

# CRS Report for Congress

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## The Natural Resources and Environment Function in the FY2003 Federal Budget: An Overview of Programs and Funding

David M. Bearden  
Environmental Policy Analyst  
Resources, Science, and Industry Division

### Summary

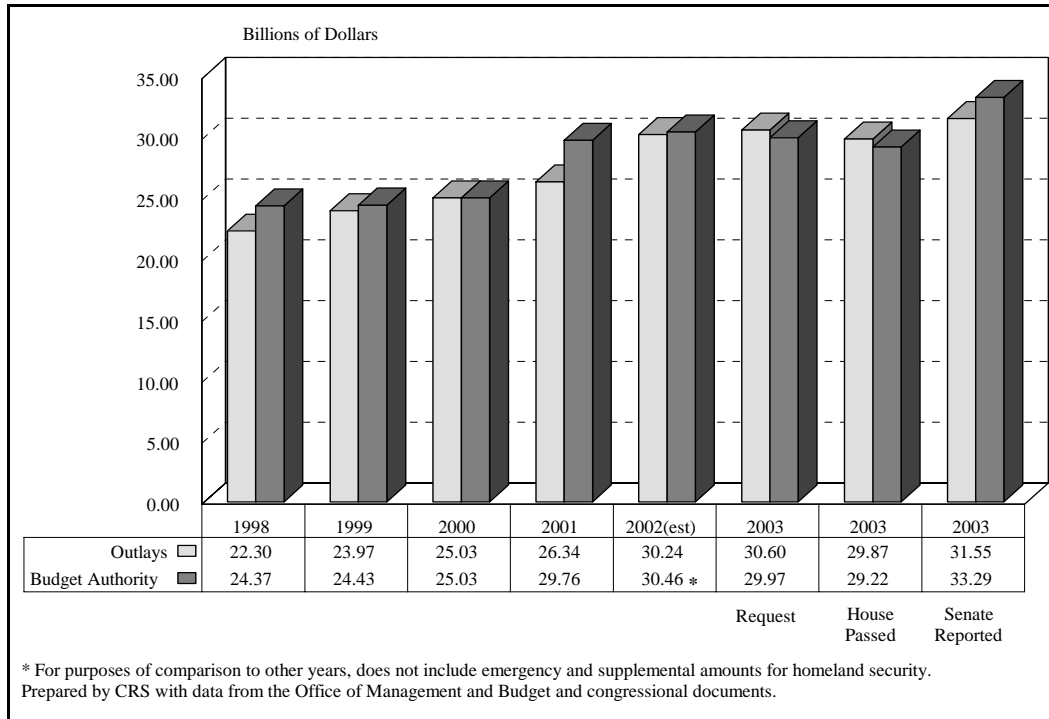
Function 300 of the federal budget includes funding for natural resource and environmental activities, and is divided into five subfunctions: water resources, conservation and land management, recreational resources, pollution control and abatement, and other activities like research and technical support. The Administration requested \$29.97 billion in budget authority and \$30.60 billion in outlays for these activities in FY2003. During the 107<sup>th</sup> Congress, the House passed a budget resolution for FY2003 (H.Con.Res. 353) that proposed \$29.22 billion in budget authority and \$29.87 billion in outlays for Function 300. The Senate Budget Committee reported its version of the resolution (S.Con.Res. 100), which proposed \$33.29 billion in budget authority and \$31.55 billion in outlays for Function 300. However, floor action did not occur in the Senate prior to adjournment. Due mostly to large differences in overall funding, the 107<sup>th</sup> Congress did not reach a bicameral agreement on the FY2003 budget resolution, and consideration of FY2003 appropriations for most federal programs, including those under Function 300, was not completed either. A continuing resolution (P.L. 107-294) provides funding at the same level as enacted for FY2002, through January 11, 2003. Further action on appropriations for FY2003 is expected early in the 108<sup>th</sup> Congress. This report will be updated as relevant developments occur.

### Introduction

The federal budget is divided into 20 spending and revenue functions. Function 300 includes activities related to natural resources and the environment and is divided into five subfunctions: water resources, conservation and land management, recreational resources, pollution control and abatement, and other activities such as research and technical support. The House and Senate Budget Committees traditionally develop a concurrent resolution on the budget according to procedures established under the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 631 et seq.). While the House and Senate vote on the budget resolution, it is not submitted for the President's approval, and therefore does not become law. This annual resolution establishes budget policies and assumptions for spending and revenue, and sets the level of budget authority and

outlays for the 20 budget functions.<sup>1</sup> The House and Senate Appropriations Committees traditionally use the policies and funding levels in the budget resolution as a guideline to allocate funding for Function 300 to various federal agencies under 6 of the 13 annual appropriations bills.<sup>2</sup> The figure below displays a 5-year funding history for Function 300, the Administration's request for FY2003, and budget actions in the 107<sup>th</sup> Congress.

**Budget Authority and Outlays for Function 300: FY1998 to FY2002, FY2003 Request, and Budget Actions in the 107<sup>th</sup> Congress**



During the 107<sup>th</sup> Congress, the House passed its version of the FY2003 budget resolution (H.Con.Res. 353, H.Rept. 107-376) on March 20, 2002, approving \$29.22 billion in budget authority and \$29.87 billion in outlays for Function 300. The Administration had requested higher amounts of \$29.97 billion in budget authority and \$30.60 billion in outlays. Although the House approved an overall decrease for Function 300, it assumed full funding of the Administration's request for several natural resource and environmental programs. The Senate Budget Committee filed its report on the

<sup>1</sup> Budget authority is new funding which may be spent within the year that it is made available, or in some cases, carried over to future years. Outlays are the actual amounts that are spent within a year. Generally, budget authority is a more accurate indicator of funding trends because outlays can vary widely from year to year depending on many factors such as the payment of funds obligated in past years for the completion of long-term projects.

<sup>2</sup> The six appropriations bills that fund programs under Function 300 include: 1) Department of Agriculture and Related Agencies; 2) Commerce, Justice, and State, the Judiciary and Related Agencies; 3) Energy and Water Development; 4) Department of the Interior and Related Agencies; 5) Department of Transportation and Related Agencies; and 6) Veterans Affairs, Housing and Urban Development, and Independent Agencies. Refer to the CRS Web site to track the status of these bills for FY2003 [<http://www.crs.gov/products/appropriations/apppage.shtml>].

FY2003 budget resolution (S.Con.Res. 100, S.Rept. 107-141) on April 11, 2002. The committee approved higher amounts of \$33.29 billion in budget authority and \$31.55 billion in outlays for Function 300, and assumed targeted increases for numerous programs. Floor action on S.Con.Res. 100 was not taken.

The 107<sup>th</sup> Congress did not reach a bicameral agreement on the FY2003 budget resolution, primarily due to the lack of reconciliation over the large differences in overall funding between the House and Senate. Consideration of FY2003 appropriations proceeded without a bicameral agreement on the budget resolution in place. As of the adjournment of the 107<sup>th</sup> Congress, the appropriations bills for the Department of Defense and Military Construction had been enacted, but Congress had not completed consideration of the remaining appropriations bills, including those which fund programs under Function 300. In the absence of final action on appropriations, continuing resolutions have generally been providing funding at the same level as enacted for FY2002. The current continuing resolution (P.L. 107-294, H.J.Res. 124) continues funding through January 11, 2003. Further action on FY2003 appropriations is expected early in the 108<sup>th</sup> Congress.

The following sections describe the activities under each subfunction of Function 300, indicate the Administration's FY2003 request, list the federal agencies that implement various programs, provide information on offsetting receipts, tax revenues, and tax incentives related to Function 300, and examine relevant provisions in the House and Senate versions of the FY2003 budget resolution that were considered during the 107<sup>th</sup> Congress.<sup>3</sup> Since the amounts allocated to each subfunction are not indicated in the budget resolution as they are in the President's budget request, the following sections only indicate requested amounts for each subfunction.

## **Water Resources**

The subfunction for water resources includes funding for the Department of Defense's Army Corps of Engineers (Corps) and the Department of the Interior's Bureau of Reclamation (BOR). The Corps constructs and maintains facilities for flood control, commercial navigation, and hydroelectric power. Although the Corps operates nationwide, BOR constructs, maintains, and operates diversion dams, reservoirs, and related facilities that provide water for irrigation, hydroelectric power, and municipal and industrial uses in 17 western states. Numerous water projects have been controversial because of their perceived negative effects on water quality and fish and wildlife habitat.<sup>4</sup> The President's budget proposed a 12% decrease of \$656 million in budget authority for water resources, from \$5.58 billion in FY2002 to \$4.93 billion in FY2003. For outlays, the President's budget proposed an 11% decrease of \$685 million, from \$5.96 billion in FY2002 to \$5.28 billion in FY2003. Most of the requested decrease was due to a reduction of \$460 million in discretionary funds for the Corps' civil works projects. The Administration requested this decrease because it sought to eliminate certain "earmarked"

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<sup>3</sup> This report does not include information on military cleanup and other defense-related environmental programs administered by the Department of Defense and the Department of Energy. Funding for these programs is allocated under Function 50 for National Defense.

<sup>4</sup> For a discussion of these and other issues, refer to CRS Report RS20569, *Water Resource Issues in the 107<sup>th</sup> Congress*, and CRS Issue Brief IB10019, *Western Water Resource Issues*.

projects that it believes fall outside of the historic missions of the Corps. As passed, H.Con.Res. 353 assumed full funding of the Administration's request for a \$19 million increase for the Corps' salmon conservation efforts, from \$109 million in FY2002 to \$128 million in FY2003. As reported, S.Con.Res. 100 assumed \$990 million more than the request of \$4 billion in discretionary funding for the Corps, and it assumed "at least" \$888 million for the BOR to help reduce the backlog of authorized projects. S.Con.Res. 100 also recommended increasing BOR funds due to the importance of drinking water and irrigation projects.

## Conservation and Land Management

The subfunction for conservation and land management includes funding for the Department of the Interior's Bureau of Indian Affairs, Bureau of Land Management, Minerals Management Service, National Park Service, and Fish and Wildlife Service, which manage the majority of federal lands. This subfunction also contains funding for the Department of Agriculture's Forest Service and Natural Resources Conservation Service, and the Department of Commerce's National Marine Fisheries Service.<sup>5</sup> The President's budget proposed a 4% increase of \$410 million in budget authority for conservation and land management, from \$9.51 billion in FY2002 to \$9.92 billion in FY2003. For outlays, the President's budget proposed a 6% increase of \$511 million, from \$9.15 billion in FY2002 to \$9.66 billion in FY2003. As passed, H.Con.Res. 353 indicated that funding for the Pacific Northwest Salmon Recovery program should receive a "high priority", but a dollar amount was not specified. It also assumed full funding of the Administration's request for several activities, including the Land and Water Conservation Fund, National Wildlife Refuge System, wildland fire prevention, and maintenance and repair of Bureau of Indian Affairs schools. As reported, S.Con.Res. 100 assumed full funding for the Payments in Lieu of Taxes program, which compensates local governments for the loss of property tax revenues from non-taxable federal lands. S.Con.Res. 100 also assumed \$164 million more than requested for salmon conservation and restoration, full funding of \$1.92 billion for the Land, Conservation, Preservation, and Infrastructure Improvement program (commonly referred to as the conservation spending category), an (unspecified) increase for the National Wildlife Refuge System, and (unspecified) mandatory funding for agricultural conservation programs authorized under the Farm Security and Rural Investment Act of 2002 (P.L. 107-171).

## Recreational Resources

The subfunction for recreational resources includes funding for the Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management, National Park Service, and Fish and Wildlife Service, which manage federal lands that offer outdoor recreational opportunities.<sup>6</sup> The President's budget proposed a less than 1% decrease of \$24 million in budget authority for recreational resources, from \$3.10 billion in FY2002 to \$3.07 billion in FY2003. Although budget

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<sup>5</sup> For a discussion of conservation issues, refer to CRS Issue Brief IB96030, *Soil and Water Conservation Issues*. For a discussion of land management issues, refer to CRS Issue Brief IB10076, *Public (BLM) Lands and National Forests*.

<sup>6</sup> For a discussion of recreation issues, refer to CRS Issue Brief IB10093, *National Park Management and Recreation*.

authority would decline slightly under the President's budget, there would be a 7% increase of \$218 million in outlays, from \$2.96 billion in FY2002 to \$3.17 billion in FY2003. One of the major budgetary issues related to recreational resources has been the adequacy of funding to reduce the backlog of park maintenance projects. As passed, H.Con.Res. 353 assumed full funding of the \$663 million requested for park maintenance and construction, which included deferred maintenance. As reported, S.Con.Res. 100 assumed \$137 million more than requested for operations of the National Park Service, and recommended increases over the next 5 years to make up for funding shortfalls.

## **Pollution Control and Abatement**

The subfunction for pollution control and abatement includes funding for the Environmental Protection Agency (EPA), which is the primary federal agency responsible for the control of pollution and the cleanup of civilian environmental contamination. EPA's main functions are to enforce federal environmental laws and regulations and assist state, local, and tribal governments in controlling pollution.<sup>7</sup> Funding for the U.S. Coast Guard's programs to prevent and clean up hazardous spills on coastal and inland waterways also falls under this subfunction. The President's budget proposed a 6% decrease of \$457 million in budget authority for pollution control and abatement, from \$8.16 billion in FY2002 to \$7.70 billion in FY2003. Although budget authority would decline under the President's budget, there would be a 3% increase of \$269 million in outlays, from \$7.96 billion in FY2002 to \$8.23 billion in FY2003. The requested decrease in new budget authority was primarily due to the elimination of support for "earmarked" projects in EPA's budget, most of which were for waste water infrastructure. As passed, H.Con.Res. 353 assumed full funding of the Administration's request of \$4.1 billion for EPA's core operating programs, and \$200 million for the cleanup of brownfields. Like the House, S.Con.Res. 100, as reported, also assumed \$200 million for the cleanup of brownfields. However, it assumed \$113 million more than requested for the cleanup of hazardous waste sites under the Superfund program, \$15 million more than requested for federal personnel to enforce environmental laws, and recommended "full" funding for the Clean Water State Revolving Fund, which appears to mean the FY2002 funding level of \$1.35 billion.

## **Other Natural Resources**

The subfunction for "other natural resources" includes activities such as research and technical support. The agencies funded under this subfunction include the U.S. Geological Survey (USGS) and the National Oceanic and Atmospheric Administration (NOAA). The USGS conducts research on land, water, mineral, and biological resources and on natural hazards. NOAA conducts research on ocean and coastal resources, air quality monitoring, climate change, and ozone depletion, and administers the National Weather Service. The President's budget proposed a 4% decrease of \$169 million in budget authority for this subfunction, from \$4.52 billion in FY2002 to \$4.35 billion in FY2003. Although budget authority would decline under the President's budget, there would be a 1% increase of \$50 million in outlays, from \$4.21 billion in FY2002 to \$4.26

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<sup>7</sup> For a discussion of pollution control and abatement issues, refer to CRS Issue Brief IB10067, *Environmental Protection Issues in the 107<sup>th</sup> Congress*.

billion in FY2003. Neither H.Con.Res. 353 as passed, nor S.Con.Res. 100 as reported, included funding assumptions related to research and technical support.

## Offsetting Receipts, Tax Revenues, and Tax Incentives

Natural resource and environmental programs under Function 300 are funded not only by general tax revenues, but are also supported by receipts from a variety of sales, fees, royalties, and leases. Major sources of offsetting receipts under Function 300 include timber sales, recreational fees, park concession fees, grazing fees, mineral royalties from leases on onshore sites, and outer continental shelf (OCS) receipts from offshore oil and gas leases. Superfund taxes, which support cleanup of hazardous waste sites, were another source of revenue under Function 300 at one time, but taxing authority expired on December 31, 1995. Whether to reinstate the taxes has been an ongoing issue in the Superfund reauthorization debate.<sup>8</sup>

In addition to revenues authorized under current law, the President's budget assumed future revenues from leasing the Arctic National Wildlife Refuge (ANWR) for oil and gas exploration. While these revenues would not directly support programs under Function 300, the proposal was controversial on environmental grounds due to concerns over the potential harm to critical wildlife habitat that might occur as a result of oil and gas exploration and development. Neither H.Con.Res. 353 as passed, nor S.Con.Res. 100 as reported, assumed revenues from such leases. However, House report language indicated that the lack of assumed revenues did not preclude the House from taking further actions to authorize such leases. During the first session of the 107<sup>th</sup> Congress, the House passed comprehensive energy legislation (H.R. 4), which proposed to open a portion of ANWR lands for oil and gas exploration. The Senate passed its version of H.R. 4 on April 25, 2002, but did not include the House language on ANWR.<sup>9</sup> A conference agreement on H.R. 4 was not reached prior to the adjournment of the 107<sup>th</sup> Congress. Comprehensive energy proposals may be considered during the 108<sup>th</sup> Congress, and whether to open ANWR for oil and gas exploration might again be subject to debate.

In addition to revenues, several tax incentives related to natural resource and environmental activities are also available to state and local governments and the private sector. These incentives cost the federal government in terms of reduced tax revenues. Under current law, the Office of Management and Budget (OMB) estimated that \$1.41 billion in tax incentives would be available under Function 300 in FY2003. Of this amount, state and local governments would be eligible for assistance of \$440 million in the form of tax-exempt bonds to construct water, sewer, and hazardous waste facilities, and there would be \$210 million in tax incentives for historic preservation. The timber industry would be eligible for tax incentives of \$480 million, and the mining industry would be eligible for \$280 million in tax incentives. The President's budget also proposed new tax incentives to exclude 50% of capital gains from the sale of property for conservation purposes, and it proposed to permanently extend existing tax credits for private sector costs to clean up brownfields sites, which expire at the end of 2003.

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<sup>8</sup> For further discussion, refer to CRS Issue Brief IB10078, *Superfund and Brownfields in the 107<sup>th</sup> Congress*.

<sup>9</sup> For further discussion, refer to CRS Issue Brief IB10094, *Arctic National Wildlife Refuge: Legislative Issues*.