

CUTTING EPA SPENDING

HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS

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CUTTING EPA SPENDING

WEDNESDAY, OCTOBER 12, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:34 a.m., in room 2322, Rayburn House Office Building, Hon. Cliff Stearns (chairman of the subcommittee) presiding.

Members present: Representatives Stearns, Terry, Sullivan, Burgess, Blackburn, Bilbray, Scalise, Gardner, Griffith, Barton, DeGette, Castor, Green, Christensen, and Waxman (ex officio).

Staff present: Carl Anderson, Counsel, Oversight; Mike Gruber, Senior Policy Advisor; Todd Harrison, Chief Counsel, Oversight/Investigations; Kirby Howard, Legislative Clerk; Andrew Powaleny, Press Assistant; Krista Rosenthal, Counsel to Chairman Emeritus; Alan Slobodin, Deputy Chief Counsel, Oversight; Sam Spector, Counsel, Oversight; Peter Spencer, Professional Staff Member, Oversight; Kristin Amerling, Democratic Chief Counsel and Oversight Staff Director; Alvin Banks, Democratic Investigator; Phil Barnett, Democratic Staff Director; Alison Cassady, Democratic Senior Professional Staff Member; Brian Cohen, Democratic Investigations Staff Director and Senior Policy Advisor; and Anne Tindall, Democratic Counsel.

OPENING STATEMENT OF HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. STEARNS. Good morning, everybody.

And the Subcommittee on Oversight and Investigations will convene. We welcome our witnesses.

My colleagues, we convene this hearing, the second in our series of hearings on the line-by-line review of the Federal budget.

Today we will examine how the Environmental Protection Agency has put into practice the President's repeated commitment to conduct a line-by-line review of the Federal budget. The goal of this pledge is to eliminate unnecessary, duplicative, or wasteful government programs to cut costs and do more with less. This hearing aims to determine the results of EPA's efforts to cut spending and to help EPA find more spending cuts and savings for all Americans.

Less than a month ago, on September 22, EPA Administrator Lisa Jackson testified before this subcommittee on EPA's regulatory planning, analysis, and major actions. We remain very concerned over the impact on jobs and our economy from new regulations that are issued and proposed every day by the EPA.

That said, the EPA is also an important public health regulatory agency which has contributed to the tremendous improvements in clean air, safe drinking water, and environmental quality over the past 40 years. However, over the past two decades, the Agency has become an \$8 billion-plus agency with about 18,000 employees around this Nation.

Yet with the size of the Federal deficit and long-term fiscal challenges, we must ensure that EPA meets its core mission at lower cost. Indeed, Congress has a constitutionally mandated responsibility to oversee the annual budgetary process affecting agencies under their jurisdiction.

We recognize that executive branch agencies are not alone in their responsibility for having created many of the programs that have given rise to our ballooning deficit. For its part, this committee must remain deeply and regularly engaged with the agencies within its jurisdiction, including EPA, as they define their priorities, identify their needs, and set their goals for the years ahead.

Today we look at the actual results of the EPA's efforts thus far to meet the President's pledge to comb through the Federal budget line by line cutting spending. We are aware of several initiatives related to that worthy goal, but what measurable results have been achieved? For example, the committee has learned from an OMB document that EPA responded to the President's April 2009 instruction to Cabinet members to identify within 90 days at least \$100 million in aggregate cuts to their administrative budgets by proposing the "energy efficient lighting project," that is, changing light bulbs in EPA's office buildings. EPA anticipated the annual savings of that pilot project to be de minimis, although it claims the initiative could lead to savings over the long run.

Now, while EPA claims to have implemented additional cost-saving efforts since that time, they did not provide to the committee the specifics on what actions were taken or, indeed, how much money was actually saved.

To learn more about EPA's efforts, we will take testimony today from the Inspector General of EPA, Arthur Elkins; and the director of natural resources and environment at GAO, David Trimble. These individuals and their staffs have conducted rigorous oversight and audits of EPA for many years.

The GAO and the EPA Inspector General have frequently identified areas where EPA can improve its internal controls, its management, and its performance measures, all to cut costs or get more bang for the buck. Their reports address concerns about how effectively and wisely EPA uses its resources to meet its mission. Their work, as we will hear this morning, identifies problems and recommends improvements in EPA's reporting of spending, such as the money it obligates through grants, and EPA's ability to track whether its employees are being used effectively to meet its core mission, and even in EPA's knowledge about duplicative and unnecessary facilities around this country.

As we will hear, there is still much room for improvement. For example, the EPA's budget justification documents do not describe the amount of potentially millions of dollars of unspent money, known as deobligated and recertified funding, that is available for new obligations. We say the word million, but it is actually billions.

Such information could be useful to Congress because of the availability of recertified amounts that could partially offset the need for new funding.

So, my colleagues, today I intend to inquire of them as to what the EPA has done thus far and what remains to be done. For that reason, the subcommittee also welcomes Barbara Bennett, the chief financial officer of EPA. We hope that she will be able to address the substance of the Inspector General's and GAO's outstanding concerns. The subcommittee, and the committee as a whole, is committed to working with the EPA to ensure that it has the tools it needs to realize these aims and ensure that it is a trustworthy custodian of hard-earned American taxpayer dollars.

Today's hearing can be a good start to help deal more effectively with the enormous challenge of getting Federal spending under control. I look forward to revisiting this subject with the EPA next year, following submission of the President's budget.

With that, my opening statement is done, and I recognize the ranking member, Mr. Waxman, for 5 minutes.

[The prepared statement of Mr. Stearns follows:]

**Opening Statement of the Honorable Cliff Stearns
Chairman, Subcommittee on Oversight and Investigations**

Cutting EPA Spending

October 12, 2011

799 words

We convene this hearing, the second in our series of hearings on line-by-line review of the federal budget. Today we will examine how the Environmental Protection Agency has put into practice the President's repeated commitment to conduct a "line by line" review of the federal budget. The goal of this pledge is to eliminate unnecessary, duplicative, or wasteful government programs, to cut costs, and do more with less. This hearing aims to determine the results of EPA's efforts to cut spending and to help EPA find more spending cuts and savings.

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water, and environmental quality over the past forty years. However, over the past two decades, the agency has become an \$8 billion dollar-plus agency, with about 18,000 employees around the nation.

Yet, with the size of the federal deficit and long-term fiscal challenges, we must ensure EPA meets its core mission at lower cost. Indeed, Congress has a constitutionally-mandated responsibility to oversee the annual budgetary process affecting agencies under their jurisdiction. We recognize that executive branch agencies are not alone in their responsibility for having created many of the programs that gave rise to our ballooning deficit. For its part, this Committee must remain deeply and regularly engaged with the agencies within its jurisdiction, including EPA, as they define their priorities, identify their needs, and set their goals for the year ahead.

Today, we will look at the actual results of the EPA's efforts thus far to meet the President's pledge to comb through the federal budget line-by-line, cutting spending. We are aware of several initiatives related to that worthy goal. But what measurable results have been achieved?

For example, the Committee has learned from an OMB document that EPA responded to the President's April 2009 instruction to Cabinet members to identify within 90 days at least \$100 million in aggregate cuts to their administrative budgets, by proposing the "Energy Efficient Lighting Project" – that is, changing light bulbs in EPA's office building. EPA anticipated annual savings of the pilot project to be *de minimis*, although it claims the initiative "could" lead to savings over the long run. While EPA claims to have implemented additional "cost-saving efforts" since that time, they did not provide to the Committee the specifics on what actions were taken or how much money were saved.

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recommends improvements in EPA's reporting of spending, such as the money it obligates through grants, in EPA's ability to track whether its employees are being used effectively to meet its core mission, and even in EPA's knowledge about duplicative and unnecessary facilities around the country.

And, as we will hear, there still is room for improvement. For example, EPA's budget justification documents do not describe the amount of potentially millions of dollars of unspent money known as deobligated and recertified funding available for new obligations. Such information could be useful to Congress because the availability of recertified amounts could partially offset the need for new funding.

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OPENING STATEMENT OF HON. HENRY A. WAXMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. WAXMAN. Thank you very much, Mr. Chairman and Ms. DeGette, for allowing me to go first with this opening statement.

Today we are looking at EPA's budget. It is a lean one for an agency with so many crucial responsibilities. Although I think if the Republicans get their way, there will be no reason for the Agency because we will have no environmental laws anymore.

In February of this year, the President submitted his proposed budget for fiscal year 2012, requesting \$8.9 billion for EPA. That is a 13 percent decrease over the fiscal year 2010 enacted levels. The President had to make some hard choices in this budget. The President proposed cutting almost \$1 billion from the clean water and drinking water State revolving funds, which help States improve municipal wastewater and drinking water systems. He proposed cutting \$125 million from the Great Lakes Restoration Initiative, and \$70 million from the Superfund toxic waste cleanup program. The administration also targeted several categories of administrative spending at EPA to achieve \$40 million in additional savings.

Now some of these cuts are excessive. The drinking water State revolving fund should be getting an increase because it makes investments in infrastructure that create jobs. Thus the notion that EPA is not sacrificing its fair share is false.

Despite these painful cuts, EPA has set ambitious goals for this fiscal year, taking action on climate change—well, some people don't think they ought to do that; improving air quality—well, a lot of Members don't seem to think that's a good idea; protecting American waters—well, the American people believe in that, but a lot of the Republicans don't; ensuring the safety of chemicals; preventing pollution; and enforcing America's environmental laws. Those are still the law, and they have continued to be the law. And therefore, EPA has a responsibility to enforce them and the American people support that.

These are important objectives that benefit every American in every State across the country. Americans know that their families' health and quality of life depend on a clean environment. They know we need a strong EPA to stop polluters from poisoning our land, our air, and our water.

Today we'll hear that EPA should be doing more to squeeze out extra savings. While I am sure EPA could find additional reductions and efficiencies along the margins, I am equally sure that the bill—that still won't be enough for my Republican colleagues. Their goal is not a careful line-by-line review of the budget. Their goal is to prevent EPA from requiring dirty power plants, chemical plants, oil refineries, and other large industrial sources to stop polluting the air with toxic mercury and other dangerous emissions. That is what we have been fighting on the floor about over the last several weeks.

The Republicans' approach to EPA's budget is less about targeted reductions and more about slash-and-burn politics. The Republican budgets we have seen this year are the most sweeping and reckless

assault on health and the environment that we have seen in decades.

The fiscal year 2012 Interior appropriations bill that stalled in the House late this summer would slash EPA's budget to \$7.1 billion, which is 20 percent less than the President requested. This would deny the Agency the resources it needs to carry out the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act and other critical public health protections.

But that is not all. Every week we consider another bill on the House floor that stops EPA from doing its job to protect our environment. In fact, the House has voted 83 times this year to undermine the EPA. In total, the House has voted 159 times to undermine environmental protections. If the Republicans had their way, the Clean Air Act and the Clean Water Act would be gutted, and the EPA would be rendered powerless to keep our air clean enough to breathe and our water safe enough to drink.

I am glad we have EPA's chief financial officer here today, and I look forward to her testimony. She will be able to tell us what the impact of the Republicans' approach to EPA's budget would be on her agency and for public health and the environment. It is not a budget that is good for our environment, our health, or American families. And that is my comment on this hearing and the Republican agenda.

And because I have 20 seconds and I used my time frugally, I yield that back.

[The prepared statement of Mr. Waxman follows:]

FRED LIPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

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Opening Statement of Rep. Henry A. Waxman
Ranking Member, Committee on Energy and Commerce
Hearing on "Cutting EPA Spending"
Subcommittee on Oversight and Investigations
As prepared for delivery
October 12, 2011

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In February of this year, the President submitted his proposed budget for fiscal year 2012, requesting \$8.9 billion for EPA. That is a 13% decrease over FY2010 enacted levels.

The President had to make some hard choices in this budget. The President proposed cutting almost \$1 billion from the Clean Water and Drinking Water State Revolving Funds, which help states improve municipal wastewater and drinking water systems.

He proposed cutting \$125 million from the Great Lakes Restoration Initiative and \$70 million from the Superfund toxic waste cleanup program. The Administration also targeted several categories of administrative spending at EPA to achieve \$40 million in additional savings.

Some of these cuts are excessive. The Drinking Water State Revolving Fund should be getting an increase because it makes investments in infrastructure that create jobs.

Thus, the notion that EPA is not sacrificing its fair share is false.

Despite these painful cuts, EPA has set ambitious goals for this fiscal year. Taking action on climate change. Improving air quality. Protecting America's waters. Ensuring the safety of chemicals. Preventing pollution. Enforcing America's environmental laws.

These are important objectives that benefit every American in every state across the country. Americans know that their family's health and quality of life depend on a clean

environment. They know we need a strong EPA to stop polluters from poisoning our air, land, and water.

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The Republicans' approach to EPA's budget is less about targeted reductions and more about "slash-and-burn" politics. The Republican budgets we have seen this year are the most sweeping and reckless assault on health and the environment that we have seen in decades.

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In total, the House has voted 159 times to undermine environmental protections. If the Republicans had their way, the Clean Air Act and Clean Water Act would be gutted. And the EPA would be rendered powerless to keep our air clean enough to breathe and our water safe enough to drink.

I am glad we have EPA's chief financial officer here today, and I look forward to her testimony. She will be able to tell us what the impact of the Republicans' approach to EPA's budget would be on her agency and for public health and the environment. It is not a budget that is good for our environment, our health, or American families.

Mr. STEARNS. The gentleman yields back.
The gentleman from Texas, Mr. Barton, is recognized for 2 minutes.

OPENING STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BARTON. I thank the chairman.

Former Chairman Waxman and I live in different worlds. We are here to talk about EPA's budget. That is a legitimate role of this subcommittee. We have a balance sheet that has been prepared. It shows their total liabilities and assets are about \$23 billion. Between fiscal year 2009 and 2010, it shows a decrease of about \$1 billion, which would be about 4 percent. That is not draconian.

My good friend from California would have you believe that we want to eliminate the Environmental Protection Agency and eliminate all environmental laws. Nothing is further from the truth. I have voted for all the major environmental laws since I have been in Congress, and I voted to pass budgets to implement them and to enforce them.

I have a sister who is an enforcement attorney at EPA in Dallas with close to 100 percent success rate in enforcing laws that some people try to get around.

What we have a debate about, Mr. Chairman, is an EPA under the Obama administration that seems interested in pushing everything to the limit, that seems interested in issuing regulations that really don't have a sound basis in science or in fact, that seem to be more for political purposes than they do for environmental protection purposes.

My good friend from California apparently doesn't believe that any of the laws that he and I have worked together to pass in the last almost 30 years have had any impact at all and that the only thing that is protecting the American people is pending additional EPA regulation.

Mr. Chairman, in my opinion, nothing could be further from the truth. And what Republicans in this Congress are attempting to do is actually shine the light of transparency on what is really happening at the EPA, where the money is going and perhaps, just perhaps, how it could be better spend.

With that, Mr. Chairman, I would yield back.

Mr. STEARNS. The gentleman yields his 2 minutes.

The gentlelady from Tennessee, Mrs. Blackburn, is recognized for 2 minutes.

OPENING STATEMENT OF HON. MARSHA BLACKBURN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mrs. BLACKBURN. Thank you, Mr. Chairman.

I have come to believe that this administration's view of the economy can be summed up succinctly: If it moves, tax it; if keeps moving, regulate it; if it stops moving, subsidize it. And those are timeless words from former President Reagan, and they couldn't be more appropriate today, as we look at the tsunami of government spending and regulations, and much of that is coming from the EPA.

Many of the complaints we hear in our district are about the way EPA handles their rules, regulations, and spending. And today I hope that we can kind of uncover what Administrator Jackson has done to truly reform the budget process in the line by line.

I had a quote she gave on February 27, 2009. It was in an interview and she stated, "As far as I understand the budget process, I can't tell you what EPA's budget will be from year to year." That one concerned me. And I read it a few times and looked at it. And with that statement, I think that she clearly laid out why we need to practice appropriate oversight, why we need to go through this budget line by line to look for an opportunity to help EPA provide a level of certainty, reduce waste, and force the Agency to set priorities.

So I thank all of our witnesses who are with us today. As you all are aware, we have another hearing.

And with that, I yield back the balance of my time.

Mr. STEARNS. The gentlelady yields back.

The gentleman, Mr. Sullivan, is recognized for 1 minute.

OPENING STATEMENT OF HON. JOHN SULLIVAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. SULLIVAN. Chairman Stearns, thank you for holding this important hearing today on cutting the EPA's spending.

In September 2009, the Obama administration announced plans to implement a line-by-line, page-by-page review of the Federal budget. And he tasked his Cabinet members to find savings. Here we are, 2 years later, and the President has still not done what he promised with the budget. The simple fact is, the Federal Government is broke, and we are in a fiscal crisis. We must make extraordinary efforts to cut spending, eliminate waste, and find savings, which is why this oversight hearing is so important. EPA has cut some spending as part of a routine annual budget and appropriations process but has not taken any real extraordinary steps to cut spending. We know that EPA has upwards of \$13.3 billion in unexpended appropriations and both the GAO and the Inspector General say that EPA lacks basic internal controls and data on employee workloads and how it spends on its payroll. Thanks in advance to our panel before us, and it is my hope that our discussion here today sheds light on the EPA's budget situation.

I yield back the balance of my time.

Mr. STEARNS. The gentleman yields back. The chairman recognizes the ranking member, the gentlelady from Colorado, for 5 minutes.

OPENING STATEMENT OF HON. DIANA DEGETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Ms. DEGETTE. Thank you very much, Mr. Chairman, for recognizing me.

This is the second in a hearing that the subcommittee launched last week about the administration's budget review process. When I went home to my district over the weekend, I was telling people about the hearing last week, and they really couldn't believe it be-

cause it was really one of the silly—with all due respect, it was one of the silliest hearings that I have seen in my 15 years in Congress. It started out with the majority playing a video of the President promising a line—put little clips showing him promising a line-by-line budget review, which then I thought maybe that was figurative, but in fact, literally then members of this subcommittee spent the whole time talking about, did the President actually personally review the budget line by line?

I don't really think that is what we need to be looking at, and I would hope the majority doesn't think so either. Because what we really need to look at is the budget process of these various agencies and whether or not they have conducted an efficient and effective budget review and whether improvements can be made in this process. I think that that is an important oversight responsibility for this subcommittee for every agency, not just the EPA. And so I think that those are important questions that should be asked of all of these witnesses.

And so to that end, let's look at a few key facts about the EPA budget review process as I understand it. Right here—this large notebook—is what is known as the Agency budget justifications, which the EPA prepares and provides to the Appropriations Committee each year. This mammoth set of documents reflects the detailed process in which the EPA engages to produce a budget proposal. In this document, the Agency provides a detailed explanation of the funding levels requested for each EPA program area.

The EPA justifications document results from a multistep review process, as I understand it, in which the EPA program staff develop a budget proposal; the EPA chief financial officer reviews the proposal; EPA senior leadership meets to discuss overall funding level requests; EPA submits a proposal to OMB; EPA negotiates with OMB over the proposal; and OMB sends back an approved budget.

And as in previous years of the Obama administration, the review process at the EPA has resulted in an administration budget proposal for the EPA that requests increases in funding for some programs and decreases funding for others. And that is as it should be. And I would assume that that involves a line-by-line review of these budget requests by the people in the Agency who are responsible for those parts of those budgets.

But you can understand our concern about cuts to the EPA budget because if you just look and see what Congress has already voted to do, we are not just talking about, should we have new regulations; in H.R. 1 and in other votes in this Congress, we have seen substantial cuts to enforcement for existing environmental review programs. In fact, they are some of the most anti-environmental votes that I have seen. In the first 10 months of this Congress, we have had 159 floor votes to undermine protection of the environment; EPA programs to reduce toxic mercury pollution, reduce greenhouse gas emissions, and make our Nation's vehicles more efficient and reduce gas costs for consumers, and on and on.

I have asked the Democratic staff to prepare a list of the existing EPA agencies and regulations which Mr. Barton and others say they support which have had drastic proposals slashed budgets for

enforcement in previous votes of this Congress which I don't think are probably born out by the evidence.

And so here is the thing, I think that the public values clean water and clean air. I think they value strong environmental enforcement, and furthermore, I think these environmental laws produce health, economic, and environmental benefits that actually increase our budget. In fact, some estimates have shown \$1.3 trillion in 2010. By 2020, the benefits are projected to reach \$2 trillion annually, outweighing estimated costs by more than 30 to one.

Overall, in the three decade period from 1990 to 2020, the Clean Air Act is estimated to deliver \$12 trillion worth of benefits, plus a host of additional health and welfare benefits that cannot be monetized. And so if you look at the EPA spending compared to the enormous impact on public health, EPA's proposed 2012 budget is just 0.06 percent of the Federal Government's total debt, 0.26 percent of total spending, and 0.69 percent of the Federal deficit. If you eliminated the EPA altogether, it wouldn't even be a blip in our Nation's budget. But the costs that we would pay in health and in other types of spending would be astronomical. I think we need to have savings in the EPA just like every other agency, but I think that this fixation we have is wrong, and we have got to stop it.

Mr. STEARNS. The gentlelady completes her opening statement.

And let me introduce our witnesses before we put them under oath. We have the Honorable Barbara J. Bennett, chief financial officer, U.S. Environmental Protection Agency; the Honorable Arthur A. Elkins, Jr., Inspector General, who is accompanied by Melissa Heist, assistant inspector general for audit, U.S. Environmental Protection Agency; and we have Mr. David C. Trimble, director of natural resources and environment, U.S. Government Accountability Office.

Welcome to you folks.

STATEMENTS OF BARBARA J. BENNETT, CHIEF FINANCIAL OFFICER, ENVIRONMENTAL PROTECTION AGENCY; ARTHUR A. ELKINS, JR., INSPECTOR GENERAL, ENVIRONMENTAL PROTECTION AGENCY, ACCOMPANIED BY MELISSA HEIST, ASSISTANT INSPECTOR GENERAL FOR AUDIT, ENVIRONMENTAL PROTECTION AGENCY; AND DAVID C. TRIMBLE, DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. STEARNS. You folks are aware that the committee is holding an investigative hearing. And when doing so, it has had the practice of taking testimony under oath.

Do you have any objection to testifying under oath?

No. The chair then advises you that under the Rules of the House and rules of the committee, you are entitled to be advised by counsel.

Do you desire to be advised by counsel during your testimony today?

Mr. ELKINS. No.

Mr. STEARNS. No. In that case, please rise and raise your right hand. I will swear you in.

[Witnesses sworn.]

Mr. STEARNS. You are now under oath and subject to the penalties set forth in Title XVIII, Section 1001, of the United States Code.

You may now each give a 5-minute summary of your written statement.

Ms. Bennett, you shall start. And just turn your mike on.

STATEMENT OF BARBARA J. BENNETT

Ms. BENNETT. Thank you.

Good morning, Chairman Stearns, Ranking Member DeGette, and members of the subcommittee. I am pleased to be here to discuss with you the important issue of ensuring the most effective and efficient use of taxpayer dollars.

As you mentioned in your letter to Administrator Jackson, President Obama has stated several times his intent that his administration would review the Federal budget page by page, line by line, and eliminating those programs we don't need, and insisting that those we do operate in a sensible and cost-effective way.

While we have always worked diligently with regard to our budget formulation process at EPA, the President's directive has given us an opportunity to look even more closely at our budget process to ensure that we are achieving maximum efficiencies.

To address how we have, in fact, been pursuing this close scrutiny of our budget, I would like to take a moment to discuss EPA's budget over the last decade or so. Apart from the targeted increases to the State revolving funds and for programs funded under the Recovery Act of 2009, EPA's budget has not grown significantly over the last decade. Even including the increase to the SRS in fiscal year 2010, between fiscal year 2000 and the fiscal year 2012 President's budget request, the Agency has experienced a compound annual growth rate of just 1.4 percent, a rate less than that of inflation.

During this 10-year time frame, our responsibilities have grown, as did our costs for such necessities as rent, utilities, security, and payroll. For more than a decade, we at EPA have needed to make cuts to existing programs to find resources to fund emerging priorities.

The work of the Agency is reviewed at the appropriation, program project and, where established, the subprogram project levels. This is the budget structure developed in concert with OMB and with Congress. Within this framework, the Agency considers the progress made towards its annual and long-term goals and priorities as articulated in our strategic plan and emerging needs.

Meeting existing commitments and planning for future needs cannot be done without considering opportunities to redirect resources to higher priorities and reduce overall budget levels, as required. In making these reductions, we have carefully considered guidance from the administration and Congress by looking first to less effective, potentially overlapping activities for reductions or eliminations. However, the need to find reductions and fund higher priorities also means that at times worthy projects get cut.

During this administration, we have had to make some difficult decisions to eliminate or reduce programs. In our fiscal year 2010 budget request, we included a \$10 million cut to the U.S.-Mexico

border program. In fiscal year 2011, we proposed over \$30 million in reductions to homeland security programs. We also reduced our travel budget by nearly 40 percent over the prior year. In fiscal year 2012, in our request, we have included a reduction of over \$6 million from indoor air and radiation programs as well as approximately \$10 million in efficiencies in our agency-wide IT programs.

Over the past several years, we have also had success in finding efficiencies that enable us to maximize the resources available to core programs. Some examples include efforts to find savings in rent and utilities through space consolidation. Between fiscal year 2006 and 2011, we have released approximately 375,000 square feet of space at headquarters and facilities nationwide, resulting in cumulative annual rent avoidance of over \$12 million. These are just a few examples of some of the choices we have made and efficiencies we have achieved as we reviewed our programs in developing EPA's budgets to ensure wise use of resource dollars and as we seek to do our part to reduce the deficit while maintaining effective protections for human health and the environment.

Mr. Chairman, I would like to thank you again for inviting me to testify about the Agency's effort to apply close scrutiny to our budget, and I hope I have conveyed to you the seriousness with which we at EPA take our responsibility to ensure that all funds are used prudently so that we can continue to effectively fulfill our mission of protecting human health and the environment, especially during these times of tight fiscal constraint. And with that, I look forward to responding to your questions.

[The prepared statement of Ms. Bennett follows:]

TESTIMONY OF BARBARA J. BENNETT
CHIEF FINANCIAL OFFICER
U.S. ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON ENERGY AND COMMERCE
U.S. HOUSE OF REPRESENTATIVES
October 12, 2011

Good morning Chairman Stearns, Ranking Member DeGette, members of the Sub-Committee. I am pleased to be here to discuss with you the important issue of ensuring the most effective and efficient use of taxpayer dollars. As you mentioned in your letter to Administrator Jackson, President Obama has stated several times his intent that his Administration would review the "federal budget -- page by page, line by line -- eliminating those programs we don't need, and insisting that those we do operate in a sensible and cost-effective way."

While we have always worked diligently with regard to our budget formulation process at EPA, the President's directive has given us an opportunity to look even more closely at our budget process to ensure that we are achieving maximum efficiencies. To address how we have in fact been pursuing this close scrutiny of our budget, I would like to take a very brief moment to discuss EPA's budget over the past decade or so.

Apart from targeted increases to the State Revolving Funds (SRFs) and for programs funded by the Recovery Act in 2009, EPA's budget has not grown significantly over the last decade. Even including the increase to the SRFs in FY 2010 we have, between the FY 2000 enacted budget and the FY 2012 President's Budget request of \$9 billion, experienced a compound annual growth rate of just 1.4%. During this 10 year time-frame our responsibilities grew as did our costs for such necessities as rent, utilities, security, and payroll. We have also met the challenge of emerging issues such as the increasing use of nanotechnology and alternative fuels as well as growing responsibilities in areas such as the Gulf Coast Restoration and the Great Lakes Restoration Initiative. As such, for more than a decade we at EPA have needed to reprioritize existing programs, in most years, to find resources to fund emerging priorities.

What does this mean? It means that we have a long-standing history of taking line-by-line looks at our budget and identifying priorities, reductions, eliminations, and efficiencies. Over the years we have identified hundreds of millions of dollars in reductions and eliminations in our budget in order to fund emerging priorities and fixed cost increases. The examples that are discussed here simply touch on the detailed analysis undertaken by the Agency each year.

To get to these decisions we engage in an extensive and detailed planning process that begins nearly a year before submission of the budget to Congress. EPA's formulation process engages senior leadership from across EPA to determine the most effective and efficient way to fulfill our mission and fund our highest priority work within the guidelines provided by OMB.

The work of the agency is reviewed at the appropriation, program/project and, where established, the sub-program/project levels. This is the budget structure developed in concert with OMB and Congress to describe in detail how our resources are allocated and what results are anticipated. Within this framework, the Agency considers the progress made toward its annual and long-term goals and priorities as articulated in our Strategic Plan, and emerging needs. Meeting existing commitments and planning for future needs cannot be done without considering disinvestment opportunities to redirect resources to higher priorities and reduce overall budget levels as required.

Analyzing our work at the program/project and sub-program/project level of detail has enabled us to make the hard choices required in these challenging fiscal times while staying true to the mission of protecting human health and safeguarding the environment. In making these reductions we have carefully considered guidance from the Administration and Congress by looking to less effective, potentially duplicative or overlapping, or unneeded programs or activities first for reductions or eliminations. However, the need to find reductions and fund higher priorities also means that at times worthy programs get cut.

Let me provide you with just a few examples from the last few years of some difficult decisions we have made. We have looked within our programs for places where we can reduce effort, eliminate activities, or do the work differently to yield savings.

Our FY2010 budget request included reductions to programs based on our careful budget review. These proposed reductions included a \$10 million cut to U.S.-Mexico Border funding recognizing issues with fund utilization and the elimination of nearly \$5 million in homeland security grants to states for water and wastewater systems reflecting low state usage and completion of projects.

In our FY 2011 President's Budget request, our proposed reductions included over \$30 million from Homeland Security programs because several Homeland Security programs were completing their stated goals. We also proposed eliminating the \$10 million targeted airshed grants in favor of the nation-wide merit-based clean diesel program. In addition, EPA also proposed the elimination of the \$10 million Local Government Climate Change Grant Program.

Our FY 2012 President's Budget request also included a number of difficult choices and continuing efforts to find efficiencies and work smarter. This request includes a reduction of \$6.3 million from Indoor Air and Radiation programs. This proposed reduction came as a result of our review of non-regulatory programs. In addition, EPA's FY 2012 budget request includes efficiencies in our agency-wide IT systems that addresses redundancy by standardizing our IT help desk ticketing system, consolidating email infrastructure, purchasing IT services in bulk, and other cost saving efforts. Projected saving for this effort is approximately \$10 million.

On a smaller scale, we have looked below our official appropriation, program project budget structure to find reductions and efficiencies at the activity level. In FY 2011 we reduced our travel budget by nearly 40% or \$23 million from FY 2010 operating plan levels. We also found savings of \$2.2 million by streamlining and consolidating enforcement training into the compliance monitoring program.

Over the past several years we've also had great success in finding efficiencies that are enabling us to maximize the resources available to core program activities. Some examples of this cost cutting include efforts to find savings in rent and utilities through space consolidation, IT savings through efficiencies, and other administrative and programmatic support savings. Between FY 2006 and FY 2011, we released approximately 375,000 SF of space at headquarters and facilities nationwide resulting in cumulative annual rent avoidance of over \$12.5 million. In FY 2012, we plan to further reduce energy utilization, or improve efficiency, by about 3%. We anticipate using approximately 21% less energy in FY 2012 than we did in FY 2003. Additionally, the FY 2012 President's Budget proposes a \$3.5 million reduction in funding for IT infrastructure. This cut results from IT efficiencies gained through Agency-wide efforts to reduce infrastructure costs. These efforts have allowed us to consolidate services, achieve more consistent use of applications, consolidate purchasing, and achieve savings related to workforce support services.

These are just a few examples of the hard choices we've made and efficiencies we've achieved as we reviewed all our programs in developing EPA's budgets to ensure wise use of tax payer dollars and as we

seek to do our part to reduce the deficit while maintaining effective protections for human health and the environment.

Mr. Chairman, I would like to thank you again for inviting me to testify about the Agency's efforts to apply close scrutiny to our budget. I hope I have conveyed to you the seriousness with which we at EPA take our responsibility to ensure that tax payer dollars are used prudently so that we can continue to effectively fulfill our mission of protecting human health and the environment especially during these times of tight fiscal constraint.

With that, I look forward to responding to your questions.

Mr. STEARNS. I thank the gentlelady.
Mr. Elkins, you are recognized for 5 minutes.

STATEMENT OF ARTHUR A. ELKINS

Mr. ELKINS. Thank you. Good morning, Chairman Stearns, Ranking Member DeGette and members of the subcommittee. I am Arthur Elkins, Jr., Inspector General of the U.S. Environmental Protection Agency. I also serve as the Inspector General of the U.S. Chemical Safety and Hazard Investigation Board. I am accompanied by Melissa Heist, Assistant Inspector General for Audit.

I am pleased to appear before you today to discuss recent work we have done that identifies opportunities for cost savings and greater efficiencies within the Agency. I submitted a statement for the record which details this work. This morning, I want to focus my remarks on two areas: Management of the Agency's human capital and EPA facilities. Over the last 5 years, EPA has averaged a little over 18,000 positions with annual payroll costs of approximately \$2 billion. For an organization to operate efficiently and effectively, it must know what its workload is. The main objectives of assessing and predicting workload are to achieve an evenly distributed, manageable workload and to accurately determine the resource levels needed to carry out the work.

We have issued three reports since 2010 examining how the Agency manages its workload and workforce levels. We have found that it has not collected comprehensive workload data or conducted workload analyses across EPA in about 20 years. The Agency does not require program offices to collect and maintain workload data. Without sufficient workload data, program offices are limited in their ability to analyze their workloads and accurately estimate resource needs. Therefore, the Agency must base budget decisions primarily on subjective justifications at a time when budgets continue to tighten and data-driven decisions are needed.

We also found that the Agency's policies and procedures do not include a process for determining resource levels based on workload, as prescribed by OMB. As a result, the Agency cannot demonstrate that it has the right number of resources to accomplish its mission.

Finally, we have found that the Agency does not have a coherent program of position management to assure the efficient and effective use of its workforce. Position management provides the operational link between human capital goals and the placement of qualified individuals into authorized positions. Without an agency-wide position management program, EPA leadership lacks reasonable assurance that it is using personnel in an effective and efficient manner to achieve mission results.

We have made several recommendations to address these findings. While the Agency has taken action to study workforce issues and update their budget guidance, most of our recommendations remain unresolved and resolution efforts are in progress.

Regarding EPA's space and facilities, in fiscal year 2009, we collected data on staffing levels and total costs for EPA facilities in response to a request from the House Appropriations Committee. Based on EPA data, we reported at the time that EPA had more than 18,000 employees in 140 locations across the country. These

locations cost approximately \$300 million annually, which included rent or leases, utilities, and security costs. EPA headquarters accounted for \$100 million, the largest portion of those costs. We also reported that EPA had 86 locations with five or fewer employees, at a cost of \$2.25 million. Many of these offices were actually staffed by only one or two people.

We made no recommendations because the request was limited to data collection. However, we do believe EPA should examine its real estate portfolio for possible cost savings. Facilities data like we collected would assist EPA in determining whether it should shrink its footprint either through consolidating or eliminating facilities. We will soon begin a project this fiscal year that will assess EPA facility occupancy to determine whether EPA is maintaining optimal utilization of existing space in its location and whether opportunities exist to reduce facility costs, which will also assist EPA in its decision making.

In closing, EPA must find ways to better manage and utilize its resources and improve its operational efficiencies in this tight budget environment. I believe the OIG has added value by making numerous specific recommendations to the Agency over the years to help address these issues, many of which it has agreed to implement. Going forward, the Agency will need to intensify its efforts to control the cost of, and maximize the benefits from, the resources entrusted to it. We will continue to work with the Agency to further identify areas needing attention.

Thank you for the opportunity to testify before you today. I would be pleased to answer any questions the subcommittee may have.

[The prepared statement of Mr. Elkins follows:]



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Congressional Testimony

Cutting EPA Spending

**Statement of Arthur A. Elkins, Jr.
Inspector General**

**Before the Subcommittee on
Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives**

October 12, 2011

Good morning Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee. I am Arthur Elkins, Jr., Inspector General at the U.S. Environmental Protection Agency (EPA). I also serve as the Inspector General of the U.S. Chemical Safety and Hazard Investigation Board. I am accompanied by Melissa Heist, Assistant Inspector General for Audit. I am pleased to appear before you today for the first time since becoming Inspector General in June 2010 to discuss opportunities for cost savings and greater efficiencies within EPA. Sound funds management is critically important, particularly as budgetary pressures continue to increase.

Under the Inspector General Act, Inspectors General are tasked with promoting economy and efficiency, and identifying fraud, waste and abuse within their respective agencies. We have a significant body of work that identifies opportunities for cost savings and how EPA programs can be more efficient and effective. My testimony focuses on recent Office of Inspector General (OIG) work in these areas: management of EPA's workload and workforce; unliquidated obligations; and other opportunities for cost savings or improved program efficiencies.

EPA Workload and Workforce

Over the last five years, EPA has averaged a little over 18,000 positions in its organizational structure with annual payroll costs of approximately \$2 billion. For an organization to operate efficiently and effectively, it must know what its workload is. While there is no one exact definition of workload, it is commonly thought to be the amount of work assigned to, or expected to be completed by, a worker in a specified time period. Workload that is set too high or too low can negatively affect overall performance. The main objectives of assessing and predicting workload are to achieve an evenly distributed, manageable workload and to accurately determine the resource levels needed to carry out the work. The OIG has issued three reports since 2010 examining how EPA manages its workload and workforce levels.

We found that EPA has not collected comprehensive workload data or conducted workload analyses across EPA in about 20 years. EPA does not require program offices to collect and maintain workload data, and the programs do not have databases or cost accounting systems in place to collect data on time spent on specific mission-related outputs. Office of Management and Budget (OMB) guidance states that agencies should identify their workloads to help determine the proper workforce size, and federal accounting standards require that agencies establish cost accounting systems to allow them to determine resources consumed for work performed. Without sufficient workload data, program offices are limited in their ability to analyze their workloads and accurately estimate resource needs, and EPA's Office of Budget must base budget decisions primarily on subjective justifications at a time when budgets continue to tighten and data-driven decisions are needed.

We also found that EPA's policies and procedures do not include a process for determining resource levels based on workload as prescribed by OMB. Further, EPA does not determine the number of positions needed per mission-critical occupation using

workforce analysis as required by the Office of Personnel Management. These conditions occurred because EPA has not developed a workload assessment methodology and has not developed policies and procedures that require workload analysis as part of the budget formulation process. As a result, EPA cannot demonstrate that it has the right number of resources to accomplish its mission.

Finally, we found that EPA does not have a coherent program for position management to assure the efficient and effective use of its workforce. Position management provides the operational link between human capital goals and the placement of qualified individuals into authorized positions. While some organizational components have independently established programs to control their resources, there is no Agency-wide effort to ensure that personnel are put to the best use. Without an Agency-wide position management program, EPA leadership lacks reasonable assurance that it is using personnel in an effective and efficient manner to achieve mission results.

We made several recommendations to address these findings including that EPA:

- conduct a pilot project requiring EPA offices to collect and analyze workload data on key project activities;
- amend guidance to require that EPA complete a workload analysis for all critical functions to support its budget request; and
- establish an Agency-wide workforce program that includes controls to ensure regular reviews of positions for efficiency, effectiveness, and mission accomplishment.

While EPA has taken action to study workforce issues and update their budget guidance, most of our recommendations remain unresolved with resolution efforts in progress.

Unliquidated Obligations

Prior OIG work dating back to 1996 has identified unliquidated obligations as an area where EPA can improve its ability to identify and deobligate unneeded grant funds. Unliquidated obligations refer to the unexpended balance remaining from the amount of funds EPA obligates for a grant that has not been “drawn down” by a recipient. We have seen some instances where funds were idle for 10 or more years. This reduces the purchasing power of those funds and potentially prevents them from being used on other environmental projects, which could reduce the amount needed in future appropriations for such projects.

EPA continues to make improvements in this area. However, during the past year, we identified over \$14 million in several programs that could be deobligated. For example, we looked at grant funds EPA awarded to states, local governments and tribes under its water programs. We identified over \$6.1 million of unneeded funds that should have been deobligated for three grants awarded by EPA to the District of Columbia. Since EPA deobligated the unneeded funds during the course of our audit, we made no recommendations. Had it done so earlier, however, these funds would have been

available sooner for the District of Columbia Water and Sewer Authority for other environmental projects. In a separate audit, we looked at expense reimbursement grants (ERGs) awarded to states that cover training and certification costs of persons operating water systems serving smaller communities. We identified \$6.6 million of potentially unneeded funds that could have been deobligated for three ERGs awarded by EPA to Georgia, North Carolina, and Wisconsin. We recommended that EPA deobligate any unneeded funds for these three states. EPA deobligated \$3.3 million to Georgia and \$2.2 million to Wisconsin. It extended the project end date for North Carolina so the state could use the remaining funds. Finally, we have identified the failure to deobligate unneeded funds as a weakness in prior audits of EPA's consolidated financial statements. Last year we identified \$1.4 million in inactive funds that are no longer needed within several programs that can be deobligated. EPA has since deobligated \$846,000.

Other Opportunities for Cost Savings or Improved Efficiencies

OIG work has identified other areas where EPA could potentially realize cost savings or improve program efficiencies: EPA space and facilities; information technology (IT); administrative activities; and process improvements within EPA's water pollution control program.

EPA Space and Facilities

The federal government is the largest property owner and energy user in the nation. It manages more real estate than is needed, resulting in wasteful spending. Recognizing this waste, the President issued a memorandum in June 2010 to executive agencies directing them to identify and eliminate excess properties and to take steps to better utilize what remains. The goal was to produce \$3 billion in cost savings by the end of fiscal year (FY) 2012. Some steps agencies could take to realize these savings include speeding up the cycle times for identifying excess properties and disposing of them; eliminating leases that are not cost effective; consolidating office space; and increasing occupancy rates in existing facilities.

In 2009, the OIG collected data on EPA's staffing levels and total costs for EPA facilities in response to a request from the House Interior Appropriations Subcommittee. Based on EPA data, we reported at the time that EPA had more than 18,000 employees in 140 locations across the country. These locations cost approximately \$300 million annually, which included rent or leases, utilities, and security costs. EPA headquarters accounted for \$100 million, the largest portion of those costs. We also reported that EPA had 86 locations with five or fewer employees at a cost of \$2.25 million. Many of these offices were actually staffed by only one or two people. EPA said these smaller offices were used to house criminal investigators or to locate staff closer to specific areas or projects, such as Superfund sites.

We made no recommendations since we were only requested to collect data. However, EPA should examine its real estate portfolio for possible cost savings as mandated by the President. Facilities data like we collected would assist EPA in

determining whether it should shrink its footprint either through consolidating or eliminating facilities. We will begin a project in early FY 2012 that will assess EPA facility occupancy to determine whether EPA is maintaining optimal facility space in its locations and whether opportunities exist to reduce facility costs, which will also assist EPA in its decision making.

Information Technology

IT can streamline operations, improve productivity, and reduce costs. However, OMB noted that federal IT projects too often cost more than they should, take longer than necessary to deploy, and deliver solutions that do not meet business needs. Due to these issues, OMB called for an immediate review of IT projects in the federal government in 2010. Recent OIG audit work of EPA's oversight and implementation of IT systems have found gaps and weaknesses that have resulted in unnecessary spending.

After 9/11, EPA determined it needed to purchase more emergency response equipment, establish maintenance contracts, and create a national equipment tracking system. EPA developed the Emergency Management Portal (EMP) equipment module to manage emergency response equipment throughout the Agency. The primary objective of the module is to provide information on the availability and location of emergency response equipment. The module also includes information to assist warehouse managers in managing and recording calibrations, maintenance, and repairs of their equipment. As of October 2010, EPA had spent \$2.8 million on the EMP emergency equipment tracking module, which has not been fully implemented. We found that the system is cumbersome and slow and may not be the most efficient and effective emergency equipment tracking alternative. In addition, regions and response teams that are also using the module continue to maintain their own tracking systems, resulting in wasted resources. Yet EPA plans to spend another \$5.5 million over the next 15 years on maintenance. Among our recommendations was that EPA determine whether the EMP equipment module is the most cost-efficient and functional national equipment tracking alternative, and mandate that regions and emergency response teams employ the national tracking system that EPA decides to use for emergency response equipment. These recommendations remain open pending corrective actions.

In another recent audit, the OIG looked at EPA's contract oversight and controls over personal computers. We found that EPA was paying for computers it did not need. Over an 11-month period, EPA paid a contractor nearly \$490,000 for 3,343 seats—a standard seat includes a leased computer with accessories and technical support—not ordered during the period. After the first 16 months of the contract's base period, the contract requires EPA to purchase a monthly minimum of 12,000 standard seats. However, EPA did not order the minimum number of seats for 11 of the 12 months reviewed. We reported that if EPA did not make changes to the contract, we estimated that EPA could pay as much as \$1.4 million more through September 2012 for personal computer standard seats that it did not order, for a total potential payment of \$1.9 million for seats not ordered. Among our recommendations was that EPA review and/or modify the contract to adjust the minimum standard seat requirement to eliminate monthly

payments for computers that EPA will not need. EPA did not renegotiate the contract. They told us they are currently using 12,000 seats and will apply what they learned on this contract when awarding a new contract.

Administrative Savings

EPA's Office of Research and Development (ORD) provides the science to support EPA's goals. ORD is organized into three national laboratories, four national centers, and six offices located in 14 facilities around the country and in Washington, D.C. It also operates 12 national research programs each headed by a National Program Director. ORD's budget for FY 2010 totaled \$594.7 million and about 1,900 FTEs. Concerns have been raised by EPA's Science Advisory Board that rising personnel costs are diminishing the actual research that EPA can support.

ORD has been taking steps to find ways to reduce its administrative costs. For example, ORD began the Administrative Efficiencies Project (AEP) in 2005 and the Information Technology Improvement Project (ITIP) in 2006. While two separate initiatives, the goals of both initiatives include reducing costs by improving the efficiency and effectiveness of ORD's administrative and information technology/information management activities. For the AEP, ORD estimated that up to \$13 million, or 24 percent, of overall administrative service staffing costs could be saved annually under its recommended realignment and consolidation of some of its programs once fully implemented in 2012. ORD also estimated cost savings from ITIP.

ORD's efforts to reduce its administrative costs are noteworthy. However, we reported this year that ORD needs to improve its measurement mechanism for assessing the effectiveness of its initiatives to reduce administrative costs. We found that ORD completed only two surveys in five years to determine the amount of time staff spent on administrative duties; did not obtain data directly from individual employees, including staff whose time was actually spent on administrative activities; and that the surveys only reported on a selected number of ORD staff rather than all ORD staff. Without sufficient data or a timely or accurate system for assessing the effectiveness of its initiatives, ORD will not have the information needed to provide reasonable assurance that it is managing its administrative personnel costs appropriately so as to maximize available funding for research and development activities. We recommended that ORD establish a more timely and accurate system to measure its effective use of resources and to allow ORD to better manage its initiatives to reduce administrative costs. ORD generally agreed with our recommendation and is taking action on its implementation.

Water Pollution Control Program Improvements and Efficiencies

The National Pollutant Discharge Elimination System (NPDES) program controls water pollution by regulating point sources that discharge pollutants into U.S. waters. Facilities must obtain permits if their discharges go directly to surface waters. EPA reported that from 1999 through 2009, the number of NPDES permittees increased over 200 percent, from 372,700 to more than 950,000, due to court decisions and new

regulations. Further, while expanding in number, permits have also become more complex. Due to the increased workload associated with these permits and the tightening of federal and state budgets, the states in Region 7 conducted a Kaizen, or rapid process improvement, event in 2008 to determine whether opportunities existed to improve NPDES program efficiency and effectiveness. Kaizen focuses on eliminating waste, improving productivity, and achieving sustained, continual improvement in targeted activities and processes of an organization.

We reviewed this Kaizen event to determine what program improvements EPA can apply on a wider scale, what barriers existed in the development and implementation of event results, and what lessons were learned. The Kaizen event identified three process improvements (resolution of technical issues and communication, permitting and enforcement oversight reviews of states, and annual strategic planning) and one implementation action (data collection and reporting) that can potentially be implemented in other regions. Agency-wide permitting process changes could result in better communication; time and cost savings in the states; and avoidance of duplicate inspections, reviews, and data reporting. Using lessons learned from the Kaizen event can increase the potential benefits achieved in future process improvement efforts. However, we found that while event participants continued to follow up on the commitments and action items identified, no single authority was responsible for tracking the process improvement outcomes. Also, EPA did not have a process to develop and track quantifiable results and outcomes from the event. Among our recommendations was that EPA identify Region 7 process improvements that can be applied elsewhere, considering their costs and benefits, and implement them; and develop a national policy on how to plan, design, and implement business process improvement events. EPA agreed with our recommendations and corrective actions are ongoing.

Cost Recoveries

EPA operates several programs where it assesses and collects fees and recovers its costs. These fees and recoveries are used to offset some of the costs EPA incurs for managing and overseeing the programs. OIG reviews of two programs indicate that EPA could improve how it recovers these costs.

EPA's Motor Vehicle and Engine Compliance Program (MVECP) ensures that vehicles and engines comply with emissions standards. EPA's Office of Transportation and Air Quality conducts the vehicle emission testing and certification. Manufacturers and independent commercial importers pay EPA a fee for the testing and other compliance activities as allowed by the Clean Air Act. This year we reviewed EPA's assessment and collection of fees for the program. During our audit we found that EPA is not recovering all reasonable costs of administering the program. Our analysis, using the EPA's cost estimate for FY 2010, showed a \$6.5 million difference between estimated program costs of \$24.9 million and fee collections of \$18.4 million. EPA's rule limits fee increases. EPA has not conducted a formal cost study since 2004 to determine its actual MVECP costs, and has not updated the annual fee adjustment formula to recover more costs. By not recovering all reasonable costs, the federal government did not collect funds

that otherwise could have been available to offset the federal budget deficit. We recommended that EPA update the fees rule to increase the amount of MVECP costs it can recover, and conduct biennial reviews of the MVECP fee collections and the full cost of operating the program to determine whether EPA is recovering its costs. EPA agreed with these recommendations but did not provide planned completion dates. Therefore, we consider these recommendations unresolved with resolution efforts in progress.

Under the Superfund program, although potentially responsible parties (PRPs) pay for cleanup at some Superfund sites, EPA incurs oversight costs from monitoring the PRPs' cleanup work. EPA is authorized to recover from PRPs some Superfund cleanup costs. Recoverable costs include EPA's planning and implementing cleanup actions, investigation and monitoring, actions to limit access to the site, indirect costs needed to support the cleanup work and EPA's contractor costs. This year we looked at whether EPA's Superfund oversight bills reflect the correct nature and amount, and whether EPA timely bills and collects Superfund oversight expenditures. Based on our audit of oversight billings for nine sites, we found that EPA did not timely bill or did not bill approximately \$8.6 million in oversight costs for two sites. The \$8.6 million consisted of \$2.5 million for costs incurred between 2000 and 2008 that were not timely billed, and \$6.1 million that was not billed prior to the start of our audit. During our audit, EPA billed about \$1 million of the \$6.1 million. After our audit was completed, EPA billed an additional \$3.1 million. Untimely billing of oversight costs results in delays in replenishing the Superfund Trust Fund and limits EPA's ability to timely clean up other priority sites to further protect human health and the environment. EPA also lost or postponed the opportunity to collect interest on oversight costs not billed and collected that would have accrued to the Trust Fund. We recommended that EPA develop a policy to require that oversight billings be issued no less than annually. While EPA stated that it plans to bill future oversight costs on an annual basis, we consider the recommendation unresolved pending receipt of a planned completion date.

Ongoing and Planned Work

The OIG has ongoing and planned work that will look at how EPA is achieving cost savings or improving its efficiency and effectiveness that may be of interest to the Subcommittee.

We are currently reviewing whether improvements are needed in how EPA determines or accounts for savings or cost avoidances. In 2009, EPA identified 72 efficiency projects totaling over \$33 million in savings or cost avoidances. Our objectives are to determine whether: 1) EPA's efforts to identify and realize savings have been effective; and 2) savings reported to EPA's Office of Administration and Resources Management were accurate and complete. We expect to issue a final report by February 2012.

During FY 2012, we plan to assess the extent to which EPA incorporated administrative efficiency savings into its operations. The President's FY 2012 budget for EPA included \$43 million in reductions under the Administrative Efficiency Initiative.

This initiative targets certain categories of spending for efficiencies and reductions, including advisory contracts, travel, general services, printing and supplies. We also plan to evaluate how EPA might streamline its functional responsibilities and organizational structure by identifying duplication of effort and cost savings, both generally and across regions. As was mentioned earlier, we will be assessing EPA facility occupancy to determine whether EPA is maintaining optimal facility space in its locations and whether opportunities exist to reduce facility costs. In addition, we will be reviewing EPA's implementation of a new financial management accounting system and whether cost savings could be obtained. Finally, we plan to evaluate the efficiency of EPA's rulemaking process. Our objective is to document the internal steps and procedures of the current rulemaking process to identify potential improvements in efficiency or effectiveness.

Conclusion

In a tight budget environment, EPA must find ways to better manage and utilize its resources and improve its operational efficiencies in order to meet its mission of protecting human health and the environment. I believe the OIG has been a positive agent of change by making significant contributions toward helping EPA in those areas. We have made numerous recommendations to EPA over the years, many of which it agreed to implement. Going forward, EPA will need to intensify its efforts to control costs and maximize the benefits from the resources entrusted to it. These efforts should involve points of accountability for identifying and realizing savings from more efficient operations, including the setting and achievement of reasonable milestones for planned actions. We will continue to work with EPA to identify additional areas needing attention.

Thank you for the opportunity to testify before you today. I would be pleased to answer any questions the Subcommittee may have.

Mr. STEARNS. Mr. Trimble, you are recognized for 5 minutes.

STATEMENT OF DAVID C. TRIMBLE

Mr. TRIMBLE. Chairman Stearns, Ranking Member DeGette, and members of the subcommittee, I am pleased to be here today to discuss GAO's work on management challenges facing EPA as well as observations on the Agency's budget.

As you know, EPA operates in a highly complex and controversial regulatory arena and its policies and programs affect virtually all segments of the economy, society, and the government.

My testimony draws on prior GAO work and focuses on three areas: The management of EPA's workload, workforce, and real property; coordination with other agencies to more effectively leverage limited resources; and observations on the Agency's annual requests for new budget authority.

First, in 2010, we reported that the EPA had not comprehensively analyzed its workload and workforce since the 1980s to determine the optimal numbers and distribution of staff across the Agency. Rather than establishing a process for budgeting and allocating human resources based on the Agency's workload, EPA requested funding and staffing through incremental adjustments based on historical precedent.

We recommended that EPA link its workforce plan to its strategic plan and establish mechanisms to monitor and evaluate its workforce planning efforts. Such efforts could enhance the Agency's ability to strategically allocate scarce resources.

Earlier this year, GAO reported on challenges that EPA faces in managing its laboratories, both from a workforce and a real property perspective. We reported that EPA operated a laboratory system comprised of 37 labs housed in 170 buildings and facilities in 30 cities across the Nation. We reported that EPA's laboratory activities were managed by 15 different senior managers, were largely uncoordinated, and that the Agency did not have a comprehensive process for managing its laboratory workforce. For example, EPA did not have basic information on its laboratory workload or workforce, such as data on the number of Federal and contract employees working in its labs.

This report also identified challenges related to the Agency's management of its real property, a government-wide challenge that is part of GAO's high-risk series. In 2010, the administration directed agencies to speed up efforts to identify and eliminate excess properties to help achieve \$3 billion in cost savings by 2012. In July 2010, the EPA told the Office of Management and Budget that it did not anticipate disposing of any of its laboratories in the near future because the facilities were fully used and considered critical to the Agency. However, we found that EPA did not have accurate and reliable information called for by OMB on the need for the facilities, property used, facility condition, and facility operating efficiency to inform its determination.

Second, the nature of EPA's work requires it to coordinate and collaborate with other Federal agencies as well as State, local, and tribal partners. Our recent work on the Chesapeake Bay cleanup and pharmaceuticals in drinking water has shown that EPA could do a better job collaborating with these partners and in turn better

leverage limited resources. In 2009, we reported that the efforts of EPA and six Federal agencies to support drinking water and wastewater projects on the U.S.-Mexico border region were ineffective because only one of the agencies involved has comprehensively assessed the region's needs or had coordinated policies for selecting and building projects. We included this issue in our March 2011 report to Congress concerning Federal programs with duplicative goals or activities.

Third and finally, with respect to the Agency's budget and annual requests for budget authority, our past reviews of the Agency's budget justification documents have led to two recurring observations: First, regarding proposals for new or expanded funding, the Agency has not consistently provided clear justification for the funds requested or what steps the Agency would take to ensure the effective use of the funding.

Second, over the years, we have focused on the Agency's efforts to make use of unliquidated balances or funds that were appropriate and obligated but never actually spent. This occurs when contracts, grants, or interagency agreements expire with some level of funding remaining unspent. We have encouraged EPA to quickly identify and recover these funds for other uses, as it could decrease the need for new budget authority. While the EPA has made progress in recovering these funds, we have observed that EPA does not include this information in its budget justification documents. We believe that information on the reuse of such funds could help Congress in its budget deliberations.

This concludes my prepared statement. I will be pleased to answer any questions that you or other members of the subcommittee may have.

[The prepared statement of Mr. Trimble follows:]

United States Government Accountability Office

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Testimony
Before the Subcommittee on Oversight
and Investigations, Committee on Energy
and Commerce, House of Representatives

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**ENVIRONMENTAL
PROTECTION AGENCY**

**Management Challenges
and Budget Observations**

Statement of David C. Trimble, Director
Natural Resources and Environment



October 12, 2012



Highlights of GAO-12-149T, a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

ENVIRONMENTAL PROTECTION AGENCY Management Challenges and Budget Observations

Why GAO Did This Study

The Environmental Protection Agency (EPA) faces a number of management and budgetary challenges, which are particularly important as Congress seeks to decrease the cost of government while improving its performance. EPA operates in a highly complex and controversial regulatory arena, and its policies and programs affect virtually all segments of the economy, society, and government. From fiscal years 2000 through 2010, the agency's budget rose in nominal terms from \$7.8 billion to \$10.4 billion, but has remained relatively flat over this period in real terms.

This testimony highlights some of the major management challenges and budgetary issues facing a range of EPA programs and activities today.

This testimony focuses on

- (1) management of EPA's workload, workforce, and real property;
- (2) coordination with other agencies to more effectively leverage limited resources; and
- (3) observations on the agency's budget justifications. This testimony is based on prior GAO products and analysis.

What GAO Recommends

The work cited in this testimony made a number of recommendations intended to address management and related budget challenges, including improving the agency's workforce and workload planning, as well as its coordination with other federal agencies. EPA generally agreed with these recommendations.

View GAO-12-149T. For more information, contact David Trimble at (202) 512-3841 or trimbled@gao.gov.

What GAO Found

Recent GAO work has identified challenges with EPA's efforts to manage its workload, workforce, and real property and made recommendations to address these challenges. In 2010, GAO reported that EPA had not comprehensively analyzed its workload and workforce since the late 1980s to determine the optimal numbers and distribution of staff agencywide. GAO recommended, among other things, that EPA link its workforce to its strategic plan and establish mechanisms to monitor and evaluate their workforce planning efforts. A 2011 review of EPA's efforts to control contamination at hazardous waste sites found that the program was making progress toward its goals but that EPA had not performed a rigorous analysis of its remaining workload to help inform budget estimates and requests in line with program needs. Regarding real property management—an area that GAO has identified as part of its high-risk series—GAO reported that EPA operated a laboratory enterprise consisting of 37 laboratories housed in 170 buildings and facilities in 30 cities. GAO found that EPA did not have accurate and reliable information on its laboratories to respond to a presidential memorandum directing agencies to accelerate efforts to identify and eliminate excess properties. The report recommended that EPA address management challenges, real property planning decisions, and workforce planning.

GAO has reported on opportunities for EPA to better coordinate with other federal and state agencies to help implement its programs. Given the federal deficit and the government's long-term fiscal challenges, it is important that EPA improve its coordination with these agencies to make efficient use of federal resources. In a September 2011 report on the Chesapeake Bay, GAO found that federal and state agencies were not working toward the same strategic goals and recommended that EPA establish a working group or formal mechanism to develop common goals and clarify plans for assessing progress. In a 2009 report on rural water infrastructure, GAO reported that EPA and six other federal agencies had funded water and wastewater projects in the U.S.-Mexico border region. GAO suggested that Congress consider establishing an interagency task force to develop a plan for coordinating this funding. These findings were included in GAO's March 2011 report to Congress in response to a statutory requirement for GAO to identify federal programs with duplicative goals or activities.

Periodic GAO reviews of EPA's budget justifications have led to two recurring observations. First, with respect to proposals for new or expanded funding that GAO has examined, EPA has not consistently provided clear justification for the amount of funding requested or information on the management controls that the agency would use to ensure the efficient and effective use of requested funding. Second, GAO's reviews have found that EPA's budget justification documents do not provide information on funds from appropriations in prior years that were not expended and are available for new obligations. Such information could be useful to Congress because these funds could partially offset the need for new funding.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee:

I am pleased to be here today to discuss management challenges and budget considerations at the Environmental Protection Agency (EPA). These challenges are particularly important as Congress and the administration seek to decrease the cost of government while improving its performance and accountability. EPA operates in a highly complex and controversial regulatory arena, and its policies and programs affect virtually all segments of the economy, society, and government.

EPA conducts its work under an array of environmental laws, including the Clean Air and Clean Water Acts.¹ Structurally, EPA comprises headquarters offices largely aligned with its primary authorizing statutes and 10 regional offices that help implement these statutes. From fiscal years 2000 through 2010, the agency's budget rose in nominal terms from \$7.8 billion to \$10.4 billion, but has remained relatively flat over this period in real terms.² The four major categories of EPA spending in fiscal year 2010 were:

- operating budget (\$3.9 billion) for basic regulatory, research, and enforcement activities;
- infrastructure grants (\$3.9 billion) providing financial assistance to states, municipalities, interstate commissions, and tribal governments to fund a variety of drinking water, wastewater, air, and other environmental projects;
- trust funds (\$1.4 billion) from appropriations to pay for, among other things, Superfund and leaking underground storage tank hazardous waste cleanup when responsible parties are not available to pay; and
- categorical grants (\$1.1 billion) to states, tribes, nonprofit organizations, and others for specific environmental programs, including air and radiation, water, drinking water, hazardous waste, and pesticides and toxic chemicals.

¹Clean Air Act, codified as amended at 42 U.S.C. §§ 7401-7671q (2011); Clean Water Act, codified as amended at 33 U.S.C. §§ 1251 -1387 (2011).

²In real terms, using 2011 dollars, EPA's budget equated to \$9.9 billion in fiscal year 2000 and \$10.4 billion in fiscal year 2010.

Thus, a substantial portion of the agency's budget consists of grants to state, local, tribal, and other partners.

My testimony today draws on our recent work, including our March 2011 testimony on EPA's major management challenges,³ and observations from our periodic reviews of EPA's budget justification. Many of our prior reports have included recommendations intended to improve the management of EPA's programs. EPA has generally agreed with our recommendations. I will focus my remarks today on several key management and budget issues at EPA, including (1) management of EPA's workload, workforce, and real property; (2) coordination with other agencies to more effectively leverage limited resources; and (3) observations on the agency's budget justifications.

The first two sections of this statement are based on prior GAO work issued from 2009 to 2011. We conducted the underlying performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The third section of this statement is based on the results of our reviews of EPA budget justifications conducted in 2010 and 2011. The objective of our budget justification reviews is to provide pertinent and timely information that Congress can use during budget deliberations by raising questions about specific programs in the President's proposed budget. We conducted our work in accordance with all sections of GAO's Quality Assurance Framework that were relevant to our objectives. The framework requires that we plan and perform the engagement to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for findings and conclusions in this product.

³GAO, *Environmental Protection Agency: Major Management Challenges*, GAO-11-422T (Washington, D.C.: Mar. 2, 2011).

Management of EPA's Workload, Workforce, and Real Property

With respect to its workload and workforce, EPA has struggled for years to identify its human resource needs and to deploy its staff throughout the agency in a manner that would do the most good. In 2010, we reported that rather than establishing a process for budgeting and allocating human resources that fully considered the agency's workload, EPA requested funding and staffing through incremental adjustments based largely on historical precedent.⁴ We noted that the agency had not comprehensively analyzed its workload and workforce since the late 1980s to determine the optimal numbers and distribution of staff agencywide. Moreover, EPA's human capital management systems had not kept pace with changing legislative requirements and priorities, changes in environmental conditions in different regions of the country, and the much more active role that states now play in carrying out the day-to-day activities of federal environmental programs. We recommended, among other things, that EPA link its workforce plan to its strategic plan and establish mechanisms to monitor and evaluate its workforce planning efforts. EPA generally agreed with these recommendations.

Our recent work has also identified additional challenges related to workload and workforce management. For example, in July 2011, we reported that EPA had made considerable progress in meeting goals to contain and control contamination at high-risk hazardous waste sites.⁵ We also reported, however, that EPA had not rigorously analyzed its remaining workload or the resources it needed to meet its cleanup goals. We recommended that EPA assess its remaining cleanup workload, determine whether the program has adequate resources, and take steps to reallocate its resources or revise its goals. An assessment could also help EPA develop budget estimates and requests that align with program needs. EPA agreed with the recommendation.

⁴GAO, *Workforce Planning: Interior, EPA, and the Forest Service Should Strengthen Linkages to their Strategic Plans and Improve Evaluation*, GAO-10-413 (Washington, D.C.:Mar. 31, 2010).

⁵GAO, *Hazardous Waste: Early Goals Have Been Met in EPA's Corrective Action Program, but Resource and Technical Challenges Will Constrain Future Progress*, GAO-11-514 (Washington, D.C.: July 22, 2011).

Also in July 2011, we identified challenges EPA faces in managing its laboratories and its related workforce.⁶ EPA operates a laboratory enterprise consisting of 37 laboratories housed in 170 buildings and facilities located in 30 cities across the nation. We reported that EPA had not fully addressed findings and recommendations of independent evaluations of its science activities dating back to 1992 and that its laboratory activities were largely uncoordinated. We also found that, consistent with our 2010 report on workforce planning, EPA did not use a comprehensive planning process for managing its laboratories' workforce. Specifically, we reported that EPA did not have basic information on its laboratory workload and workforce, including demographic data on the number of federal and contract employees working in its laboratories. Without such information, we reported, EPA could not successfully undertake succession planning and management to help the organization adapt to meet emerging and future needs. Because of the challenges identified in this report, we made recommendations to address workforce and workload planning decisions. EPA generally agreed with our findings and recommendations.

In September 2010, we reported on EPA's library network and found that EPA had not completed a plan identifying an overall strategy for its libraries, implementation goals, or a timeline.⁷ EPA had developed a draft strategic plan, but it did not describe how funding decisions were made. We reported that setting out details for such decisions, to ensure that they are informed and transparent, was especially important because of the decentralized nature of the library network. We recommended, among other things, that EPA complete its strategic plan for the library network, including implementation goals and timelines. As part of this effort, we recommended that EPA outline details for how funding decisions were to be made to ensure they are informed and transparent. EPA concurred with our recommendations.

Finally, our July 2011 report on EPA laboratories also identified challenges related to EPA's management of its real property. Federal real

⁶GAO, *Environmental Protection Agency: To Better Fulfill Its Mission, EPA Needs a More Coordinated Approach to Managing Its Laboratories*, GAO-11-347 (Washington, D.C.: July 25, 2011).

⁷GAO, *Environmental Protection Agency: EPA Needs to Complete a Strategy for Its Library Network to Meet Users' Needs*, GAO-10-947 (Washington, D.C.: Sep. 30, 2010).

property management is an area we have identified as part of our high-risk series because of long-standing problems with over reliance on leasing, excess and underused property, and protecting federal facilities.⁸ The need to better manage federal real property was underscored in a June 2010 presidential memorandum that directed agencies to accelerate efforts to identify and eliminate excess properties to help achieve a total of \$3 billion in cost savings by 2012. In July 2010 EPA reported to the Office of Management and Budget (OMB) that it did not anticipate the disposal of any of its owned laboratories and major assets in the near future because these assets were fully used and considered critical for the mission of the customer and agency as a whole. However, we found that EPA did not have accurate and reliable information called for by OMB on (1) the need for facilities, (2) property use, (3) facility condition, and (4) facility operating efficiency, to inform such a determination. We made several recommendations for EPA to improve its physical infrastructure and real property planning, including improving the completeness and reliability of operating-cost and other data needed to manage its real property and report to external parties. EPA concurred with the recommendations.

Coordination with Other Agencies to More Effectively Leverage Limited Resources

EPA relies on other federal and state agencies to help implement its programs. Given the federal deficit and the government's long-term fiscal challenges, it is important that EPA improve coordination with its federal and state partners to reduce administrative burdens, redundant activities, and inefficient uses of federal resources. We have identified key practices for enhancing and sustaining collaboration among federal agencies, such as establishing the roles and responsibilities of collaborating agencies; leveraging their resources; and establishing a process for monitoring, evaluating, and reporting to the public on the results of collaborative efforts.

In a September 2011 report on Chesapeake Bay restoration efforts, for example, we found that federal and state agencies were not working toward the same strategic goals.⁹ We also surveyed federal officials who said that some form of collaboration was necessary to achieve the goals

⁸GAO, *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: Feb. 16, 2011).

⁹GAO, *Chesapeake Bay: Restoration Effort Needs Common Federal and State Goals and Assessment Approach*, GAO-11-802 (Washington, D.C.: Sep. 15, 2011).

of a strategy for protecting and restoring the Chesapeake Bay watershed. This collaboration could be between federal agencies, federal and state agencies, or federal agencies and other entities. We recommended, among other things, that EPA work with federal and state stakeholders to develop common goals and clarify plans for assessing progress. EPA generally agreed with the recommendations.

In an August 2011 report on pharmaceuticals in drinking water, we found that an interagency work group of eight federal agencies (including EPA) tasked with developing a better understanding of the risks from pharmaceuticals in drinking water and identifying areas for future federal collaboration had disbanded in 2009 without producing a final report.¹⁰ We also reported that EPA coordinated informally with the Food and Drug Administration and the United States Geological Survey to collect data that could support regulatory decisions, but it did not have a formal mechanism for sustaining this collaboration in the future. We recommended that EPA establish a work group or formal mechanism to coordinate research on pharmaceuticals in drinking water. EPA agreed with the recommendation.

In a 2009 report on rural water infrastructure, we reported that, from fiscal years 2000 through 2008, EPA and six federal agencies obligated \$1.4 billion for drinking water and wastewater projects to assist communities in the U.S.-Mexico border region.¹¹ We found that the agencies' efforts to fund these projects were ineffective because the agencies, except the Indian Health Service, had not comprehensively assessed the region's needs and did not have coordinated policies and processes for selecting and building projects. As a result, we suggested that Congress consider establishing an interagency task force to develop a plan for coordinating funding to address the region's most pressing needs.

Related to our findings on interagency coordination issues, our past and present work seeks to assist Congress and federal agencies in identifying actions needed to reduce duplication, overlap, and fragmentation;

¹⁰GAO, *Environmental Health: Action Needed to Sustain Agencies' Collaboration on Pharmaceuticals in Drinking Water*, GAO-11-346 (Washington, D.C.: Aug. 8, 2011).

¹¹GAO, *Rural Water Infrastructure: Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region*, GAO-10-126 (Washington, D.C.: Dec. 18, 2009).

achieve cost savings; and enhance revenues. In March 2011, we issued our first annual report to Congress in response to a new statutory requirement that GAO identify federal programs, agencies, offices, and initiatives—either within departments or government-wide—which have duplicative goals or activities.¹² The report identified 34 areas where agencies, offices, or initiatives had similar or overlapping objectives or provided similar services to the same populations or where government missions were fragmented across multiple agencies or programs. The report also identified 47 additional areas—beyond those directly related to duplication, overlap, or fragmentation—offering other opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue to the Treasury. With respect to EPA, the report included our findings on rural water infrastructure, as well as the agency's role in duplicative efforts to support domestic ethanol production.

Related to the statutory requirement that GAO identify and report on federal programs, agencies, offices, and initiatives with duplicative goals or activities, we are monitoring developments in the areas already identified and will address any additional significant instances of duplication as well as opportunities for cost savings in future annual reports. We are developing a methodology to ensure that we conduct a systematic review across the federal government and report on the most significant instances of duplication, overlap, or fragmentation through the issuance of annual reports in 2012 and 2013, as well as the report we issued in March 2011. Our 2012 and 2013 reports will include the results of present and planned work related to EPA.

Observations on EPA's Budget Justifications

In addition to our published work, we periodically assist appropriations and authorizing committees by reviewing agency budget justification documents. To this end, we review agencies' budget requests, conduct selected analyses, and evaluate the support for and adequacy of agencies' justifications for these requests. We often review the justification for programs of congressional interest, new programs and initiatives, and existing programs and practices. We typically provide the

¹²GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP, (Washington, D.C.: Mar. 1, 2011).

results of our analysis in data sheets or briefings to appropriating and authorizing committees.

Over the years, our periodic review of EPA's budget justification documents has led to two recurring observations. First, EPA has not consistently provided detailed justification for its activities when requesting new or expanded funding. In some cases, we have noted that such requests have not included (1) clear justification for the amount of funding requested or a detailed description of the type and scope of activities the funding would support, or (2) information on the management controls, such as a schedule for spending the requested funds, EPA would use to ensure the efficient and effective use of requested funding.

Second, our reviews have often focused on the agency's efforts to make use of unliquidated balances, or those funds that have been appropriated and properly obligated but not expended. In particular, this situation results from circumstances where no-year budget authority was obligated to a contract, grant, or interagency agreement that has expired with some level of funding remaining unexpended. Over the years, we have encouraged EPA to recover these unliquidated amounts through a process known as "deobligation." When EPA deobligates funds from expired contracts, grants, or interagency agreements, it can "recertify" and re-use these funds, subject to certain restrictions, assuming the amounts have not expired and remain available for new obligations. Use of recertified funds can offset some need for new funding. Over the years, we have observed that EPA has made progress in its efforts to recover unliquidated funds from expired contracts, grants, and interagency agreements. For example, in 2010, EPA deobligated and recertified about \$163 million, primarily in its Superfund, State and Tribal Assistance Grants, and Leaking Underground Storage Tanks accounts. While we have observed progress in recovering these funds, we have also observed that EPA's budget justification documents do not describe the amount of deobligated and recertified funding available for new obligations. We have also observed that such information could be useful to Congress because the availability of recertified amounts could partially offset the need for new funding.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions that you may have at this time.

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Mr. STEARNS. Mr. Trimble, thank you very much.

I will start with my questions.

Ms. Bennett, you heard Mr. Trimble from the GAO. Were you aware of his report? Yes or no.

Ms. BENNETT. I am aware of most of the reports, yes.

Mr. STEARNS. OK. And has your staff been working on answers to some of the items he has talked about and particularly the one dealing with unexpended appropriations?

Ms. BENNETT. Yes. In fact, we have been working hard on most of what are called the unliquidated obligations.

Mr. STEARNS. OK. You said in your opening statement, you also said in your prepared statement, that the President had a directive to you to look at item by item, line by line in the budget. So, just to be clear, the President asked you to review the budget page by page, line by line. Was this a directive that you understood?

Ms. BENNETT. This is a directive that we have heard from the President and by OMB. We have heard that, although there hasn't been an explicit order or explicit guidance. But I am familiar with that, obviously, from—

Mr. STEARNS. So you have no written document from anybody on what this means to you?

Ms. BENNETT. Well, I have a very good understanding of what line by line and page by page means in terms of—

Mr. STEARNS. Would you say that it was a figure of speech? Or did it actually mean—the President actually said, “line by line, item by item, page by page, program by program”? He was pretty specific. Do you understand that to be literal, or do you think that is a figure of speech?

Ms. BENNETT. Well, I wouldn't suppose what the President says, but I certainly took it to heart in terms of how we approached it.

Mr. STEARNS. Would it be fair to say that you have taken it at its literal meaning?

Ms. BENNETT. Well, what we have done is we have had a process that goes through—

Mr. STEARNS. So you have actually, procedure-wise, have gone item by item, line by line, page by page, program by program?

Ms. BENNETT. We have a process that goes through the programs and looks at all of our programs in terms of the program project level and what we have identified and work with both—

Mr. STEARNS. Could I construe that to mean that you are actually looking at every page and every line and every item?

Ms. BENNETT. In terms of how the Agency is concerned—

Mr. STEARNS. That is true?

Ms. BENNETT [continuing]. We have staff that goes through all aspects of the budget and is able to identify programs and the like. So we have worked—as I mentioned, we have worked with both OMB and with Congress on what we have—

Mr. STEARNS. You could do that by just going in a broad sense. You would have to get into a detailed sense. So your prepared statement and your opening statement has confirmed in my mind that you didn't consider this a figure of speech, but you considered it something that you had to get into the details and follow the directive from the President.

So maybe EPA's look at financial records, such as the ledger sheet that I mentioned earlier, page 26 from the EPA Inspector General's report on financial statements—and I want to give a copy to Ms. Bennett. Did the staff give a copy?

Ms. BENNETT. I have got it.

Mr. STEARNS. OK. If you look at the highlighted line for unexpended appropriations, it says \$3.3 billion. Do you see that one? It is in the bottom there.

Ms. BENNETT. I do.

Mr. STEARNS. OK. Now, EPA's budget is around \$8 billion. So to see unexpended money that is not obligated, that is just sitting there—that amount of money, almost twice, not quite twice of your overall budget, to us, obviously that is a very large number. So what does that \$13.3 billion in unexpended appropriations mean in this document that I showed you?

Ms. BENNETT. Mr. Stearns, Mr. Chairman, this is a balance sheet from 2010 as compared to 2009. And in 2010, EPA's budget was \$10.3 billion as well as it had received over \$7 billion in Recovery Act funding. So the combination of those two, of \$17 billion that would have come through in 2009, in 2010 would be reflected here, not the \$8 billion that you referenced for this year.

Mr. STEARNS. So, you are saying that you got so much money that you couldn't spend it all?

Ms. BENNETT. No, that is not what I said at all. What I am saying is that it is not reflective of the \$8 billion that you mentioned.

Mr. STEARNS. Well, the \$8 billion is your annual budget.

Ms. BENNETT. For 2010, we are at \$8.7.

Mr. STEARNS. OK. So when I look and you have got this budget—but you are still not explaining to me how you could have \$13.3 billion of funds that have not been spent. Where is this money—is it money that is in a bank account? Money that you can get from the Treasury? What is this money doing? Why can't you just give it back to the Treasury and reduce the deficit?

Ms. BENNETT. Well, actually, most of our funds go to the States and tribal assistance grants, and many of those projects are multi-year—

Mr. STEARNS. So you are saying this is all—\$13.3 billion is obligated funds that you haven't spent yet?

Ms. BENNETT. Most of the funds have been obligated and have not been spent.

Mr. STEARNS. How do you know that? Do you have a report that you could give us to show how that \$13.3 billion is detailed in obligations to Indian tribes to—to who else?

Ms. BENNETT. States.

Mr. STEARNS. States, OK.

Ms. BENNETT. States and communities. And for, both for water infrastructure—

Mr. STEARNS. I mean, is it obligated from 5 years ago, 2 years ago, 90 days?

Ms. BENNETT. Well, a lot of them are all obligations. So some of them—

Mr. STEARNS. Over what period of time?

Ms. BENNETT. Well, this is a balance sheet which reflects cumulative.

Mr. STEARNS. Could it be more than 5 years?

Ms. BENNETT. Well, at the particular time of this balance sheet, it could have been, yes.

Mr. STEARNS. Could it be more than 10 years?

Ms. BENNETT. For instance, in 2011, the budget that we received—that encompasses the \$8.7 billion that I referred to—called for a rescission of unobligated—of unobligated—

Mr. STEARNS. OK. I understand. I am going to close.

I will just ask Mr. Trimble, do you understand what she is saying?

Mr. TRIMBLE. Yes. I believe so. There is always a lag time between when money is appropriated and obligated and actually spent. So there is a lag through this process. We have not looked, or I have not had a chance to look over the balance sheet.

Mr. STEARNS. I will close.

Ms. Bennett, I think for the record we would like to get where this obligated fund is in a time-duration milestone so we can see if it is money that can be returned to the Treasury or that actually you have obligations. So, with that, my questions are complete.

Ms. DEGETTE. Thank you, Mr. Chairman.

Going back to this balance sheet, a balance sheet is a snapshot in time, as of, in this case, the end of the fiscal year for 2010 and 2009.

Correct, Ms. Bennett?

Ms. BENNETT. Yes, that is correct.

Ms. DEGETTE. So I think we are mixing apples and oranges a little bit because, as of September 30 of each of those years, you have got unexpended appropriations there on that balance sheet. But what you are saying is that is—most of that—it is not just money that is sitting there from an appropriation that could be given back. It is obligated for something, correct?

Ms. BENNETT. That is correct.

Ms. DEGETTE. And so what Mr. Stearns and I would like you to do is to go back and for each of those fiscal years to make a breakdown of that, how much of that was obligated and where it was obligated. And for each of those programs, how many—because it is not the same for every program. It is a different time period for which those funds are obligated, correct?

Ms. BENNETT. Right. Correct. Some programs spend the funds faster. For instance, the worker infrastructure projects—

Ms. DEGETTE. Right. So if you could just supplement your testimony with that information, I think that would help us to figure out exactly what that number means in terms of funds.

Ms. BENNETT. We would be happy to do that.

[The information appears at the conclusion of the hearing.]

Ms. DEGETTE. Thank you very much.

Now my second question to you is, there have been some suggestions made by both of the other agencies represented here today. Have you reviewed those recommendations?

Ms. BENNETT. Just about all of them, yes.

Ms. DEGETTE. OK. One recommendation that both the IG and the GAO had made was that the EPA review its personnel policies and its management policies to make sure that the human resources are actually working to achieve the Agency's mission. I

hate to put words into your mouths, but that's essentially it. Have you reviewed those types of recommendations?

Ms. BENNETT. Yes. And I have spoken with both the Inspector General and—

Ms. DEGETTE. And what is the EPA doing to address those recommendations?

Ms. BENNETT. So the workforce and the workload issues are two separate issues. They may sound very similar, but they're actually different issues. The workload is the amount of work that the Agency has to do, and the workforce reflects more like skills that are needed.

Ms. DEGETTE. Right.

Ms. BENNETT. And might be needed in the future. So what my office has done, has led the workload planning. And so we have taken into consideration the recommendations from both the Inspector General and from GAO, and my office is leading an analysis that is really three-pronged in nature. One is benchmarking line managers in terms of—

Ms. DEGETTE. OK. If you could just shorten up a little because I have got a lot more questions and not much time left.

Ms. BENNETT. Sure. We are taking a look to see where we can address the recommendations.

Ms. DEGETTE. And when are you going to be finished with that review so that you can—and having made your own internal relations?

Ms. BENNETT. We're finished with one part of it, and we should be finished with the second step some time shortly.

Ms. DEGETTE. If you can provide the committee with that information, that would be helpful as well.

Now Mr. Elkins, you made a number of observations and recommendations. These issues have been systemic in the EPA for some number of years, correct?

Mr. ELKINS. That is correct.

Ms. DEGETTE. These didn't just rise up in the past couple of years, right?

Mr. ELKINS. Based on our findings, that's correct.

Ms. DEGETTE. Based on your findings, how long have these issues been present at the EPA?

Mr. ELKINS. Well, we have looked at this issue at least over the last 3 or 4 years or so.

Ms. DEGETTE. OK. Last 3 or 4 years. And you are working with Ms. Bennett and her staff to try to address those recommendations.

Mr. ELKINS. That is correct.

Ms. DEGETTE. OK. And do you believe that they are going to address them?

Mr. ELKINS. We have been told that they are actively seeking to address them, that is correct.

Ms. DEGETTE. And Mr. Trimble, what about you? The issues that you identified in your excellent report, how long have they been going on in the EPA?

Mr. TRIMBLE. Well, in regards to the workforce planning, we know that the last time a comprehensive plan was done was in the 1980s.

Ms. DEGETTE. So it is over 20 years that this has been going on?

Mr. TRIMBLE. That is correct.

Ms. DEGETTE. And what about the other issues?

Mr. TRIMBLE. Workload is probably also a longstanding issue that crops up also when we do more programmatic focused work as well.

Ms. DEGETTE. What about the facilities issues? I thought that was an interesting issue and one that I think would take time to address.

Mr. TRIMBLE. Well, facilities is a little bit different in that GAO has put government-wide facility management and Federal real property management on its high-risk list, so a government-wide issue in that regard.

Ms. DEGETTE. And how long has it been?

Mr. TRIMBLE. That I believe it is the 2003–2004 time frame.

Ms. DEGETTE. OK.

Mr. TRIMBLE. And the issue I site in the report just came out of the work we did this year concerning the laboratories.

Ms. DEGETTE. Now, has GAO been working with the EPA to address the GAO recommendations?

Mr. TRIMBLE. We have made recommendations. We have discussed those. I know, in regards to workforce, they have—a contractor has just completed a study. Booz Allen, I believe, is finishing a study. We have not looked at the scope or sort of the findings of that work.

Ms. DEGETTE. Do you intend to do that?

Mr. TRIMBLE. I imagine we will end up having follow-on work, but nothing is planned at this point.

Ms. DEGETTE. OK. Thank you.

Thank you very much, Mr. Chairman.

Mr. STEARNS. The gentleman from Texas is recognized for 5 minutes.

Mr. BARTON. Thank you, Mr. Chairman.

Ms. Bennett, how many employees are currently employed at the EPA?

Ms. BENNETT. We requested in the 2012 budget just over 17,200.

Mr. BARTON. 17,200. You mentioned in your prepared testimony that the travel budget was reduced by 40 percent last year, is that correct?

Ms. BENNETT. Close to it, yes.

Mr. BARTON. OK. Do you know how much was actually spent on travel last year?

Ms. BENNETT. In 2011, I don't off the top of my head. I will be happy to get back to you.

Mr. BARTON. Do you know how much was—

Ms. BENNETT. I do know what we did with the budget.

Mr. BARTON. Well you have said that you reduced it. It was reduced 40 percent. So 40 percent from what?

Ms. BENNETT. In 2010, we had a budget of approximately \$60 million, and so we had reduced it to less than \$50, and then we have it reduced again to less than \$40 million.

Mr. BARTON. So that is in your budget. You don't know what was actually spent. But you have gone from \$60 million to \$40 million.

Ms. BENNETT. We took a significant cut in 2011.

Mr. BARTON. Do you know what that would be per employee?

Ms. BENNETT. I haven't done the math on a per employee. Not everybody travels.

Mr. BARTON. Just roughly, that would be either \$2,000 or \$20,000. It is either \$2,000 or \$20,000 per employee. That is just back-of-the-envelope numbers. Do you know how many employees at EPA of these 17,000 have an EPA credit card?

Ms. BENNETT. Have a credit card, an EPA credit card?

Mr. BARTON. Yes.

Ms. BENNETT. I don't know the number of how many.

Mr. BARTON. Do you have an estimate?

Ms. BENNETT. I would have to get back to you on.

Mr. BARTON. Mr. Elkins, do you happen to know that number?

Mr. ELKINS. No, I don't.

Mr. BARTON. Could each of you attempt to get that number, the number of employees that have EPA credit cards and the credit limit on those credit cards and the amount spent on those credit cards in the most recent fiscal year, can y'all do that?

Mr. ELKINS. I would be glad to.

Ms. BENNETT. I would be glad to get back to you.

[The information appears at the conclusion of the hearing.]

Mr. BARTON. Do you happen to know, either one of you, whether EPA has ever done an audit of the EPA employees that have credit cards?

Ms. BENNETT. I know that we have a process in place within the Office of the Chief Financial Officer that makes sure that those travel vouchers are looked at and reviewed for appropriateness.

Mr. BARTON. Ms. Heist, you look like you want to say something.

Ms. HEIST. Thank you, sir. We have done some work. We have not to this date identified—

Mr. BARTON. Pull the microphone close to you.

Ms. HEIST. We have done some minimal work in that area. We haven't found significant problems. We have looked at all the controls in place, and we have found them to be generally working well.

Mr. BARTON. When I was subcommittee chairman of this subcommittee, we did an audit of the FDA and the number of employees that had credit cards. And we found out that there were thousands, and we found out that there were no real controls, and we found out that one FDA employee purchased a Ford Mustang on an FDA credit card. So it might be worthy of some investigation because people being people, my guess is that lots of folks at EPA have credit cards—and not all, but some of them, probably abuse them.

Ms. Bennett, are you aware of a title 42 program at EPA?

Ms. BENNETT. I am aware of the program.

Mr. BARTON. Do you support that program?

Ms. BENNETT. We have used the program for our highly trained and highly skilled scientists that we have primarily in our Office of Research and Development.

Mr. BARTON. Are you aware that the EPA union for the Washington region is opposing that program?

Ms. BENNETT. I am not aware of that.

Mr. BARTON. They are.

Do you know what the compliance budget is at EPA?

Ms. BENNETT. The overall—

Mr. BARTON. For enforcement of existing regulations.

Ms. BENNETT. I can certainly access it, sure.

Mr. BARTON. Could either you or Mr. Elkins give us a ballpark figure what the compliance enforcement budget is? I mean, after all, that is really where the rubber meets the road in terms of protecting the environment. We know what the general budget is. Do you know, either one of you, what the compliance budget or enforcement budget is?

Ms. BENNETT. The Office of Enforcement and Compliance has a budget of over \$600 million.

Mr. BARTON. \$600 million. Is that up or down from the last year?

Ms. BENNETT. It is slightly up.

Mr. BARTON. Slightly up. In spite of all these mean-spirited Republicans who want to, according to my friends on the Democratic side, gut the EPA, the real heart of the EPA, enforcement and compliance, is up. Is that right?

Ms. BENNETT. We have proposed it to have an increase largely due to an initiative that we were redirecting funds toward in order to transition from paper reporting to electronic reporting in order to reduce burdens.

Mr. BARTON. Well, thank you for an honest answer. My last question, and I know my time has expired. I would like for the record, Ms. Bennett, to provide the number of enforcement actions that EPA has initiated in the last several years and the percentage of those enforcement actions that have resulted in fines being collected or criminal sentences being applied.

Ms. BENNETT. I would be happy to follow up with you.

[The information appears at the conclusion of the hearing.]

Mr. BARTON. And if the Inspector General has information, we would like for you to provide that also.

Mr. ELKINS. I would be happy to.

Mr. BARTON. Thank you.

Thank you, Mr. Chairman.

Mr. STEARNS. I thank the gentleman.

The gentlelady from the Virgin Islands is recognized for 5 minutes.

Mrs. CHRISTENSEN. Thank you, Mr. Chairman.

Before I ask my question, I just wanted to say that I can see that from Ms. Bennett's testimony, that despite everything, EPA is making a good attempt to respond to the recommendations, and they are in the process of addressing issues that have been around for a very long time. And I really think you could probably do more of that if we didn't keep calling EPA up to the Hill every day and asking for report after report. I realize we have to do oversight, but I think we are overdoing it a bit.

My questions are around the cuts to the EPA budget. The President has proposed a budget for EPA for 2012 that is \$8.97 billion. And it sounds like a lot of money. But when you put it in perspective, it is really just 0.06 percent of the total government debt, 0.26 percent of total government spending, and 0.69 percent of the budget deficit. So we could really close down EPA and shudder the building and not make a dent in our overall budget deficit. But the

ramifications for public health and the environment would be truly profound.

This summer, the House appropriators proposed cutting EPA's budget by 20 percent below what the President requested for 2012, and the President's request was low to begin with because it was already 13 percent below 2010 levels.

Ms. Bennett, could you describe what impact these proposed Republican budget cuts would have on EPA's ability to implement and enforce the Clean Air Act?

Ms. BENNETT. Certainly that level of cut would make things very difficult. And in terms of our overall responsibilities, not just for the Clean Air Act but overall responsibilities, in particular there is a proposal of another \$1 billion cut to the SRF budget as well as another I believe \$100 million to State categorical grants and over another \$100 million to the Great Lakes Initiative. So there would be a significant impact from that level of cut. And that budget would be lower than what we saw in 1998.

Mrs. CHRISTENSEN. So you might not be able to—you might have to reduce their quality monitoring also and might not be able to update your air quality standards in a timely manner?

Ms. BENNETT. We would certainly have to look at what we would have to be able to discontinue or what we would be able to afford at that time.

Mrs. CHRISTENSEN. And what impact would these proposed budget cuts have on EPA's ability to implement and enforce the Safe Drinking Water Act?

Ms. BENNETT. Well, again, I believe that the proposal would be to reduce the SRF by a combined billion dollars, and therefore, it would be reduced dramatically if it were on a pro rata basis.

Mrs. CHRISTENSEN. I want to note that the Drinking Water State Revolving Fund helps utilities deal with costs of meeting drinking water standards and repairing or replacing aging infrastructure, much of which is approaching the end of their useful life.

The U.S. Conference of Mayors estimates that this spending is an economic win-win because it creates jobs and spurs the economy while ensuring healthy drinking water.

These budget cuts would also affect the pace of toxic waste clean-ups in communities across the country.

Ms. Bennett, could you describe what these proposed budget cuts would have on EPA's ability to clean up the Nation's worst toxic waste sites?

Ms. BENNETT. There would be, again, as I understand how—you know, what has been proposed on that particular bill, is there would be an additional cut to Superfund, and there would be additional cuts to others, making it very difficult to continue the work that has been done.

Mrs. CHRISTENSEN. And you know, since it has been reported that maybe around 60 percent of some of these toxic waste sites are adjacent to minority communities, we would be extremely concerned about that.

But EPA's budget is a drop in the Federal budget bucket. I am sure EPA could identify additional efficiencies and trim the budget along the margins, but overall, EPA is trying to accomplish big goals with limited funds, protecting America's water supply and air

quality, taking action on climate change and protecting all Americans from dangerous toxic chemicals.

So we shouldn't be fooled by Republican rhetoric about the budget here. This is the most anti-environmental Congress in history any way you look at it. It shows that in their effort to pass legislation that would weaken the Clean Air Act and the Clean Water Act, and it shows in the massive and damaging budget cuts that they have proposed to the EPA.

And with that, Mr. Chairman, I will yield back the balance of my time.

Mr. STEARNS. The gentlelady yields back.

The gentleman from Nebraska, Mr. Terry, is recognized for 5 minutes.

Mr. TERRY. Thank you, Mr. Chairman.

I have a little personal experience in the State of Nebraska regarding the State Revolving Fund. For example, a battle that we had with some of the EPA folks in rural Nebraska just a few years ago were on copper pipes. And what happens is the groundwater is a little higher acidic, and so when it sits in the pipe, it draws out some of the copper.

The mandate from the EPA was to put in a water treatment facility. It would have been a fraction of the cost for one of these small times—some of these small towns to just go out and rip out on city dollar or little town dollars all copper pipes and replace them, but those weren't options. We put those on the table, and they were rejected by the EPA.

So sometimes a water treatment facility is the least efficient, most expensive but yet the one that was mandated. Those are the type of lack of commonsense over-zealousness that we are looking at here. So perhaps at least from Nebraska, the revolving fund for the drinking water is not exactly the example to use to show how mean and anti-environmental the Republicans are.

Now, reading through these reports, especially GAO, it talks about many areas where there are redundancies, divided responsibilities. And what we are trying to figure out, is there a way to make you, the EPA, leaner.

So when you, Ms. Bennett, Honorable Bennett, mentioned that there were worthy projects that have been cut, you mentioned drinking water along the U.S.-Mexican border. Mr. Trimble also mentioned a drinking water project along the Mexican border which they felt was inefficient. Is that the same one that you said was cut?

Ms. BENNETT. It is the same program. I believe, if I—I think it is the same program because I am only aware of one.

Mr. TERRY. You probably should put it in full context that that was also one that was declared by GAO as one that was inefficient.

Could you do the subcommittee here a favor as we are trying to make you a leaner, more efficient agency to accomplish your legislative goals, or goals that Congress has set out for you, could you provide us an itemization of all projects that have been cut or eliminated in the last 2 fiscal years?

Ms. BENNETT. In the—

Mr. TERRY. Could you provide that? That is a yes or no.

Ms. BENNETT. Well, in the budgets that we have submitted to Congress, there is a list—

Mr. TERRY. OK.

Ms. BENNETT (continuing). Of terminations that already exist.

Mr. TERRY. All right. Well, that is looking—what I am trying to figure out is, you gave me an example of two that were cut. As I understand from this whisper in my ear, that the budget gives us the proposed ones. I am looking backwards to see which ones were actually cut or eliminated. Could you provide ones that were actually in the last 2 fiscal years cut or eliminated?

Ms. BENNETT. I will be happy to get back to you on that.

[The information appears at the conclusion of the hearing.]

Mr. TERRY. Thank you very much. Now, in the—very bland. We get it; this is just a balance sheet, and because it is so bland, it lacks a lot of data. Of course, the data is in a 6-inch spiral notebook, but on the unexpended appropriations/other funds in note 17, can you itemize for us what programs where they have the leftover unspent funds?

Ms. BENNETT. The unliquidated obligations, yes. What we—

Mr. TERRY. Tomato-tomato, yes.

Ms. BENNETT. Well, the reason I state that is because there is a difference between unobligated funds and unliquidated obligations. And I just want to make sure that we are talking about the same thing. And this line reflects the unliquidated obligations or the unspent funds that have been obligated. This year my office instituted a tool for the Agency to be able to—

Mr. TERRY. OK. My time is up, so would you, could you, provide a list of those unliquidated, which we call unexpended? And also the next line, cumulative results of operation earmark funds, I am kind of curious about that. Could you give us a list of the earmarks of which there are unspent, unliquidated funds?

Ms. BENNETT. We will be happy to get back to you.

[The information appears at the conclusion of the hearing.]

Mr. TERRY. Thank you. That is the perfect answer.

Ms. DEGETTE. Mr. Chairman, I ask unanimous consent that Ms. Bennett be able to finish the answer she was trying to give about the tool of her office.

Mr. STEARNS. Sure. Go ahead.

Mr. TERRY. Can the gentlelady yield to me? I wasn't trying to be rude. I just had no time left.

Ms. DEGETTE. No problem.

Mr. STEARNS. Ms. Bennett, go ahead and answer the question.

Ms. BENNETT. Well, I think it is important to note that the unliquidated obligations has been not only mentioned by the Inspector General and GAO, but I know that when I came on board wanted to tackle it myself. So my office this year, I know I have put a real renewed focus on looking at unliquidated obligations. We instituted a new tool and provided new guidance to the Agency so that every unliquidated obligation was reviewed on at least an annual basis, and they have to send assurances to me that they have done so.

And by virtue of that tool, we have been able to reduce the unliquidated obligations by over 50 percent in 1 year alone. So we recognize that this is an issue. We recognize this is an important budget item. And it is important for me as CFO to make sure that funds

are not only used properly, but they are expended in the most efficient and effective way.

Mr. STEARNS. All right.

The gentlelady from Florida, Ms. Castor, is recognized for 5 minutes.

Ms. CASTOR. Thank you, Mr. Chairman.

And thank you very much. I am very concerned that a lot of these cuts are going to harm jobs and the ability of communities across the country to improve the environmental conditions. And it is interesting that we just had this conversation on the unliquidated obligations.

The mayor of Tampa on October 6th received a letter from the EPA, from Stanley Meiburg, the deputy regional administrator, that says, we regret to inform you that the U.S. EPA will not be able to award the City of Tampa \$1.25 million for the project regarding sediment removal from estuaries, the headwaters of the canal that are at issue. This is a matter that the city, the residents, the EPA and the State has been working on for years. It is a grant the city received some years ago. Sometimes these initiatives do take time. There are some issues here with State permits.

I don't understand how the EPA, understanding all of the actions that have gone on, on an issue like this, all of the reliance on the grant funds, the moneys expended—I mean, we have got an engineering firm that has already expended about \$600,000. We have another contractor that has expended about \$22,000. And EPA said that they are not going to live up to their end of the bargain—they are on the hook, or the deal was that they would pay 55 percent of this clean water initiative and the City of Tampa would pay 45 percent. This has been an understanding for many years.

Will you explain to me how this could happen, how the EPA could just after all the years of work on this, how the EPA could renege on the deal and take back the money that we have relied on?

Ms. BENNETT. Ms. Castor, that is a very good example of very worthy projects that end up having to be cut. In the 2011 budget that we received in appropriations, we were directed by Congress to rescind \$140 million of unobligated funds in a particular account, and that particular account was the State and tribal assistance grant. We did not have a choice as to which appropriation account. And we were also further directed that it must come from unobligated funds.

So we attempted to try to be as fair as possible, recognizing that there are so many good projects on those lists. But we went back and went to the oldest unobligated funds that we had in that category and came up with the \$140 million of unobligated funds that were 2008 or earlier. And it sounds like, I am afraid, that that particular one was one of them.

Ms. CASTOR. But we have relied on it. The city has expended money. People have been hired. They are ready to begin the project next year. Doesn't EPA owe us at least the portion of the funds that have been expended to date? And I would argue all of it.

Ms. BENNETT. We were left with very little latitude in terms of how we had to take the cut to the budget.

Ms. CASTOR. So these jobs are just going to go away.

See, now this is a real world example of how when you do things irrationally, it really hurts jobs, and it hurts the environmental quality of our community. We have been working on this for years and years and years.

And it is just, it is unconscionable that these kind of cuts would have an impact on jobs and the environmental quality in my community.

And I am going to leave these materials with you and want to talk to you all at greater length about at least covering the portion of the moneys that have been expended to date.

Explain that discrepancy. How come EPA doesn't recognize that, OK, to date, we have spent over \$600,000 on this and at least that portion should be covered?

Ms. BENNETT. Again, my—I had very little latitude in terms of how we were to cover the cut. We looked at the funds that had not been obligated. These were unobligated earmarks from many years ago. And so we tried to apply them as fairly as possible, recognizing when you cut funds, real projects get hurt.

Ms. CASTOR. Real projects, real jobs, the expectations of a community for many years.

Ms. BENNETT. Yes. And there was a \$140 million rescission across that had to be taken, and it was taken across the country. And I appreciate your concern on that.

Mr. STEARNS. The gentlelady's time has expired.

The gentleman from Texas, Dr. Burgess, is recognized for 5 minutes.

Mr. BURGESS. Thank you, Mr. Chairman.

Ms. Bennett, let me just ask you a question. And I appreciate these problems that we are talking about at the EPA are long-standing and long in degeneration. And your tenure there began when?

Ms. BENNETT. The end of 2009, so I am coming up on 2 years.

Mr. BURGESS. OK. My deepest sympathy.

But you were a CFO in the real world at one time, is that not correct?

Ms. BENNETT. Indeed, I was.

Mr. BURGESS. And I appreciate the problem that the representative from Florida just articulated. That is very difficult at home.

But on the other hand, as a CFO, I mean, you understand when you see the net position unexpended appropriations \$13.5 billion in an agency that has an \$8 billion-a-year budget, and that is one and a half times your annual budget, I mean, that becomes an attractive target, especially in a time when budget cuts are happening all over the place. So you see the problem there; with your CFO eyes, you see that problem, correct?

Ms. BENNETT. And that is why I put a real renewed focus on it this year. My staff will tell you that it is what I talk about an awful lot in terms of making sure that the funds are used effectively and efficiently and most expeditiously.

Mr. BURGESS. Well, and I would just second Mr. Terry's request that we get the details of that and the details of the next line, the earmarked funds, because I think that is going to be very important in helping us foster an understanding of just what is going on here.

Mr. Barton's request that the credit card statements be reviewed I think is rational. If someone is buying automobiles, we at least want to make sure they are buying hybrids, not mustangs, because we all know the EPA rating for a mustang on miles per gallon is pretty high.

You know, on the GAO report, and again, I am asking you to look at this with your CFO eyes, here I am looking at the management of EPA's workload, workforce and real property, and the paragraph begins, with respect to workload and workforce, EPA has struggled for years to identify its human resource needs and deploy the staff throughout the Agency in a manner that would do the most good. OK. Fair enough. You have only been there for 2 years. This is a problem that is longstanding.

But, I mean, this is the stuff that really gets you. EPA requested funding and staffing through incremental adjustments based largely on historical precedent. That means our budget was X last year for this, and it is going to be X-plus for this year. And instead of going back and evaluating what you really need to do the job to do the most good for the most people, you simply take what happened last time and add to it. Is that what is going on here? Is that what the GAO is referencing?

Ms. BENNETT. The approach that I take to the budget process is not on an incremental basis.

The direction that we give is to look at the programs and to use subject matter experts to determine the level of funding.

That said, I also recognize that the reports that GAO has come forward with, with the workload, and that it has been a long time in coming. I will tell you that when I asked about the reports and what they referenced, what I was trying to balance was a prior report on workload had indicated that we might need as many as 3,000 additional people. And I didn't feel that that was going to be an effective way—

Mr. BURGESS. No, it was not. I am going to interrupt you, only because of the interest of time. But the problem is the reports we have in front of us, the Inspector General's report, the GAO report, I mean, this same theme repeats itself over and over again. In the IG report, the comments about the information technology, that it has taken a long time and a lot of extra money to get that right, and no one even knows how many work stations and how many computers. You are a CFO.

I mean, that is pretty basic. I am just a simple country doctor, but that seems to me to be CFO 101 stuff. Is that a correct interpretation?

Ms. BENNETT. It is definitely something that a CFO, including myself, takes very seriously, and why I am working with both the Inspector General and the GAO to make sure that we are addressing those recommendations.

Mr. BURGESS. Well, in the last Congress, we heard from the Office of Water, and the IG's report at that time brought up that the Office of Water had more un- implemented recommendations by the IG's office than any other branch. And I looked at the result as of March 31, 2011, and it is the same thing, Office of Water stands out as having more unimplemented obligations.

Let me just ask you this, Lisa Jackson, Administrator Jackson, last summer convened a group of folks and said we got to get ready for the budget cuts; is that correct? I have a news report here somewhere that references that from I think July 19.

Ms. BENNETT. We need to get—we were preparing to go through the budget process.

Mr. BURGESS. Could you get us a list of the programs that were identified as most essential from that meeting? Did the meeting take place? I assume it did.

Ms. BENNETT. We had a discussion at the meeting.

Mr. BURGESS. Did you generate a list of the programs that were most essential or least essential?

Ms. BENNETT. We provided a lot of analysis during that time in terms of how we go about in making decisions in terms—you know, predecisional type of—

Mr. BURGESS. Would you be willing to share with this committee the results of that meeting?

Ms. BENNETT. Well, predecisional meetings—excuse me, predecisional materials are typically not provided.

Mr. BURGESS. But you had a meeting. And were there no action items then coming out of this meeting last July?

Ms. BENNETT. The action items that are in reference to the meeting in July and conversations since then were for the presentation of the 2013 budget, which is still not complete.

Mr. BURGESS. Well, I think this committee probably does have the ability to see the predecisional material, the right to see the predecisional material. And I would ask you when you go back to see if you cannot make that information available to the committee. Because just like you, we are faced with tough choices, too. The water quality things on the Texas-Mexico border, I mean, that is far away from my district, but I have visited the Colonias; I know the problem that they have. And if the problem was that you guys didn't study what you actually needed before you started pumping money in and now you feel that it is being wasted, that is a huge problem, and we need to get to the bottom of it.

So I thank you, Mr. Chairman, for your indulgence. I would ask that the predecisional materials be made available to the committee and committee staff. And I yield back the balance of my time.

[The information appears at the conclusion of the hearing.]

Mr. STEARNS. The gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

I thank our panel for being here today. And if you don't mind let me go over, I know what you all have to do on the executive branch budgeting, but we also have some responsibilities on our congressional budgeting process that I think needs to be concerned. In fact, I served many years in the legislature, and our Governor sent us a budget, but we immediately threw it in the trash can and drew our own, which is typically what Congress will do. If you like the President's budget, you talk about it. If you don't, you go ahead and draft your own.

The focus today is on the budgeting of the executive branch, but Congress plays a role. In fact, as Democrats on this subcommittee

and a bipartisan witness made clear at last week's hearing, the Constitution vests primary responsibility in Congress. In carrying out that constitutional duty and responding to requirements of the Budget Act, once a President submits its budget to Congress in February, we are supposed to hold hearings on it, authorizing committees are supposed to pass their views and estimates and send them to the budget committees. And then Budget Committees are supposed to produce a budget resolution. Once we have a budget resolution, the Appropriations Committee should begin work on appropriation bills; the authorizing committee begin work on reconciliation instructions contained in the budget resolution.

Before the fiscal year begins on October 1, 12 separate appropriations bills are supposed to be considered, debated and passed by both Houses of Congress and signed by the President. But that has not happened—I am trying to think of how many years it has been since we have had it happen. To the contrary, over the last year, Congress has funded the government through a series of continuing resolutions, most recently one that lasted only a few days. And I can't imagine that this approach to budgeting enhances the efficiency of our Federal Government.

Ms. Bennett, what impact do these short-term continuing resolutions have on your agency's ability to carry out its mission, whether it be contracting, grant writing, hiring, delay in projects or, particularly, cleaning up the environment?

Ms. BENNETT. Short-term CRs make it very difficult to implement programs, especially when they are multiple and very short in nature. It makes it very difficult to decide what to do because you are not sure how much money you are going to have. And I know certainly from my experience in the private sector, it would make it very difficult to operate a business.

Mr. GREEN. Well, it seems like, I mean, EPA is a smaller agency compared to GAO and even DOD. Twice in the last 6 months, our majority in the House has brought the government to a brink of a shutdown, once threatening a default on the Nation's loan obligations. What impact do these shutdown threats have on efficient and effective agency operations?

Ms. BENNETT. Well, certainly when the workforce is looking at a possible shutdown, we—you know, a lot of work is just put on hold to determine what we can do.

Mr. GREEN. If you will be there the next day, in some cases.

Ms. BENNETT. Exactly. And a very anxious workforce, as well as trying to determine what we are actually legally able to do in terms of a shutdown.

Mr. GREEN. In your agency, would your agency be better able to act efficiently and effectively if Congress fulfilled its statutory duties under the Budget Act and passed not only all of the appropriations but maybe just a few on time?

Ms. BENNETT. It would certainly—to have a budget that is approved on time would certainly be helpful.

Mr. GREEN. Well, and I know a lot of us came out of the business sector, and it is amazing how we couldn't run a small business where I was at not knowing what we may be able to do. Congress certainly has an oversight to play with respect to the federal budget, but it also has a constitutional duty to respond to the Presi-

dent's budget proposals in good faith and ensure that the budget emerges from Congress in a manner that promotes administrative efficiency and programmatic effectiveness. I think maybe Congress ought to be looking at our responsibility on doing that, whether it is this committee or any other committee, particularly Appropriations and Budget Committee.

And with that, Mr. Chairman, I will be glad to yield my time to our ranking member if she has any other questions.

No?

Mr. STEARNS. The gentleman yields back the balance of his time.

And the gentleman from Virginia, Mr. Griffith, is recognized for five minutes.

Mr. GRIFFITH. Thank you, Mr. Chairman.

I noted with some interest that you indicated, Ms. Bennett, that the \$13 billion in unexpended appropriations, I think your words were, may be more than 5 years in implementation; some of these commitments may have been made more than 5 years ago. And I am curious about that, because I guess what I am hearing is, and I need you to tell me if I am incorrect, is that sometimes to get complicated projects done and to do things in the right way and to make sure that you are doing them in the most efficient way possible, it takes more than 5 years to get some of these projects done. Would that be an accurate statement?

Ms. BENNETT. Well, I think that many projects can take more than a few years.

Mr. GRIFFITH. And so I guess what I am trying to figure out, and I know it is not really your role, so I will make it more of a rhetorical question is, why would the EPA oppose H.R. 2250, which would give businesses 5 years in order to comply with new regulations from the EPA? I leave that as a rhetorical question. But I do note with some interest that the EPA is not able to follow the rules that they oppose for businesses.

And I would then point out to you that I also have heard a lot of talk about wastewater and safe drinking water programs and so forth and that a lot of those may be in here. And I will tell you of an incident, because this may be part of the problem, that has been brought to my attention recently where without having the cooperation that we heard is not going on, various agencies of the State and Federal, including the EPA, came up with different rules, and some areas were trying to work on these very issues, safe drinking water and wastewater, and the big impediment to getting them done in a timely fashion and what ended up costing more money were not having the flexibility, like Mr. Terry pointed out, not the exact same situation, but not having flexibility from the EPA and others, and different people coming in and telling folks different things. And so they had the construction crews there ready to go, and then all of a sudden somebody comes in and says, wait a minute, you haven't done X. And not looking at practical solutions to the problem and just to note you have got to follow this strict rule, that project was then delayed and cost the community additional moneys. And it may very well be one of your 13 billion programs because they are trying hard to both bring safe drinking water and wastewater programs into my district, but also to com-

ply with the regulations put on them trying to get those projects completed by the EPA.

And so I would ask that you do work very hard to make sure that you get that cooperation going. Because when you don't have the cooperation, folks actually have let the contracts and have the bulldozers sitting there, that equipment costs money to have sitting there while they try then to comply with something new that was thrown at them at the last minute.

So I encourage you to encourage the EPA to do that. I also would have to ask, in regard to figuring out the staffing, and I guess I am going to switch to Mr. Elkins, would I be correct that when you are saying that you need to know what kind of staffing needs you have and that there hadn't been a study and you really need to have a study be akin to trying to run a McDonalds and not know when your peak periods were for that particular community and neighborhood and how many employees you needed to have and so then maybe you over staff all the time to make sure you can meet the peak demands? If you don't have the accurate information, how many people it takes to get lunch served in that particular community, isn't it true you are libel to have more employees than you need in order to meet the peak periods?

Mr. ELKINS. That would be a fair conclusion, yes.

Mr. GRIFFITH. And is that the same kind of situation, not that EPA is trying to meet the lunch crowd, but the similar type of thing that they may not have the right number of people in the right locations and they may actually be over staffing?

Mr. ELKINS. That is a fair conclusion, yes.

Mr. GRIFFITH. All right. Thank you very much.

And in regard to the rent, is it possible that EPA could look for cheaper accommodations? I have noticed they have some of the nicest buildings as I come into Washington every week. Is it possible they could move to cheaper accommodations?

Mr. ELKINS. Well, I would assume anything is possible.

Mr. GRIFFITH. All right. If I indicated to you that we have lots of empty space in the Ninth Congressional District of Virginia and that that is actually close to an area that EPA seems to be focused a lot of attention on, the coal mining region of the Central Appalachians, it would seem to make sense—and we might not want them close, but they might understand some of the issues better. If I told you the rent down there is a whole lot cheaper than Washington, they could save some money that way, couldn't they?

Mr. ELKINS. You know, that may be a little bit—

Mr. GRIFFITH. It would have to be studied I assume?

Mr. ELKINS. Yes.

Mr. GRIFFITH. In regard to the 37 labs, I heard something that I don't understand, and there was 37 labs, but it was like 115 buildings. Can you explain that to me, Mr. Trimble?

Mr. TRIMBLE. Yes, 37 labs, but they have 170 buildings or facilities. So some of those may not be full office buildings or lab facilities but smaller operations as well. So it is about 170 located in 30 cities, all operating under 15 different managers.

Mr. GRIFFITH. And I think the conclusion that you have made, and I think most people would make, is that there ought to be

some room for consolidation; you might not need 15, but you might need 7 or 8 managers—

Mr. TRIMBLE. Well, I think we are agnostic on whether you need consolidation as much as that it is you need the information to know whether you have the right number and in the right place and the right skill sets. And if you are doing workforce planning, you need to manage entire portfolios and integrated portfolios as opposed to sort of stovepiped.

Mr. GRIFFITH. All right. I appreciate that. And I see that my time is up, and I yield back my time.

Mr. STEARNS. The gentleman yields back his time.

Mr. Scalise is recognized for 5 minutes.

Mr. SCALISE. Thank you, Mr. Chairman.

I appreciate the panelists coming to talk about the budget. I know one of my colleagues on the other side was lamenting the failure to pass a budget, and I would share that concern. I know right, not 3 months after this Republican majority came into Congress, we passed a budget over to the Senate. It has been nearly 3 years since the Senate has passed a budget of any kind. They took up our budget, voted it down. They took up the President's budget and didn't even get one vote, not one vote in the United States Senate for the President's budget.

So hopefully our friends over in the Senate will finally start doing their job that we have already done over here. And if they don't like our budget, pass one of their own that they can pass. But it has been almost 3 years, so I would imagine you almost have some frustrations with that as well.

When we are talking about—you know, you have mentioned cuts. When I look at your budget, when President Obama took office, it was around \$7.5 billion. Is that correct? Is that a ballpark?

Ms. BENNETT. In 2009, it was \$7.6 billion.

Mr. SCALISE. And today, what is your budget?

Ms. BENNETT. In 2011, it was just under \$8.7 billion.

Mr. SCALISE. So your budget has actually gone up over \$1 billion. How is that a cut?

Ms. BENNETT. From 2009, it was not a cut.

Mr. SCALISE. So you had a \$7.5 billion budget 2 years ago. Every State, I know in my State, pretty much every State that I have been following, they are actually cutting the size of their budget.

You talk to families who are struggling in these tough times, most families have been cutting back over the last 2 years. And yet you have got over \$1 billion increase in your budget over the last 2 years, and you are complaining that you are cut somehow. I mean, maybe in Washington that is a cut. But when you look at your budget 2 years ago, you look at what States have dealt with, what families have dealt with, you have actually got more than \$1 billion increase over that time, and you are somehow calling that a cut that is hurting health.

Ms. BENNETT. Actually, in terms of the overall budget, from 2000 to 2009, there was no increase in EPA's budget from those 2 years—

Mr. SCALISE. Well, we are looking at the 2 and a half years going back to when President Obama took office.

Ms. BENNETT. And in 2010, there was a large increase in two particular areas in particular.

Mr. SCALISE. And I hope you would understand that we are living in the real world. And you know you talk to families; when we go back home and meet with our small business owners, they are cutting back. They want to reinvest in their business and create jobs. And frankly, EPA has been the main source of job losses when you talk to a lot of our small businesses. They say it is the things that you all are doing, some of these new regulations that are coming out, that are making it impossible for them to create jobs in the real world. And I hope you would understand that it is kind of hard for a lot of those businesses and families that are struggling, and they are cutting back. They want to create jobs, but they can't because of the some of the rules you are sending out. You actually had an increase of \$1 billion compared to 2 years ago, and you are trying to complain to us that you got a cut. And so I just want to put that on the record because clearly, you go from \$7.5 billion 2 years ago to over \$8.5 billion today; that is not a cut. I mean, are those numbers correct?

Ms. BENNETT. And the increase of the SRFs and to the Great Lakes are for the most part straight passthroughs to the States and to the communities.

Mr. SCALISE. And so again, like I said, a lot of people struggling out there. They would be more than happy to have that kind of increase, more than a 10 percent increase, over a 2-year period.

When we look at some of the things that are in this report, when you go to the properties, in your testimony, let's see right here, Ms. Bennett, your testimony on page 3, you said that you all have released approximately 375,000 square feet of facilities, resulting in cumulative annual rent avoidance of over \$12.5 million. By rent avoidance, you mean—

Ms. BENNETT. We are not incurring it.

Mr. SCALISE (continuing). You reduced the amount of space. But then when I look at the Inspector General's report, it says you are spending probably somewhere around \$300 million a year. In some cases, you have got buildings where you have one or two EPA employees for that whole building. Have you seen that in the Inspector General's report?

Ms. BENNETT. I have. We do have a number of facilities. We have not only a number of office facilities, we have, as Mr. Trimble has mentioned, we have a number of labs, and we have a number of warehouses. The field offices that have one or two people, I have recently directed that we have a review of all offices that have less than 10 people, in order to make sure that we continue to need them, and with the new technology that is available, that perhaps we have more—

Mr. SCALISE. OK. And you go on to say you plan to further reduce energy utilization. Maybe you can get some of those extra Solyndra solar panels to put on the roof and maybe we can get something to show for that \$535 million we might be on the hook for.

Going to the audited report, the EPA audited report, and I know I am running low on time, so I am just going to ask these quick questions and see if you can give me the details. On page 33, un-

paid obligations looks like \$13.8 billion. If you can get me a breakdown or get the committee a breakdown of what that really means, because we don't have anything beyond just one line that says unpaid obligations, \$13.8 billion. Undelivered orders, \$12.8 billion, if you can get the committee a breakdown of that. And finally, unexpired, on page 71, unexpired unobligated balance, \$4.4 billion, if you could get the committee details about what that really is, because it doesn't give it to us in this audit. Thank you.

And I yield back, Mr. Chairman.

Mr. GRIFFITH. [presiding.] Thank you.

And the gentleman from Colorado, Mr. Gardner, is recognized for 5 minutes.

Mr. GARDNER. Thank you, Mr. Chairman.

And thank you as well for the witnesses their time to join us today.

And so just to follow up on Mr. Scalise's questions, the EPA funding has increased then over the last 2 years.

Ms. BENNETT. Since 2009, it has increased.

Mr. GARDNER. It has increased. OK. Thank you for that. And you had mentioned earlier there is about 17,200 employees at the EPA, or at least that was in the request.

Ms. BENNETT. That we requested in 2012.

Mr. GARDNER. What percentage or what number of those are actually involved in writing regulations?

Ms. BENNETT. Off the top of my head, I am not sure, but I would be happy to get back to you on that.

[The information appears at the conclusion of the hearing.]

Mr. GARDNER. If you can get back to me and let us know how many of those are involved in writing regulations, I would appreciate it. And do you anticipate a budget being passed by the Senate this year, and if so, what would that number be?

Ms. BENNETT. I don't think I will answer that one.

Mr. GARDNER. Is that because you don't think they will pass one?

Ms. BENNETT. No, because I think that is not my decision.

Mr. GARDNER. And if you could ballpark the number of mandates that are coming out of the EPA on various drinking water regulations, on various municipal treatment, sewage treatment regulations, excuse me, regulations that are going out to local municipalities when it comes to drinking water treatment and sewer treatment, do you have an idea of the unfunded mandate, the level of unfunded mandates right now?

Ms. BENNETT. My responsibility as CFO is to ensure the financial integrity of the EPA's budget. And so—

Mr. GARDNER. You are not involved in those, OK.

Ms. BENNETT. I am not involved.

Mr. GARDNER. Then going back to that question, of this \$13.3 billion that has been discussed at length today, that is not in the budget justification submitted to Congress, is that correct?

Ms. BENNETT. No. And that is a figure that is a year old.

Mr. GARDNER. And so what would that figure be today?

Ms. BENNETT. We are still closing the books. I don't have the number for you.

Mr. GARDNER. But surely you know what has been spent out of that as the year goes. I mean, you keep a running tally of how much money you spend out of that.

Ms. BENNETT. I would have to get back to you on that. Off the top of my head, I don't know the figure. But we have looked at the unliquidated obligations, which is the same thing as the unexpended obligations, and have done and implemented a tool that allows for us to be able to review all of the unliquidated obligations and see what we might be able to de-obligate and either recertify or return back.

Mr. GARDNER. And that has been implemented now?

Ms. BENNETT. My office implemented it this year in 2011.

Mr. GARDNER. But you still don't not know how much of the \$13.3 billion is left?

Ms. BENNETT. Off the top of my head, I do not.

Mr. GARDNER. Even though that tool has been implemented?

Ms. BENNETT. I don't have the tool in front of me at this particular moment.

Mr. GARDNER. So it is still something that you don't know about \$13.3 billion where it is or how it is being spent or how much is being left?

Ms. BENNETT. I would have to get back to you on that.

Mr. GARDNER. Mr. Trimble, does EPA have access to that \$13.3 billion for other program use?

Mr. TRIMBLE. I have not—we have not looked at the balance sheet, so I really couldn't speak to that. I could probably come back to you with something—

Mr. GARDNER. Ms. Bennett, where is that \$13.3 billion today?

Ms. BENNETT. We have already agreed that we would get back to you on the information in regards to that particular amount.

But it reflects obligations that the Agency has made and for projects that are ongoing. And so we will be happy to get back with you on any more details.

Mr. GARDNER. And Mr. Elkins, do you know where that money—can they use that money, have access to that \$13.3 billion for other programs?

Mr. ELKINS. Let me defer to Melissa Heist on that question.

Ms. HEIST. It varies by appropriation. Some can be made available and some would have to be returned, so it depends.

Mr. GARDNER. And when you say returned, who is that returned to?

Ms. HEIST. Well, the money hasn't actually been drawn down from the Treasury and has been sitting in EPA, so it would be available to be reappropriated, I guess.

Ms. BENNETT. Only if they are not—

Ms. HEIST. Some of it.

Ms. BENNETT [continuing]. Valid obligations.

Ms. HEIST. Exactly.

Ms. BENNETT. So if they haven't been drawn down and they would be—let's say there is some left over on a particular project, then they would be returned. If there is still time left in terms of the amount of money, excuse me, on the amount of time that could be used, they could be recertified and redeployed; otherwise, they would be returned to the Treasury.

Mr. GARDNER. And so recertified and redeployed, by that are you talking about on a new program, re-obligated for what it was initially offered for?

Ms. BENNETT. Re-obligated.

Mr. GARDNER. And so there is no way then for EPA to use that for other purposes within EPA?

Ms. HEIST. Some of it could be reused at EPA.

Mr. GARDNER. For different purposes than what they had originally?

Ms. HEIST. Well, it would have to be used for the purpose of which it was appropriated. So if it was for water projects, it would have to be used for water projects.

Mr. GARDNER. But maybe on a different water project?

Ms. HEIST. Yes.

Mr. GARDNER. And you will get information back to us on where that money is and how it is used?

Ms. BENNETT. We have agreed to follow up with you on it.

Mr. GARDNER. And can you give us some kind of a guarantee that you will put that into the budget justifications so that we have that information before us so we don't have to have a congressional hearing to find out what is happening with this money?

Ms. BENNETT. I will be happy to get back to you on it.

Mr. GARDNER. Mr. Chairman, I yield back my time.

Mr. GRIFFITH. If we will pause for a second, I will have the real chairman resume his position. Thank you.

Mr. STEARNS [presiding]. I thank the gentleman from Virginia.

Ms. Bennett, my colleague, Dr. Burgess, requested the predecisional materials resulting from the July meeting called by Administrator Jackson. Can you please confirm for the record that the EPA will provide these materials to the committee?

Ms. BENNETT. It is not my decision as to the provision of predecisional meetings, but I will be happy to confer with OMB and inside the Agency. I certainly appreciate your interest in the issue and be happy to get back to you on it.

Mr. STEARNS. Mr. Trimble, does the EPA have access to funds that it does not report to Congress in its budget proposal?

Mr. TRIMBLE. Well, I think if this is in reference to monies that they have de-obligated and have recertified for other programs, yes. So, for example, if they have a grant or an interagency agreement that it has been closed and there are funds that have been left over, EPA, during the course of the year, can use those funds for other purposes within certain constraints.

Mr. STEARNS. How much money are we talking about? Has the amount of unexpended appropriations remained relatively constant?

Mr. TRIMBLE. I don't have a trend that I could give you. I know when we first started tracking this issue over 10 years ago, this was an area where the Agency was not doing a good job. They have done much better recently. I believe the last year I remember looking at this they had, the number they had repurposed was about \$160 million.

Mr. STEARNS. Considering the large amounts of unexpended appropriation raises a question: Why isn't the EPA spending the money provided by Congress?

Mr. TRIMBLE. Well, in the moneys that we are talking about that we have looked at as part of our review of the budget justification requests, typically the moneys we are talking about are for programs where they did spend some of the money just not all of the money, for example a grant or an interagency agreement or a contract. They have carried out some of the work, or the contract was terminated earlier; it didn't cost as much, so there is money left over, so the contract is closed. And what our past work had shown is that they had done—been doing a good job of monitoring that and sweeping those moneys up to be used for other purposes. So over the years, the GAO plus the IG has been pressing the EPA on this. They have improved their tracking. What we have recommended or suggested is that when they have repurposed this money, it be transparent to the Hill so that you can consider that in your budget deliberations.

Mr. STEARNS. If the EPA is not spending the money, even you mentioned that they might cancel a contract and they had leftover funds.

Mr. TRIMBLE. Well, it could be that the reason they have the leftover money was the contract was cancelled. So, for example, a project is terminated or it is finished early, so they thought it was going to cost \$10 million; it cost \$5 million. They complete the contract. You still have the money that was obligated, but they never spent it.

Mr. STEARNS. So what happens to that \$5 million?

Mr. TRIMBLE. Well, it sits, unless they flag it and then deobligate it and then put it to another purpose. And those were the issues that we have been flagging over the past 10 years.

Mr. STEARNS. Could they use that for next year's budget?

Mr. TRIMBLE. I think, depending, I defer to EPA on this, but I think you could, depending on some of your moneys, no, your money; some money may have a time limit on it.

Mr. STEARNS. Mr. Trimble, is it correct that GAO issued a report just this past July that identified challenges relating to EPA's management of its real property, namely property management identifying excess and underused property as an area where there may be budget savings for our Supercommittee?

Mr. TRIMBLE. I am not familiar with the work we have done for the supercommittee, but I believe that is—

Mr. STEARNS. I mean, just in general. You are stating there are areas where there is underused property, that we could save money, isn't that true?

Mr. TRIMBLE. Yes, I believe. And that is an area of high risk that we have identified for a long time for the Federal Government.

Mr. STEARNS. Isn't it also true that GAO found that the EPA did not have accurate and reliable information on the need of its facilities, property use, facility conditions and operating efficiencies?

Mr. TRIMBLE. Yes. Specifically that is in relation to its laboratory facilities.

Mr. STEARNS. Ms. Bennett, do you agree with what Mr. Trimble indicated that the GAO findings concerning the completeness and reliability of operating costs and other data needed to manage EPA properties are not there?

Ms. BENNETT. We certainly respect the findings of the GAO, and we are working toward addressing the issues and being able to improve on those issues.

Mr. STEARNS. Mr. Trimble, you referenced in your—let's see here, June 2010 Presidential memorandum that directed agencies to accelerate efforts to identify and eliminate excess properties to help achieve \$3 billion in cost savings by 2012, is that correct?

Mr. TRIMBLE. That is correct.

Mr. STEARNS. Did EPA eliminate any of its laboratories or major assets as a result of that directive?

Mr. TRIMBLE. No. EPA told OMB that they needed all their lab facilities.

Mr. STEARNS. Let me see if I understand this. EPA tells the White House it doesn't have excess property, but GAO's own work, and EPA concurs, shows the Agency doesn't have accurate or reliable information to make this determination. Is that an accurate statement, Mr. Trimble?

Mr. TRIMBLE. Well, I don't know about the EPA concurring. At the time, the key factors that they needed to factor into the decision concerned need, usage, efficiency, cost, those are all the things called for by OMB for the analysis, and our review found that EPA's data in those areas was either incomplete or the accuracy was questionable.

Mr. STEARNS. Ms. Bennett, so the question for you is, how can EPA justify its response to the White House that it doesn't have duplicative or excess property when it doesn't have the data to support even their determination?

Ms. BENNETT. Well, in terms of the labs, for 2012, we have included in our President's budget request some funds in order to make sure that we properly look at the use and the skills that are necessary for the labs to see where we might be able to have additional efficiencies and where we might be able to save costs.

Mr. STEARNS. You see what I am saying, though. I mean, EPA is making this decision, and yet it is clear you don't even have the reliable information to make this decision, yet you are telling them—

Ms. BENNETT. And we are working on getting better information to make the decisions that are necessary.

Mr. STEARNS. How long is that going to take you?

Ms. BENNETT. The lab study that we hope to be undertaking pending appropriation would be done in 2012.

Mr. STEARNS. OK. My time is expired.

Ms. DEGETTE. Mr. Trimble, I completely agree with the recommendation that for unexpended appropriations, which are actually going to go to a project and they are repurposed by the Agency, that needs to be transparent.

And I am assuming, Ms. Bennett, you would agree with that as well.

Ms. BENNETT. Indeed.

Ms. DEGETTE. And just so we can be clear for the record, Mr. Trimble, Ms. Bennett told us a little while ago that of this unexpended appropriation line, some of that is for projects that are coming down the pike. GAO doesn't object to any of that, right?

Mr. TRIMBLE. Yes. You know, I am not an accountant, so full disclosure here.

Ms. DEGETTE. Me neither.

Mr. TRIMBLE. The numbers that GAO has been talking about are not the unexpended appropriations on this balance sheet. I believe, my understanding, and limited as it is, is that the balance sheet numbers may include, there may be obligations behind those numbers so it is just a matter of a timing issue in the spending.

Ms. DEGETTE. Right. And the other thing is, for some of the appropriations, they might be appropriations that couldn't be redirected, depending on how broad or narrow they are, right?

Mr. TRIMBLE. Yes. And again, I would defer to—

Ms. DEGETTE. You know, if it is an—I will ask Ms. Bennett. If it is an appropriation for like water projects and you didn't need it for this one, but for that one, you could repurpose that, right?

Ms. BENNETT. If it was within the same appropriation.

Ms. DEGETTE. Right. But that is what we should know if you are doing that, right?

Ms. BENNETT. Exactly.

Ms. DEGETTE. Yes. And then you might have an appropriation, though, for something else. You might not have, you may not be able to repurpose that because of the nature of the appropriation. That would revert to the Treasury, right?

Ms. BENNETT. If we cannot recertify, if we cannot find another project of a suitable nature—

Ms. DEGETTE. Right.

Ms. BENNETT [continuing]. Then my understanding is it would go back to the Treasury.

Ms. DEGETTE. Right. And does that happen?

Ms. BENNETT. It does.

Ms. DEGETTE. OK. I think that is part of what the chairman is wanting to know, how much that happens. But just to be clear, this money that is on this balance sheet, or any other money that—it looks like a lot of money sitting there, \$13 billion or \$14 billion, but that is not actually just a whole bunch of cash just sitting around that could be used to offset against next year's EPA appropriation. Much of that money is obligated, correct?

Ms. BENNETT. That money is obligated, so the government has an obligation to meet its contracts.

Ms. DEGETTE. And when we just cut those funds of previously obligated money, what Congresswoman Castor was talking about, that is exactly the kind of thing that happens, is projects have to be eliminated, even sometimes projects that are underway, right?

Ms. BENNETT. Well, in her case, it was for projects that had not actually been obligated.

Ms. DEGETTE. Oh, OK.

Ms. BENNETT. So those were those particular funds. So a contract had not been entered into. A grant had not been entered into her case. However, it still affected real work and real jobs, according to what she said.

Ms. DEGETTE. They were counting on that money, even though it wasn't obligated, and then it got cut, right?

Ms. BENNETT. It was a very, very difficult decision.

Ms. DEGETTE. OK. Thank you. Thank you very much, Mr. Chairman. And I want to thank all of these witnesses for coming. I think it is a really useful review.

And as I mentioned in my—oh, well, as I mentioned in a side bar to you, Mr. Chairman, I think once the EPA completes this analysis of what they are going to do based on the IG's recommendations, that we should have a follow-up hearing, I think would be useful.

I yield back.

Mr. STEARNS. I thank the gentlelady.

Mr. Griffith from Virginia is recognized for 5 minutes.

Mr. GRIFFITH. Thank you, Mr. Chairman.

The EPA has various initiatives like the American Great Outdoors Initiative, Green Power Partnership, the AgStar Program and the Energy Star, just to name a few. I was wondering if you can tell me, do you know how many voluntary programs there are at the EPA?

Ms. BENNETT. I know we have quite a few voluntary programs. The exact number I would have to follow back up with you on that.

Mr. GRIFFITH. And do you have an idea how much the Agency spends on the voluntary programs versus statutorily required programs?

Ms. BENNETT. Most of the funds go to statutorily required programs, but I don't know the exact—

Mr. GRIFFITH. All right. If you could give me the answers to both of those questions later, that would be greatly appreciated. Can you do that for us?

Ms. BENNETT. I believe I can. I will certainly follow up with you on it.

[The information appears at the conclusion of the hearing.]

Mr. GRIFFITH. All right. And in its 2012 request, EPA proposed a \$36 million reduction from nonpoint source pollution grants. However, at the same time, it proposed increases in other programs with a focus on nonpoint pollution, the Mississippi River Basin Initiative, Chesapeake Bay Program, et cetera. After review, it appears the EPA may be proposing to just move money from one account to another. Are these cuts real cuts, or is the EPA simply shifting the money from one of its programs to another?

Ms. BENNETT. I think you are referring to what we call the categorical grants in the STAG account. And indeed, the nonpoint source did sustain that—we are proposing a \$36 million cut. We had—part of our budget process is consultation with the States, with ECOS, and with the tribes. And based on that consultation, although the 319 program is a very important one, we also recognized that there were other categorical grants that they had indicated might be more important to them, and so we were trying to accommodate those requests.

Mr. GRIFFITH. Now, as a part of that cooperation that we heard about today from other witnesses, is it possible, do you think that the—because it looks like the USDA is doing the same work on nonpoint source that you all are doing, is there some way you all can get together and perhaps reduce the cost of working on the problem? I am not saying you shouldn't work on the problem, but reduce the cost of working on the problem by not duplicating that

particular information, and have you all talked to the USDA about what they are doing so you can coordinate?

Ms. BENNETT. That was actually a factor in when we were making the decision in terms of how we would make trade-offs within those categorical grants working closely with USDA and seeing if we might be able to leverage our collective resources better.

Mr. TRIMBLE. Sir, if I may, just so you know, we have an ongoing review of the 319 program. And part of the scope of the review is to look at coordination with the USDA.

Mr. GRIFFITH. Let me ask you, in regards to this cooperation with the States, is that a real cooperation? Can any of you all answer that question for me? Because I just left the State legislature about a year ago, and it didn't feel much like cooperation when representatives of the EPA came down and told us what we were going to do and that we couldn't look for—again, as Mr. Terry said earlier and as I pointed out earlier, we couldn't look for more cost-effective ways to try to achieve the same purpose. We were going to have to follow one of two models that the EPA approved. Can anybody answer whether or not there is actual cooperation with the States? Or is it just being dictated to? Because that is the way I felt in Virginia.

Mr. TRIMBLE. Well, yes. I couldn't answer that, but broadly, I think in the 319 program, part of the review will look at its implementation and its structure throughout the State. So it may indirectly get at your question.

Ms. BENNETT. Mr. Griffith, strengthening the partnerships and the relationship with the States and the tribes is one of the administrator's seven priorities and one of our aspects in our strategic plan, one of the cross-cutting fundamental strategies that we have. So we are taking the relationship with the States very importantly.

I know I have had several conversations with the State leadership and ECOS, in particular, on these unliquidated obligations and how we can move the money faster. So I know as the CFO, I am trying to take it very seriously, and the Agency has set a very high priority.

Mr. GRIFFITH. I appreciate that very much. I appreciate you all's time today. It has been very helpful. I appreciate the chairman having this hearing because I am learning lots, and I am new and a lot of these things I haven't heard before, so I appreciate it.

And I yield back my time.

Mr. STEARNS. I thank the gentleman.

The gentleman from Texas, Dr. Burgess, is recognized for 5 minutes.

Mr. BURGESS. Thank you, Mr. Chairman.

I just have a couple follow-up questions on the Title 42 provisions. Now, Mr. Inspector General, have you studied the Title 42 provisions and the number of positions that the EPA is now employing under Title 42 guidelines?

Ms. HEIST. No, we have not looked at those.

Mr. BURGESS. Well, and you know Mr. Barton referenced that one of the unions was concerned. It is the National Treasury Employees Union. In fact, the data I have was supplied to them under a Freedom of Information Act request. It is not directly from the EPA, though it was the EPA's response to the Freedom of Informa-

tion Act request filed National Treasury Employees Union. Well, just for an example, on the—and Ms. Bennett, you may not be able to tell us. But the starting salary or the salary that would be required to hire someone with a title of “research microbiologist,” what would the typical salary range for that be?

Ms. BENNETT. I am not able to say that. I do know that in any Title 42 hiring, a very rigorous process is undergone to ensure that those individuals are pertinent for that kind of a salary. If it is over and above the regular GS or SES schedule—

Mr. BURGESS. Did you try? I mean, we are in a recession. Everyone talks about, nobody can find a job. Did you try to fill it with someone who might be able to accept the normal GS scale for that position? Was it necessary to go to a Title 42?

Ms. BENNETT. As you suggested, I am not familiar with each individual one. But typically, as I understand, the Title 42s are used when other, you know, other avenues have been exhausted, and they can't be hired.

Mr. BURGESS. Well, again, I am having difficulty believing in this environment, where all the time we hear when people cannot find jobs, people are looking and they can't find them, I find it hard to believe that the position couldn't even be filled with an American citizen. That is troubling.

Ms. BENNETT. I am not familiar—

Mr. BURGESS. Well, I will provide you with some of this information, and I would like some of your feedback on that because I have been trying to get information on this program for quite some time. I recognize that it is occasionally necessary to go out and get someone with particular expertise. But you know, since your tenure started, it has been what, seven people that you have hired under Title 42 provisions, essentially doubling the number—almost doubling the number of hires under that provision from previous years. So I, again, in the worst recession the country has ever known, I would just ask the question, can we not find anyone suitably qualified who doesn't require the additional payment under Title 42 provisions? And I will get you that information, and I would appreciate your attention to that.

One other thing has come up, are there dollars that the EPA is spending in grants that are delivered to concerns overseas?

Ms. BENNETT. There has been a longstanding practice in the Agency and in the administration and several administrations to provide grants to some foreign entities.

Mr. BURGESS. But in this budgetary environment, does it make sense that we provide millions of dollars in grants to the Chinese Government—I mean, they can certainly afford their own research—supporting projects related to coal mine methane utilization. I mean, it seems like that is something they would want to do on their own, and they have got the cash to do it, right?

Ms. BENNETT. I won't speak to what the Chinese can and can't do. However, I do know that in terms of a longstanding practice, that this is—that foreign entities have received grants—

Mr. BURGESS. How is that—

Ms. BENNETT. And as well as to help deliver and build capacity in order to have a more level playing field for U.S. products and services.

Mr. BURGESS. Still, though, it is a stretch to think that is helping our constituents directly. The EPA providing \$150,000 to the International Criminal Police Organization in Lyon, France, to promote and strengthen international environment enforcement through capacity building. We're supposed to be helping them enforce their cap-and-trade law? Is that what we are to be doing?

Ms. BENNETT. I am not familiar with the individual grants.

Mr. BURGESS. Well, how about the taxpayer benefit from the EPA's hundreds of thousands of dollars of funding Breathe Easy Jakarta, a partnership with the government of Jakarta to improve their quality management?

Ms. BENNETT. Again, I am not familiar with individual grants.

Mr. BURGESS. Sure and we will—

Ms. BENNETT [continuing]. A longstanding practice of many administrations.

Mr. BURGESS. Sure. And we will provide you the direct things that we are concerned about. We would like responses to these because, again, these are questions that we get.

[The information appears at the conclusion of the hearing.]

You know, I go home and have a town hall and 300 or 400 people show up and someone sees one of these stories. These are the questions they ask. How can we justify spending—wouldn't we be better to make that investment in our air quality here at home as opposed to Jakarta, Indonesia?

Ms. BENNETT. It has been a longstanding practice of all—many administrations to do this kind of funding. I understand—

Mr. BURGESS. Well you are the CFO and your recommendation to your administrator may be that it is time to concentrate—what moneys we can spend, it is time to concentrate them here at home and not Breathe Easy Jakarta.

Thank you, Mr. Chairman. I will yield back the balance of my time.

Mr. STEARNS. The gentleman yields back.

And I think we have completed our second round.

Before I close, I just want to make a comment.

Ms. Bennett, my understanding is that you have testified that with respect to the excess lab issue, the EPA is requesting more money in the President's budget to study issues concerning the EPA's labs; is that correct?

Ms. BENNETT. In terms of how we should approach the labs in terms of the usage and how we best structure them.

Mr. STEARNS. This is even though GAO has already performed an audit and issued recommendations to EPA already, isn't that correct?

Ms. BENNETT. That is correct.

Mr. STEARNS. So you are saying that the EPA needs to spend—needs to ask for more money in order to achieve savings from the GAO audit in which they specifically outline ways that you could save money, so you are saying this morning, you need more money to save money?

Ms. BENNETT. What we are trying to do is make sure that we keep in mind science that is being done in each one of those labs and that anywhere we might be able to consolidate, if that is an appropriate avenue, that we do so with the science in mind.

Mr. STEARNS. So, the GAO, though, has already issued recommendations, and they have been specific on how to save money, and they have done an audit. I would think lots of those you could implement, couldn't you implement any of them?

Ms. BENNETT. There are some recommendations that we can implement.

Mr. STEARNS. You would need more money under the President's budget to do that, that is what you said.

Ms. BENNETT. The money that we are asking for in the 2012 budget would be a study that is done by the—and reviewed by the National Academy of Science to make sure that the science that is done in those labs continues to be of the caliber and it is not impacted at all.

Mr. STEARNS. It seems to me that you could just run with the GAO's recommendation and do a lot of them and save money today, but you are not willing to commit to that. You just want to say you need more money to save money. So I am a little puzzled.

I ask unanimous consent that the committee's September 15, 2011, letter to EPA Administrator Jackson on line-by-line budget review as well as EPA's October 11, 2011, letter response be introduced into the record.

Without objection, the documents will be so entered.

[The information follows:]

FRED UPTON, MICHIGAN
CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED TWELFTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

September 15, 2011

The Honorable Lisa Jackson
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Administrator Jackson:

Pursuant to House Rules X and XI of the U.S. House of Representatives, we write today seeking documents and information concerning the participation of the Environmental Protection Agency (EPA) in the Administration's efforts to restore fiscal discipline to the federal government.

We note that on numerous occasions dating back to the 2008 presidential campaign, President Obama has cited the need to review the federal budget line-by-line for unnecessary spending.¹

Notably, in announcing his selection of Peter Orszag to serve as Director of the Office of Management and Budget (OMB) on November 25, 2008, then President-elect Obama vowed that "we must be willing to shed the spending we don't [need]. . . . That is why I will ask my team to think anew and act anew to meet our new challenges. We will go through our federal budget – page by page, line by line – eliminating those programs we don't need, and insisting that those we do operate in a sensible and cost-effective way."² More recently, the President reaffirmed this commitment in his February 14, 2011, message accompanying the budget for fiscal year 2012, where he writes that "we took many steps to re-establish fiscal responsibility. . . [including] going line by line

¹ <http://www.whitehouse.gov/issues/fiscal>

²

http://change.gov/newsroom/entry/president_elect_barack_obama_announces_office_of_management_and_budget_dir/

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through the budget looking for outdated, ineffective, or duplicative programs to cut or reform.”³

While we commend the President’s stated commitment to this critical effort, it is not apparent to us that this objective has been translated into practice. For example, while taking questions on March 10, 2009, concerning the President’s signing of an “imperfect omnibus bill” despite the possible inclusion of unnecessary or unwarranted spending items, White House Press Secretary Robert Gibbs conceded that “I have not and I think it’s reasonable to assume that the President has not gone through each and every item in the legislation.”⁴ This stands in contrast to the President’s previous and subsequent pledges to subject the federal budget to a painstaking review.

In order to better understand EPA’s involvement in the Administration’s effort to comb through the entire federal budget, and to support the crucial mission of the Joint Select Committee on Deficit Reduction, we request that you provide the following information by September 29, 2011:

1. Is EPA performing a line-by-line review of the federal budget?
 - a. How is that review being conducted?
 - b. Are there uniform standards for disclosing items in the EPA budget and if not, how would a line-by-line review reach spending that is not itemized or that is non-uniformly (i.e., too broadly) categorized?
2. All memoranda, directives, findings or other documents received by EPA from OMB pursuant to the President’s stated commitment to conduct a line-by-line review of the federal budget.
3. A list of all programs identified by EPA pursuant to the President’s April 2009 order to cabinet secretaries to identify a combined \$100 million in budget cuts.
4. All memoranda, findings or other documents generated by EPA staff in accordance with “The Accountable Government Initiative – an Update on Our Performance Management Agenda”⁵ of September 14, 2010, in which the President instructed agencies to identify their lowest-priority programs (equal to 5 percent of total spending) for consideration as terminations or reductions.

³ http://www.whitehouse.gov/sites/default/files/omb/assets/budget/03_Presidents_Message.pdf

⁴ <http://www.whitehouse.gov/the-press-office/briefing-white-house-press-secretary-robert-gibbs-31009>

⁵ <http://www.whitehouse.gov/the-press-office/2010/09/14/presidential-memorandum-accountable-government-initiative>

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5. A list of all other programs identified by EPA for possible termination, reduction or savings in fiscal years 2010-2012, in addition to those set out in Questions 3 and 4, above.

An attachment to this letter provides additional information about how to respond to the Committee's request.

If you have any questions regarding this request, please contact Sam Spector with the Committee staff at (202) 225-2927.

Sincerely,



Fred Upton
Chairman



Cliff Stearns
Chairman
Subcommittee on Oversight and

Investigations

Attachment

cc: The Honorable Henry A. Waxman, Ranking Member

The Honorable Diana DeGette, Ranking Member
Subcommittee on Oversight and Investigations

RESPONDING TO COMMITTEE DOCUMENT REQUESTS

In responding to the document request, please apply the instructions and definitions set forth below:

INSTRUCTIONS

1. In complying with this request, you should produce all responsive documents that are in your possession, custody, or control or otherwise available to you, regardless of whether the documents are possessed directly by you.
2. Documents responsive to the request should not be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee.
3. In the event that any entity, organization, or individual named in the request has been, or is currently, known by any other name, the request should be read also to include such other names under that alternative identification.
4. Each document should be produced in a form that may be copied by standard copying machines.
5. When you produce documents, you should identify the paragraph(s) and/or clause(s) in the Committee's request to which the document responds.
6. Documents produced pursuant to this request should be produced in the order in which they appear in your files and should not be rearranged. Any documents that are stapled, clipped, or otherwise fastened together should not be separated. Documents produced in response to this request should be produced together with copies of file labels, dividers, or identifying markers with which they were associated when this request was issued. Indicate the office or division and person from whose files each document was produced.
7. Each folder and box should be numbered, and a description of the contents of each folder and box, including the paragraph(s) and/or clause(s) of the request to which the documents are responsive, should be provided in an accompanying index.
8. Responsive documents must be produced regardless of whether any other person or entity possesses non-identical or identical copies of the same document.
9. The Committee requests electronic documents in addition to paper productions. If any of the requested information is available in machine-readable or electronic form (such as on a computer server, hard drive, CD, DVD, back up tape, or removable computer media such as thumb drives, flash drives, memory cards, and external hard drives), you should immediately consult with Committee staff to determine the appropriate format in which to produce the information. Documents produced in electronic format should be organized, identified, and indexed electronically in a manner comparable to the organizational structure called for in (6) and (7) above.

10. If any document responsive to this request was, but no longer is, in your possession, custody, or control, or has been placed into the possession, custody, or control of any third party and cannot be provided in response to this request, you should identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control, or was placed in the possession, custody, or control of a third party.
11. If any document responsive to this request was, but no longer is, in your possession, custody or control, state:
 - a. how the document was disposed of;
 - b. the name, current address, and telephone number of the person who currently has possession, custody or control over the document;
 - c. the date of disposition;
 - d. the name, current address, and telephone number of each person who authorized said disposition or who had or has knowledge of said disposition.
12. If any document responsive to this request cannot be located, describe with particularity the efforts made to locate the document and the specific reason for its disappearance, destruction or unavailability.
13. If a date or other descriptive detail set forth in this request referring to a document, communication, meeting, or other event is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all documents which would be responsive as if the date or other descriptive detail were correct.
14. The request is continuing in nature and applies to any newly discovered document, regardless of the date of its creation. Any document not produced because it has not been located or discovered by the return date should be produced immediately upon location or discovery subsequent thereto.
15. All documents should be bates-stamped sequentially and produced sequentially. In a cover letter to accompany your response, you should include a total page count for the entire production, including both hard copy and electronic documents.
16. Two sets of the documents should be delivered to the Committee, one set to the majority staff in Room 316 of the Ford House Office Building and one set to the minority staff in Room 564 of the Ford House Office Building. You should consult with Committee majority staff regarding the method of delivery prior to sending any materials.
17. In the event that a responsive document is withheld on any basis, including a claim of privilege, you should provide the following information concerning any such document: (a) the reason the document is not being produced; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; (e) the relationship of the author and addressee to each

other; and (f) any other description necessary to identify the document and to explain the basis for not producing the document. If a claimed privilege applies to only a portion of any document, that portion only should be withheld and the remainder of the document should be produced. As used herein, "claim of privilege" includes, but is not limited to, any claim that a document either may or must be withheld from production pursuant to any statute, rule, or regulation.

18. If the request cannot be complied with in full, it should be complied with to the extent possible, which should include an explanation of why full compliance is not possible.

19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; (2) documents responsive to the request have not been destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee since the date of receiving the Committee's request or in anticipation of receiving the Committee's request, and (3) all documents identified during the search that are responsive have been produced to the Committee, identified in a privilege log provided to the Committee, as described in (17) above, or identified as provided in (10), (11) or (12) above.

DEFINITIONS

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra-office communications, electronic mail ("e-mail"), instant messages, calendars, contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, power point presentations, spreadsheets, and work sheets. The term "document" includes all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments to the foregoing, as well as any attachments or appendices thereto. The term "document" also means any graphic or oral records or representations of any kind (including, without limitation, photographs, charts, graphs, voice mails, microfiche, microfilm, videotapes, recordings, and motion pictures), electronic and mechanical records or representations of any kind (including, without limitation, tapes, cassettes, disks, computer server files, computer hard drive files, CDs, DVDs, back up tape, memory sticks, recordings, and removable computer media such as thumb drives, flash drives, memory cards, and external hard drives), and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, electronic format, disk, videotape or otherwise. A document bearing any notation not part of the original text is considered to be a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

2. The term "documents in your possession, custody or control" means (a) documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, or representatives acting on your behalf; (b) documents that you have a legal right to obtain, that you have a right to copy, or to which you have access; and (c) documents that have been placed in the possession, custody, or control of any third party.

3. The term "communication" means each manner or means of disclosure, transmission, or exchange of information, in the form of facts, ideas, opinions, inquiries, or otherwise, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, e-mail, instant message, discussion, release, personal delivery, or otherwise.

4. The terms "and" and "or" should be construed broadly and either conjunctively or disjunctively as necessary to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes the plural number, and vice versa. The masculine includes the feminine and neuter genders.

5. The terms "person" or "persons" mean natural persons, firms, partnerships, associations, limited liability corporations and companies, limited liability partnerships, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, other legal, business or government entities, or any other organization or group of persons, and all subsidiaries, affiliates, divisions, departments, branches, and other units thereof.

6. The terms "referring" or "relating," with respect to any given subject, mean anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is in any manner whatsoever pertinent to that subject.

7. The terms "you" or "your" mean and refers to

For government recipients:

"You" or "your" means and refers to you as a natural person and the United States and any of its agencies, offices, subdivisions, entities, officials, administrators, employees, attorneys, agents, advisors, consultants, staff, or any other persons acting on your behalf or under your control or direction; and includes any other person(s) defined in the document request letter.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OCT 11 2011

OFFICE OF THE
CHIEF FINANCIAL OFFICER

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of September 15, 2011, to Administrator Lisa P. Jackson, requesting documents and information concerning the Environmental Protection Agency's activities in support of the Administration's efforts to restore fiscal discipline to the federal government. As the EPA's Chief Financial Officer, I am pleased to respond on behalf of the Agency.

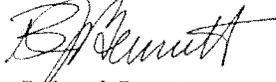
As you mentioned in your letter, President Obama has stated his intent that his Administration would review the "federal budget page by page, line by line – eliminating those programs we don't need, and insisting that those we do operate in a sensible and cost-effective way." While we have always worked diligently with regard to our budget formulation process at EPA, the President's directive has given us an opportunity to look even more closely at our budget process to ensure that we are achieving maximum efficiencies.

For over a decade as our responsibilities have increased and fixed costs have grown, the EPA's budget has remained largely flat with the notable exceptions of increases to the State Revolving Funds and programs funded by the American Recovery and Reinvestment Act of 2009 (ARRA). This reality has resulted in yearly efforts by the Agency to rigorously review our budget to find resources to fund emerging priorities as well as meet the increases in fixed costs.

The EPA has redoubled its efforts in this sphere in response to the guidance received from President Obama and the Office of Management and Budget under this Administration. In addition, under Administrator Jackson's leadership, the EPA revised its FY 2011-2015 Strategic Plan to sharpen the focus on its most significant priorities, outcomes, and strategies to advance the Administrator's priorities and Agency mission goals. This is the basis for formulating the EPA's budgets for FY 2012, 2013, and beyond.

Thank you, again, for your interest in this important subject. If you have further questions or concerns, please contact me or have your staff contact Steven Kinberg in the EPA's Office of Congressional and Intergovernmental Relations at (202) 564-5037.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Bennett", written in a cursive style.

Barbara J. Bennett
Chief Financial Officer

Enclosures

cc: The Honorable Diana DeGette
Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce

Responses to Requests for Information

1. Is EPA performing a line-by-line review of the federal budget?
 - a. How is that review being conducted?
 - b. Are there uniform standards for disclosing items in the EPA budget and if not, how would a line-by-line review reach spending that is not itemized or that is non-uniformly (i.e., too broadly) categorized?

The EPA's process for formulating its annual budgets engages senior leadership from across the Agency to determine the most effective and efficient way to fulfill our mission and fund our highest priority work within the guidelines provided by the Office of Management and Budget. We do this by working with all the National Program Offices to reorder our priorities, make cuts to or eliminate existing programs, and find efficiencies both administrative and programmatic. These reductions are articulated in the President's Budget submissions for the EPA.

With respect to use of a uniform level of detail, the work of the agency is reviewed at the appropriation, program/project and, where established, the sub-program/project levels. This structure, developed in concert with OMB and Congress to describe in detail how our resources are allocated and what results are anticipated, is how we present our budget to Congress in our annual plan and budget submissions. Within this framework, the Agency considers the progress made toward its annual and long-term goals and priorities as articulated in our strategic plans and emerging needs such as understanding hydraulic fracturing or supporting the Gulf Coast restoration. Meeting existing commitments and planning for future needs require us to redirect resources to higher priorities as we reduce overall budget levels.

Analyzing our work at the program/project and sub-program/project level of detail has enabled the EPA to make the hard choices required in these challenging fiscal times while staying true to the mission of protecting human health and safeguarding the environment. The list of program eliminations and significant program reductions published in the *Terminations, Reductions, and Savings* volume accompanying the FY 2010, FY 2011 and FY 2012 Federal Budgets is included as an attachment to this letter. In making these reductions we have carefully considered guidance from the Administration and Congress by looking first to less effective, potentially duplicative or overlapping, or unneeded programs for reductions or eliminations. We also considered programs or activities where recent funding increases would sustain hard won progress at reduced funding levels. However, our budgets also reflect tough, balanced cuts to worthy programs. Strict prioritization has been necessary in light of current fiscal challenges.

2. **All memoranda, directives, findings or other documents received by EPA from OMB pursuant to the President's stated commitment to conduct a line-by-line review of the federal budget.**

On the enclosed CD, the EPA is providing the relevant guidance documents received from OMB. If you would like further information regarding such guidance, the EPA will work with your staff as appropriate to accommodate this interest.

3. A list of all programs identified by EPA pursuant to the President's April 2009 order to cabinet secretaries to identify a combined \$100 million in budget cuts.

The government-wide results of this effort are discussed in a July 27, 2009 Memorandum to the President from Peter Orszag and Christopher Lu. Through this process OMB identified 77 proposals – encompassing proposals from the EPA and 14 other agencies – amounting to \$243 million in savings through 2010, and \$265 million over 10 years. We have continued to look for and implement ideas for savings or efficiencies each year. Since FY 2010 we have implemented cost-saving efforts in the areas of: energy and material conservation; managing publication and printing costs; increasing use of green conferencing, webinars and other technology to reduce travel to meetings and conferences; and space reduction. The President's Budgets for FY 2010, FY 2011, and FY 2012 reflect savings. If you would like further information on this matter, the EPA will work with your staff as appropriate to accommodate your interests.

4. All memoranda, findings or other documents generated by EPA staff in accordance with "The Accountable Government Initiative – an Update on Our Performance Management Agenda" of September 14, 2010, in which the President instructed agencies to identify their lowest-priority programs (equal to 5 percent of total spending) for consideration as terminations or reductions.

As part of the budget formulation process, the EPA evaluates priorities annually and makes adjustments to funding levels as needed. The results of our identification of lowest priority programs for reductions or terminations related to this guidance from OMB are reflected in the *Terminations, Reductions, and Savings* volume accompanying the FY 2012 Federal Budget. A total of \$174 million in reductions and \$10 million in terminations are identified for FY 2012 in this volume and the FY 2012 Congressional Justification for the EPA.

5. A list of other programs identified by EPA for possible termination, reduction or savings in fiscal years 2010-2012, in addition to those set out in Questions 3 and 4, above.

As noted above, the results of the EPA's identification of programs for possible termination, reduction, or savings for the relevant fiscal years are discussed in the *Terminations, Reductions, and Savings* volumes accompanying the Federal Budgets for FY 2010, FY 2011, and FY 2012, the relevant pages of which are provided in the enclosed CD. Beyond the specific initiatives discussed in the responses above, the EPA has embraced the need to find efficiencies both administrative and programmatic and looks deliberatively at how we can do our work differently to achieve the same or better results. For example, we have reduced our square footage by over 375,000 square feet between FY 2006 and 2011 yielding annual rent savings of \$12.5 million. By enhancing our use of video and teleconferencing capabilities, we have reduced our travel resources in our FY 2012 request by over \$9 million from the FY 2010 levels while still supporting critical face to face meetings. We have paid special attention to administrative costs and through reforming and restructuring contracts we realized a 3.5 percent or \$49.5 million savings through acquisition efficiencies and achieved a 10 percent reduction in obligations to

high risk contracts in FY 2011. These savings have allowed the EPA to meet the tight budgets enacted by Congress. If you would like further information regarding such guidance, the EPA will work with your staff as appropriate to accommodate this interest.

Mr. STEARNS. And also to put into the record the Environmental Protection Agency's consolidated balance sheet that we have talked about all morning.

By unanimous consent, so ordered.

[The information follows:]



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements

Report No. 11-1-0015

November 15, 2010

Abbreviations

CFC	Cincinnati Finance Center
EPA	U.S. Environmental Protection Agency
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
GAO	U.S. Government Accountability Office
IFMS	Integrated Financial Management System
OIG	Office of Inspector General
OMB	Office of Management and Budget
RSSI	Required Supplementary Stewardship Information
SSC	Superfund State Contract
USAID	U.S. Agency for International Development
WCF	Working Capital Fund

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**Inspector General's Report on EPA's Fiscal 2010
and 2009 Consolidated Financial Statements**

The Administrator
U.S. Environmental Protection Agency

We have audited the consolidated balance sheet of the U.S. Environmental Protection Agency (EPA) as of September 30, 2010 and 2009, and the related consolidated statements of net cost, net cost by goal, changes in net position, and custodial activity; and the combined statement of budgetary resources for the years then ended. These financial statements are the responsibility of EPA's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with generally accepted government auditing standards; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements, as Amended September 23, 2009*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements include expenses of grantees, contractors, and other federal agencies. Our audit work pertaining to these expenses included testing only within EPA. Audits of grants, contracts, and interagency agreements performed at a later date may disclose questioned costs of an amount undeterminable at this time. The U.S. Treasury collects and accounts for excise taxes that are deposited into the Superfund and Leaking Underground Storage Tank Trust Funds. The U.S. Treasury is also responsible for investing amounts not needed for current disbursements and transferring funds to EPA as authorized in legislation. Since the U.S. Treasury, and not EPA, is responsible for these activities, our audit work did not cover these activities.

The Office of Inspector General (OIG) is not independent with respect to amounts pertaining to OIG operations that are presented in the financial statements. The amounts included for the OIG are not material to EPA's financial statements. The OIG is organizationally independent with respect to all other aspects of the Agency's activities.

In our opinion, the consolidated financial statements present fairly, including the accompanying notes, in all material respects, the consolidated assets, liabilities, net position, net cost, net cost by goal, changes in net position, custodial activity, and combined budgetary resources of EPA as of and for the years ended September 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

**EPA's Fiscal 2010 and 2009
Consolidated Financial Statements**

**SECTION II
FINANCIAL SECTION**

Principal Financial Statements

Financial Statements

1. Consolidated Balance Sheet
2. Consolidated Statement of Net Cost
3. Consolidated Statement of Net Cost by Goal
4. Consolidating Statement of Changes in Net Position
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2. Stewardship Land
3. Supplemental Statement of Budgetary Resources

Required Supplementary Stewardship Information (Unaudited)**Supplemental Information and Other Reporting Requirements (Unaudited)**

- Superfund Financial Statements and Related Notes

**Environmental Protection Agency
Consolidated Balance Sheets
As of September 30, 2010 and 2009
(Dollars in Thousands)**

	FY 2010	FY 2009
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 14,603,024	\$ 15,557,917
Investments (Note 4)	7,243,613	6,879,948
Accounts Receivable, Net (Note 5)	45,698	39,362
Other (Note 6)	223,296	214,831
Total Intragovernmental	\$ 22,115,631	\$ 22,692,058
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	417,535	817,844
Loans Receivable, Net - Non-Federal (Note 7)	5,254	11,645
Property, Plant & Equipment, Net (Note 9)	915,121	852,488
Other (Note 6)	2,834	2,228
Total Assets	\$ 23,456,385	\$ 24,376,273
Stewardship PP& E (Note 11)		
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities (Note 8)	51,325	76,054
Debt Due to Treasury (Note 10)	4,844	9,983
Custodial Liability (Note 12)	52,751	71,200
Other (Note 13)	132,286	140,645
Total Intragovernmental	\$ 241,206	\$ 297,882
Accounts Payable & Accrued Liabilities (Note 8)	1,031,448	865,764
Pensions & Other Actuarial Liabilities (Note 15)	44,938	44,122
Environmental Cleanup Costs (Note 23)	20,154	19,494
Cashout Advances, Superfund (Note 16)	636,673	572,412
Commitments & Contingencies (Note 18)	4,373	4,573
Payroll & Benefits Payable (Note 34)	264,975	250,617
Other (Note 13)	99,996	115,918
Total Liabilities	\$ 2,343,763	\$ 2,170,782
NET POSITION		
Unexpended Appropriations - Other Funds (Note 17)	13,342,784	14,536,347
Cumulative Results of Operations - Earmarked Funds (Note 19)	7,152,382	7,086,476
Cumulative Results of Operations - Other Funds	617,456	582,668
Total Net Position	21,112,622	22,205,491
Total Liabilities and Net Position	\$ 23,456,385	\$ 24,376,273

The accompanying notes are an integral part of these financial statements.

**Environmental Protection Agency
Consolidated Statements of Net Cost
For the Periods Ending September 30, 2010 and 2009
(Dollars in Thousands)**

	FY 2010	FY 2009
COSTS		
Gross Costs (Note 21)	\$ 12,406,265	\$ 8,920,963
Less:		
Earned Revenue (Notes 20, 21)	693,484	773,612
NET COST OF OPERATIONS (Note 21)	\$ 11,712,781	\$ 8,147,351

The accompanying notes are an integral part of these financial statements.

Mr. STEARNS. I want to thank the witnesses for coming, for staying, and their testimony and for the members staying for the second round.

The committee rules provide that members have 10 days to submit additional questions for the record to the witnesses.

And with that, the subcommittee is adjourned.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

FEB 29 2012

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and
Investigations
Committee on Energy and Commerce
U. S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity to respond to questions for the record that followed an October 12, 2011 hearing entitled "Cutting EPA Spending." I hope the information contained in these responses will be helpful to you and the members of the Committee.

If you have any further questions, please contact me at (202) 564-5200 or your staff may contact Ms. Christina J. Moody at (202) 564-0260.

Sincerely,

A handwritten signature in blue ink, appearing to read "Arvin R. Ganesan".

Arvin R. Ganesan
Associate Administrator

cc: The Honorable Diana DeGette, Ranking Member
Subcommittee on Oversight and Investigations

Subcommittee on Oversight and Investigations

Questions for the Record from a Hearing Entitled

“Cutting EPA Spending”, held October 12, 2011

February 27, 2012

The Honorable Cliff Stearns:

1: What questions were submitted by EPA in 2009, 2010, and 2011 submissions for OMB’s annual Terminations, Reductions, & Savings book outlining proposed savings in the federal budget?

a: What submitted programs were not adopted for publication or incorporation by the President in the annual TRS Report?

Answer:

- The requested information is considered to be deliberative.
- It is long-standing policy that agencies are not to divulge deliberative materials outside the executive branch.
- The results of our deliberations are in the EPA’s budget submission.
- EPA’s budget submission provides great detail regarding all the choices we’ve made during our budget formulations process.

2: In the OMB’s Terminations Reductions and Savings book, the Administration proposed to reduce the State Revolving Fund by \$947 million. However, as the FY 2012 Budget was delivered to Congress had the Agency spent all the money provided in the Recovery Act for the SRF?

a. What, currently, are the unexpended appropriations in the SRF?

Answer:

EPA obligated all Recovery Act SRF capitalization grants program funds by February 17th, 2010 and worked intensively with all the state and other recipients to ensure that all SRF projects were put under contract by that date (as required by ARRA). As of Sept 30, 2011, recipients have expended \$5.3 billion of the \$5.96 billion obligated (89%), leaving less than \$660 million to complete work on ongoing projects.

b. Was the SRF designed to expedite large sums of emergency appropriations as quickly as the Office of Management and Budget wanted the Recovery money spent?

Answer:

All 102 State SRF programs were successful in applying for, receiving, and awarding their ARRA capitalization grant funds to projects under construction or under contract for construction within the one year provided by the ARRA appropriation. This required an extraordinary effort mainly because the ARRA appropriation introduced a number of requirements new to the programs (e.g.; mandatory additional subsidization; buy American; "Green" projects; application of Davis-Bacon wage rates).

The SRFs operate on a project cost reimbursement basis. Once construction costs are incurred, the SRF recipient can submit an invoice to the State SRF, at which time the State can submit an electronic request to draw federal funds from the U.S. Treasury. The approximately 10% of the ARRA appropriation currently "unexpended" consists almost exclusively of funds committed to projects that are under construction and still incurring costs. The SRFs finance, for the most part, complex water construction projects that are carried out over multiple years. States can only draw funds from the U.S. Treasury when construction costs have been incurred and invoiced.

Through the SRF programs, each state and Puerto Rico maintain revolving loan funds to provide independent low-cost financing for a wide range of water quality infrastructure projects. There are 51 CWSRF and 51 DWSRF programs. Funds to establish or capitalize SRF programs are provided through federal government grants and state matching funds (equal to 20 percent of federal government grants). State match requirements were waived under ARRA. Each federal dollar yields approximately \$2.30 in funds being spent on water infrastructure projects across the CW and DWSRFs.

SRF monies are loaned to communities and loan repayments are recycled back into the program to fund additional projects. The revolving nature of these programs provides for an ongoing funding source for drinking water and clean water infrastructure projects.

3: In the Terminations, Reductions and Savings book, the EPA proposed to reduce funding for Homeland Security. Would this proposal diminish the Agency's baseline response capacity? If not, explain why not.

Answer:

EPA's Homeland Security Emergency Preparedness and Response program implements a broad range of activities for a variety of internal and multi-agency efforts that are needed to implement Department of Homeland Security's National Response Framework (NRF). As mandated in Homeland Security Presidential Directives (HSPDs), the Agency leads or supports many aspects of preparing for and responding to nationally significant incidents which may contain chemical, biological, and radiological (CBR) agents. The Department of Defense, Department of Health and Human Services, and other agencies rely upon EPA to continuously build and maintain a unique and critical environmental response capability for CBR agents and

expect the Agency to: 1) maintain a national environmental laboratory network; 2) provide technical expertise on decontamination methods; and 3) strengthen the Agency's response capabilities through training, exercises, and specialized field equipment.

Existing Agency preparedness will be maintained. There would be no significant impacts to existing efforts resulting from the decreased funding. EPA has completed the development of modeling methodologies and the installation of five full-scale contamination warning system demonstration pilots in public water systems. EPA also coordinated with other agencies responsible for Homeland Security efforts, providing training and support for environmental forensic response to potential terrorist threats. However, planned training and equipment upgrades could be delayed or modified.

4: In the Terminations, Reductions, and Savings publication, the Administration proposed to eliminate the Diesel Emissions Reduction Program. The Recovery Act included appropriations of \$300 million for this program, which was \$100 million above the authorized level. Had all of that money – combined with regular appropriations, previously approved by congress – been expended when FY 2012 budget was delivered to Congress earlier this year?

Answer:

No, all the funds appropriated for DERA had not yet been expended. As of February 1, 2011, \$181.4 million of the \$300 million appropriated for DERA under the Recovery Act had been expended.

5: In the Terminations, Reductions and Savings publication, the EPA proposed to cut \$125 million from the Great Lakes Initiative.

a: What is the unexpended obligation balance for this program?

Answer:

Approximately 93% of FY 2010 funding was obligated within FY 2010, with the remainder obligated in FY 2011. Approximately 98% of the FY 2011 funding was obligated by the end of the fiscal year. Through the end of FY 2011, total Great Lakes Restoration Initiative unexpended obligations (which include obligations for multi-year projects with durations up to five years) were \$287.8 million for FY 2010 funding and \$266.6 million for FY 2011 funding. We anticipate that additional unexpended obligations for both years will be drawn down during the next few months, when invoices are processed for work completed during the 2011 field work season on projects funded through both the FY 2011 and FY 2010 funding cycles.

b: Have expenditures generally been slower than anticipated since the inception of the Great Lakes Program?

Answer:

Expenditures have generally been at the pace planned for and expected by the 11 department-level agencies that implement the Great Lakes Restoration Initiative. Projects necessary for Great Lakes restoration can take several years to complete and funds cannot be drawn until the work is done. According to Interagency Task Force-approved projections, 44% of FY 2010 funds were to be expended by the end of FY 2011. Actual expenditures were slightly lower, at 39.4%.

c: Is the budget cut proposal for the Great Lakes Initiative a consequence of too much money moving too slowly?

Answer:

No. Decreased funding allows EPA and partner agencies to address the most important Great Lakes priorities in difficult economic times; however, there will be impacts to each of the GLRI Focus Areas. Funding will be targeted to optimize support for on-the-ground and in-the-water actions, such as restoring beneficial uses in Areas of Concern (AOCs); implementing Great Lakes Legacy Act projects; implementing nearshore work and habitat restoration to support AOC delistings; and developing ballast water treatment and other efforts to prevent invasive species from entering the Great Lakes.

6: In the Terminations, Reductions and Savings publication the Agency proposed a reduction to non-point source pollution grants but in its budget submission proposed a new funding for the Mississippi River Basin program, increased funding for the Chesapeake Bay Program that would emphasize non-point source pollution. Is the agency simply shifting funds from one program to another?

Answer:

No, the Agency is not simply shifting funds. Although EPA is maintaining its strong commitment to an effective national Nonpoint Source Program, we had to make the difficult decision to reduce the Section 319 funding due to budget constraints. Investments in the Mississippi River Basin and Chesapeake Bay Programs reflect the Administrator's priorities, the need to refocus limited resources, and offer an opportunity to target nonpoint source pollution control efforts to specific watersheds and to focus on specific issues, in particular -- excessive nutrient loadings.

7: The Agency proposed to terminate targeted air shed and water infrastructure grants.

- a. Were these congressional earmarks?
- b. Has the Agency ever included congressional earmarks from previous appropriations laws in their annual budget request?

Answer:

a: Yes. The Special Appropriations Act Projects are earmarks. The targeted air sheds funding for FY 2010 consisted of \$10M for CA areas as well as \$10M to be competed among the worst air quality areas. In FY 2010, Congress also appropriated \$156.8 million in water infrastructure earmarks. This was funding added by the Congress and not requested by EPA.

b: No. The Agency has never included previous year's Special Appropriations Act Projects earmarks in annual budget requests.

8: The Office of Water is charged, under Title IV of the Public Health Security and Bioterrorism Preparedness and Response Act, to investigate methods and means to protect drinking water delivery systems from contamination as part of a future terror incident.

a: How much EPA funding in the Water Security Office is being dedicated to climate change research and programs?

Answer:

The water security budget at EPA is spent in a manner fully consistent with the Nation's strategy for protecting critical infrastructure. This strategy began with an almost exclusive focus on terrorism, but has since evolved into an all-hazards approach addressing both human-induced events and natural disasters. This all-hazards approach includes the challenge of preparing water systems to address current and potential changes in meteorological and hydrological conditions that may result in less predictability and more variability in water quality and quantity than has traditionally been accounted for in water system planning efforts. As such, it is difficult to disentangle the "climate change" work of EPA's water security funding from its all-hazards planning. Nonetheless, if EPA tries to isolate the work based exclusively on enabling water systems to address the challenge of changing meteorological and hydrological conditions in their long-range planning, then approximately \$460K of FY 2011 funds were allocated for this aspect of all-hazards preparedness.

b: What percentage of the overall water security budget is this?

Answer:

This amount represents approximately 3% of the overall water security budget.

9: Generally, what is the average cost to the Office of Solid Waste and Emergency Response (OSWER) to operate a program for a particular waste stream under Subtitle C of the Solid Waste Disposal Act?

Answer:

Hazardous waste is regulated under Subtitle C of the Solid Waste Disposal Act through a program comprising the regulatory requirements governing the proper management of

hazardous waste. EPA authorizes states to administer their own hazardous waste programs in lieu of the federal program within the state. The comprehensive hazardous waste program operated by authorized states is generally applicable to all hazardous wastes (as opposed to particular waste streams). EPA provides support to states in the form of grant money (State and Tribal Assistance Grants, or STAG) for the purpose of implementing this program.

EPA does not allocate funds to states on a waste stream by waste stream basis and thus cannot provide an average cost for the regulation of a particular waste stream. For FY 2011, the STAG grants totaled \$103 million, distributed among the authorized states, for the purpose of operating their respective authorized hazardous waste programs. States use this funding to implement a comprehensive waste management program, including issuing permits to waste management facilities, overseeing corrective action, conducting inspections and implementing enforcement actions.

a. What do you anticipate the outlay in Federal funding will be for EPA's various regulatory proposals for coal ash?

Answer:

EPA has not issued a final rule regarding coal combustion residuals (CCRs). If EPA promulgates a rule under Subtitle C for CCRs, the Hazardous Waste Financial Assistance STAG funding identified above would be a source of Federal funds available to states to operate Subtitle C programs for all hazardous waste streams. If EPA promulgates a rule under Subtitle D, following current funding practice, no Federal funding would be provided to states to operate their programs.

10: One of EPA's high priority reforms was a program to establish an electronic reporting system for manifest required under Subtitle C Solid Waste Disposal Act.

a: Has EPA pulled its support for funding this program? Why?

Answer:

The establishment of an electronic hazardous waste manifest system remains an Administration priority. The Fiscal Year 2012 President's Budget requested \$2 million to begin the development of an electronic hazardous waste manifest system. The Administration also submitted to Congress a legislative proposal to collect user fees to support the development and operation of this system in May 2011.

b: If there is a user fee to pay for this program, how much do you anticipate it will cost the Federal government to operate this system?

Answer:

The Administration's Legislative Proposal would authorize the collection of fees under the Resource Conservation and Recovery Act (RCRA) to support an electronic hazardous waste manifest system. As the legislative proposal indicates, once authorized, the EPA will determine a fee structure that is necessary to recover the full cost of providing system related services. At this time, we estimate that it may cost approximately \$3.6 million per year to operate the system once it is implemented. The agency will revise cost estimates based on legislative requirements.

c: What is the cost savings you envision from the use of this system?

Answer:

EPA estimates that an electronic manifest system that is widely adopted by the regulated industry could reduce costs by at least \$76 to \$124 million annually compared to the use of the current paper manifest system. The agency will revise cost estimates based on legislative requirements.

11: Recently, the Subcommittee on Environment and the Economy held a hearing on the Integrated Risk Information System (IRIS) in EPA's Office of Research and Development. Yet, we learned that EPA's program offices are hiring and developing their own internal scientific staffs to produce work that may rival what IRIS is supposed to be doing to inform regulatory efforts.

- a. Why does EPA think it is important to fund both the scientist at ORD's IRIS program and the individual program offices to do the same task?
- b. If they have different tasks, please explain how they are different?
- c. If you think there is duplication of efforts, which positions should be cut to save taxpayers money – those in IRIS or those in the program offices?

Answer:

a: Program offices and IRIS staff perform fundamentally different work. The IRIS Program is responsible for developing hazard assessments and adding the toxicity values to the IRIS database. IRIS assessments provide hazard and dose response information related to the potential non-cancer and cancer human health effects resulting from chronic or long-term exposures to chemicals. The IRIS Program does not generally consider exposure. Thus, IRIS assessments are not full risk assessments. It is important to fund scientists in the IRIS program and individual program offices because EPA program offices are not necessarily required to use IRIS values and may, in some cases, use other assessment values or may use modified IRIS values based on other considerations.

For example, the EPA Office of Pesticide Programs (OPP) is the statutory lead in EPA for evaluating and developing pesticide risk assessments to support regulatory decisions on pesticide registrations. Thus, the vast majority of pesticide active ingredients are not evaluated under the IRIS program. IRIS does evaluate some banned pesticides when they are of significant interest to EPA programs as pollutants (e.g., when present in hazardous waste sites). The IRIS Program evaluates some industrial chemicals that also have pesticidal uses if these chemicals are nominated for the IRIS agenda and are of interest to EPA's programs and regions. Similarly, OPP coordinates with and uses IRIS information in its evaluation of certain pesticides, which are also industrial chemicals (e.g., pesticide inert ingredients and certain antimicrobial pesticides).

b: As a single example, OPP, within EPA's Office of Chemical Safety and Pollution Prevention (OCSPP), is a licensing program regulated under a number of environmental laws. Pesticide data requirements and risk assessments are based on the intended uses of the products and resulting exposure scenarios. Because of changing use patterns and data requirements, the pesticide program receives new data for active ingredients and updates risk assessments accordingly on an on-going basis. In the context of pesticide risk assessment, there can be potentially a dozen different exposure scenarios that must be assessed by route (oral, dermal, inhalation) and duration (acute, short term, intermediate term, chronic). The evaluations of these scenarios require a close interaction among chemists, exposure scientists and toxicologists. Additionally, the laws governing pesticide regulation require both the assessment of human health and ecological risks.

IRIS assessments are assessments of human hazard; they do not address ecological risks or hazards. The IRIS Program addresses chemical health assessment needs for multiple EPA programs and regions, whereas OPP addresses the assessment needs just of their program. The Pesticide Registration Improvement Renewal Act (PRIA 2) stipulates timeframes for regulatory decision-making. In order to ensure that use of a pesticide continues to meet the statutory standard, OPP must continually revisit assessments as new uses of the pesticide are proposed and new data is submitted. Finally, the need for developing risk assessments for new pesticides and revisiting previous assessments is immediate and primarily driven by a specific regulated community. In contrast to the IRIS program that addresses a large number of non-pesticidal chemicals for use broadly across EPA for a variety of different purposes.

c: As explained, there is not duplication.

12: GAO has also called on EPA to improve coordination with its federal and state partners to reduce administrative burdens, redundant activities, and inefficient use of resources. What action has EPA taken to address GAO-identified inadequacies in federal-state or interagency collaboration?

a: With regard to Chesapeake Bay restoration efforts?

Answer:

Response: The Chesapeake Bay Program's Executive Council is comprised of the governors of Maryland, Pennsylvania and Virginia; the administrator of the U.S. Environmental Protection Agency; the mayor of the District of Columbia; and the chair of the Chesapeake Bay Commission and assures effective coordination at the senior level. The Executive Council and the Federal Leadership Committee for the Chesapeake Bay, a group of senior representatives from EPA and the departments of Agriculture, Commerce, Defense, Homeland Security, Interior and Transportation, adopted in July 2011 a path forward for integrating the goals, outcomes, and actions of the Chesapeake Bay Program (CBP) (as established by the *Chesapeake 2000 Agreement*) with the goals, outcomes and actions described in the *Strategy for Protecting and Restoring the Chesapeake Bay Watershed* (pursuant to Executive Order 13508). Goal Implementation teams, comprised of representatives from federal, state and local levels, also help ensure effective coordination of Chesapeake Bay restoration efforts.

The Executive Council agreed on July 11, 2011 to use a four stage process as the path forward. The first step in that process is to use the CBP's Goal Implementation Teams to establish priorities and areas of programmatic and geographic focus for each major goal area (i.e., fisheries, habitats, water quality, healthy watersheds, and stewardship). This work will serve as the foundation for the remaining steps and any future Agreement by the program partners. The Chesapeake Bay Program has also adopted a decision making framework using a new web-based tool, ChesapeakeStat. ChesapeakeStat provides a systematic process within the Partnership of analyzing information and data to continually assess progress towards goals and adapt strategies and tactics when needed. The website promotes improved accountability, fosters coordination and efficiency, and promotes transparency by sharing performance information on goals, indicators, strategies, and funding. As a supporting tool ChesapeakeStat will be the means for: 1) expressing goals/priorities/areas of focus; 2) assessing gaps/overlaps of partner programs; 3) developing mutually beneficial management strategies; 4) developing monitoring programs to assess performance; and 5) initiating adaptive management measures.

b: With regard to the need for better coordination of funding for drinking water and wastewater projects in the US-Mexico Border region?

Answer:

EPA routinely coordinates with our Federal, State and local funding partners to facilitate the delivery of often first time drinking water and wastewater services to small communities, while minimizing the administrative burden on them. EPA also coordinates routinely with the Border Environment Cooperation Commission and the North American Development Bank to ensure sound planning, design and construction of these critical infrastructure projects. Coordination occurs at all stages of project selection and implementation, as follows:

- EPA uses a risk-based prioritization process (working with other Federal, State, and local partners) to fund projects that will have the greatest public health and environmental benefits.

- Once projects are selected for funding, EPA convenes and attends regular meetings with its Federal, State and local funding partners to ensure that our project implementation efforts are complementary and coordinated to meet community needs.
- The USDA actively participates in EPA project development activities and deliverables to ensure that they are compatible with the USDA's construction funding requirements.
- Program engineering reports, environmental information documents, and project designs are developed to meet USDA, EPA and State requirements.

EPA further notes that the 2009 GAO report did not, in fact, conclude that there were duplicative efforts across the federal government to meet water needs in the U.S.-Mexican border region. Rather, GAO suggested the establishment of a new interagency mechanism or process to conduct a comprehensive needs assessment to improve the effectiveness of the federal agencies active in the border area.

The Honorable John Sullivan

I want to thank you for your efforts in EPA's recent decision to continue EPA technical assistance for small communities for fiscal year 2011. I understand that this very rural-favorable decision was preempted by the EPA attorneys' interpretation of the authorization provisions within the appropriations bill. This has resulted in the recent termination of all EPA technical assistance, compliance training, and source water protection in all states. This was the primary EPA compliance help for small and rural communities trying to comply with all the EPA rules. Recently the Congressional Research Service attorneys have indicated the EPA does have authorization to fund technical assistance in FY 2011.

- a. Is EPA reconsidering this issue, with additional CRS interpretation?

Answer:

EPA is not currently reconsidering the interpretation of the authorization provisions regarding funding technical assistance for small communities. The Agency was not aware of, and has not yet been able to locate, the Congressional Research Service (CRS) analysis that you reference. Once we have an opportunity to review it, we will certainly consider CRS' views.

- b. What are EPA's plans to continuing technical assistance to small communities?

Answer:

EPA continues to fund technical assistance, compliance training, and source water protection activities for small communities. Currently, all communities, including rural and small ones, may receive direct technical assistance and training from primacy agencies to help systems

comply with current and future drinking water rules through two Agency funding sources: the EPA's Public Water System Supervision (PWSS) and Drinking Water State Revolving Fund (DWSRF) programs. PWSS grants help eligible states, territories, and tribes develop and implement a PWSS program adequate to enforce the requirements of the SDWA and ensure that water systems comply with the National Primary Drinking Water Regulations. This funding enables primacy agencies to provide direct technical and compliance assistance to all communities, including small and rural ones, and helps them ensure safe drinking water.

In addition, the DWSRF provides states with the flexibility to take a variety of "set-asides" from their federal capitalization grant to fund technical assistance, state programs, and special assistance to water systems. These optional "set-asides" total up to 31% of a state's capitalization grant. States use set-aside funds to provide technical assistance and training to help small systems build the capabilities they need to comply with current and future drinking water rules. Funds are also used to help water systems apply for infrastructure funding under the DWSRF. EPA continues to encourage states to carefully consider how to balance utilization of the available "set-asides" as they administer their state DWSRF program and small system technical assistance needs.

In addition to these programs, EPA actively encourages and supports utilization of small system compliance and sustainability tools to strengthen and target financial support to small systems. The Agency works with states, technical assistance providers, and other federal agencies, including the Department of Agriculture's Rural Utilities Service, to provide training and tools to strengthen capacity development, enhance access to information, promote the use of new technologies, and encourage the appropriate use of financial assistance and subsidies.

On a voluntary basis, EPA also provides assistance to small and rural communities on how to use smart growth and sustainable community approaches to improve environmental, economic, and community health outcomes. Over the past year, EPA has worked with Cambridge, MD; Spencer, NC; Reedsburg, WI; and Essex, CT through the Office of Sustainable Communities' (OSC) Building Blocks Program. In coming years, EPA expects to continue to provide this type of assistance to a greater number of small and rural communities through this and other OSC programs.

Commitments Made During the Hearing As a Result of Additional Requests

During the hearing, noting that EPA's balance sheet reflects \$13.3 billion in unexpended appropriations, Chairman Stearns and Mr. Terry and Ranking Member DeGette requested that a detailed accounting of EPA's unexpended appropriations be supplied to the Committee. The Committee subsequently sent a letter that addresses this request.

REQUEST:

Mr. Terry requested that EPA provide the Committee with a list of earmarks possessing unspent and unliquidated funds.

RESPONSE:

In October, 2011, EPA converted to a new financial system. The reporting capabilities for the new system are still under development. We are working on getting this system as soon as possible and as soon as we can we will provide this information to you.

REQUEST:

Mr. Terry requested that EPA provide the Committee a full itemization of proposed terminations and reductions to the EPA budget that have resulted in actual terminations or reductions over the last two fiscal years.

RESPONSE:

See the table below.

EPA Inclusions in the OMB Terminations, Reductions and Savings Volume

(Dollars in Millions)

Program	Budget Request FY	Amount		
		Base FY 2009	Request FY 2010	Enacted FY 2010
FY 2010 Terminations, Reductions, and Savings		EN	PB	EN
California Diesel Emissions Reduction Grants	FY 2010	\$15	\$0	\$0
Homeland Security Grant	FY 2010	\$5	\$0	\$0
Local Government Climate Change Grant	FY 2010	\$10	\$0	\$10
Water Infrastructure Earmarks	FY 2010	\$145	\$0	\$157
Targeted Funding for Alaska Native Villages Infrastructure	FY 2010	\$19	\$10	\$13
	FY 2010 Total	\$194	\$10	\$180
FY 2011 Terminations, Reductions, and Savings		FY 2010	FY 2011	FY 2011
		EN	PB	EN
Local Government Climate Change Grants	FY 2011	\$10	\$0	\$0
Targeted Airshed Grants	FY 2011	\$20	\$0	\$0
Targeted Water Infrastructure Grants	FY 2011	\$157	\$0	\$0
EPA Homeland Security Activities	FY 2011	\$155	\$120	\$108

Great Lakes Restoration Initiative	FY 2011	\$475	\$300	\$299
	FY 2011 Total	\$817	\$420	\$407
		FY 2010	FY 2012	FY 2012
		EN*	PB	EN
FY 2012 Terminations, Reductions, and Savings				
Diesel Emissions Reduction Grant Program	FY 2012	\$60	\$0	\$30
Local Government Climate Change Grants	FY 2012	\$10	\$0	\$0
Targeted Airshed Grants	FY 2012	\$20	\$0	\$0
Targeted Water Infrastructure Grants	FY 2012	\$157	\$0	\$0
Clean Water and Drinking Water State Revolving Funds	FY 2012	\$3,487	\$2,540	\$2,384
EPA Homeland Security Activities	FY 2012	\$154	\$104	\$101
Great Lakes Restoration Initiative	FY 2012	\$475	\$350	\$300
Nonpoint Source Grants	FY 2012	\$201	\$165	\$164
	FY 2012 Total	\$4,564	\$3,159	\$2,979
	Grand Total	\$5,575	\$3,589	\$3,566

**The FY 2012 President's Budget used the FY 2010 Enacted budget as the baseline because no FY 2011 budget had been passed.*

REQUEST:

Dr. Burgess requested that EPA provide the Committee with a list of programs identified in a July 19, 2011 meeting convened by Administrator Lisa Jackson as possible targets for elimination or reduction within the agency, including any related pre-decisional materials.

RESPONSE:

The list of programs identified in a July 19, 2011 meeting convened by Administrator Lisa Jackson as possible targets for elimination or reduction within the Agency were materials used during deliberations regarding EPA's FY 2013 budget request. These deliberations resulted in EPA's FY 2013 budget request, which was transmitted to OMB in September of 2011.

Consistent with long-standing OMB guidance reflected in OMB Circular A-11, section 22.2¹ "The Executive Branch communications that led to the President's budgetary decisions will not be disclosed either by the agencies or by those who have prepared the budget." Accordingly, EPA is unable to provide the list of programs identified in the July 19, 2011 meeting as that information is pre-decisional and deliberative and, consistent with long-standing guidance, is not to be disclosed outside the Executive Branch.

The results of the deliberations referenced in the question are reflected in the President's budget submission for FY 2013. Consistent with OMB Circular A-11, EPA is happy to discuss the President's budget submission, including the components of the Budget and the proposals contained therein.

REQUEST:

Mr. Gardner asked that EPA provide the Committee with the number of EPA employees who are involved in writing regulations.

¹ http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s22.pdf

RESPONSE:

Many EPA employees are involved in some capacity in writing regulations. EPA has a regulatory development process, which it follows when developing regulations. These procedures include a collaborative process, in which many EPA employees from a variety of offices participate. Participation may include, for example, involvement as a workgroup member, work on supporting analyses, or drafting or review of the regulatory or preamble text. While EPA does track the development of each rule, EPA does not have information reflecting the exact number of employees who spend a portion of their time involved in writing rules.

REQUEST:

Mr. Griffith requested that EPA provide the Committee with the number of voluntary programs that EPA administers, as well as the amount of money EPA spends annually on its voluntary programs relative to its statutorily required programs.

RESPONSE:

EPA currently administers 63 programs where participation is not statutorily-required. Total resources were \$381M in FY 2011, and \$320M in the FY 2012 President's Budget. This represents approximately 4.4% of the FY 2011 budget, and 3.6% of the FY 2012 President's Budget. The funding is primarily for larger programs such as the Energy Star Program, Diesel Emission Reduction Grants, and the Brownfields Program.

REQUEST:

Dr. Burgess requested that EPA provide an explanation of the measurable benefits to the American taxpayer of the millions of dollars in grants that EPA has cumulatively awarded to (1) coal mine methane projects in China, (2) the International Criminal Police Organization (Interpol) in Lyon, France, and (3) "Breathe Easy, Jakarta", a partnership between EPA and the government of Jakarta, Indonesia to improve air quality management.

RESPONSE:

It has been the EPA's long-standing practice -- under administrations of both parties -- to award grants to support environmental programs in foreign countries (international grants) that further the interests of public health protection globally. These grants include awards to foreign countries, non-profit institutions, multilateral organizations, and educational institutions to perform work in foreign countries. This modest investment creates opportunities otherwise unavailable and leverages efforts and results that benefit our domestic firms, universities, and other organizations.

(1) Coal Mine Methane Utilization Projects in China (awarded July 2009)**Grant - China Coal Information Institute: \$180,000**

Under this grant, the China Coal Information Institute (CCII) will conduct an analysis of coal mine methane (CMM) utilization technologies used in Chinese coal mines, examine the efficiencies of these technologies, and assess their carbon dioxide reduction benefits. The goals of the project are to improve CMM recovery and utilization technologies that are currently being used in China. Methane is a powerful greenhouse gas that contributes to global climate change, and coal mines constitute a substantial source of China's emissions. This project will raise the visibility of CMM recovery and utilization technologies adopted in China and provide recommendations for improvement. Through this funding, the China Coal Information Institute identified, analyzed, and prepared information on six potential project sites in China at underground coal mines where methane could be recovered and used. The information about these potential project sites was prepared for and displayed at the 2010 Methane to Markets Partnership Expo event held in New Delhi, India, in March 2010. The total combined potential annual emissions reductions of these six projects, if implemented, is 4.31 million metric tons of carbon dioxide equivalent (MMTCO₂e).

The China project is one of a series of projects undertaken under the Global Methane Initiative (GMI). The U.S. Government launched the GMI (originally, the Methane-to-Markets Partnership) in 2004, and has actively led and financially supported the Partnership's activities. The GMI is a multilateral partnership that provides a voluntary, non-binding framework for international cooperation to reduce methane emissions and advance the recovery and use of methane as a valuable clean energy source. The U.S. private sector has been actively engaged in GMI and benefits from the international collaboration as well as GMI activities and project opportunities.

Some of the GMI's accomplishments include the following:

- **Leveraged investment of over \$387 million, or approximately six times the federal investment.** To date, the United States has been the principal funder of the GMI, investing about \$28 million from the State Department, over \$25 million from the EPA, and several million dollars in funding from other U.S. government agencies since 2004. In total, U.S. Government support has leveraged more than \$387 million in additional investment in methane-reducing projects around the globe from the private sector and development banks.
- **Business opportunities and jobs for the U.S. private sector.** The U.S. private sector has been a key player in the success of many of these projects and benefits from the international collaboration. For example:
 - Caterpillar sold sixty 2-megawatt electricity generator units for the Sihe mine project in China, estimated to be valued at over \$100 million.

- MEGTEC, a U.S. based company, has sold several of its thermal oxidizers to coal mines in China based on GMI support and assessments, each valued at several million U.S. dollars.
- Several U.S. oil and gas technology providers have sold products and services as a result of GMI work in China, India, and Mexico. For example, the EPA provided technical guidance on purchasing equipment and analytical tools to Chinese oil and gas companies. As a result, China National Petroleum Corporation's (CNPC's) Research Institute for Safety and Environmental Technologies (RISE) purchased leak detection and measurement equipment from US companies, at an estimated value of over \$100,000.
- **Reducing GHG emissions.** GMI-supported projects have achieved reductions in methane emissions on the order of over 42 million metric tons carbon dioxide equivalent (CO₂e) annually. Over 31 million metric tons CO₂e of these reductions are directly due to U.S. government efforts. The EPA estimates that by 2020, methane reductions of more than 1,500 million metric tons CO₂e can be achieved at low cost; this is equal to the annual greenhouse gas emissions from over 260 million cars.

(2) International Criminal Police Organization (Interpol) in Lyon, France

Grant: INTERPOL - International Criminal Police Organization: \$225,000

EPA's Office of Criminal Enforcement, Forensics, and Training (OCEFT) has provided \$225,000 to INTERPOL's Environmental Crime Program over the last two years. An initial award of \$150,000 was made on August 24, 2010 and an additional award of \$75,000 was subsequently made on December 20, 2011. These funds are being used to promote and strengthen international environmental crimes enforcement through capacity building, information sharing, operational support, and facilitating communication among law enforcement officers across national boundaries.

INTERPOL, as the world's largest international police organization with 190 member countries, facilitates cross-border police cooperation; it supports and assists national police whose mission is to prevent or combat international crime. The focus for the INTERPOL Environmental Crime Program includes hazardous waste dumping, which poisons groundwater upon which people depend, illegal discharges of pollutants into the oceans from which we draw food, and smuggling of illegal ozone-depleting refrigerants, which deplete the ozone layer protecting us from excessive ultra-violet radiation and, ultimately, higher rates of skin cancer.

Using grant funds, INTERPOL has taken a number of steps to enhance its international environmental crime fighting capability using the grant. Among them: enabling the public to better provide tips and information about potential crimes; communicating sensitive information to law enforcement agencies worldwide (e.g., EPA's criminal enforcement office has coordinated closely with INTERPOL on an electronic waste case which the U.S. Department of Justice is currently prosecuting), and providing EPA and other national environmental agencies with data to assess trends in environmental crime networks.

Grant funds have also been used to significantly improve INTERPOL's data processing, resulting in significant growth in intelligence available for cross-referencing across the 190 INTERPOL member countries. Funding has also helped initiate the Pollution Crime Forensics project, which aims to provide joint forensics expertise available for environmental law enforcers around the world.

(3) "Breathe Easy, Jakarta" - The EPA's Investment in "Breathe Easy, Jakarta"

EPA's assistance to the Government of Indonesia through the "Breathe Easy, Jakarta" project will result in environmental and health outcomes that will have long-term benefits to the economies of both the U.S. and Indonesia. The benefits to the U.S. would include an expansion of economic opportunities for U.S. business, universities, and other entities in environmental capacity and technology; promotion of cleaner fuel and vehicle technologies such as those developed and produced by the U.S.; promotion of air quality data and standards leading to harmonization of standards and regulatory requirements for U.S. business; and increased opportunity for the USG to advance low carbon strategies and policies to reduce growing air pollution coming from Asian megacities that affect U.S. public health and environment.

The Request for Proposals (RFP) closed on April 15, 2011. Four applications were received and all were deemed eligible based on the eligibility criteria listed in the RFP. A review panel of EPA staff selected the highest-scoring applicant and recommended that it submit a formal application. In September 2011, an additional \$175,000 was added to the original \$250,000 for a total commitment of \$425,000 towards the project. The award will be final following approval of the application by the EPA award official.

REQUEST:

Mr. Barton requested that EPA provide the number of employees that have EPA credit cards, the credit limit on those cards, and the amount spent in the most recent fiscal year.

RESPONSE:

Individual Bank Cards

FY 2011 Bank Card Holders (\$5k - \$35k monthly purchase limit)	15,956
Total Amount Spent	\$40,043,484

EPA provides Individual Bank Cards (IBCs) to Agency travelers so that they may charge official Government travel and transportation expenses and obtain travel advances. Basic travel card holders receive a \$5,000 spending limit per month. Any increase to spending limits must be justified, such as for employees travelling internationally or for senior executives who travel more frequently. In order to provide additional internal controls over the use of IBCs, cards have automatic restrictions limiting their use to travel related items. IBC accounts are

monitored on a monthly basis for compliance with Agency policy and for transactions that do not correspond to a valid travel order.

Purchase Cards

FY 2011 Purchase Card Holders (≤\$3k limit per purchase)	1,733
FY 2011 Purchase Card Holders (>\$3k limit per purchase)	76
Total Purchase Card Holders	1,809
Total Amount Spent	\$37,337,408

The aggregate amount spent on purchases during Fiscal year 2011 was \$37,337,408. This figure represents 83,733 transactions for the period 10/01/10 – 09/30/11. The purchase card, which was designed primarily for micro purchases, is also used as a purchasing/payment tool to expedite purchases, streamline payments, reduce administrative costs and leverage rebates which ultimately increase savings for dollar volume.

EPA currently has in place a number of effective acquisition-related internal control and oversight programs, including OMB A-123 Reviews, EPA's Purchase Card Reviews, Acquisition Quality Assurance Program Reviews, and EPA Biennial Purchase Card Reviews. Additionally, the card bank, JP Morgan Chase and Visa (through Intellilink) both provide reporting tools that assists the agency in capturing data and monitoring transactions on a daily basis to avoid misuse of the card.

REQUEST:

Mr. Barton also requested that EPA provide the number of enforcement actions that EPA has initiated in the last several years and the percentage of those enforcement actions that have resulted in fines being collected or criminal sentences being applied.

RESPONSE:

EPA enforcement actions are divided between civil enforcement activities and criminal enforcement activities.

Civil Enforcement: The table below contains the total number of civil enforcement initiations and conclusions by year for the period FY 2007 through FY 2011. The data in the table come from EPA's Integrated Compliance Information System. Please note that the initiations and conclusions in any year are not necessarily related, since an action that is initiated in one year may not be concluded for one or more years. The following information is contained within the table below for civil enforcement actions:

- The number of civil enforcement initiations.
- The number of conclusions, which include Administrative Compliance Orders (ACOs), Final Administrative Penalty Orders (FAPOs), and civil judicial conclusions.
- The percentage of civil enforcement conclusions in which penalties were assessed. As ACOs usually do not have penalties associated with them, the approximate percentage of conclusions in which penalties were assessed is based on the number of FAPOs and civil judicial conclusions (92% for FY11, for example).

FY07-11 Civil Enforcement Initiations/Conclusions					
	FY07	FY08	FY09	FY10	FY11
Initiations ¹	3,762	3,726	3,779	3,436	3,283
Conclusions	3,683	3,666	3,705	3,332	3,241
Administrative Compliance Orders (ACOs)	1,247	1,390	1,588	1,302	1,324
Final Administrative Penalty Orders (FAPOs) and civil judicial conclusions	2,436	2,276	2,117	2,030	1,917
FAPOs and civil judicial conclusions w/penalties	2,302	2,091	1,937	1,853	1,769
Percentage of Conclusions (FAPOs and civil judicial conclusions only) w/penalties	94%	92%	91%	91%	92%
1. Initiations include: administrative compliance orders (ACOs), administrative penalty order complaints (APOCs) and civil judicial conclusions.					

Criminal Enforcement: Criminal prosecutions can have one or more defendants, and those defendants can be either individuals or organizations (e.g., a corporation or other business entity). Criminal penalties include incarceration, fines, restitution, community service and probation. Between FY 2007 and FY 2011, EPA investigated and assisted in the prosecution of 637 criminal cases. Of that universe of charged cases, 543 (85%) have been adjudicated in district court, and 94 (15%) are pending trial or sentencing. Of the 543 adjudicated cases, 531 (98%) resulted in criminal penalties -- see below for additional details. Twelve charged cases (2%) resulted in no criminal penalties, either because charges were dismissed by the government (which can occur for a variety of reasons, including the death of an individual defendant or dissolution of an organizational defendant) or all defendants were acquitted. The following is a breakout of the 531 charged criminal cases resulting in criminal penalties:

- 431 cases (81%) had some combination of fines, restitution, incarceration and/or probation
- 53 cases (10%) were for probation only
- 22 cases (4%) were for incarceration only
- 22 cases (4%) were for fines only
- 3 cases (1%) were for restitution only