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The Natural Resources and Environment Function in the FY2001 Federal Budget: An Overview of Programs and Funding

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Summary

Function 300 of the federal budget 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 research and technical support. The House and Senate passed the conference agreement on the FY2001 budget resolution (H.Con.Res. 290, H.Rept. 106-577) on April 13, 2000. It provides \$25.1 billion in new budget authority for Function 300, \$600 million more than the revised FY2000 level of \$24.5 billion and \$850 million less than requested. It also provides \$25.0 billion in outlays for Function 300, \$800 million more than the revised FY2000 level of \$24.2 billion and \$30 million less than requested. The conference agreement also includes the sense of the House on estimating the impact of regulations on the private sector and increasing the oversight of natural resources and environmental programs. The conference committee did not adopt a controversial Senate provision which assumed future revenues from leasing the Arctic National Wildlife Refuge for oil and gas exploration. Based on the policies and amounts in the budget resolution, the House and Senate Appropriations Committees will allocate funding for Function 300 to various federal agencies under six appropriations bills.

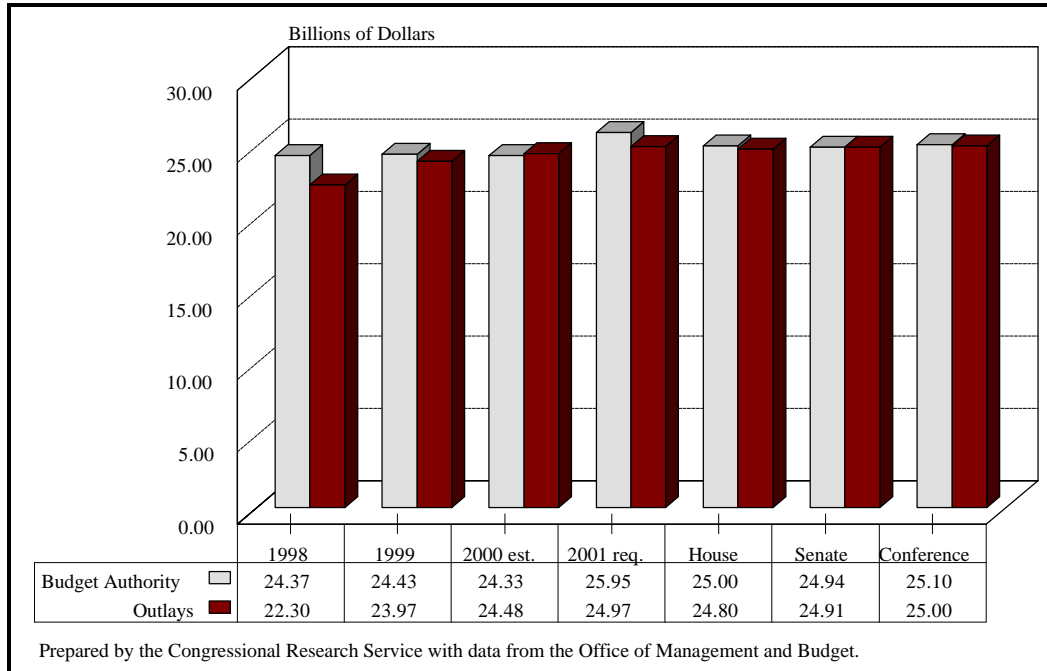
Introduction

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 research and technical support.¹ For FY2001, the Administration requested \$25.95 billion in budget authority for Function 300, which is \$1.62 billion more than estimated budget authority of \$24.33 billion in FY2000 and about

¹ For additional discussion, refer to CRS Report RL30069, *Natural Resource Issues in the 106th Congress*, and CRS Issue Brief IB10003, *Environmental Protection Issues in the 106th Congress*.

1.4% of total requested budget authority of \$1.89 trillion. The President's budget also proposed outlays of \$24.97 billion for Function 300 in FY2001, which is \$494 million more than estimated outlays of \$24.48 billion in FY2000 and about 1.4% of total requested outlays of \$1.84 trillion. Refer to the figure below for a recent history of budget authority and outlays for Function 300.²

**Budget Authority and Outlays for Natural Resources and Environment:
FY1998 to FY2001 Request and House, Senate, and Conference Actions**



According to procedures under the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) and after considering the views and estimates of various committees which authorize federal programs, the House and Senate Budget Committees develop a concurrent resolution on the budget. This annual resolution sets the level of budget authority and outlays for the 20 budget functions and establishes funding policies and assumptions for spending and revenue. The House and Senate passed the conference agreement on the FY2001 budget resolution (H.Con.Res. 290, H.Rept. 106-577) on April 13, 2000. While it would provide lower funding levels for Function 300 than requested, funding would increase relative to the revised levels for FY2000. H.Con.Res. 290 provides \$25.1 billion in new budget authority for Function 300, \$600 million more than the revised FY2000 level of \$24.5 billion and about 1.3% of total budget authority of \$1.87 trillion. It also provides \$25.0 billion in outlays for Function 300, \$800 million more than the revised FY2000 level of \$24.2 billion and about 1.4% of total outlays of \$1.83

² Budget authority is new funding made available for a specific fiscal year which may be spent within that year, or in some cases, carried over to future fiscal years. Outlays are the actual amounts of funding spent in a specific fiscal year and may be comprised of monies from current budget authority and unexpended budget authority carried over from previous fiscal years. For some of the activities under Function 300, 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.

trillion. The conference agreement also includes the sense of the House on estimating the impact of regulations on the private sector and increasing the oversight of natural resource and environmental programs to examine cases of waste, fraud, and abuse.

Based on the policies and funding levels in the budget resolution, the House and Senate Appropriations Committees will allocate funding for Function 300 to various federal agencies under six appropriations bills: 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 Interior and Related Agencies; 5) Department of Transportation and Related Agencies (which funds the Coast Guard's response to hazardous spills); and 6) Veterans Affairs, Housing and Urban Development, and Independent Agencies (which funds the Environmental Protection Agency).³

The following sections of this report describe the activities under each subfunction of Function 300, indicate the President's request for budget authority and outlays in FY2001 for each subfunction, list the federal agencies that implement various programs, and examine relevant provisions in the FY2001 budget resolution.

Funding for Defense Cleanup and Environmental Programs

Function 300 does not include the roughly \$10 billion for defense cleanup and environmental programs, that is allocated under Function 50 for National Defense. The Department of Defense operates six programs that address cleanup, compliance, base closures, pollution prevention, conservation, and environmental technology. The Department of Energy manages defense nuclear waste and cleans up contaminated sites.

Water Resources

The President's budget included a 22.3% decrease of \$1.08 billion in budget authority for water resources from \$4.81 billion in FY2000 to \$3.74 billion in FY2001, which is 14.4% of the total request for Function 300. The Administration also proposed a 34.3% decrease of \$1.91 billion in outlays from \$5.56 billion in FY2000 to \$3.65 billion in FY2001. The requested decrease is mostly due to the Administration's proposal to transfer \$966 million in mandatory funds from the Harbor Maintenance Trust Fund to establish a new Harbor Services Fund. The creation of a new fund would require congressional approval through authorizing legislation. The House included specific language in its report on the FY2001 budget resolution which rejected the President's proposal for a new fund. However, the House's language was not adopted in conference. The water resources subfunction includes funding for the Department of Defense's Army Corps of Engineers and the Department of the Interior's Bureau of Reclamation. The Corps constructs and maintains facilities primarily for flood control, commercial navigation, and hydroelectric power. While the Corps operates nationwide, the Bureau of Reclamation constructs, maintains, and operates diversion dams, reservoirs, and related facilities that provide water for irrigation, hydroelectric power, and municipal and

³ Refer to the CRS appropriations web site at [<http://www.loc.gov/crs/products/apppage.html>] for reports to track these appropriations bills for FY2001.

industrial uses in 17 western states. Numerous water projects have been controversial because of their effects on water quality and fish and wildlife habitat.

Conservation and Land Management

The President's budget included a 42.1% increase of \$2.15 billion in budget authority for conservation and land management from \$5.12 billion in FY2000 to \$7.27 billion in FY2001, which is 28.0% of the total request for Function 300. The Administration also proposed a 30.1% increase of \$1.53 billion in outlays from \$5.08 billion in FY2000 to \$6.61 billion in FY2001. Two proposals account for most of the requested increase: 1) a \$673 million rise in discretionary funds for existing land resource programs to implement the Administration's Lands Legacy Initiative and 2) a \$1.13 billion increase in mandatory funds for a major initiative to expand existing conservation programs to strengthen farm family income while promoting environmentally sound management. The Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Indian Affairs, Bureau of Land Management (BLM), Minerals Management Service, National Park Service, and Fish and Wildlife Service manage the majority of federal lands. The Fish and Wildlife Service works with the Department of Commerce's National Marine Fisheries Service and state agencies to protect wildlife and fishery populations. The Department of Agriculture's Natural Resources Conservation Service assists farmers in managing their lands, and under the Wetlands Reserve Program, compensates farmers for removing portions of their land from production to protect wetlands.

The House and Senate budget resolutions included several provisions related to conservation and land management that were not adopted in conference. As passed by the House, H.Con.Res. 290 expressed the sense of the House that certain Forest Service and BLM payments to compensate counties for the tax exempt status of federal lands should be stabilized and maintained for the long-term benefit of schools, roads, public services, and communities. The House also included report language which indicated a high funding priority for the Pacific Coast Salmon Recovery Program. As passed by the Senate, H.Con.Res. 290 expressed the sense of the Senate on raising acreage limitations under the Conservation Reserve Program and the Wetlands Reserve Program and on providing full funding for numerous programs including: the Land and Water Conservation Fund, Federal Aid to Wildlife Fund, Urban Parks and Recreation Recovery Grants, National Historic Preservation Fund, Payments in Lieu of Taxes, and programs under the North American Wetlands Conservation Act. The Senate also included report language which rejected the proposed expansion of the Lands Legacy Initiative and assumed increases in funding of \$71 million for the BLM, \$59 million for the Forest Service's wildland fire management activities, and \$102 million for the Pacific Coast Salmon Recovery Program. Additional Senate report language assumed an increase in mandatory funding of \$200 million in FY2001 and \$1.1 billion over 5 years for issuing Forest Service and BLM payments to counties for schools and roads. The conference agreement establishes a reserve fund of up to \$200 million in FY2001 and \$1.1 billion over 5 years to stabilize such payments to counties in support of education.

Recreational Resources

The President's budget included a 6.8% increase of \$254 million in budget authority for recreational resources from \$3.73 billion in FY2000 to \$3.99 billion in FY2001, which

is 15.4% of the total request for Function 300. The Administration also proposed a 4.4% increase of \$160 million in outlays from \$3.61 billion in FY2000 to \$3.77 billion in FY2001. The requested increase would mostly be for expanding recreational trails, river corridors, and recreational parkland and completing priority construction and maintenance projects. 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 manage federal lands that offer outdoor recreational opportunities. The Senate's budget resolution included report language which assumed an increase of \$90 million in funding for the National Park Service in FY2001. However, this language was not adopted in conference.

Pollution Control and Abatement

The President's budget included a 1.2% decrease of \$92 million in budget authority for pollution control and abatement from \$7.44 billion in FY2000 to \$7.35 billion in FY2001, which is 28.3% of the total request for Function 300. While budget authority would fall, the Administration proposed a 5.9% increase of \$428 million in outlays from \$7.20 billion in FY2000 to \$7.63 billion in FY2001. The Environmental Protection Agency (EPA) 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. The U.S. Coast Guard administers programs to prevent and clean up hazardous spills on coastal and inland waterways. The Senate's budget resolution included report language which rejected the Administration's proposal to reduce EPA's funding for water infrastructure by \$539 million from \$3.45 billion in FY2000 to \$2.91 billion in FY2001. While the Senate's language was not adopted in conference, the requested decrease will likely be contentious in the appropriations process because it does not continue support for special projects that received approximately \$332 million in earmarked funding in FY2000. At least two additional issues could be controversial in the appropriations process as well, including the President's proposal to increase funding for the Climate Change Technology Initiative from \$103 million in FY2000 to \$227 million in FY2001 and to provide \$85 million for establishing a new Clean Air Partnership Fund.

Research and Technical Support

The President's budget included an 11.8% increase of \$383 million in budget authority for research and technical support from \$3.23 billion in FY2000 to \$3.62 billion in FY2001, which is 13.9% of the total request for Function 300. The Administration also proposed a 9.5% increase of \$287 million in outlays from \$3.02 billion in FY2000 to \$3.31 billion in FY2001. Under the Department of the Interior, the U.S. Geological Survey conducts research on land, water, mineral, and biological resources and on natural hazards. Under the Department of Commerce, the National Oceanic and Atmospheric Administration (NOAA) conducts research on coastal resources, air quality, climate change, and ozone depletion. NOAA also administers the National Weather Service, which issues public weather forecasts and warnings.

Offsetting Receipts and Tax Revenues and Incentives

Major sources of offsetting receipts under Function 300 include timber sales, recreational fees, park concessions, grazing fees, mineral royalties from leases on onshore sites, and outer continental shelf (OCS) receipts from offshore oil and gas leases. Superfund taxes are another source of revenue under Function 300. However, taxing authority expired on December 31, 1995, and whether to reinstate the taxes has been a prominent issue in the Superfund reauthorization debate. The President's budget included \$1.43 billion in revenues based on the reinstatement of Superfund taxes in FY2001, and it would reinstate the Oil Spill Liability Trust Fund tax, yielding projected revenues of \$253 million beginning in FY2002. The Administration also would reserve \$600 million in OCS receipts (which support the Land and Water Conservation Fund) to provide a portion of the \$1.40 billion in requested funding for the Lands Legacy Initiative. In addition, the Administration would permanently authorize the recreation fee demonstration program, which provides nearly \$200 million in annual revenues for land management agencies to reinvest in on-site visitor facilities and services. As passed by the Senate, H.Con.Res. 290 expressed the sense of the Senate that the recreation fee demonstration program should be extended into FY2001, and it included report language which assumed future revenues of \$1.2 billion in FY2005 from leasing the Arctic National Wildlife Refuge (ANWR) for oil and gas exploration. However, neither of the Senate's provisions were adopted in conference. The revenue provision regarding ANWR was particularly controversial due to concerns of some Members of Congress and the Administration over the potential harm to critical wildlife habitat that might occur as a result of oil and gas exploration. Even if the Senate's provision had been adopted in conference, separate legislation would have been required to lift the current ban on ANWR oil and gas exploration before drilling could have occurred.

The Administration estimates that under current law tax incentives under Function 300 would reduce revenues by nearly \$1.59 billion in FY2001. Of this amount, state and local governments would receive assistance of \$470 million in the form of tax-exempt bonds to construct water, sewer, and hazardous waste facilities, and there would be approximately \$240 million in tax incentives available for historic preservation. The timber industry would receive tax credits of roughly \$610 million, and the mining industry would receive about \$265 million in tax incentives under current law. However, the Administration is proposing to repeal \$94 million in tax credits for percentage depletion of non-fuel minerals mined on federal lands. The budget request also would permanently extend tax credits for private sector expenses involved in cleaning up contamination at brownfields sites. Tax credits for such expenses are projected to be \$98 million in FY2002.

Like last year, the President's budget introduced a new financing initiative that would offer state, local, and tribal governments \$2.15 billion in bond authority in FY2001 and a total of \$10.80 billion in bond authority over 5 years for 15-year Better America Bonds to support projects that would preserve green space, create or restore urban parks, protect water quality, and clean up brownfields sites. To support the bonds, the Administration proposed tax credits of \$8 million for FY2001, a 5-year total of \$690 million through FY2005, and a 10-year total of \$3.12 billion through FY2010. Under the Administration's proposal, EPA and the Department of the Treasury would jointly administer the bonds. Congress did not provide funding for Better America Bonds in FY2000 due to concerns about the potentially high costs of the bonds over their full life of 15 years. While the conference agreement on the FY2001 budget resolution does not specifically address the Administration's bond proposal, this financing initiative may again face opposition in the appropriations process for FY2001.