

Issue Brief for Congress

Received through the CRS Web

The Environmental Protection Agency's FY2003 Budget

Updated September 5, 2002

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The Environmental Protection Agency's FY2003 Budget

SUMMARY

For FY2003, the President requests \$7.7 billion in budget authority for the Environmental Protection Agency (EPA), \$458.8 million (or 5.6%) less than the total FY2002 appropriation of \$8.2 billion, which included a \$175 million terrorism supplemental in P.L. 107-117, Div. B. The Administration would not continue funding about \$500 million for activities earmarked in the FY2002 appropriation, and proposes provisions shifting more enforcement responsibilities to the states. In FY2002, \$188.1 million was allocated for EPA's Homeland Security efforts; for FY2003, the President seeks an allocation of \$133.4 million, 29% less than current year funding. On July 25, the Senate Committee on Appropriations approved, in S. 2797 (S.Rept. 107-222), \$8.3 billion for EPA, restoring much of the water grant funding.

The request consists of \$3.0 billion for EPA's operating programs, \$3.5 billion for state and local assistance, and \$1.3 billion for Superfund.

EPA's homeland security efforts may present issues, including the agency's ability to oversee remediation of contaminated buildings. In the context of the larger debate on congressional earmarking funds, EPA's earmarks may be highlighted. Wastewater infrastructure needs and funding, along with state roles, and the future of Superfund are likely to be prominent topics.

While the EPA request is presented according to 10 goals (clean air, safe food, etc.), EPA's appropriation bill continues to be organized according to traditional accounts. The \$670.0 million requested for the Science and Technology account reflects a \$155.1 million reduction; Senate action provides \$710 million. For the Environmental Pro-

grams and Management account, the requested level is \$2,047.7 million. The Senate action provides \$2,140.5 million. The \$1.3 billion requested, and approved by the Senate action, to clean up toxic waste sites under Superfund is about the same as the current year level. There is some concern over the proposed decline in Superfund activities under this request, and that the taxpayers would now pay for the majority of the appropriation, as the industry-supported trust fund balance declines.

How to fund state and local wastewater and drinking water capital needs, estimated to be as high as \$300 billion, is once again a major issue. The request sought \$3.5 billion for the State and Tribal Assistance Grants account, \$274.5 million, or 7.3%, less than FY2002 funding, assuming a discontinuance of earmarked funding. The Senate Committee approved \$4.0 billion, adding on \$140 million for special needs grants. The request includes \$1.2 billion for Clean Water State Revolving Funds (SRF); Senate action approved \$1.45 billion. It also added on \$25 million to the \$850 million requested for drinking water.

The request anticipates, and the Senate Committee approved, \$75 million for Mexican border water projects and \$40 million for State of Alaska projects to which the Senate Committee added \$5 million. For state and tribal administrative grants, the budget sought, and the Senate Committee approved, \$1.2 billion, \$84 million more than current funding. The Senate Committee approved the requested \$200 million for the Brownfields program, double current year funding.



MOST RECENT DEVELOPMENTS

On February 4, 2002, the President forwarded to Congress the details of the \$7.7 billion FY2003 request for the Environmental Protection Agency. On February 13, the Senate Committee on Environment and Public Works held hearings on the request; on February 14, a subcommittee of the House Transportation and Infrastructure Committee held hearings on the water infrastructure portion of the request. The House Committee on Appropriations Subcommittee on VA-HUD-Independent Agencies held hearings on March 12, 2002; the Senate Subcommittee held hearings on March 20, 2002. On March 22, 2002, the Senate Committee on the Budget reported the FY2003 budget resolution, S.Con.Res. 100, which assumes that the Clean Water State Revolving Fund will be fully funded, the Superfund request will be increased by \$113 million, and a proposed enforcement change will be denied. It also contains a sense of the Senate on adequate Superfund funding. The House-passed budget resolution, H.Con.Res. 353, assumes full funding of EPA's operating programs. On July 25, the Senate Committee on Appropriations reported S. 2797 (S.Rept. 107-222) which included \$8.3 billion for EPA.

BACKGROUND AND ANALYSIS

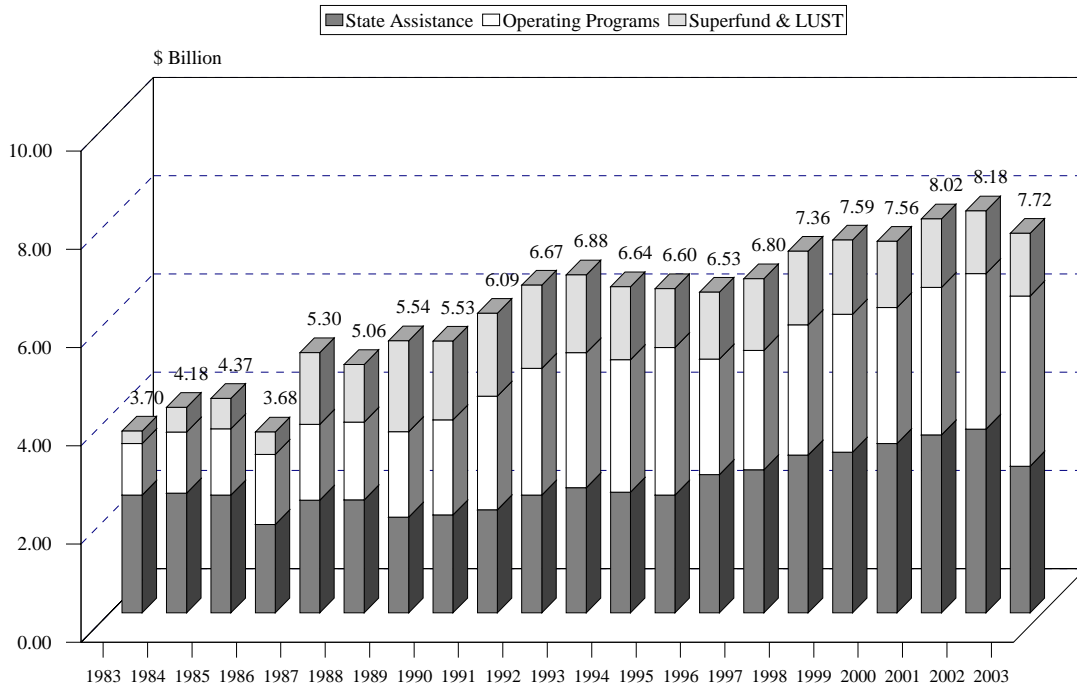
The FY2003 EPA request of \$7.7 billion is \$458.8 million, or 5.6%, less than the total FY2002 funding level of \$8.2 billion, which included \$175 million in terrorism-related supplemental funding. It seeks fairly level funding for many EPA programs but would eliminate funding for about \$500 million in activities earmarked for funding in the FY2002 conference report (H.Rept. 107-272).

Figure 1 depicts EPA funding by major categories – operating programs, state assistance, Superfund – since FY1983. Within these broad categories are \$2.0 billion for program management, \$680 million for science and technology, and \$1.3 billion for Superfund in the FY2003 proposal. Also under the proposal, funding would decrease by \$275 million in the State and Tribal Assistance Grants account, which incorporates wastewater/drinking water state revolving funds (SRFs) monies and traditional state program assistance and management grants. The request for this account includes \$1.2 billion for wastewater SRFs, \$850 million for drinking water SRFs, \$75 million for Mexican Border projects, and \$1.2 billion for traditional grants to states for administering their programs.

The Senate-reported FY2003 budget resolution, S. Con. Res. 100, assumes that the Clean Water SRF will be fully funded, the Superfund request will be increased by \$113 million, and that a proposed enforcement change will be denied. It also contains a sense of the Senate that Superfund funding should be adequate to clean up the remaining sites. The House-passed budget, H.Con.Res. 353, resolution assumes full funding of EPA's operating programs

The major issue associated with the request is the discontinuance of funding for a number of FY2002 activities representing about \$500 million, much of which was allocated to about 300 wastewater projects. Given their enormous popularity, it is likely that

Figure 1. EPA Funding, FY83 to FY02 Enacted and FY03 Request



Prepared by the Congressional Research Service.

FY2002 totals include \$175 million supplemental funding.

reinstatements, or new earmarks, of much of this funding could be pursued during the FY2003 appropriations process. “Congressional earmarks include research projects targeted to specific institutions that bypass the normal competitive process; projects that benefit a limited geographic area with no national significance; and infrastructure projects that bypass the State formula allocation and priority-setting process,” the budget document argues; it calculates that the FY2002 appropriation contained 479 earmarks totaling \$494 million. Many Members of Congress disagree with the Administration on the earmarks issue overall and assert Congress’ right to decide funding priorities in this way. The degree to which earmarks are allowed may require changes to other parts of the request, depending

on the flexibility afforded the committees under their individual budget allocations, and within the priorities set for the bill, as the needs of many other competing national programs such as housing, veterans affairs, disaster assistance and space are assessed.

The FY2003 budget presentation, now referred to as the “2003 Annual Plan,” was the fifth presented under provisions of the 1993 Government Performance and Results Act (GPRA), which directs that a performance plan accompany the budget. In 2000, EPA submitted a second GPRA-mandated strategic plan spelling out its mission and 10 major goals and associated objectives. Its FY2003 budget justification is aligned with these 10 goals which are:

1. Clean Air
2. Clean and Safe Water
3. Safe Food
4. Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems
5. Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response
6. Reduction of Global and Cross-border Environmental Risks
7. Quality Environmental Information
8. Sound Science, Improved Understanding of Environmental Risk, and Greater Innovation to Address Environmental Problems
9. A Credible Deterrent to Pollution and Greater Compliance with the Law (Enforcement)
10. Effective Management

Homeland Security

In the FY2003 budget proposal, the President seeks \$133.4 million for EPA's Homeland security activities. This is 29% less than the total appropriation of \$188.1 million in FY2002. P.L. 107-206 (H.R. 4775) included \$16.1 million in supplemental FY2002 funds for the Capitol Police Board to reimburse EPA. The Act would have appropriated \$50 million more in FY2002 funds for drinking water facility vulnerability assessments if the President had declared these emergency funds by September 1, 2002, which he did not do. EPA has several responsibilities, including protecting its own facilities, determining the vulnerability of the nation's water infrastructure, responding to contamination of buildings, monitoring of air quality at contaminated sites, and conducting research on better cleanup technologies.

The justification for the 29% reduction is, according to EPA, that the special funds, almost all of which were in the emergency FY2002 terrorism supplemental, were one-time expenses. Of the \$133.5 million requested, most – \$75 million – would be directed to conducting research on better technologies and assessments to clean up contaminated buildings. The request also includes \$19 million to upgrade EPA security. The next largest allocation would be \$17 million for more vulnerability assessments for smaller water systems along with \$5 million in state grants relating to homeland security. Other portions of the request include \$5.5 million for the newly created West Coast Environmental Response Team and an additional \$7.7 million to improve EPA's response capabilities. The issues for EPA's Homeland Security activities are how adequate the Agency's resources are to protect its own facilities, to promote protection of the nation's infrastructure, and to develop better knowledge about responding to bio- and chemical-terrorism.

EPA's Budget by Appropriations Accounts

Traditionally, EPA's budget has been presented, considered, and enacted according to several major appropriations accounts. These accounts, including environmental programs and management, science and technology, Office of Inspector General, buildings and facilities, and oil spills, representing about 39% of EPA's appropriation, are sometimes referred to as the "operating programs" and reflect the heart of the Agency's research,

regulatory, and enforcement efforts. Two trust fund-based accounts — about 17% of the Agency’s FY2003 appropriation — are Superfund and the Leaking Underground Storage Tank (LUST) Trust Fund. All state supporting activities are reflected in the State and Tribal Assistance Grants (STAG) account. About 44% of the Agency’s FY2003 appropriation is allotted to this account. **Table 1** shows the breakdown of EPA’s funding by appropriations accounts.

**Table 1. EPA Major Appropriations Accounts:
FY1999-FY2003 Enacted, and FY2003 Request**
(in millions of dollars)

Account	FY1999 P.L. 105-276	FY2000 P.L. 106-74	FY2001 P.L. 106-377	FY2002 P.L. 107-73; 107-117	FY2003 Request	S.Rept. 107- 222
Operating Programs						
Science and Technology	640.0	645.0	709.1	825.0	670.2	710.0
Environmental Programs and Management	1,848.0	1,895.3	2,039.2	2,094.4	2,047.7	2,140.5
Buildings & Facilities	57.0	62.5	28.3	25.3	42.9	42.9
Office of Inspector General	31.2	32.4	40.8	34.0	35.3	35.3
Oil Spill Response	15.0	14.9	14.6	15.0	15.6	15.6
Superfund	1,500.0	1,400.0	1,392.4	1,274.0	1,273.0	1,273.0
Leaking Underground Storage Tank Trust Fund	72.5	69.8	70.7	73.0	72.3	72.3
State and Tribal Assistance Grants	3,406.8	3,581.0	3,623.3	3,738.3	3,463.8	4,009.6
EPA Total All Programs	7,590.4	7,591.7	8,018.9	8,182.4	7,620.5	8,299.1

Note: This table shows only the major activities, while totals are for all EPA programs. In FY2000, the conferees elected to fund the National Institutes of Environmental Health Sciences (NIEHS) and the Agency for Toxic Substances and Disease Registry (ATSDR) – a total of \$130 million – independent of the Superfund appropriation. FY2002 figures include \$175 million in terrorism supplemental funds included in P.L. 107-117, Div. B. P.L. 107-206 (H.R. 4775) included \$16.1 million in supplemental FY2002 funds for the Capitol Police Board to reimburse EPA. The Act would have appropriated \$50 million more for FY2002 for drinking water facility vulnerability assessments if the President had declared these emergency funds by September 1, 2002, which he did not do.

Within the many EPA programs, there are numerous issues with respect to implementing and administering the media (air, water, etc.) protection programs, wastewater treatment funding, and Superfund.

Science and Technology

The Science and Technology (S&T) account incorporates elements of the former research and development account (also called extramural research) as well as EPA's in-house research, development, and technology efforts. The FY2003 request of \$670.0 million for the S&T account represents a 19% decrease when compared to the total FY2002 funding level of \$825.0 million. The Senate Committee approved \$710.0 million and reinstated \$9.75 million for the Science to Achieve Results (STAR) program which the Administration has proposed to move to the National Science Foundation. For small drinking water system arsenic removal research, the Committee added-on \$10 million.

Increasing under the proposal would be S&T funds for clean air (3%), clean and safe water, (3%), and quality information (0.5%) goals; safe food, pollution prevention, and enforcement S&T allocations would decline slightly. The main decreases – about 72%, or \$42.3 million – would be for waste management, almost all from contaminated site/emergency response activities related to September 11th, and \$74.9 million from safe water goals reflecting completion of vulnerability assessments. In report language, the Senate Committee directs the agency to provide, by March 31, 2003, a full accounting of how the agency has expended drinking water security funds. While the Administration's decision not to request about \$5.3 million added by Congress in FY2002 funds is a contributing factor, S&T funds allocated for the global/cross border goal would decline 20% due to the Administration's decision to reduce research funds for alternative vehicle technologies. S&T funds for the effective management goal would decline 42% under the proposal, reflecting completion of the Research Triangle Park facility.

EPA's role in climate research and in the Bush Administration's Climate Protection Program (CPP), formerly the Climate Change Technology Initiative (CCTI), has been an issue. EPA requests \$136.9 million for its objective to "reduce Greenhouse Gas Emissions" (research and programmatic activities) in FY2003, a 6%, or \$8.4 million, decrease when compared to current year funding of \$145.3 million. About \$38 million, or 28%, of the request is under the S&T account; the rest is under the Environmental Program and Management request.

There is no funding change planned for the \$21 million research program in climate change. Most categories of the Climate Protection Program would remain at about the same levels. This includes some research and incentive programs related to buildings, carbon removal, international capacity building, and state/local programs. What is driving the overall decrease is the Administration's decision to reduce Climate Change transportation-related activities from \$30.8 million to \$21.6 million in FY2003, a \$9.3 million or a 30% reduction.

This reflects the Administration's decision to discontinue activities on high-efficiency fuel engines and developing an 85 miles per gallon family size prototype vehicle. (For a discussion of climate change issues, see the CRS Electronic Briefing Book on Climate Change [<http://www.congress.gov/brbk/html/ebgcc1.html>].)

Environmental Programs and Management

The Environmental Programs and Management account — representing about a quarter of the Agency's resources — reflects the heart of the Agency's regulatory, standard-setting, and enforcement efforts for various media programs such as water quality, air quality, and hazardous waste management. The President's FY2003 budget sought \$2.05 billion, \$46.7 million, or 2.2%, less than the FY2002 funding level. The Senate Committee would provide \$2.14 billion. Many controversial regulatory/standard setting issues can be associated with this account. (CRS Issue Brief IB10067, *Environmental Protection Issues in the 107th Congress*, discusses some of them.)

EPM allocations for clean air, safe food, pollution prevention, global activities, information, enforcement and effective management goals would remain roughly the same as current year funding. The EPM allocation for clean/safe water would be reduced \$63.2 million, or 13%, under the plan. This reflects the Administration's decision not to request about \$93.6 million in congressional earmarks in the EPM account. For waste management/emergency response, the EPM allocation would increase \$24.8 million or 15%, almost all of which is accounted for by the new Brownfields program administration responsibilities. (Another \$170 million in grants is funded separately under the State and Tribal Assistance Grants account.) The Senate Committee approved the requested amounts. For sound science activities, the EPM portion would increase 6%, or \$3.6 million. This reflects the elimination of the Common Sense Initiative (\$1.8 million) which the budget has labeled as "ineffective" and the addition of \$9.6 million in EPM funds for an expanded regulatory development process, strengthened economic analyses, and regulatory innovation.

Another program labeled as "ineffective" is the environmental education program. The budget plans to end EPA's activities authorized under the 1990 National Environmental Education Act (\$9.2 million in FY2002) and transfer them to the National Science Foundation (NSF). It also would eliminate the Agency's STAR Fellowship Program (\$9.7 million in FY2002) and transfer those functions to the NSF "as part of a larger effort to increase environmental science education programs" there. (The National Oceanic and Atmospheric Administration's Sea Grant program \$57 million would also be transferred to NSF under this plan.) According the NSF's budget summary, NSF will work in partnership with the relevant agencies to sustain each program's major objectives while incorporating NSF's experience with merit-based, competitive processes. The Senate Committee on Appropriations did not approved the Administrations's planned STAR and environmental education changes, approving continued FY2003 funding at current levels.

The EPM account funds most of EPA's enforcement effort. For EPA's enforcement goal the budget seeks \$402.5 million, \$8.9 million, or 2% more than current year funding. This reflects \$15.0 million in new funds for proposed enforcement grants to states, while at the same time EPA's own enforcement resources would be reduced \$10.0 million This involves a reduction of 99 full time equivalent positions or FTEs. Appropriators rejected a similar plan during the consideration of the FY2002 request. The Senate Budget Committee-

reported version of the FY2003 budget resolution, S. Con. Res. 100, assumes that this proposal will not be adopted. The Senate Committee on Appropriations also denied this requested change and included extensive report language on enforcement. It directs the agency to stop redirecting civil enforcement resources to criminal and to restore civil enforcement funding. It also directs the agency to develop a plan to fill vacant positions in the Office of Enforcement and Compliance.

Office of Inspector General

The President's FY2003 budgets sought, and the Senate Committee, approved, \$35.3 million for the Office of Inspector General, \$1.3 million more than current year funding.

Buildings and Facilities

The FY2003 requested and Senate Committee-approved \$42.9 million for the Buildings and Facilities account is \$17.6 million, or 69.5%, more than FY2002 funding, reflecting new security needs.

Oil Spill Response

For EPA's oil spill response activities, the budget sought, and the Senate Committee approved, \$15.6 million, \$600,000 more than current funding.

Superfund

In its FY2003 request, EPA sought \$1.3 billion for the Superfund account, about the same level as funded in FY2002. The Senate Committee on Appropriations approved this amount. Taxing authority to support the Superfund Trust Fund expired on December 31, 1995, and since then the fund balance has been declining. It is anticipated that trust monies will only be available in significant amounts through FY2003. (Also part of the President's FY2003 budget is a \$200 million request for cleaning up certain urban sites, called Brownfields, that have development potential. None of this is funded under the Superfund account. Most of this (\$170 million for grants) will be funded in the State and Tribal Assistance Grants account and EPA's administrative expenses under the EPM account.) The Senate-reported FY2003 resolution S. Con. Res. 100 includes a Sense of the Senate on Superfund which states:

- (a) FINDINGS- The Senate finds the following:
- (1) The most contaminated, toxic sites in the country are cleaned up through the Superfund program;
 - (2) The President's budget assumes sharp reductions in the number of Superfund sites to be cleaned up in fiscal year 2003; and
 - (3) This resolution provides a significant increase in funding for the Superfund program for fiscal year 2003 compared to the President's budget proposal.
- (b) SENSE OF THE SENATE- It is the sense of the Senate that funding for Superfund be at a level sufficient to significantly increase the number of toxic waste sites cleaned up through the Superfund program.

The resolution, as reported, assumes the \$1.273 billion request for Superfund will be increased by \$133 million. The House-passed budget resolution, H.Con.Res. 353, does not contain similar language.

Two major studies have concluded that the nation's toxics cleanup program has major challenges ahead and requires large funding levels for the next few years. Looking ahead, GAO has estimated that by 2008, 85% of all non-federal National Priority List sites will be cleaned up (GAO/RCED-00-25, *Superfund: Information on the Program's Funding and Status*). This will entail annual appropriations on the average of at least \$875 million through FY2008, according to GAO. GAO estimates that it will cost between \$8.2 billion and \$11.7 billion for studies, design and remedial work to clean up all remaining sites. On July 10, 2001, Resources for the Future (RFF) released its EPA-funded report requested by the appropriations committees. *Superfund's Future: What Will It Cost?* estimates that for fiscal years 2000 through 2009, EPA will have to spend \$14 billion to \$16.4 billion on the Superfund program and that appropriations will have to be maintained at current levels through these years. RFF anticipated in its base case scenario that "EPA's need for Superfund monies will not decrease appreciably below FY1999 expenditures of \$1.54 billion until 2006..."

In FY2003, the budget anticipates 285 removal response actions, down 17, or 6%, when compared to current year actions. It also anticipates 40 construction completions, 7 or 18% fewer than for the current year. The reduction in these measures of the Superfund Program has caused some concern, given the remaining Superfund cleanup challenges.

The President's FY2003 budget does not propose renewing the taxes that support the Superfund Trust Fund. According to the budget, the balance of the fund on October 1, 2002, the beginning of FY2003, will be \$427 million. The requested appropriation of \$1.3 billion includes \$593 million, or 46%, derived from the fund and \$700 million from general appropriations. With an estimated balance of \$28 million anticipated at the beginning of FY2004, the fund could only be a very minor contributor for that year although some income sources for the fund - recoveries, interest, offsetting receipts - could increase the amount available. If the Superfund account levels are to be maintained, general revenues would have to fund a significant part of the program for that year.

The FY2003 budget represents a significant change in hazardous waste cleanup policy. For the first time in the Superfund program's 22-year history, the taxpayer would be funding the majority -- 54% -- of the program. Some have interpreted this as a departure from a longstanding "polluter pays" policy in which the industry-maintained trust fund supported the majority - roughly 70% - of the Superfund program for many years. On February 25, 2001, in response to questions about the Administration's support of the Superfund program, the President stated: "...we're looking at ways to reform the system to make sure it works, to make sure it actually accomplishes what Congress wants it to accomplish."

The level of appropriations for FY2003 and the role of general revenues will be a matter for the appropriators to consider. Whether the Superfund tax is reinstated is likely to be a point of contention. Superfund tax issues have generally been addressed by the revenue committees.

Leaking Underground Storage Tanks

The President's FY2003 budget sought, and the Senate Committee approved, \$72.3 million, about the same as current year funding, for the Leaking Underground Storage Tank (LUST) program, which assists states in addressing substandard underground petroleum storage tanks.

The status of state LUST programs is a significant issue. Many states are finding it difficult to finance their programs. At the same time, the fact that the balance of the LUST Trust Fund has passed the \$2.0 billion threshold and the likelihood it will grow even larger if not drawn upon significantly has led some to call for allowing greater use of the fund balance by states. (For further discussion, refer to CRS Report 97-471 ENR, *Leaking Underground Storage Tank Cleanup Issues*.)

State and Tribal Assistance Programs

The FY2003 request for the State and Tribal Assistance Grants (STAG) account is once again particularly controversial in Congress since the President requests \$3.5 billion, \$274.5 million (or 7.3%) less than FY2002 funding level of \$3.7 billion. This reflects the Administration's decision not to request funds for activities and grants earmarked in the FY2002 conference report. The Senate Committee on Appropriations approved \$4.0 billion, adding on \$140 million for special needs grants.. The chief elements of the STAG request include:

- ! \$1.2 billion, as compared to the current level of \$1.35 billion for State Revolving Funds (Clean Water); the Senate Committee approved \$1.45 billion;
- ! \$850.0 million for State Revolving Funds (Drinking Water), the same as currently funded; the Senate Committee approved \$875 million;
- ! \$75.0 million, the same as current year for Mexican Border infrastructure projects and as approved by the Senate Committee action;
- ! \$40.0 million for Alaska Native Village water infrastructure projects, the current year funding; the Senate added-on \$5 million;
- ! \$1.2 billion, \$83.9 million more than the current appropriation, for traditional grants to states for their administration of various environmental programs; and
- ! \$170 million for the Brownfields program, including \$50 for assessment grants and \$120 million for capitalizing Brownfields state revolving funds.

The major capital needs that communities face for funding drinking water and wastewater facility construction remain the chief issue associated with the STAG account. By statutory design, the federal contribution to most of these needs has been through capitalizing state funds from which states loan monies to communities. Since most localities are now borrowing their funding, any remaining direct grants listed above for special projects have become controversial. The total national needs remain great. EPA's 1996 needs survey for clean water SRF monies estimated remaining needs at \$139.5 billion to \$200 billion through the year 2016, while sewerage agencies estimate funding needs may be as high as \$330 billion. EPA acknowledges that funding needs exceed levels in the 1996 needs survey

and is working on more current assessments. The needs of small communities remain a special component of this problem.

One estimate has spotlighted the FY2003 water SRF request even more. A stakeholder group, the Water Infrastructure Network (WIN), in *Clean and Safe Water for the 21st Century*, estimates total wastewater and drinking water capital needs at around \$1 trillion over the next 20 years, even more if operation and maintenance needs are added in (they currently are not eligible for federal assistance). WIN estimates that 20-year capital funding needs for wastewater are about \$460 billion and for drinking water about \$480 billion. WIN foresees a \$23 billion per year funding gap: \$12 billion for wastewater and \$11 billion for drinking water capital needs.

The Senate-reported budget resolution, S. Con. Res. 100, assumes full funding of the Clean Water State Revolving Fund. This appears to mean the current year level of \$1.35 billion and would assume the \$1.2 billion request would be increased by \$150 million. The Senate Committee on Appropriations approved \$1.45 billion.

In February 2001, EPA issued the second drinking water needs survey which indicated that public water systems need to invest \$151 billion over 20 years. Part of the increase is attributable to new regulations and about half due to installation and rehabilitation of transmission and distribution systems.

For state administrative grants, the President's FY2003 budget sought, and the Senate Committee approved, \$1.2 billion, \$84 million more than the current level of \$1.1 billion. These grants fund state programs which administer various environmental protection programs. Most state grant programs would be funded at current year levels. Funding for state section 106 water grants would be reduced \$12 million, or 6%, while funding for water quality cooperative agreements would double to a level of \$39 million. Under the budget proposal, new areas would be funded: \$15 million for state enforcement grants and \$170 million for Brownfields grants. The latter includes \$50 million for state administration and assessments and \$121 million for capitalizing Brownfields Revolving funds in the states. The budget seeks funding of \$20 million for the Targeted Watersheds Project for grants to watershed stakeholders "to implement watershed restoration efforts in a discrete set of priority watersheds."

Considerable interest has focused on the proposal to shift more enforcement responsibility to the states. The budget anticipates \$15 million in FY2003 for grants to state enforcement programs and about 100 fewer FTEs in EPA's enforcement office. During consideration of the FY2002 request, appropriators rejected a similar proposal. The Senate Committee on Appropriations rejected the FY2003 proposal.

LEGISLATION

S. 2797 (Mikulski)

Departments of Veterans Affairs, Housing and Urban Development and Related Agencies Appropriations Bill for FY2003. Reported July 25, 2002 from the Senate Committee on Appropriations ((S.Rept. 107-222).

CONGRESSIONAL HEARINGS, REPORTS, AND DOCUMENTS

U.S. Congress. House. Committee on Appropriations. Subcommittee on VA-HUD-Independent Agencies. EPA's FY2003 Appropriation. Hearings, 107th Congress, 2nd Session. March 12, 2002. Washington, GPO (to be published)

Senate. Committee on Appropriations. Subcommittee on VA-HUD-Independent Agencies. EPA's FY2003 Appropriation. Hearings, 107th Congress, 2nd Session. March 20, 2002. Washington, GPO (to be published)

U.S. Congress. House. Committee on Transportation and Infrastructure. Subcommittee on Water Resources and the Environment. EPA's FY2003 Budget. Hearings, 107th Congress, 2nd Session. February 14, 2002. Washington, GPO. (To be published)

U.S. Congress. Senate. Committee on Environment and Public Works. EPA's FY2002 Budget Proposal. Hearings, 107th Congress, 2nd Session. February 13, 2002. Washington, GPO. (to be published)

CHRONOLOGY

02-04-02 – President submits FY2003 budget including \$7.7 billion for EPA.

07-25-02 - Senate Committee on Appropriations reports S. 2797 (S.Rept. 107-222) which includes \$8.3 billion for EPA