However, the Army's environmental quality program will pay for some NEPA oversight and assistance activities such as training for environmental quality program staff. The Marine Corps' policy requires that the organizations whose actions trigger NEPA requirements pay for NEPA-related expenses; only in the case that a project is environmentally driven does the Marine Corps policy allow environmental quality program funds to be used to pay for NEPA-related expenses.

- **Historic rehabilitation.** The Marine Corps' environmental quality program, which includes conservation of historic resources, requires installations to protect their properties that are listed on the National Register of Historical Places. For example, the Marine Corps' environmental quality program spent nearly \$800,000 to restore an adobe ranch house on Camp Pendleton in southern California that was built in 1890 and had been listed by the National Trust for Historic Preservation as one of the most endangered historic structures in the nation. Camp Pendleton's environmental quality program is restoring the adobe and plaster house and farm buildings to their 1905 appearance. The restoration includes earthquake-proofing the structures as well as stabilizing the walls, floors, and roof. Marine Corps policy allows the environmental quality program to fund such activities because of the National Historic Preservation Act's protection and preservation requirements. In contrast, Air Force policy does not consider the "maintenance and repair of National Register listed or eligible buildings, structures or objects" as a valid use of environmental quality program funds. Likewise, the Navy's and the Army's environmental quality programs do not fund the repair, maintenance, or rehabilitation of historic structures or properties, although the Army's program will fund the preparation of plans for the repair, maintenance, and rehabilitation of such structures.
- **Oil and hazardous material spills.** While all four services pay for plans to prevent and/or respond to oil and hazardous material spills and for spill cleanup equipment, only the Air Force's and Army's environmental quality programs pay for the actual cleanup. While the Navy and Marine Corps are liable under various federal and state laws to fund spill cleanups, they would likely use other operating funds for such cleanups. Typically, the organization that caused the spill would be expected to fund the cleanup. In contrast, the Air Force's and Army's environmental quality programs will pay for spill cleanups, but headquarters officials from both services told us that they encourage their environmental managers to seek reimbursement for spill cleanup costs from the unit that caused the spill.

Some Activities Funded Through the Services' Environmental Quality Programs Are More Closely Related to Military Operations or Maintenance

The services' broad interpretations of eligibility for their environmental quality programs have allowed installations to use the environmental quality program to fund activities that may have been more closely related to military operations or maintenance.

For example, we noted the following:

- **Bird/Aircraft Strike Hazard program.** In fiscal year 2001, the Navy spent about \$147,000 of environmental quality program funds to support an activity whose primary purpose is to ensure the safety of Navy pilots and aircraft at Naval Air Station North Island and a landing field at Imperial Beach. The purpose of this program is to reduce the risk of damage or loss that can occur when birds or other animals are hit by, or caught in, military aircraft during military operations. The Navy justified this activity as part of its environmental quality program because 1 of the 15 species of birds that pose a risk to aircraft is a federally listed endangered species and another is a threatened species. However, as clearly stated in the project description, the primary purpose of the activity is to control wildlife in order to protect aircraft. In contrast, other services require such activities to be funded by the organizations responsible for flight operations and not through the environmental quality programs.
- **Wildfire suppression.** The Navy has used environmental quality program funds to pay for the use of a helicopter to suppress wildfires caused by military operations, specifically by naval gunfire training on San Clemente Island, a Navy-owned island off the coast of southern California. Although Navy helicopters have the primary responsibility to be on standby to provide firefighting support when training ranges are in use, these helicopters are not always available. To meet its fire suppression needs when its helicopters are not available, the Navy has contracted with a private company for helicopter support. During the last 4 years the Navy has spent an average of \$150,000 per year in environmental quality program funds to pay for this activity. The Navy justifies the activity as an environmental expense because wildfires could harm the 10 endangered species on the island. Nevertheless, the fires are the direct result of the Navy's gunfire training activity, and funds for addressing the negative consequences of its actions normally come from the activity's sponsor. It is unclear why this activity is treated differently from the case of hazardous spills discussed previously, in which the Navy requires the organization that caused the spill to pay for the cleanup.
- **Roofs for drinking water reservoirs.** The Marine Corps' environmental quality program has replaced the roofs on six drinking water reservoirs at

Camp Pendleton, at an estimated total cost of \$4.7 million. According to officials from Camp Pendleton's comptroller's office, the installation has a backlog of more than \$190 million in facility maintenance and repair needs. Because this maintenance and repair activity had an environmental connection—the repairs were needed to prevent animals from contaminating the base's water supply and to avoid violating the Safe Drinking Water Act—installation officials decided to fund this activity through the Marine Corps' environmental quality program.

Several environmental officials acknowledged that characterizing certain activities as environmental, or "painting them green," rather than as facility maintenance, restoration, or modernization improves the chance of their being funded. According to these officials, installations may seek to fund maintenance and infrastructure projects through the environmental quality program because of the overall shortage of funds for facility maintenance, restoration, and modernization. According to DOD officials, funding for facility maintenance has been inadequate for many years, resulting in deteriorated facilities at many installations.

The Air Force has tried to limit the use of environmental quality program funds for maintenance and repair activities by establishing a policy on funding infrastructure-related activities. The policy states that environmental quality program funds can only be used to construct, modify, or upgrade facilities or systems needed to comply with new environmental laws and regulations. Such facilities or systems should be maintained, repaired, or replaced using other funds. However, if a regulator or major command determines that an installation is out of compliance with an environmental requirement, an infrastructure project may be eligible for environmental quality funding. The policy includes a list of typical infrastructure projects, indicating whether they are eligible for environmental quality program funding. In commenting on a draft of the infrastructure policy, the Air Force Space Command raised concerns about the policy's possible negative effect on installations' ability to remain in compliance with environmental requirements. According to a senior environmental official at the command, the Air Force's infrastructure policy, although well intentioned, is unrealistic because funding for repair and maintenance activities has been insufficient for many years.

We have long noted DOD's need for improved facilities management, and since 1997 we have identified DOD infrastructure management as a high-risk area. Recently, we reported that the military services have not made maintaining and improving their facilities a funding priority because

these needs must compete with other programs, such as force readiness and the day-to-day costs of operating an installation.¹¹

The Services Do Not Always Ensure That Funding Is Targeted to the Highest Priority Environmental Activities, and in Some Cases, Have Funded Activities That Are Ineligible Under Their Policies

Certain low-priority activities were funded through the environmental quality program at two Army installations we visited, even though some high priorities, considered “must fund” activities by DOD and Army policy, were not funded. Moreover, at two installations we visited, we found that the environmental quality programs had funded some activities that were ineligible to receive funding under their policies.

For two Army installations we visited, the major command did not provide environmental quality program funding for all “must funds,” Class 0 and I activities, yet funded some lower-priority, Class III activities.¹² For example, the Fort Carson environmental director told us that the percentage of funds received for validated Class 0 and I activities dropped from about 90 percent in fiscal year 2000 to about 50 percent in fiscal year 2002. At the same time, the command provided Fort Carson with \$104,000 in environmental quality program funds for three lower-priority, Class III activities in fiscal year 2002. Similarly, at Fort Campbell, the funding rate for Class 0 and I activities averaged 70 percent of the amount required, according to installation officials. For example, we determined that Fort Campbell received about \$16 million, or 77 percent of its high-priority requirements (defined as Class 0 and I activities) in fiscal year 2001, but at the same time the command provided \$600,000 in environmental quality program funds to Fort Campbell for five lower-priority, Class III activities. Some examples of high-priority activities not funded at these two installations, and the lower-priority activities that were funded by the major command, include the following:

¹¹ U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities*, GAO-03-274 (Washington, D.C.: Feb. 2003).

¹² Class 0 consists of recurring activities (i.e., activities typically funded each year) needed to keep an environmental program running and meet compliance requirements, such as employee salaries and office supplies. Class I consists of nonrecurring activities that are needed to either maintain or restore compliance with an environmental law, regulation, or other requirement. Class II activities have compliance deadlines, but these deadlines will not occur until after the budget year. In some cases, certain Class II activities are considered “must fund” priorities if they must be initiated in the current year in order to ensure that a future compliance deadline can be met. Class III consists of activities that are not required by a specific environmental requirement that an installation must comply with, but are intended to improve the environment.

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- In fiscal year 1999, U.S. Forces Command did not provide funding for certain Class 0 and I activities at Fort Campbell such as hardware and software upgrades to automate program management; drinking water resource assessment and planning; and a firebreak redesign to control soil erosion entering streams. However, during the same year, the command provided funding for certain Class III activities at the installation, such as noise monitoring, minimization of construction debris by crushing for reuse as aggregate, and asbestos sampling and analysis. Ultimately, Fort Campbell was able to fund two of the high-priority activities in 1999, by using funds from other environmental activities or from outside the environmental quality program.
 - In fiscal years 1999 through 2002, U.S. Forces Command did not provide environmental funds for certain Class 0 and I activities at Fort Carson, such as removal of an underground storage tank from an abandoned landfill; watershed management, including repair of erosion control structures; and a survey of industrial sources and sanitary facilities, such as oil/water separators and septic system. However, during the same time period, the command provided funding for Class III activities at Fort Carson, such as radon sampling; replacement of a septic system on a training encampment with a connection to a sewage system; and the purchase and planting of seeds to reintroduce native plant species to re-vegetate burned and other environmentally disturbed areas.

As illustrated by these examples, U.S. Forces Command has considered factors other than those included in DOD's and the Army's policies on prioritization when making funding decisions. Some considerations that the command used included whether (1) failure to fund the activity would result in an adverse impact on the installation's military mission, (2) the activity could significantly reduce pollution, and (3) the activity is expected to provide a significant return on investment. These considerations resulted in the command's funding activities that were lower priorities under DOD's and the Army's classification systems, while not funding high priorities as defined by these systems. According to the director of the Army's environmental programs, the Installation

Management Agency¹³ will not use the major command's approach for making funding decisions. Instead, the agency will always fund high-priority activities, as defined by DOD and Army policy, before funding Class III activities.

Consistent with our findings at selected installations, the Army Audit Agency has reported that some Army installations have not funded all high-priority activities while at the same time funding lower-priority activities. In December 1999, the agency reported that of 234 environmental activities it reviewed at Army installations, the installations did not fund 55 activities classified as high priorities, while installations funded 13 other projects that were not classified as high priorities.¹⁴ The Army Audit Agency recommended that the Army reinforce the need to comply with its policy to fund high-priority activities.

Moreover, some of the activities funded through the environmental quality program at two of the installations we visited were prohibited by service policy from receiving funds through this program. Specifically, we found the following:

- **Pest management.** The environmental quality program at Fort Carson funded pest management as a recurring, high-priority activity for a number of years because base operating funds for this activity had not been available, according to the installation's environmental quality program manager. This official told us that pest management is eligible for environmental quality program funding because chemicals are used to perform the work. However, our review of the Army's program policy indicates that application of chemical pesticides for pest control is not eligible for environmental quality program funding, and officials from the Army's Installation Management Agency agreed that this activity should not have been funded using environmental quality program funds.

¹³ In October 2002, the Army established the Installation Management Agency to oversee all components of installation support, including environmental programs. Previously, installation funding (including environmental funding) was routed through the Army's major commands to individual installations. In some cases, this resulted in some installations receiving a fraction of their total budget because major commands withheld funds and unexpected mission priorities arose. Under the new agency structure, installation funding (including environmental funding) will go directly from the agency to the installations. This new funding system will go into effect in fiscal year 2004.

¹⁴ U.S. Army Audit Agency, *Execution of Environmental Projects*, December 1999.

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- **Landscaping for a hazardous waste storage facility.** Fort Carson used environmental quality program funds to pay for maintenance and repair, including landscaping, of a hazardous waste storage facility located on the installation. Fort Carson officials said that the landscaping was included as part of a larger activity—maintaining the hazardous waste storage facility—which is eligible for environmental funding. According to the Fort Carson environmental director, the installation has generally not had funds available from base operations accounts to fund base support activities such as this. However, our review of Army environmental policy indicates that environmental funding for routine grounds maintenance “such as grass mowing, tree pruning, and landscaping performed for the purpose of aesthetics” is specifically excluded. Officials from the Army’s Installation Management Agency agreed that landscaping should not have been funded using environmental quality program funds. Further, these officials as well as the director of environmental programs for the Army said that the entire activity should not have been funded using environmental quality program funds because routine repair and maintenance activities are more appropriately funded through the maintenance account.
 - **Restoration and maintenance of a historic structure.** Vandenberg Air Force Base has used environmental quality program funds to refurbish its Space Launch Complex 10, which the National Park Service had designated as “the best surviving example of a launch complex built in the 1950s at the beginning of the American effort to explore space.” The National Park Service also listed the site as one of America’s most endangered historic landmarks. The Air Force’s environmental quality program spent \$925,000 on this activity during fiscal years 2000 through 2002; the restoration is expected to take 8 years to complete, at an estimated total cost of more than \$2 million. However, as previously mentioned, Air Force policy specifically prohibits the use of environmental funds for the maintenance and repair of historic landmarks.

A senior environmental official from Vandenberg Air Force Base’s major command, the Air Force Space Command, explained that it can be difficult to obtain funding for repair and maintenance of historic structures, particularly if they are vacant. Installations’ sustainment, restoration, and modernization programs typically assign a lower funding priority to vacant historic structures than to structures that have a direct impact on the installations’ overall missions. Given that no other funding source on base is likely to maintain and restore historic properties, it often falls to the environmental quality program to carry out these conservation responsibilities, according to this official, despite their ineligibility under Air Force policy. The official further noted that legal counsel for the

command's environmental office has advised the environmental quality program to repair and maintain historic structures to avoid "demolition by neglect" and to avoid violating the National Historic Preservation Act.

- **Roof repair.** In fiscal year 2001, Fort Carson used \$12,000 of environmental quality funds to repair a roof on a historic ranch house, according to installation resource management officials. The ranch house was being used by environmental quality program staff and students performing environmental research, according to the installation's environmental director. The funds used for the roof replacement were taken from an approved activity to update and implement the installation's integrated natural resources management plan required under the Sikes Act.¹⁵ The description of the activity as approved for funding does not mention roof repair. According to the environmental director, the activity's narrative was a "catch all" that could be used to fund anything related to implementation of the natural resources plan, including repairing a roof on a historic structure. Although the environmental director acknowledged that this roof replacement could have been funded through the installation's public works department, which is responsible for maintaining and repairing installation structures, he also said that the public works department did not have funding available for this activity, while the environmental quality program did.

According to our review of Army policy, minor construction costs not related to new or expanded legal environmental requirements are not eligible for environmental funds. Army Installation Management Agency officials agreed that environmental funds should not have been used to fund this roof repair and said that they would not have funded this activity had it been specifically mentioned in the funding request for the natural resources plan. The environmental quality program could fund certain repairs of historic structures to maintain compliance with the National Historic Preservation Act, according to the officials.

¹⁵ The Sikes Act addresses all aspects of natural resources management on military installations. A 1997 amendment to the act requires the services to prepare an integrated natural resources management plan for each installation in the United States, except for installations that have been determined to lack significant natural resources.

The Services' Environmental Quality Programs Cannot Ensure That DOD's Requirement to Fund All High-Priority Needs Is Met

Although DOD's and the services' policies call for funding of all high-priority environmental quality program activities, the services have not always been able to fund all such activities through their environmental quality program. While program managers for most of the installations we visited said that the environmental quality programs were generally able to fund high-priority environmental activities during fiscal years 1999 through 2002, in some instances installations were not able to fund all such activities. To address such situations, installation officials deferred certain high-priority activities, sought an extension of a compliance deadline, obtained funding from other sources at the installation, or stretched their allotment of environmental funding to pay for more activities than planned.

According to some environmental managers at the installations where high-priority activities were deferred, the activities they were most likely to defer were those that do not have a firm timeline for completion, such as surveys of cultural resources. Certain requirements, such as those in the Sikes Act or the National Historic Preservation Act that require installations to survey their natural or cultural resources, do not provide for a penalty for missing a deadline or do not specify when these activities must be undertaken. Consequently, although not completing these activities means that the installation is not in compliance with an environmental requirement, there is little likelihood of a risk to human health or a risk of receiving a notice of violation, fine, or penalty from a regulator. Thus, noncompliance with these requirements presents, at least in some cases, a lower risk to the installation than would noncompliance with certain other environmental requirements. Nonetheless, DOD's definition of must-fund, high-priority environmental activities includes all activities needed to keep installations in compliance with federal, state, or local laws and regulations, as well as executive orders, even where there are no compliance deadlines or risk of a fine. In cases in which installations deferred selected required activities, it may have resulted in noncompliance with federal environmental laws.

Officials at other installations we visited also cited concerns about the deferral of certain environmental activities, particularly those that may not have a compliance deadline and are thus considered lower priorities. For example, a senior environmental official at Vandenberg Air Force Base described how the rapid spread of Argentinean pampas grass, an invasive species, had resulted in the U.S. Fish and Wildlife Service listing the grass as a major threat to four federally endangered plant species on the installation and requiring that the Air Force eradicate the grass—at a cost of approximately \$1 million. According to Vandenberg environmental

officials, they had requested environmental funding for the project when the grass was initially found because they believed the cost to eradicate it at that time would be minimal compared to the future expense if the grass were left uncontrolled. However, the installation could not obtain environmental quality funding for the project because it was a Class III activity and Air Force policy prohibits funding of lower priorities. The project was not funded until the U.S. Fish and Wildlife Service listed the grass as a major threat to the endangered species.

Environmental program managers at most of the installations we visited indicated that they have generally been able to fund emergency, high-priority environmental activities that occurred outside the normal budgeting cycle, but they have done so by using funds allocated for other planned high-priority activities, emergency or year-end funding from the environmental quality program, or other funding sources at the installation or command. In some cases, certain planned activities could be deferred because the regulatory deadlines slipped or the regulators granted the installation an extension on meeting the deadline. Some environmental managers also mentioned that in some instances, planned activities come in under budget, which can result in extra funds being available for other, unexpected needs. At the installations we visited, environmental managers dealt with a variety of unexpected needs for funding, including the following:

- A Texas regulatory agency required Fort Bliss to immediately investigate and assess a fuel leak. To pay for this unbudgeted activity, the chief of the installation's environmental compliance division approved the reprogramming of some of the funding from 13 other high-priority environmental activities.
- Fort Campbell's environmental office acquired some Army Corps of Engineers' property that had soil erosion problems. Because the land was acquired during the middle of the fiscal year, the environmental quality program had not budgeted funds to address the erosion. The Corps agreed to provide funding for interim erosion control.
- Camp Pendleton faced an emergency when sewage began to flow out of manholes on a training range near a wetland. The installation used base operating funds for cleanup and to clear out the clogged main sewer line. The Marine Corps' environmental quality program also provided \$500,000 in emergency funding to determine the cause of the problem and, hoping

to avoid other such occurrences, to assess the condition of 150 miles of the main sewer line.¹⁶

Regarding future, high-priority activities, some of the services have recently indicated that their environmental quality programs will have difficulties funding all high-priority activities in fiscal year 2003 and even greater difficulties in fiscal year 2004. Specifically,

- In early 2003, in preparation of its presidential budget request for fiscal year 2004, the Army reported that in each fiscal year 1998 through 2003, its environmental quality program funded or will fund between 83 and 98 percent of validated high-priority activities. However, the Army estimates that in fiscal 2004, the program will be able to fund just 78 percent of its high-priority activities. Army officials indicated that their environmental quality program will not only face larger funding needs for high-priority activities in fiscal year 2004, but also that the program's budget will be lower than the previous 2 years because some of these funds will be needed for other priorities, including the global war on terrorism and spare parts for military equipment. To address this anticipated shortfall, the Army expects its major commands and installations to provide funds from other command or installation budget sources as needed to ensure that the installations remain in compliance with environmental requirements. However, the availability of such funds is uncertain given DOD's ongoing challenges in containing the deterioration of its military facilities as discussed earlier in this report.
- According to Air Force officials, funding for the environmental quality program will be decreased in fiscal year 2004 because of competing demands on overall Air Force resources. Air Force officials also stated that this reduction will be absorbed by the major commands, which are required to fully fund all must-fund activities, even if it means migrating funds into the environmental quality program from other operations and maintenance activities.

¹⁶ The assessment, using video technology that could detect tree roots, cracks, and other potential problems, found that the sewer lines had been clogged by cooking grease, tree roots, and other objects that had been flushed down toilets, including t-shirts and diapers, in base housing and interstate highway rest stops along Camp Pendleton's property. Based on the results of the emergency assessment, Camp Pendleton has requested \$7.5 million in repairs, to be paid for through the Marine Corps' sustainment, restoration, and modernization program rather than the environmental program.

Conclusions

DOD has established broad policy for its environmental compliance program that does not specify which activities can be funded. As a result, there is significant variation in how the services interpret this policy and implement their own environmental quality programs. This variation among the services' programs can result in different eligibility requirements for environmental activities across services and funding of activities that would be more appropriately funded from other sources, such as military operations or base maintenance. Given the services' broad and differing interpretations of eligibility for environmental quality program funding, as well as their inclusion of activities that are more closely related to military operations or maintenance, DOD cannot be assured that the services' environmental funding needs have been accurately identified, that its funds for environmental quality are being targeted to its most critical environmental requirements, or that its management of its environmental responsibilities continues to improve. Although the services have, over the past decade, made significant improvements in their environmental compliance performance, these improvements have leveled off in recent years, and DOD has not reached its goal of full environmental compliance. Further, given that the services have not always been able to fund all high-priority environmental quality activities and expect this condition to worsen in fiscal year 2004, it is all the more important that DOD target its environmental quality program funds wisely.

Recommendations for Executive Action

To ensure that DOD can better target environmental quality program funds to the most important and most appropriate activities, we recommend that the Secretary of Defense establish a more specific policy on which activities should be eligible for funding through the services' environmental quality programs and how such activities should be prioritized and funded. We are also recommending that the military services subsequently conform their policies and processes to the revised DOD policy.

Agency Comments and Our Evaluation

We provided DOD with a draft of this report for review and comment. DOD provided technical clarifications, which we incorporated as appropriate. However, DOD did not provide overall comments as of the issuance date of this report.

We will send copies of this report to the Secretary of Defense; the Director, Office of Management and Budget; appropriate congressional committees; and other interested parties. We will also provide copies to others upon request. In addition, the report will be available, at no charge, on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions, please call me or Edward Zadjura at (202) 512-3841. Contributors to this report are listed in appendix II.



(Ms.) Anu K. Mittal
Acting Director, Natural Resources
and Environment

Appendix I: Scope and Methodology

To assess DOD's and the military services' processes for identifying, prioritizing, and funding their environmental quality activities, we reviewed the policies and procedures established by DOD and the services to guide implementation of the environmental quality program. We also reviewed each service's system for identifying, prioritizing, and funding their environmental quality activities, and compared this information across the services to identify differences in the programs.

To determine how environmental activities are identified and prioritized by installations, we visited 11 active military installations in the United States (listed below). Generally, we selected at least two installations from each service. We selected these installations primarily because of their large environmental quality budgets and because they represent a diversity of major commands, military missions, and geographic locations. Because the Navy's environmental quality program is organized into regions, we selected two Navy regional offices rather than two installations. Within these two Navy regions, we visited a total of four installations and reviewed environmental funding requests for an additional four installations. Our observations about individual projects or activities at these installations are not generalizable to projects or activities at all military installations.

Military Installations GAO Visited

U.S. Air Force

Eglin Air Force Base, Florida
Vandenberg Air Force Base, California

U.S. Army

Fort Bliss, Texas
Fort Campbell, Kentucky
Fort Carson, Colorado

U.S. Navy

Navy Mid-Atlantic Region: Naval Station Norfolk, Virginia; Naval Weapons Station Yorktown, Virginia (Note: We also reviewed environmental funding requests for Naval Air Station Oceana, Virginia, and Naval Amphibious Base Little Creek, Virginia.)

Navy Region Southwest: Naval Air Station, North Island, California; Naval Station Point Loma, California (Note: We also reviewed environmental funding requests for Naval Station San Diego, California, and Naval Auxiliary Landing Field San Clemente Island, California.)

U.S. Marine Corps

Marine Corps Base Camp Lejeune, North Carolina

Marine Corps Base Camp Pendleton, California

At each installation visited, we interviewed environmental quality program officials to obtain information about their implementation of the environmental quality program. We reviewed these installations' lists of planned environmental projects for fiscal years 2002 through 2009 and funding data for activities covering fiscal years 1999 through 2002. We compared this information across the services to determine if there were variations in the types of environmental activities being funded. We also compared the installations' lists of environmental activities to service policy to determine if inappropriate or ineligible activities had been funded.

To determine the role of the major commands in identifying, prioritizing, and funding environmental activities and to obtain the commands' perspectives on the environmental quality program, we discussed the environmental quality program with officials from the major commands associated with the installations and regions we visited: Army Forces Command (Fort Campbell and Fort Carson), Army Training and Doctrine Command (Fort Bliss), Air Force Space Command (Vandenberg Air Force Base), Air Force Materiel Command (Eglin Air Force Base), the Navy's Atlantic Fleet (Navy Mid-Atlantic Region), and the Navy's Pacific Fleet (Navy Region Southwest). The Marine Corps does not have major commands that play the type of role in the environmental quality program that the commands play in the other services. We also discussed our findings with officials of the Army's new Installation Management Agency, which will assume responsibility for funding environmental quality programs at Army installations beginning in fiscal year 2004.

We also met with officials from the Office of the Secretary of Defense and each service headquarters to obtain information on their roles in the environmental quality program and their perspectives on the program, in particular, on how environmental activities are identified, prioritized, and funded.

We conducted our review from May 2002 through May 2003 in accordance with generally accepted governmental auditing standards.

Appendix II: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to the individuals named above, Kelly Blado, Christine Frye, Roderick Moore, Cynthia Norris, and Susan Swearingen made key contributions to this report. Also contributing to this report were Doreen Feldman, Anne Rhodes-Klein, and Amy Webbink.

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