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

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Summary

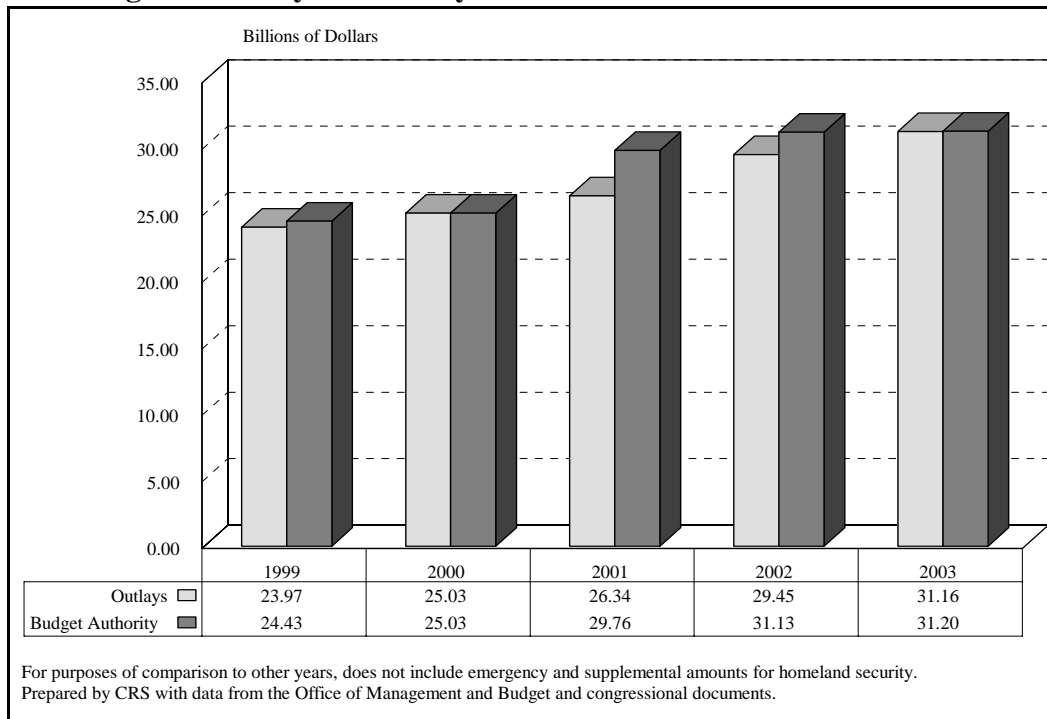
Function 300 of the federal budget includes funding for natural resource and environmental activities, and is divided into five subfunctions: water resources, conservation and land management, recreational resources, pollution control and abatement, and other activities like research and technical support. The Administration requested \$29.97 billion in budget authority and \$30.60 billion in outlays for these activities in FY2003. During the 107th 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 also 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, but floor action was not taken. Due mostly to large differences in overall funding, a bicameral agreement on the FY2003 budget resolution was not reached, and appropriations proceeded without a final budget resolution in place. The 108th Congress completed action on FY2003 appropriations for most federal programs, including those under Function 300, under H.J.Res. 2 (P.L. 108-7). According to the Office of Management and Budget, final appropriations enacted for FY2003 provided a total of \$31.20 billion in budget authority and a total of \$31.16 billion in outlays for programs that fall under Function 300, both of which were higher than requested.

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.¹ 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.² The figure below displays a 5-year funding history for Function 300 programs from FY1999 through FY2003.

Budget Authority and Outlays for Function 300: FY1999 to FY2003



During the 107th 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

¹ 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.

² 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.

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 107th 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 107th 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. Debate over FY2003 appropriations extended into the 108th Congress, and final appropriations for FY2003 were provided in H.J.Res. 2 (P.L. 108-7).³ According to the Office of Management and Budget, final appropriations enacted for FY2003 provided a total of \$31.20 billion in budget authority and a total of \$31.16 billion in outlays for programs that fall under Function 300, both of which were higher than requested.

The following sections describe the activities under each subfunction of Function 300, indicate the final enacted level of budget authority and outlays for each subfunction as well as the Administration's request, list the federal agencies that implement various programs, examine provisions in the House and Senate versions of the FY2003 budget resolution relevant to each subfunction, and provide information on offsetting receipts, tax revenues, and tax incentives.⁴

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. The Corps operates nationwide, but 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.⁵ Final appropriations enacted for FY2003 provided \$5.50 billion in budget authority and \$5.83 billion in outlays for water resources, compared to \$5.88 billion in budget authority and \$5.57 billion in outlays in FY2002. The Administration had requested \$4.93 billion in

³ For information on FY2003 funding for individual programs by agency, refer to the CRS appropriations web site at [<http://www.crs.gov/products/appropriations/fy03app.shtml>].

⁴ 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. For information on them, refer to CRS Report RL31456, *Defense Cleanup and Environmental Programs: Authorization and Appropriations for FY2003*.

⁵ For a discussion of these and other issues, refer to CRS Report RS20569, *Water Resource Issues in the 108th Congress*.

budget authority and \$5.28 billion in outlays for FY2003. Most of the requested decrease was due to a proposed 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" projects that it believed fell outside of the Corps' historic mission.

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.⁶ Final appropriations enacted for FY2003 provided \$10.25 billion in budget authority and \$9.66 billion in outlays for conservation and land management, compared to \$9.80 billion both in budget authority and in outlays in FY2002. The Administration had requested \$9.92 billion in budget authority and \$9.66 billion in outlays for 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.

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

⁶ For a discussion of related issues, refer to CRS Issue Brief IB96030, *Soil and Water Conservation Issues*, and CRS Issue Brief IB10076, *Public (BLM) Lands and National Forests*.

federal lands that offer outdoor recreational opportunities.⁷ Final appropriations enacted for FY2003 provided \$2.91 billion in budget authority and \$3.06 billion in outlays for recreational resources, compared to \$3.04 billion in budget authority and \$2.75 billion in outlays in FY2002. The Administration had requested \$3.07 billion in budget authority and \$3.17 billion in outlays for FY2003. As passed, H.Con.Res. 353 assumed full funding of the \$663 million requested for park maintenance and construction, which included funding to reduce backlogged projects. 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.⁸ 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. Final appropriations enacted for FY2003 provided \$8.05 billion in budget authority and \$8.21 billion in outlays for pollution control and abatement, compared to \$8.01 billion in budget authority and \$7.62 billion in outlays in FY2002. The Administration had requested \$7.70 billion in budget authority and \$8.23 billion in outlays for FY2003. The requested decrease in new budget authority was primarily due to the proposed 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, the Senate resolution 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 appeared 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

⁷ For a discussion of recreation issues, refer to CRS Issue Brief IB10093, *National Park Management and Recreation*.

⁸ For a discussion of pollution control and abatement issues, refer to CRS Issue Brief IB10115, *Environmental Protection Issues in the 108th Congress*.

Weather Service. Final appropriations enacted for FY2003 provided \$4.50 billion in budget authority and \$4.41 billion in outlays for research and technical support activities, compared to \$4.40 billion in budget authority and \$3.72 billion in outlays in FY2002. The Administration had requested \$4.35 billion in budget authority and \$4.26 billion in outlays for 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.⁹

In addition to existing revenues, the President's FY2003 budget assumed future revenues from leasing the Arctic National Wildlife Refuge (ANWR) for oil and gas exploration. While these revenues would not have directly supported 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 authorizing such leases.¹⁰

Under Function 300, 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. The Office of Management and Budget estimated that \$1.46 billion in tax incentives were available under Function 300 authorities in FY2003. Of this amount, state and local governments were eligible for assistance of \$480 million in the form of tax-exempt bonds to construct water, sewer, and hazardous waste management facilities. The timber industry was eligible for tax incentives of \$480 million, and the mining industry was eligible for \$290 million in tax incentives. There also were \$210 million in tax incentives for historic preservation under Function 300.

⁹ For further discussion, refer to CRS Issue Brief IB10114, *Brownfields and Superfund Issues in the 108th Congress*.

¹⁰ For a discussion of relevant legislation, refer to CRS Issue Brief IB10111, *Arctic National Wildlife Refuge (ANWR): Controversies for the 108th Congress*.