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United States General Accounting Office
Washington, DC 20548

June 29, 2001

The Honorable William J. Tauzin
Chairman, Committee on Energy and Commerce
House of Representatives

Subject: Environmental Protection: Grants Awarded for Continuing Environmental Programs and Projects

Dear Mr. Chairman:

The Environmental Protection Agency (EPA) provided over one-half of its fiscal year 2000 budget funding grants to carry out a variety of environmental programs. Grants are used to fund continuing environmental programs, water infrastructure state revolving funds, and environmental projects. Continuing environmental programs include ongoing programs for controlling pollution in the nation's water and air, such as the Clean Air Program for monitoring and enforcing clean air regulations. Water infrastructure revolving funds are used by states to fund such projects as renovating municipal drinking water facilities. Environmental projects include environmental research and providing Superfund site cleanup support. (See encl. I for more examples of project grants.)

EPA relies heavily on its grantees--states, local governments, universities, nonprofit organizations, and others--to implement its environmental programs. Continuing environmental program and water infrastructure grants are generally provided to states or other government entities to operate programs delegated to these organizations by EPA. Grants provided for environmental projects may be awarded to government entities or others, such as nonprofit organizations, for-profit organizations, or educational institutions. EPA provides grant funding through 13 major headquarters offices and 10 regional offices. Grants are funded by either a headquarters office or 1 of EPA's 10 regional offices. Grants administration--from activities prior to the award through the closeout of completed or inactive grants--is the joint responsibility between the Grants Administration Division or 1 of the 10 regional Grants Management Offices and the program office.

Concerned about various issues regarding continuing environmental program grants and project grants, you asked us to provide information on grant funding for fiscal years 1996 through 2000 and, specifically, the (1) total dollar amounts by type of grants awarded, (2) type of entities receiving these grants, (3) EPA offices awarding grants, and (4) congressional and other concerns raised regarding EPA grant activities. This letter summarizes the information provided to your staff during

briefings held on April 20 and May 8, 2001, to gain insight into EPA's budgeting priorities.

In summary, for fiscal years 1996 through 2000 we found the following.

- EPA awarded about $16.7 billion in grants over the 5-year time period, with the dollar value of the grants as a percentage of EPA's budget increasing from 29 percent in fiscal year 1996 to about 54 percent in fiscal year 2000 (see enc. II for additional information).

- Grants for water infrastructure programs accounted for 50 percent of all grants awarded and continuing environmental program grants and project grants accounted for 29 percent and 20 percent, respectively, during this time period (see enc. III for additional information).

- States were the major recipients of continuing environmental program grant funds, receiving 70 percent of the total amount of such grant funds. For project grants, the three major recipients were nonprofit organizations (31 percent), states (30 percent), and universities (23 percent). (See encls. IV, V, and VI for additional information.)

- EPA's Office of Water awarded the majority, 50 percent, of all continuing environmental program grants, while the Offices of Solid Waste and Emergency Response, Research and Development, and Water awarded most project grants (see encls. VII, VIII, and IX for additional information).

Finally, EPA's management of grants and funding of certain grant activities have raised concerns within the agency and the Congress. The grant management process was the focus of inquiries by congressional committees and the EPA Office of Inspector General (OIG). EPA identified oversight and timely closeout of grants as a material weakness within the agency, which was followed by EPA's efforts to make improvements in these areas. By reducing the backlog of grants requiring closeout and setting goals for timely closeout of grants, EPA was able to eliminate this material weakness. The agency took steps to improve its grant oversight by issuing and periodically updating a policy requiring proactive grant monitoring by agency staff after grants had been awarded. Oversight can still be improved. As we recently reported, EPA's current oversight of nonprofit grantees is not likely to ensure that funds are spent as intended or allowed.[1] For example, EPA's OIG reported instances in which grantees used grant funds for unauthorized purposes, such as lobbying activities. We and EPA's OIG also reported that EPA was not timely in identifying

[1] *Environmental Protection: EPA's Oversight of Nonprofit Grantees' Costs Is Limited* (GAO-01-366, Apr. 6, 2001).

unexpended grant funds, which could be recovered, deobligated, and used to provide EPA with additional resources.[2]

In addition to grant management and oversight, concerns have been raised about the funded activities and grant recipients. The Congress has raised concerns about EPA's practices of awarding grants to foreign recipients while domestic environmental needs have not been met and providing grants to organizations that have initiated legal action against the agency. Similarly, the Congress is concerned about grants for certain agency initiatives referred to as "boutique" programs, which are not explicitly set forth in EPA's statutory authority. On the other hand, EPA officials have challenged congressionally directed or "earmarked" grants that are not contained in the agency's performance plan and budget justification. Another issue regarding EPA grants is that the grant funding provided to states for individual EPA programs may not align with the environmental priorities within a state. To address this issue, EPA developed Performance Partnership Grants, which allow states to consolidate grants from various programs to address state environmental funding priorities. We reported, however, that working relationships between EPA and states need to be improved for this program to be effective.[3] (See p. 23 for additional reports involving EPA grants.)

Agency Comments

We provided copies of a draft of this report to EPA for its review and comment. The agency agreed with the information presented in the report and suggested one clarification, which we incorporated into the report. Officials in EPA's Grants Administration Division reviewed the report and provided the technical clarification.

Scope and Methodology

To develop the information for this report, we obtained EPA's database of grants awarded during fiscal years 1996 through 2000. We compared the total grants awarded in each year with EPA's budget authority and categorized the awarded grants by type, recipient, and EPA offices awarding them. We identified grants by EPA program codes and placed them in one of three major categories: continuing environmental programs, water infrastructure state revolving funds, and project grants. We discussed our categorizations of grant programs with EPA officials, who concurred with our decisions. In some instances, EPA's database did not contain relevant data elements for our analysis. In these instances, we made certain assumptions regarding the grants or classified the grants as unknowns. For example, if the type of recipient was unknown, we placed the grant in an "others" category. We did not independently verify the accuracy of EPA's database. We performed our

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[2] *Environmental Protection: Funds Obligated for Completed Superfund Projects* (GAO/RCED-98-232, July 21, 1998).
[3] *Major Management Challenges and Program Risks: Environmental Protection Agency* (GAO 01-257, Jan. 2001).

work from April to June 2001 in accordance with generally accepted government auditing standards.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the appropriate congressional committees, the Administrator of the Environmental Protection Agency, and other interested parties. This report is also available on GAO's home page at http://www.gao.gov. If you or your staff need further information, please call me at (202) 512-6225. Key contributors to this report were E. Odell Pace, Mary Nugent, and John Wanska.

Sincerely yours,

John B. Stephenson
Director, Natural Resources
and Environment

Enclosures - 9

Project Grant Examples

Senior Environmental Employment Program Grants

Senior Environmental Employment program grants were authorized by the Environmental Programs Assistance Act of 1984. Under this program, the Environmental Protection Agency (EPA) awards cooperative agreements to organizations to enable individuals 55 or older to provide technical assistance to federal, state, or local environmental agencies for pollution prevention, abatement, and control projects. For example:

- In September 1999, EPA awarded a $1.3 million grant to the National Older Worker Career Center to provide general support to EPA's staff within the Office of Pesticides Program.

- In March 1999, EPA awarded a $650,000 grant to the National Senior Citizens Education and Research Center to provide funding for senior workers to help personnel in EPA's National Vehicle and Fuel Emissions Laboratory perform clerical tasks, carpentry, light machine work, welding, sheet metal fabrication, painting, pipefitting, and engineering technician tasks.

Research Grants

Research grants are generally used to fund laboratory and other research on a variety of environmental problems. For example:

- EPA awarded a $197,000 grant to Carnegie Mellon University in March 2000 for research, including modeling and statistical approaches, to estimate year-to-year changes in water quality for conventional water quality parameters at the national and watershed levels.

- EPA awarded a $497,800 grant to the Detroit-Ann Arbor Metro Public Information Project in December 1999 to bring together essential environmental data and create a mechanism for the public to easily get answers to questions about environmental quality.

Training Grants

EPA awards training grants to government, educational, and nonprofit entities that provide environment-related training on a variety of topics. For example:

- EPA awarded a $1.5 million grant in July 1999 to North Carolina State University to provide state-of-the-art training courses on the Clean Air Act Amendments.

- EPA awarded a $260,000 grant in May 1999 to Northern Arizona University to provide five air quality training workshops to Indian tribes located in the Northwest. The

workshops covered, among other things, air quality management and air quality program administration.

Hazardous Substances Response Trust Fund Grants

EPA awards grants to states and other governmental entities and to nonprofit organizations to conduct cleanup activities at specific hazardous waste sites and to implement the requirements of the Superfund program. For example:

- In September 1999, EPA awarded a $1.5 million grant to the Wisconsin Department of Natural Resources to complete an investigation and study at a waste site in order to select a cleanup remedy for controlling the risks to human health and the environment.

- In September 1999, EPA awarded a $1.2 million grant to the Utah Department of Environmental Quality for work under the Superfund program, including site assessments, investigations, remedial design, remedial actions, post-remediation activities, brownfields, non-time-critical emergency response support activities, and voluntary cleanup programs.

Investigations, Surveys, or Studies Considered Neither Research, Demonstration, nor Training Grants

EPA provides grants for a wide range of activities supporting investigations, surveys, studies, and special-purpose assistance in the areas of air and water quality, hazardous waste, toxic substances, and pesticides. These grants are also used for evaluating economic or social consequences relating to environmental strategies and for other efforts to support EPA environmental programs. Finally, these grants are used to identify, develop, or demonstrate pollution control techniques or to prevent, reduce, or eliminate pollution. The following examples illustrate the variety of activities funded by these grants:

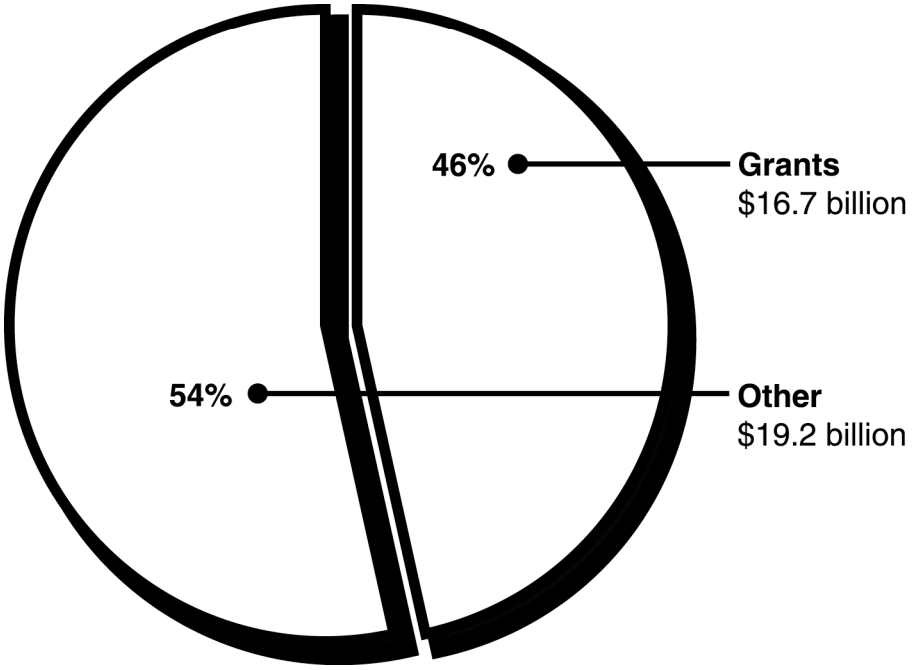
- In February 1999, EPA awarded a $10,000 grant to Monitor International, a nonprofit organization located in Annapolis, Maryland, to develop a feasibility study and action plan for a science and education center in Indonesia.

- In May 2000, EPA awarded a $64,000 grant to Science Services, a nonprofit organization located in Washington, D.C., to host an international science and engineering fair for high school students competing for monetary science awards.

Grants Awarded as a Percentage of EPA's Budget

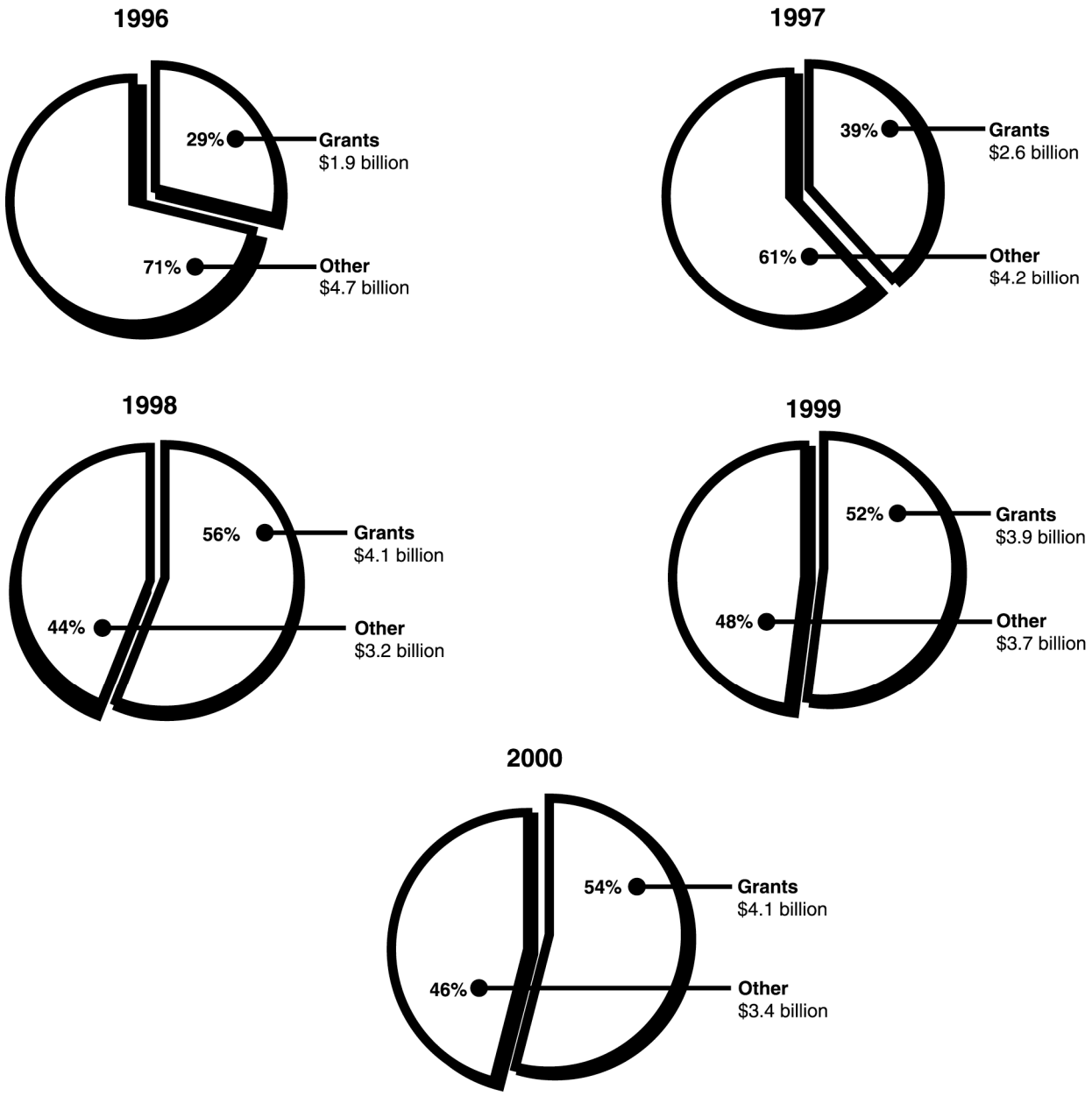
- For fiscal years 1996 through 2000, EPA awarded a total of $16.7 billion in grant funds, which represented 46 percent of its total budget for the period.
- Grant amounts represented just over one-half of EPA's budget for each fiscal year, 1998 through 2000.
- For fiscal years 1996 through 2000, grants awarded as a percentage of EPA's budget ranged from a low of 29 percent in fiscal year 1996 to a high of 56 percent in 1998.
- The dollar amounts provided for grants increased from $1.9 billion in fiscal year 1996 to $4.1 billion in fiscal year 2000. (See figs. 1 and 2.)

Figure 1: Grants Awarded as a Percentage of EPA's Total Budget, Fiscal Years 1996-2000



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

Figure 2: Grants Awarded as a Percentage of EPA's Total Budget for Each Fiscal Year, 1996-2000



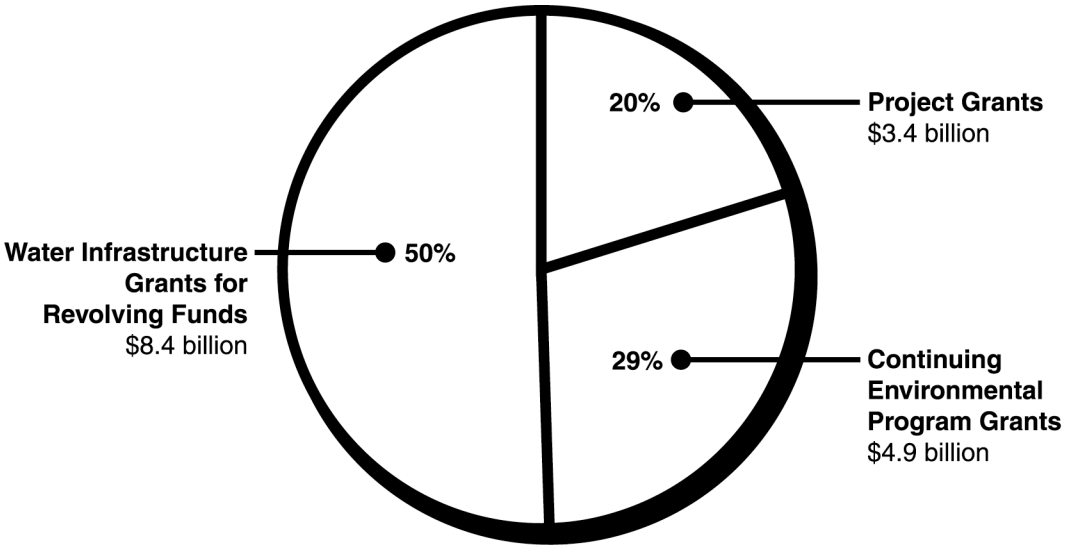
Source: GAO's analysis of EPA data.

Grant Funds Provided for Continuing Environmental Programs, Water Infrastructure Grants for Revolving Funds, and Project Grants

- For fiscal years 1996 through 2000, 50 percent of the $16.7 billion total grant funds awarded by EPA were provided for water infrastructure, 29 percent for continuing environmental programs, and 20 percent for project grants (see fig. 3).

- For fiscal years 1996 through 2000, drinking water state revolving fund grants accounted for 38 percent of the total $8.4 billion in water infrastructure grants, and clean water state revolving fund grants accounted for 62 percent of the total (see fig. 4).

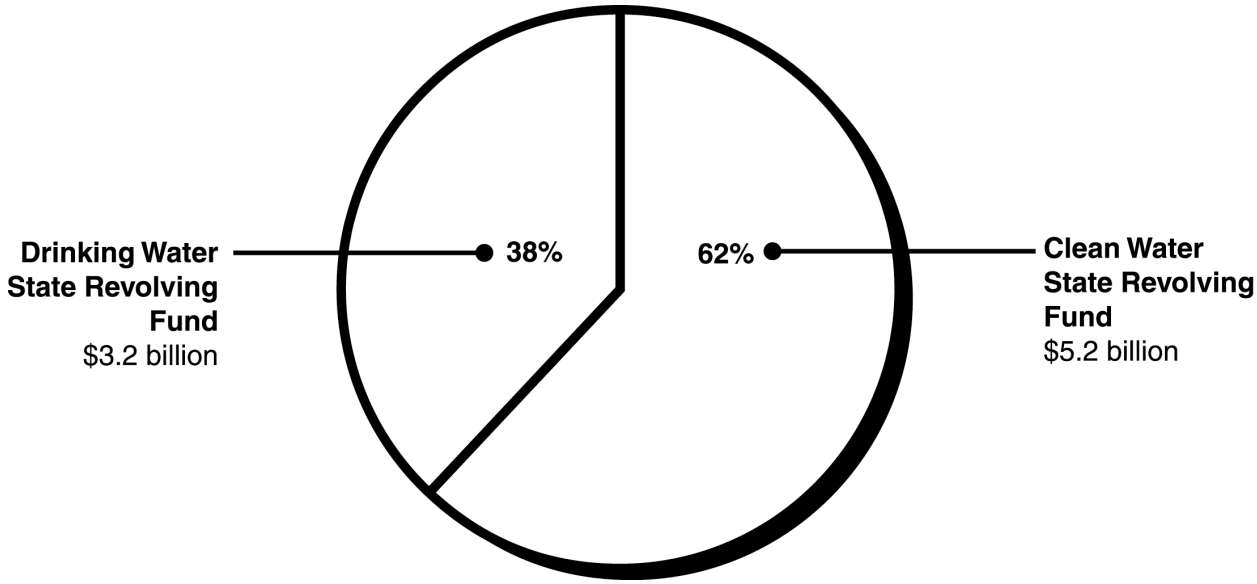
Figure 3: Percentage of Funding Provided for Continuing Environmental Program Grants, Water Infrastructure Grants for Revolving Funds, and Project Grants, Fiscal Years 1996-2000



Note: Percentages do not total 100 because of rounding.

Source: GAO's analysis of EPA data.

Figure 4: Percentage of Water Infrastructure Funding Provided for Drinking Water and Clean Water Revolving Funds, Fiscal Years 1996-2000



Note: EPA's Office of Water provides the funding for water infrastructure grants. States received almost all of the funding for water infrastructure grants. Funding for drinking water state revolving funds began in fiscal year 1997.

Source: GAO's analysis of EPA data.

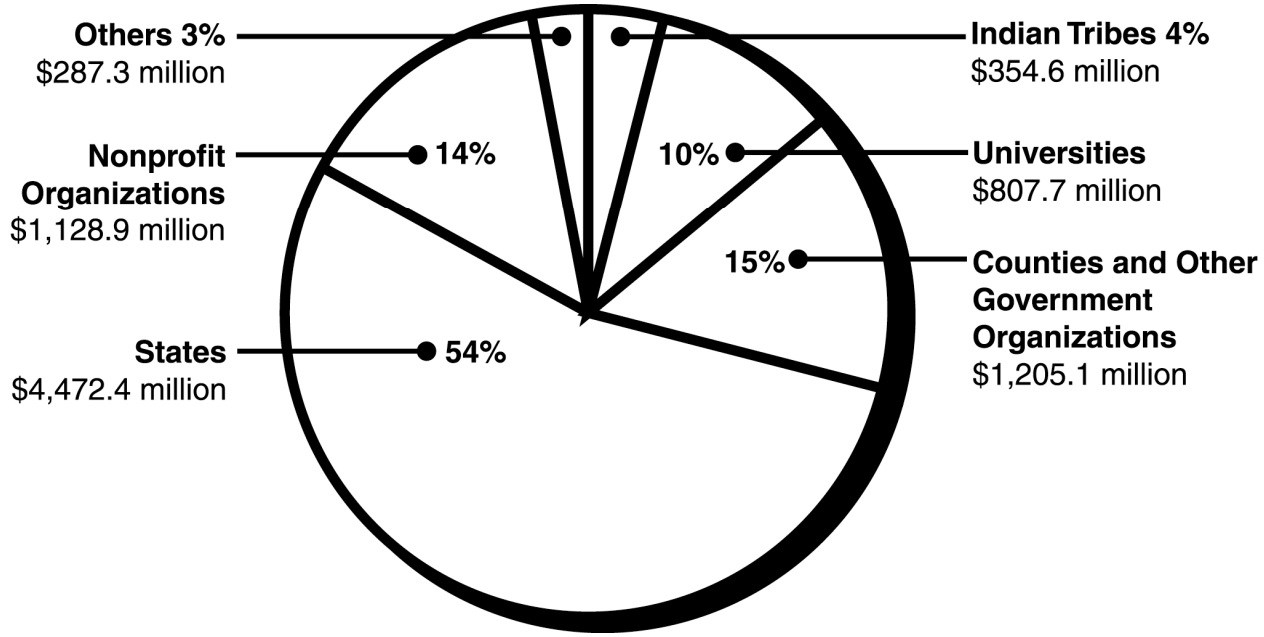
Grant Funds Provided to Recipient Types

- States received the majority, 54 percent, of the $8.3 billion for all continuing environmental program and project grant funds provided by EPA for fiscal years 1996 through 2000. This percentage ranged from a low of 50 percent in fiscal year 1997 to a high of 62 percent in fiscal year 1996.

- For fiscal year 1996 through 2000, counties and other government organizations received 15 percent of all funds, nonprofit organizations 14 percent, universities 10 percent, and Indian tribes 4 percent.

- During the time period fiscal year 1996 through 2000, counties and other government organizations received a percentage of grant funds that ranged from 11 percent in fiscal year 1996 to 18 percent in fiscal year 2000. (See figs. 5 and 6.)

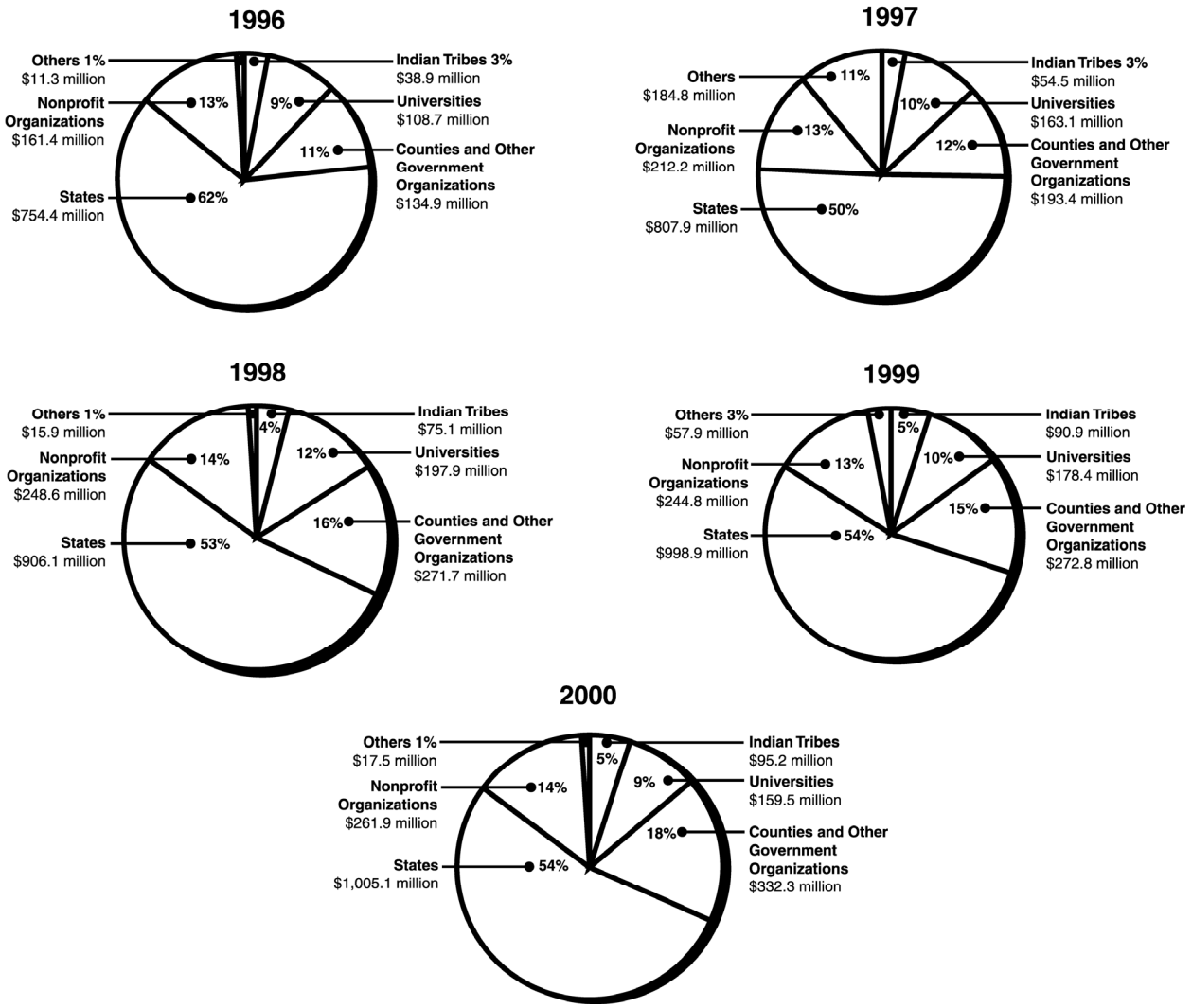
Figure 5: Percentage of Continuing Environmental Program and Project Grant Funding Provided by Recipient Type, Fiscal Years 1996-2000



Note: "Others" includes for-profit organizations, individuals, foreign organizations, and recipients not identified in EPA's data.

Source: GAO's analysis of EPA data.

Figure 6: Percentage of Continuing Environmental Program and Project Grant Funding Provided by Recipient Type for Each Fiscal Year, 1996-2000



Notes: "Others" includes for-profit organizations, individuals, foreign organizations, and recipients not identified in EPA's data.

Some percentages do not total 100 percent because of rounding.

Source: GAO's analysis of EPA data

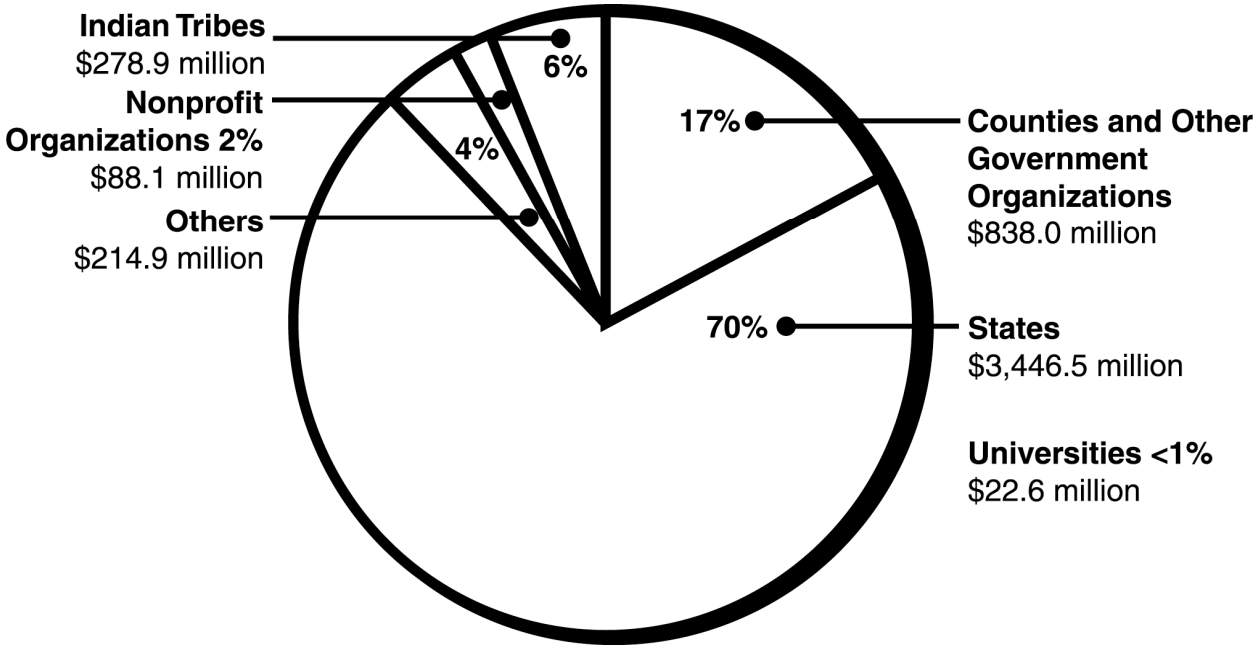
Continuing Program Grant Funds Provided by Recipient Type

- States received the majority, 70 percent, of the $4.9 billion total of continuing environmental program grant funds for fiscal years 1996 through 2000. Counties and other government organizations received 17 percent, Indian tribes 6 percent, and other recipients 4 percent or less.

- States consistently received over 60 percent of the continuing program funds for fiscal year 1996 through 2000.

- Counties and other government organizations received a percentage of the continuing environmental grant funds that ranged from 14 percent in fiscal year 1996 to 20 percent in fiscal year 2000. (See figs. 7 and 8.)

Figure 7: Percentage of Funding Provided for Continuing Environmental Program Grants by Recipient Type, Fiscal Years 1996-2000

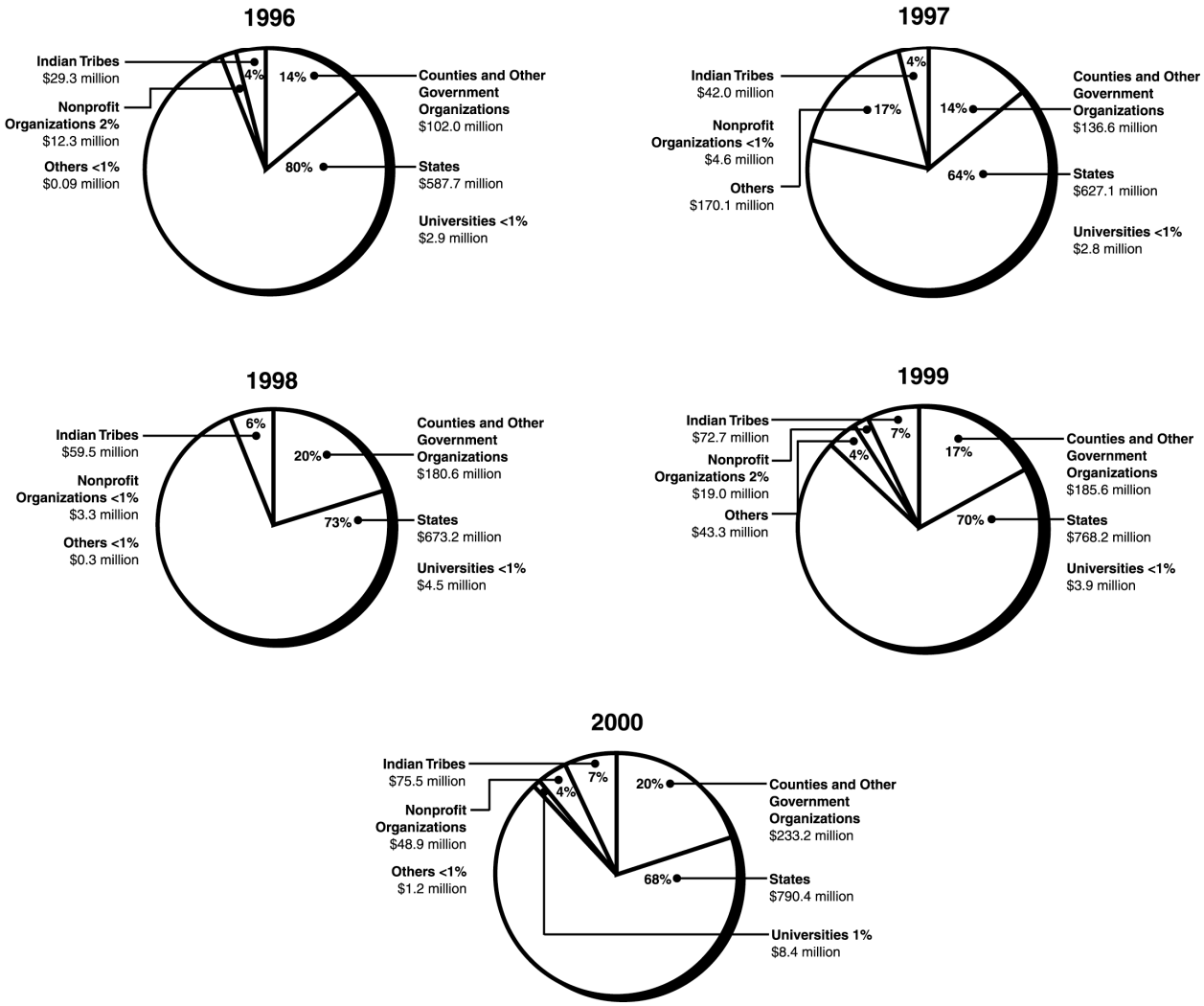


Notes: "Others" includes for-profit organizations, individuals, foreign organizations, and recipients not identified in EPA's data.

Percentages do not total 100 because of rounding.

Source: GAO's analysis of EPA data.

Figure 8: Percentage of Funding Provided for Continuing Environmental Program Grants by Recipient Type for Each Fiscal Year, 1996-2000



Notes: "Others" includes for-profit organizations, individuals, foreign organizations, and recipients not identified in EPA's data.

Percentages do not total 100 because of rounding.

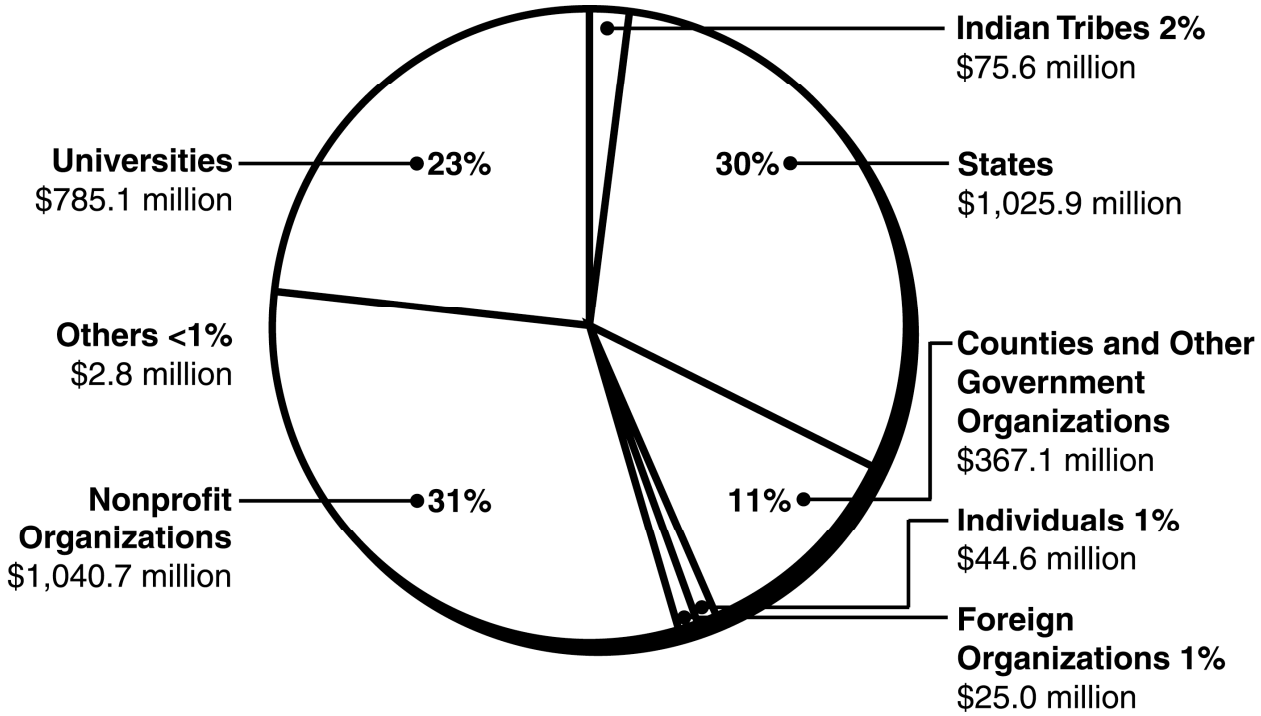
Source: GAO's analysis of EPA data.

Project Grant Funds Provided by Recipient Type

- Nonprofit organizations, states, universities, and counties and other government organizations received approximately 95 percent of the total $3.4 billion project grants funding for fiscal years 1996 through 2000 (see fig. 9).

- The percentages recipients received remained relatively constant during the 5-year period. During the 5-year period, states received amounts ranging from 29 to 35 percent, nonprofit organizations from 30 to 33 percent, universities from 21 to 25 percent, and counties and other government organizations from 7 to 14 percent (see fig. 10).

Figure 9: Percentage of Funding Provided for Project Grants by Recipient Type, Fiscal Years 1996-2000

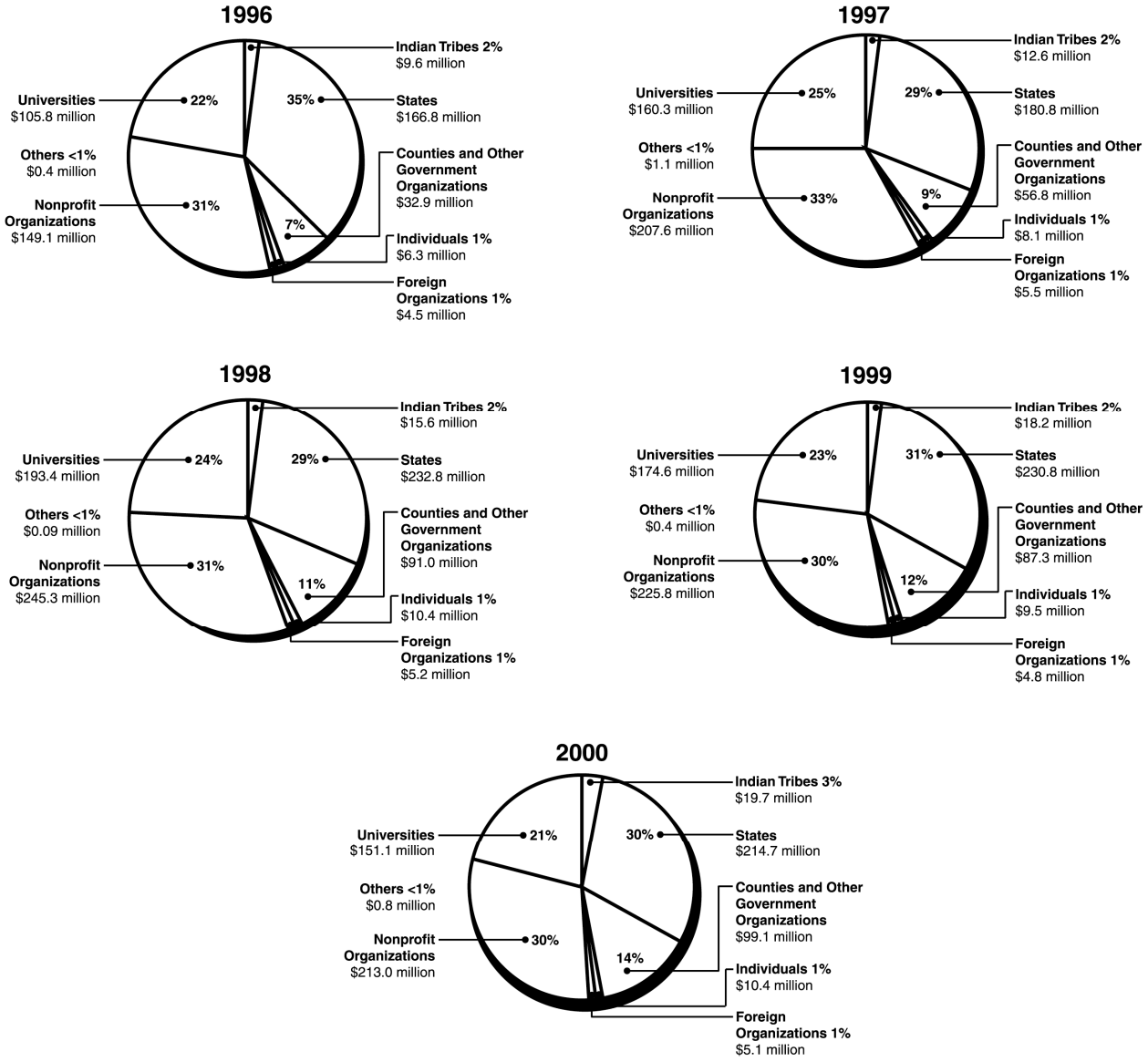


Notes: "Others" includes for-profit organizations and recipients not identified in EPA's data.

Percentages do not total 100 percent because of rounding.

Source: GAO's analysis of EPA data.

Figure 10: Percentage of Funding Provided for Project Grants by Recipient Type for Each Fiscal Year, 1996-2000



Notes: "Others" includes for-profit organizations and recipients not identified in EPA's data.

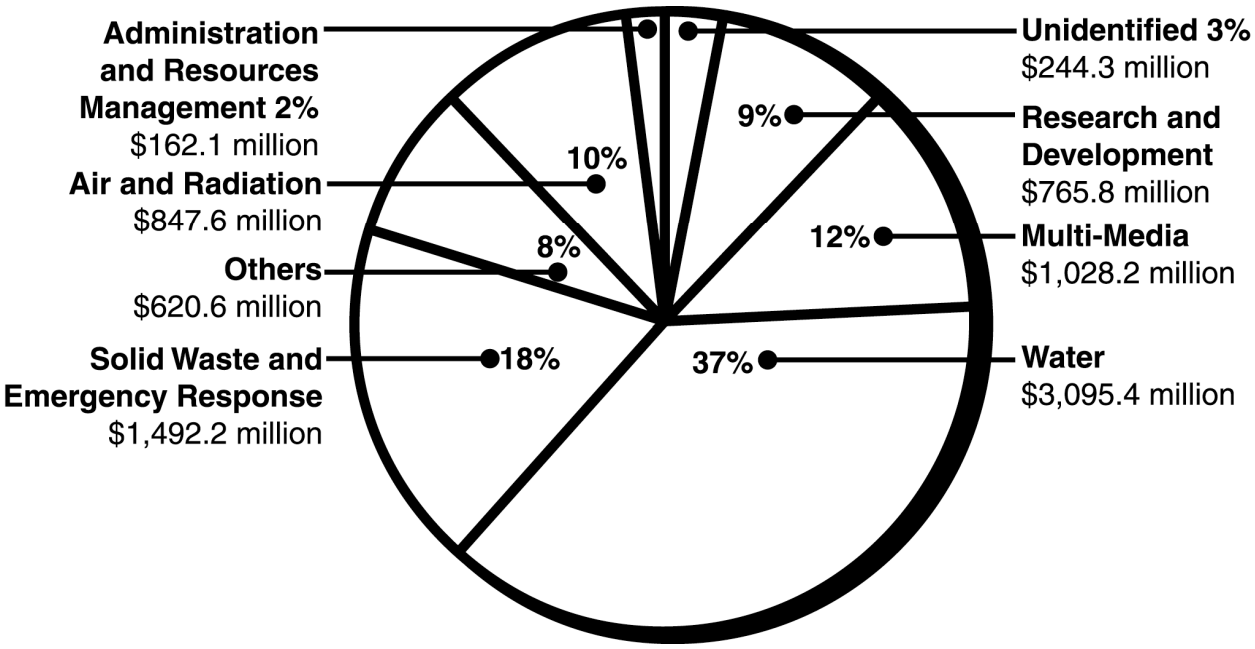
Percentages do not total 100 because of rounding.

Source: GAO's analysis of EPA data.

Funding Provided by EPA Offices for Continuing Environmental Program and Project Grants, Fiscal Years 1996-2000

- EPA's Office of Water provided 37 percent of the $8.3 billion total continuing environmental program and project grant funding for fiscal years 1996 through 2000. Solid Waste and Emergency Response provided 18 percent, Multi-Media Programs 12 percent, Air and Radiation 10 percent, and Research and Development 9 percent. All others provided 3 percent or less each. Multi-Media Programs funds Performance Partnership Grants, and two programs for Indian tribes. (See figs. 11 and 12.)

Figure 11: Percentage of Continuing Environmental Program and Project Grant Funding Provided by EPA Office, Fiscal Years 1996-2000

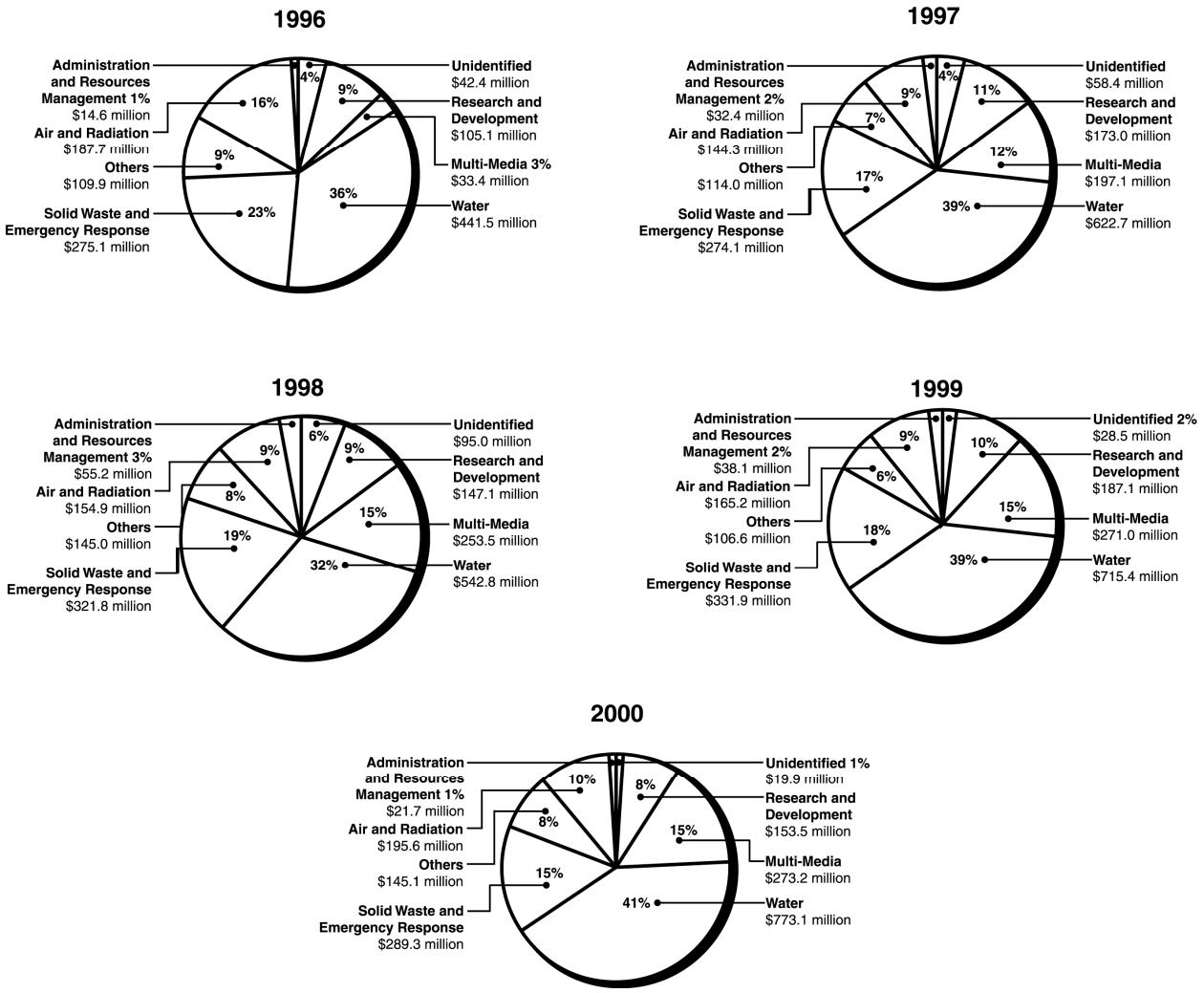


Notes: " Others" includes the Offices of the Administrator; Office of Inspector General; Office of Enforcement and Compliance Assurances; Regional Offices; Office of General Counsel; Office of Policy Planning and Evaluation; Office of International Activities; and Office of Prevention, Pesticides, and Toxic Substances.

Percentages do not total 100 percent because of rounding.

Source: GAO's analysis of EPA data.

Figure 12: Percentage of Continuing Environmental Program and Project Grant Funding Provided by EPA Office for Each Fiscal Year, 1996-2000



Notes: "Others" includes the Offices of the Administrator; Office of Inspector General; Office of Enforcement and Compliance Assurances; Regional Offices; Office of General Counsel; Office of Policy Planning and Evaluation; Office of International Activities; and Office of Prevention, Pesticides, and Toxic Substances.

Percentages do not total 100 because of rounding.

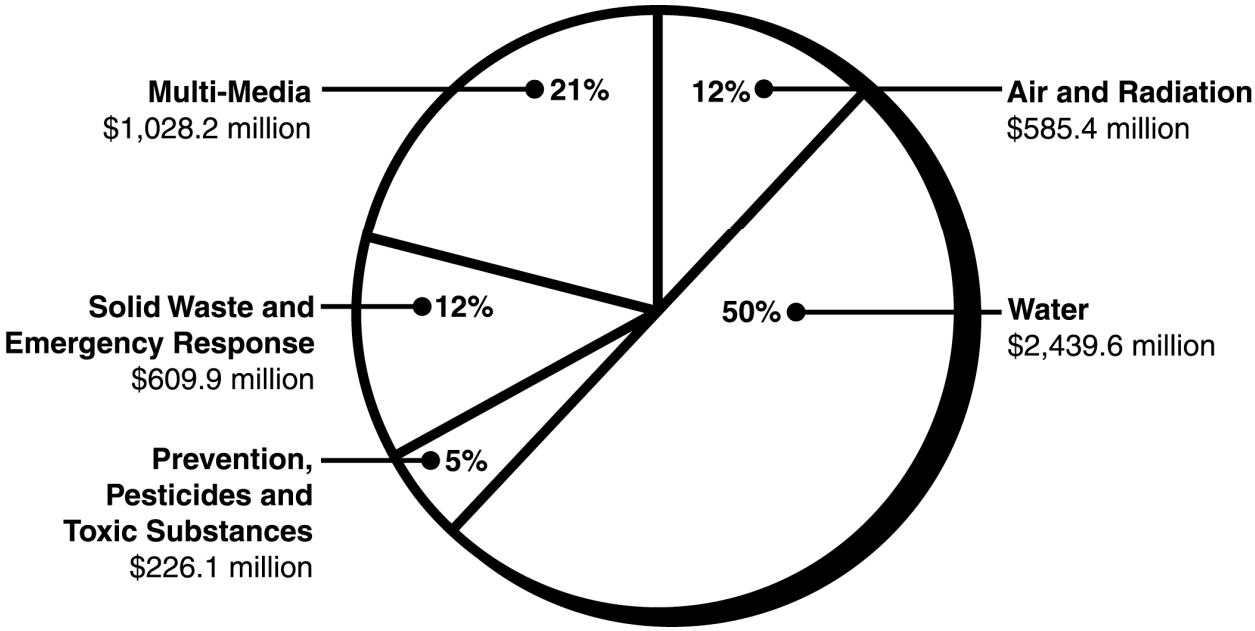
Source: GAO's analysis of EPA data

Funding Provided by EPA Offices for Continuing Environmental Program Grants

- EPA's Office of Water provided 50 percent of the $4.9 billion total continuing environmental program grant funds for fiscal years 1996 through 2000. Multi-Media Programs provided 21 percent; Air and Radiation and Solid Waste and Emergency Response each provided 12 percent; and Prevention, Pesticides, and Toxic Substances provided the remaining 5 percent. (See fig. 13.)

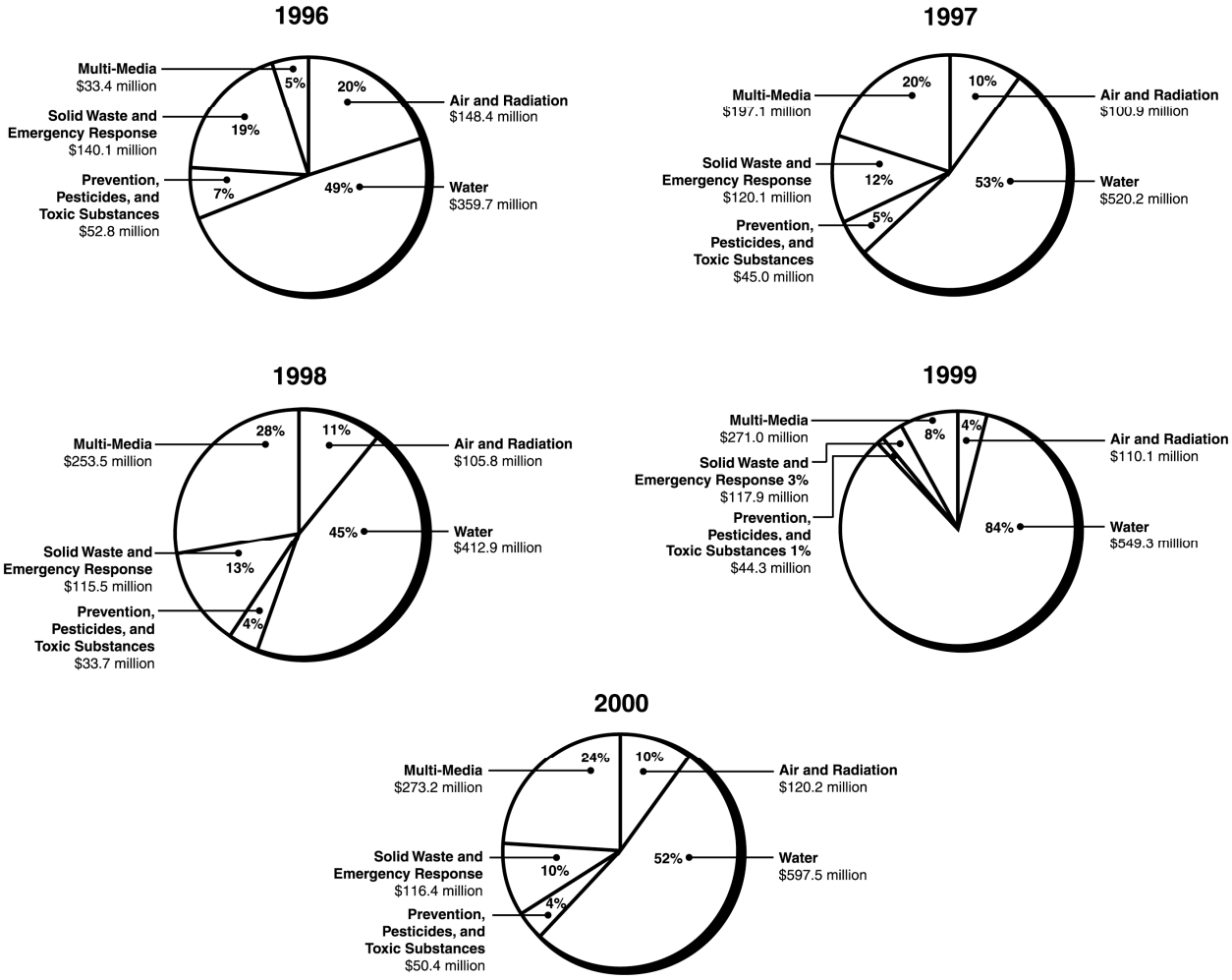
- Continuing environmental program grants awarded by EPA offices varied in percentage of total funds provided for fiscal year 1996 through 2000. For example, EPA's Office of Water provided funds ranging from a low of 45 percent in fiscal year 1998 to a high of 84 percent in fiscal year 1999. Multi-Media funding ranged from 5 percent in fiscal year 1996 to 28 percent in fiscal year 1998, and Air and Radiation's funding ranged from 4 percent in fiscal year 1999 to 20 percent in fiscal year 1996. (See fig. 14.)

Figure 13: Percentage of Continuing Environmental Program Grant Funding Provided by EPA Office, Fiscal Years 1996-2000



Source: GAO's analysis of EPA data.

Figure 14: Percentage of Continuing Environmental Program Grant Funding Provided by EPA Office for Each Fiscal Year, 1996-2000



Note: Some percentages do not total 100 because of rounding.

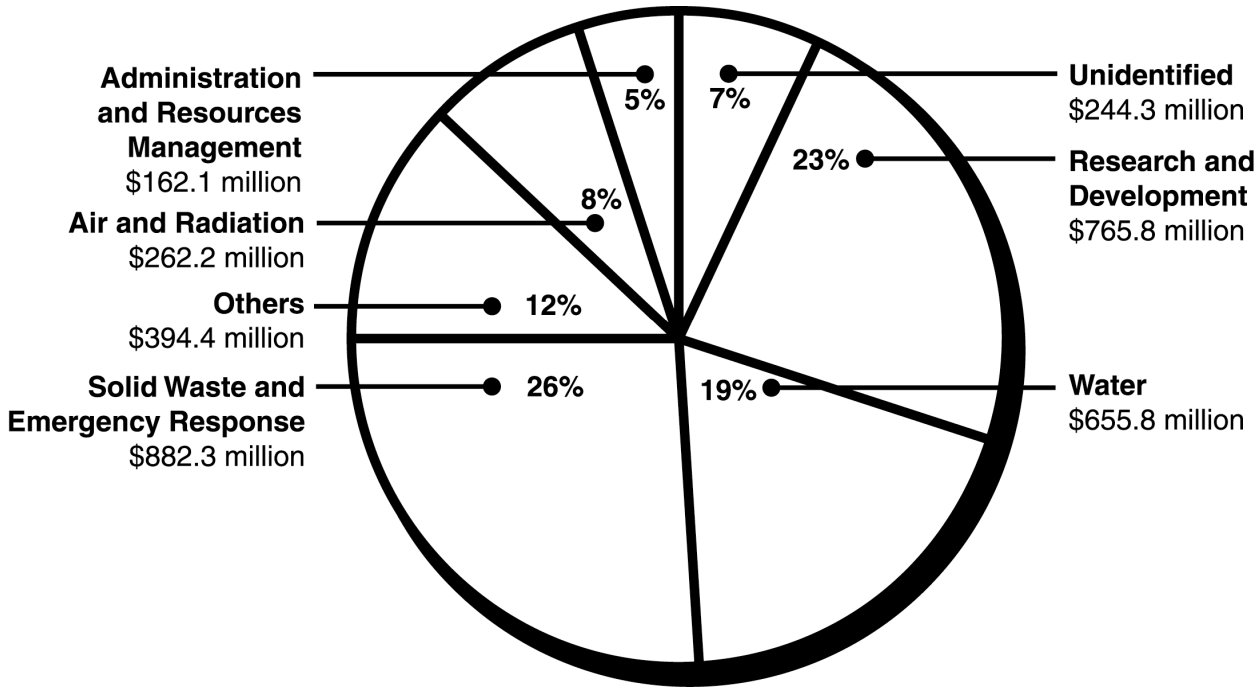
Source: GAO's analysis of EPA data.

Funding Provided by EPA Offices for Project Grants

- Solid Waste and Emergency Response provided 26 percent of the $3.4 billion project grant funding for fiscal year 1996 through 2000. The Office of Research and Development provided 23 percent, Water 19 percent, and the remaining offices provided less than 9 percent each. (See fig. 15.)

- The percentage of funding provided by EPA offices during the 5-year period for the Offices of Research and Development, Water, and Solid Waste and Emergency Response averaged about 68 percent. (See fig. 16.)

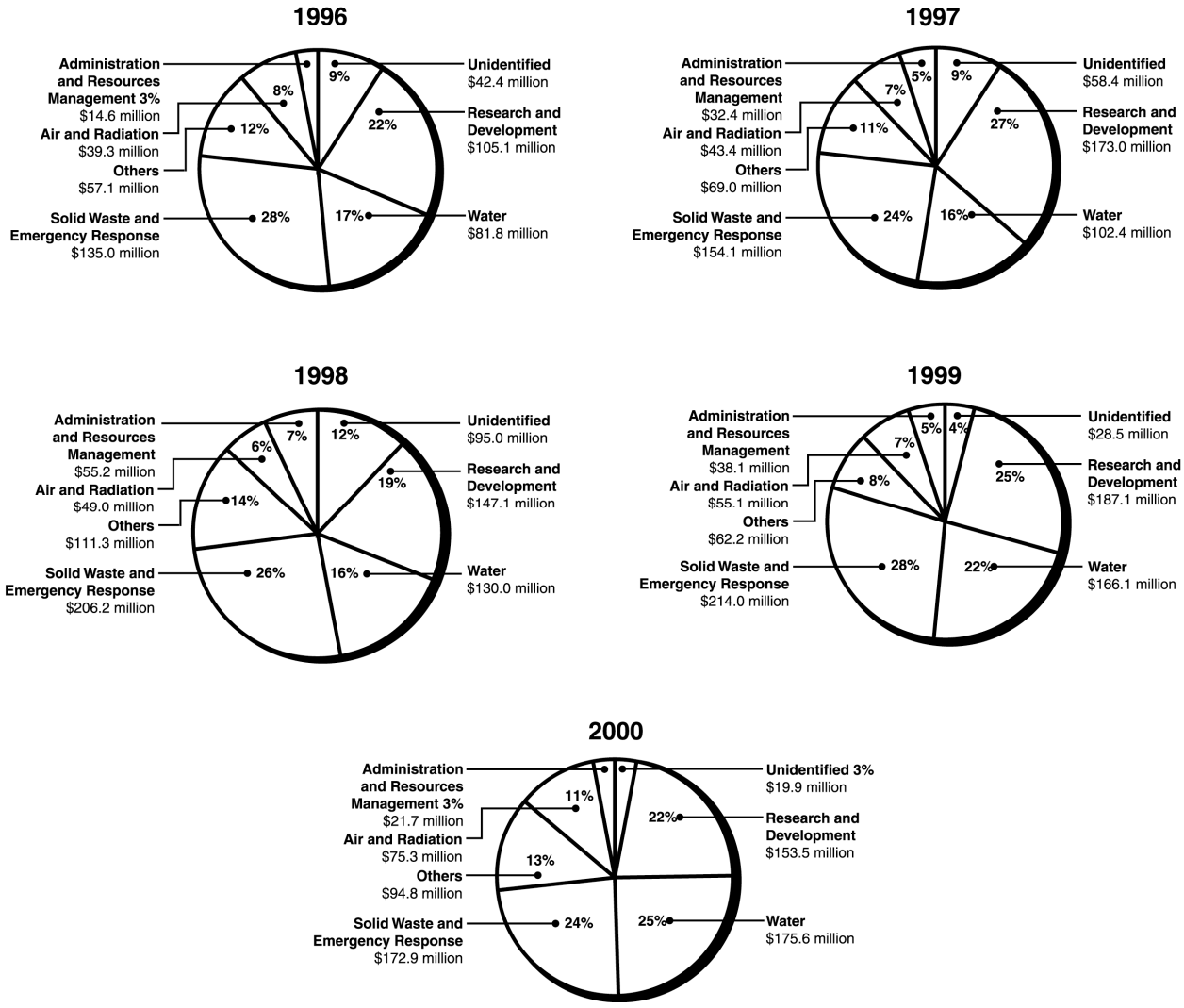
Figure 15: Percentage of Project Grant Funding Provided by EPA Office, Fiscal Years 1996-2000



Note: "Others" includes the Offices of the Administrator; Office of Inspector General; Office of Enforcement and Compliance Assurances; Regional Offices; Office of General Counsel; Office of Policy Planning and Evaluation; Office of International Activities; and Office of Prevention, Pesticides, and Toxic Substances.

Source: GAO's analysis of EPA data.

Figure 16: Percentage of Project Grant Funding Provided by EPA Office, Fiscal Year 1996-2000



Notes: "Others" includes the Offices of the Administrator; Office of Inspector General; Office of Enforcement and Compliance Assurances; Regional Offices; Office of General Counsel; Office of Policy Planning and Evaluation; Office of International Activities; and Office of Prevention, Pesticides, and Toxic Substances.

Some percentages do not total 100 because of rounding.

Source: GAO's analysis of EPA data.

Related GAO Products

Environmental Protection: EPA's Oversight of Nonprofit Grantees' Costs Is Limited (GAO-01-366, Apr. 6, 2001).

Environmental Protection: Information on EPA Project Grants and Use of Waiver Authority (GAO-01-359, Mar. 9, 2001).

Environmental Research: STAR Grants Focus on Agency Priorities, but Management Enhancements Are Possible (GAO/RCED-00-170, Sept. 11, 2000).

Environmental Protection: Grants for International Activities and Smart Growth (GAO/RCED-00-145R, May 31, 2000).

Environmental Protection: Factors Contributing to Lengthy Award Times for EPA Grants (GAO/RCED-99-204, July 14, 1999).

Environmental Protection: Collaborative EPA-State Effort Needed to Improve New Performance Partnership System (GAO/RCED-99-171, June 21, 1999).

Environmental Protection: EPA's Progress in Closing Completed Grants and Contracts (GAO/RCED-99-27, Nov. 20, 1998).

Environmental Protection: Funds Obligated for Completed Superfund Projects (GAO/RCED-98-232, July 21, 1998).

Environmental Protection: Opportunities to Recover Funds Obligated for Completed Superfund Projects (GAO/T-RCED-97-127, Apr. 8, 1997).

Dollar Amounts of EPA's Grants and Agreements (GAO/RCED-96-178R, May 29, 1996).

EPA's Contract Management: Audit Backlogs and Audit Follow-Up Problems Undermine EPA's Contract Management (GAO/T-RCED-91-5, Dec. 11, 1990).

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