

February 25, 2011

MEMORANDUM

TO: Members of the Subcommittee on Water Resources and Environment

FR: Bob Gibbs
Subcommittee Chairman

RE: Hearing on a Review of the FY 2012 Budget and Priorities of the Environmental Protection Agency: Impacts on Jobs, Liberty, and the Economy.

PURPOSE OF HEARING

The Water Resources and Environment Subcommittee is scheduled to meet on Wednesday, March 2, 2011 at 10:00 a.m. in 2167 RHOB, to receive testimony from the Environmental Protection Agency (EPA) on their proposed budget and program priorities for FY 2012.

Similar to other budget hearings held by the Subcommittee, this hearing is intended to provide Members with an opportunity to review the President's Fiscal Year (FY) 2012 Budget Request, as well as Administration priorities for consideration in the Subcommittee's legislative and oversight agenda for the 112th Congress.

BACKGROUND

ENVIRONMENTAL PROTECTION AGENCY

The President's budget request for the Environmental Protection Agency is \$8.97 billion, \$1.357 billion less than the FY 2011 enacted level of \$10.33 billion.

Clean Water Act

The Federal Water Pollution Control Act (commonly known as the Clean Water Act), as amended in 1972 by P.L. 92-500, in 1977 by P.L. 95-217, in 1981 by P.L. 97-117, and in 1987 by P.L. 100-4, provides for a major federal/state program to protect, restore, and maintain the quality of the nation's waters. The EPA has the primary responsibility for carrying out the Act but significant parts of the program may be administered by the states if approved by EPA.

Clean Water State Revolving Loan Funds – The Clean Water State Revolving Loan Fund (SRF) program is a highly successful program administered by states to provide capital, including low interest loans, to local communities around the country to make wastewater infrastructure improvements and to address other water quality needs. To date, Congress has provided \$17 billion in grants to help capitalize 51 Clean Water SRFs. With the 20 percent state match and the fact these funds earn interest, receive loan repayments, and are used to secure state

bonds, the return on this Federal investment has been greater than 2 to 1. These federal capitalization grants have resulted in SRFs funding over \$74 billion in loans to date for wastewater infrastructure projects.

For FY 2012, the President's budget is requesting \$1.55 billion to further capitalize these funds. This is \$550 million less than the FY 2011 enacted level of \$2.1 billion.

During preceding Congresses, the Subcommittee has held numerous hearings on financing water infrastructure projects. The hearings examined how our nation can bridge the large funding gap that now exists between water infrastructure needs and current levels of spending, how we should fund water infrastructure projects in the future, and who should pay for it. The Subcommittee looked at various mechanisms for funding wastewater infrastructure projects, including creating a national clean water trust fund, continued support of SRFs and advancing other innovative debt financing techniques, establishing a state clean water fund and an associated fee system, and financing through private activity bonds. In addition, the Subcommittee heard about reducing infrastructure needs and costs through the use of decentralized and nonstructural approaches for managing wastewater.

Special Purpose Infrastructure Grants –Special purpose infrastructure grants are funds made available to address unique clean water regional needs. This total includes \$10 million for US/Mexico Border wastewater infrastructure projects, which is \$7 million less than the FY 2011 enacted level. The total additionally includes \$10 million for Alaska Rural and Native Villages, \$3 million less than the FY 2011 enacted level of \$13 million.

Nonpoint Source Funding –The Administration's budget request proposes \$164.8 million for the Clean Water Act's non-point source grants program (section 319), which is \$36 million less than the FY 2011 enacted level for this program. Section 319 of the Clean Water Act is the primary source of EPA grant funding to states for the control of non-point sources of pollution – which is now the single largest source of impairment to the nation's rivers, lakes, and near-coastal waters.

Regional Programs – The President's Budget requests \$350 million for the Great Lakes Restoration Initiative, which is \$125 million less than the FY 2011 enacted level of \$475 million. Though expired, this includes \$70 million for restoration activities under the Great Lakes Legacy Act.

The Chesapeake Bay Program request is \$67.4 million, \$17.4 million more than the enacted level of \$50 million.

The Long Island Sound program request is \$2.96, \$4.04 million less than the FY 2011 enacted level of \$7 million.

The Lake Champlain request is \$1.4 million, \$2.6 million less than the FY 2011 enacted level of \$4 million.

The San Francisco Bay request is \$4.85 million, \$2.15 million less than the FY2011 enacted level of \$7 million.

The Puget Sound request is \$19.3 million, \$30.7 million less than the FY2011 enacted level of \$50 million.

The South Florida request is \$2 million, \$100,000 less than the FY2011 enacted level of \$2.1 million.

The Mississippi River Basin request is \$6 million, \$6 million more than the FY2011 enacted level of \$0.00.

The Gulf of Mexico request is \$4.5 million, \$1.5 million less than the FY2011 enacted level of \$6 million.

The Lake Pontchartrain request is \$955,000, \$545,000 less than the FY2011 enacted level of \$1.5 million.

Requested funding for the National Estuary Program is \$27.1 million, \$5.5 million less than the FY 2011 enacted level of \$32.6 million.

State Management Programs – The Administration’s budget request proposes \$250.3 million for State and tribal pollution control programs under section 106 of the Clean Water Act. The section 106 program generally supports State and tribal water quality improvement and monitoring programs. The enacted level for this program in FY 2011 is \$229.3 million.

The budget requests \$27.4 million for state wetlands program development, an increase of \$1.5 million over the FY 2011 enacted level of \$25.9 million.

The budget requests \$9.9 million for beaches protection monitoring grants, the same as the FY 2011 enacted level.

Community Challenges – Communities face numerous regulatory requirements related to the Clean Water Act. Although there are a number of federal programs to assist communities in meeting their clean water responsibilities, many struggle to afford the Clean Water Act’s numerous requirements. While schedules for compliance can sometimes be negotiated with the EPA, these are sometimes undone by other enforcement actions or judicial actions initiated by citizen suits. The result is that often communities are faced with a variety of overlapping clean water requirements and have difficulty affording the competing regulatory requirements and controlling the schedule of when work can be carried out to meet these requirements. Communities would like to have more flexibility to move forward in a cost-effective manner.

Superfund

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, commonly referred to as "Superfund," was enacted to develop a comprehensive program to clean

up the nation's worst abandoned or uncontrolled hazardous waste sites. The EPA has the major responsibility for carrying out this Act. The law makes designated responsible parties pay for hazardous waste cleanups wherever possible and provides for a hazardous substances trust fund, the Superfund, to pay for remedial cleanups in cases where responsible parties cannot be found or otherwise be held accountable. Superfund is also available for responding to emergency situations involving hazardous substances. In addition, the law was intended to advance scientific and technological capabilities in all aspects of hazardous waste remediation.

The total Superfund request is \$1.236 billion. This is \$70.4 million less than the FY 2011 enacted level of \$1.307 billion. Under the President's budget request, all of this funding will be derived from a payment from general revenues into the Superfund Trust Fund. Though Superfund is a cost recovery statute, as it did last year, the Administrations' budget request requests the reinstatement of the taxes that historically funded the Superfund Trust Fund, including taxes on oil, gas, and chemical feedstocks, and the corporate environmental tax which funded the Superfund program between 1980 through 1995.

Superfund Response Actions – The President's budget requests the following amounts for Superfund response actions: \$574.5 million for Superfund remedial actions, \$30.9 million less than the FY 2011 enacted level of request of \$605.4 million; and \$194.9 million for Superfund emergency response and removal actions, \$7.4 million less than the FY 2011 enacted level of \$202.3 million.

Superfund Enforcement – The President's budget requests \$169.8 million for Superfund enforcement activities. This is \$2.8 million less than the FY 2011 enacted level of \$172.6 million. The budget also includes \$10.5 million for Superfund enforcement activities at federal facilities, slightly less than the FY 2011 enacted level.

Superfund Public Health Support

The President's budget requests \$76.34 million for the Agency for Toxic Substances and Disease Registry (ATSDR), \$660,000 less than the FY 2011 enacted level of \$77 million. These amounts are not included in the EPA budget request for the Superfund program. Since FY 2002, this program has been funded out of a separate account for the ATSDR.

Brownfields

Brownfields are former industrial sites that contain contaminated soil that must be cleaned before land can be returned to productive use. The Administration's budget request proposes \$148.5 million for the brownfields program, including \$99 million, \$959,000 less than FY 2011 enacted levels, for grants to localities to assess and/or cleanup brownfields, and \$49.5 million, the same as the FY 2011 enacted levels, for States and Tribes to establish or enhance their response programs. In addition, \$26.4 million (\$2 million increase) is requested out of the Environmental Program and Management Account to fund contracts and requisite full-time equivalent Agency employees (FTEs). These programs were funded in FY 2011 at \$100 million, \$49.5 million, and \$28.4 million respectively.

Oil Spill Response

The Oil Spill Response program funds EPA’s Clean Water/Oil Pollution responsibilities. The President’s budget requests \$19.4 million, \$4.5 million more than the FY 2011 enacted level of \$14.9 million. This revenue is derived from the Oil Spill Response Trust Fund.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

(in millions)

Program	FY2011 CR	FY2012 Authorized	FY2012 President's Budget	Diff. of FY2012 Pres. Budget and FY2011 CR	
				\$	%
Science and Technology	846.0	None	825.6	-20.5	-2.4%
Environmental Programs and Management	2,993.8	None	2,876.6	-117.1	-3.9%
State and Tribal Assistance Grants	4,978.2	None	3,860.4	-1,117.8	-22.5%
Clean Water SRF (<i>non-add</i>)*	2,100.0	None	1,550.0	-550.0	-26.2%
Drinking Water SRF (<i>non-add</i>)*	1,387.0	None	990.0	-397.0	-28.6%
Hazardous Substance Superfund	1,306.5	None	1,236.2	-70.3	-5.4%
Other	213.3	None	224.1	10.8	5.1%
Rescission of Prior Year Funds	-40.0	None	-50.0	-10.0	25.0%
Total	10,297.9	None	8,973.0	-1,324.9	-12.9%

*The sum of these two items does not equal the total for the State and Tribal Assistance Grants program. There are other line items in the State & Tribal Assistance Grants portion of the EPA budget that are not reflected in this table.

Witnesses:

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Mr. Mathy Stanislaus
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