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ENVIRONMENTAL PROTECTION AGENCY

Comparing Annual Budgets for Science and Technology

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here to discuss the Environmental Protection Agency's (EPA) budget justification for the Science and Technology account and present observations on EPA's budget justifications for fiscal years 1999, 2000, and 2001. For fiscal year 2001, EPA is seeking $674 million for the Science and Technology account, an amount that represents 9 percent of the agency's total budget request of $7.3 billion.

EPA's budget justifications for fiscal years 1999, 2000, and 2001 differed significantly from its justifications for fiscal year 1998 and prior years because they were organized according to the agency's strategic goals and objectives (e.g., Clean Air: Reduce Emissions of Air Toxics). These goals and objectives were established in the strategic plan EPA prepared to meet the requirements of the Government Performance and Results Act. In contrast, the fiscal year 1998 and prior years budget justifications were organized according to EPA's program offices and components (e.g., Office of Air and Radiation: Air Toxics).

My statement today discusses the findings from our prior reports and testimony on EPA's requests for Science and Technology funds and our limited review of EPA's fiscal year 2001 budget justification.[1] Specifically, I will discuss (1) difficulties experienced in comparing EPA's Science and Technology budget justifications for fiscal years 1999 and 2000 with those of the preceding years, (2) actions EPA took to improve the clarity and comparability of the fiscal years 2000 and 2001 justifications, and (3) aspects of the fiscal year 2001 justification that still inhibit clear comparisons with prior year budgets.

[1] Environmental Protection: EPA's Science and Technology Funds (GAO/RCED-99-12, Oct. 30, 1998).
Environmental Protection Agency: Difficulties in Comparing Annual Budgets for Science and Technology (GAO/T-RCED-99-120).
Environmental Protection: Allocation of Operating Expenses to Strategic Goals and Objective (GAO/RCED-99-144R).

In summary, our work has shown the following:

- For the fiscal year 1999 budget justification, the requested amounts could not be easily compared with amounts requested or enacted for fiscal year 1998 and prior years because the justification did not show how the budget would be distributed among program offices or program components—information needed to link to the prior years' justifications that were constructed along these lines. EPA's fiscal year 2000 budget justification followed the same basic format as used in fiscal year 1999—reflecting the agency's strategic goals and objectives—but EPA revised several of its strategic objectives without explanations or documentation to link the changes to the preceding year's budget. For example, funds were reallocated from one objective to others without identifying the objectives that received the funds or amounts involved.

- To improve the clarity and comparability of its budget justifications for fiscal years 2000 and 2001, EPA included tables that detail, for each objective, how amounts were allocated among key programs. In addition, the agency made available to the Congress backup information identifying program offices that would be administering the requested funds. The agency also implemented a new accounting system that records budget data by goals and objectives, which enhances reporting financial data by goals and objectives.

- For the fiscal year 2001 budget justification, EPA used the same strategic goals and objectives that were in the 2000 budget justification, which facilitates comparisons of the two budgets. However, our review of the fiscal year 2001 justification identified three aspects that still inhibit comparison with the budget justifications of prior years. First, in the tables showing the key programs associated with each

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objective, EPA did not consistently show the same percentage of the funds associated with the programs. For example, in many cases, the amount shown for key programs under an objective is less than the total allocation for the objective, while in one case the sum exceeds the total for the objective. Second, the fiscal year 2001 justification, as did the 2000 justification, does not clearly account for funds transferred from Superfund to the Science and Technology account. Third, the 2001 budget justification also changes the allocation of certain agency administrative funds across the strategic goals and objectives, without fully identifying how the funds were allocated in previous years.

Background

The Government Performance and Results Act of 1993 established a system for agencies to set goals for program performance. Agencies are to prepare annual performance plans that establish performance goals to be achieved and describe the resources required to meet them. One way agencies can improve the usefulness of annual plans is to show how budgetary resources relate to the achievement of performance goals. In 1999, EPA was one of the initial agencies to organize its budget justification by its performance goals and objectives.[2] However, this revision from the organization by program offices and components used previously made it difficult to compare prior year justifications.

Prior Difficulties in Comparing Budget Justifications

In 1998, we reported that difficulties in comparing EPA's fiscal year 1999 and 1998

[2] For a discussion of federal agencies' experiences in linking their performance plans with budgeting, see Performance Budgeting: Initial Experiences Under the Results Act in Linking Plans With Budgets (GAO/AIMD/GGD-99-67; Apr. 12, 1999).

budget justifications arose because the 1999 budget justification was organized according to the agency's strategic goals and objectives, whereas the 1998 justification was organized according to EPA's program offices and components. Funds for EPA's Science and Technology account were requested throughout the fiscal year 1999 budget justification for all 10 of the agency's strategic goals and for 25 of its 45 strategic objectives.

In its fiscal year 1999 budget justification, EPA did not show how the funds requested for each goal and objective would be allocated among its program offices or components. To be able to compare EPA's requested fiscal year 1999 funds for Science and Technology to the previous fiscal year's enacted funds, EPA would have had to maintain financial records in two different formats--by program components and by strategic goals and objectives--and to develop crosswalks to link information between the two. EPA maintained these two formats for some of the Science and Technology funds but not for others. We previously reported how these funds would be allocated for fiscal year 1998 for comparison with fiscal year 1999.[3] Guidance from the Office of Management and Budget (OMB) does not require agencies to develop or provide crosswalks in their justifications when a budget format changes. However, OMB examiners or congressional committee staffs may request crosswalks during their analyses of a budget request.

EPA did maintain, as planned, the strategic goals and objectives format for its fiscal year 2000 budget justification. However, for the objectives that contain Science and Technology funds, EPA made several changes to its objectives without explanations or documentation to link the changes to the fiscal year 1999 budget justification.

[3] Environmental Protection: EPA's Science and Technology Funds (GAO/RCED-99-12, Oct. 30, 1998).

These changes included:

- Reallocating funds from one objective to several other objectives without identifying the objectives or amounts. Specifically, EPA did not indicate how $86.6 million shown for one objective in fiscal year 1999 was distributed among specific objectives in the fiscal year 2000 budget request. At your request, we provided information showing how these funds were distributed.[4]

- Differentiating funds in the Science and Technology account that were transferred from the Hazardous Substances Superfund account. In the fiscal year 2000 justification, the Science and Technology amounts shown as enacted for fiscal year 1999 included $40 million transferred from the Hazardous Substances Superfund. In contrast, the requested amounts for fiscal year 2000 did not include the transfer from Superfund.

- Changing the number or wording of objectives that contain Science and Technology funds. For example, in the fiscal year 1999 budget justification, the strategic goal "Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response" had three objectives: (1) Reduce or Control Risks to Human Health, (2) Prevent Releases by Proper Facility Management, and (3) Respond to All Known Emergencies. The fiscal year 2000 budget justification omitted the second and third objectives—for which $8.2 million had been requested in fiscal year 1999—and did not indicate where the funds previously directed to those objectives appeared.

[4] Environmental Protection: Allocation of Operating Expenses to Strategic Goals and Objective (GAO/RCED-99-144R).

Changes to Improve Comparability for Fiscal Year 2000 and 2001

For fiscal year 2000 and 2001, EPA made several changes to improve the comparability within its budget justification. In both fiscal years, EPA provided tables for each objective to show how the amounts of funds were associated with its key programs.[5] EPA first presented the key program information in the fiscal year 2000 budget justification and generally augmented this information in its fiscal year 2001 justification. For each fiscal year, EPA included tables for each objective that detail some of the requested amounts by key programs. For example, in the fiscal year 2001 justification under the objective "Increase Use of Integrated, Holistic, Partnership Approaches," EPA indicates that the $17.1 million requested for the objective is divided among two key programs: the "Innovative Community Partnership Program" and the "Regional Geographic Program."

EPA also made available backup information to this and other committees identifying the program offices that would be administering the requested funds. This backup information shows the program offices that will be administering the requested funds. EPA also implemented its Planning, Budgeting, Analysis, and Accountability System, which records budget data by goals, objectives, subobjectives, program offices, and program components. With this new system, EPA can provide information showing how the agency's requested funds would be allocated according to any combination of goals, objectives, subobjectives, program offices, and program components.

[5]On September 30, 1998, EPA issued guidance requiring the use of the term "key programs" for future budget requests.

EPA also retained the same strategic goals and objectives in the fiscal year 2001 justification for Science and Technology that were in its fiscal year 2000 justification. The agency has begun to reassess its strategic goals and objectives, as required every 3 years by the Government Performance and Results Act. This assessment involves EPA's working with state governments, tribal organizations, and congressional committees to evaluate its goals and objectives to determine if any of them should be modified. Upon completion of this assessment, if any of EPA's goals or objectives change, the agency's budget justification would need to change correspondingly. Such changes could require crosswalks and additional information to enable consistent year-to-year comparisons in annual budget requests.

Aspects That Still Inhibit Comparison

While EPA has taken several steps to improve the clarity of its budget justifications, our review of the fiscal year 2001 justification identified three aspects that still inhibit comparison with the budget justifications of prior years: (1) EPA does not consistently show the funding by key programs, (2) the justification does not clearly identify funds transferred from the Superfund account, and (3) the justification does not identify how certain administrative funds are allocated among goals and objectives.

Inconsistent Identification of Key Program Funding Information by Objectives

The fiscal year 2001 justification is not consistent in the extent to which the funding shown for key programs is shown for the related strategic objective. For example, the budget shows a request of $115 million for the "Research for Ecosystem Assessment and Restoration" objective (under the "Sound Science" goal), but distribution of these funds among the key programs only accounts for 45 percent of that amount. In contrast, the $58.3 million budget request for the objective "Research

for Human Health Risk Assessment" (also under the "Sound Science" goal) is fully accounted for in EPA's crosswalk to its key programs.

An EPA budget official said that the agency had an informal target of accounting for 75 percent of the objectives' funds in its crosswalk to key programs. The information that was eventually included for key programs was a collaborative decision between the individual EPA program office and the Office of Chief Financial Officer. We noted that for one objective, "Increase Opportunities for Sector-based Approaches," under the Sound Science goal, the dollar amounts shown for the key programs exceeded the objective amount. An EPA budget official said that this was an error that occurred from the way the information was input to the automated system.

Not Identifying Funds Transferred From Superfund

In the fiscal year 2001 budget justification, the Science and Technology amounts shown as enacted for fiscal year 2000 include amounts transferred from the Hazardous Substances Superfund. In contrast, the amounts shown as requested for fiscal year 2001 do not include the transfer from Superfund. As a result, amounts enacted for fiscal year 2000 cannot be accurately compared to the amounts requested for fiscal year 2001. This difference, as shown in table 1, is evident in the objective, "Reduce or Control Risks to Human Health," under the goal "Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response."

Table 1: Science and Technology Funds Requested for the "Reduce or Control Risks to Human Health" Objective

Fiscal year 2000 enacted	Fiscal year 2001 request	Fiscal year 2001 request vs. fiscal year 2000 enacted
$49,138,300	$7,516,600	($41,621,700)

Source: EPA's fiscal year 2001 budget justification.

The $49.1 million shown as enacted for fiscal year 2000 contains a significant amount of the $38 million transferred from the Superfund account. This difference affects the budget justification's summary of Science and Technology Account funds. As shown in table 2, the total amounts enacted for the Science and Technology Account shown in the fiscal year 2001 budget justification also include amounts transferred from the Hazardous Substances Superfund while the requested amounts do not.

Table 2: Science and Technology Funds Enacted and Requested

Fiscal year 1999 enacted	Fiscal year 2000 enacted	Fiscal year 2001 Presidents budget
$700,000,000	$680,302,800	$674,347,600

Source: EPA's fiscal year 2001 budget justification.

The enacted amounts for the Science and Technology for fiscal years 1999 and 2000 were $650,000,000 and $645,000,000, respectively, as opposed to the amounts shown in the budget justification that contain—but do not identify—the transferred amounts.

Not Fully Identifying Allocated Administrative Costs

A final aspect of the fiscal year 2001 budget justification that impacts its overall comparability to previous budgets is EPA allocation of certain administrative costs to various strategic goals and objectives, both in the amounts shown as enacted for fiscal

year 2000 and requested for fiscal year 2001. The amounts allocated to all budget accounts were approximately $377.7 million and $414.1 million, respectively, for fiscal years 2000 and 2001. In the fiscal year 2000 budget justification, this allocation was not presented. Further, the amounts shown as enacted for fiscal year 1999 do not contain any allocation of these administrative costs. Thus, the 1999 amounts for goals and objectives cannot be accurately compared to the corresponding goals and objectives for fiscal years 2000 and 2001.

The allocated amounts were for administrative costs such as rent, utilities, security, human resource operations, and financial management associated with specific strategic goals and objectives. EPA allocated these costs, shown in previous years under the agency's goal "Effective Management," across all 10 goals. However, the amounts allocated to specific goals and objectives were not readily identified in the budget justification. Without a clear indication of the funds allocated to specific goals and objectives, comparisons are difficult to make for the 3-year period, 1999 through 2001.

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Mr. Chairman, this concludes my prepared statement. I will be pleased to respond to any questions that you or the members of the Subcommittee may have.

Contact and Acknowledgments

For additional information, please contact David G. Wood at (202) 512-6111. Individuals making key contributions to this testimony included Everett O. Pace and John A. Wanska.

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