

BUDGET AND PLANNING

NACAA Fall Meeting

San Antonio, Texas

October 24, 2006



Discussion Topics:

- Status of EPA's FY 2007 Budget Request
- Summary of FY 2008 Budget Process
- Update on PART Process
- Grant Issues
 - Re-allocation of state/local grant dollars
 - Loss of co-regulator exception

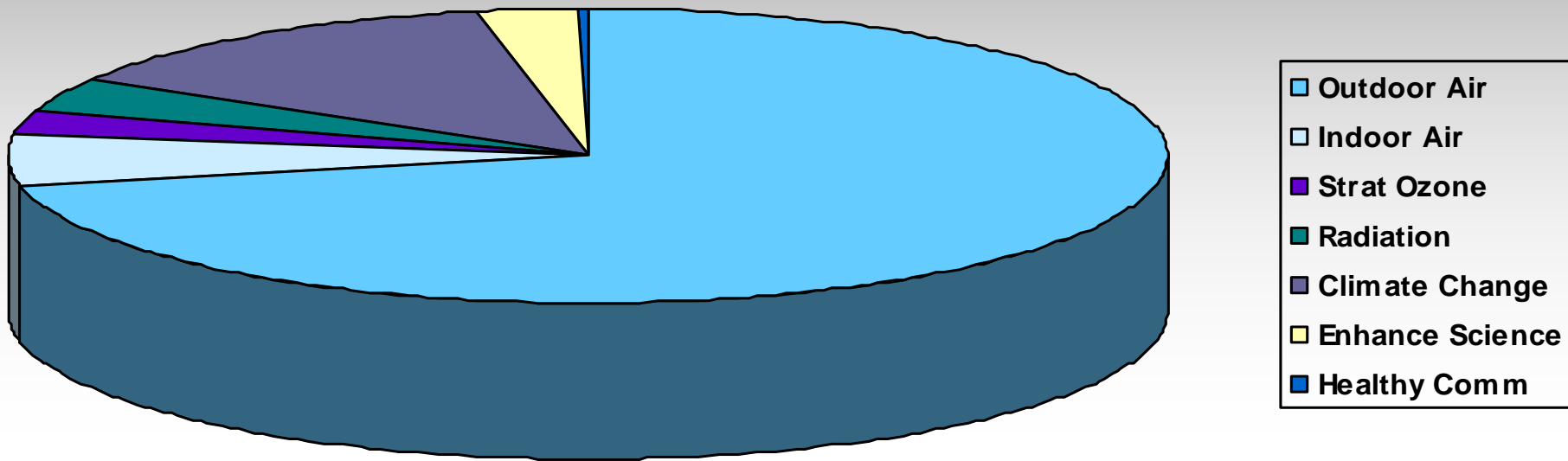
Status of FY 2007 Budget Request

- President sent FY 2007 budget request to the Congress in February 2006
- The Congress has passed only 2 appropriations bills for FY 2007 (Defense and Homeland Security)
- Full House and Senate Committee have voted out EPA appropriations bills for FY 2007
- Final FY 2007 enacted level will likely be a compromise between House and Senate levels, but could be less than the lower of the two levels

Status of FY 2007 Budget Request (cont.)

- Congress passed a Continuing Resolution to fund departments and agencies without enacted appropriations bills; lasts 48 days, through November 17, 2006
- Congress set EPA spending at House FY 2007 bill level or FY 2006 rate, whichever is lower; STAG account set at House level
- EPA must spend conservatively in areas where House and Senate Committee bills differ
- EPA will adjust the FY 2007 grant allocation to reflect final enacted level

FY 2007 President's Budget Request (\$millions)



FY 2007 President's Budget Request (\$millions)

OAR Objectives	EPM	S&T	STAG	Superfund	Total
Outdoor Air	\$158.6	\$86.8	\$245.6		\$491.0
Indoor Air	\$29.0	\$1.3	8.1		\$38.3
Stratospheric Ozone	\$18.6				\$18.6
Radiation	\$12.2	\$10.9		\$2.3	\$25.5
Climate Change	\$91.8				\$91.8
Enhance Science and Research	\$2.0	\$16.5			\$18.5
Healthy Communities and Ecosystems	\$1.5				\$1.5
Total	\$313.7	\$115.5	\$253.7	\$2.3	\$685.2

FY 2007 Changes from FY 2006 Enacted (\$millions)

OAR Objectives	EPM	S&T	STAG	Superfund	Total
Outdoor Air	(-\$6.0)	\$6.2	\$7.6		\$7.7
Indoor Air	\$0.8	\$0.03	\$0.6		\$1.5
Stratospheric Ozone	\$5.1				\$5.1
Radiation	(-\$0.2)	\$0.7		\$0.2	\$0.7
Climate Change	\$1.8				\$1.8
Enhance Science and Research	(-\$0.3)	(-\$6.0)			(-\$6.3)
Healthy Communities and Ecosystems	\$0.8				\$0.8
Total	\$2.1	\$0.9	\$8.2	\$0.2	\$11.4

STAG Changes for FY 2007 (\$millions)

Grant Program	FY 2006 Enacted	FY 2007 PB	Change
State and Local Air Management	177.0	157.2	-19.8
PM Monitoring	38.4 (Section 103)	25.5 (Section 105)	-12.9
RPO	4.9	2.5	-2.4
Tribal	10.9	10.9	
Diesel	6.9 (CAA bus retrofit)	49.5 (EPAAct diesel)	+42.6
Radon	7.4	8.1	+0.7
Total	245.5	253.7	+8.2

Comparison of House and Senate FY 2007 STAG Dollars

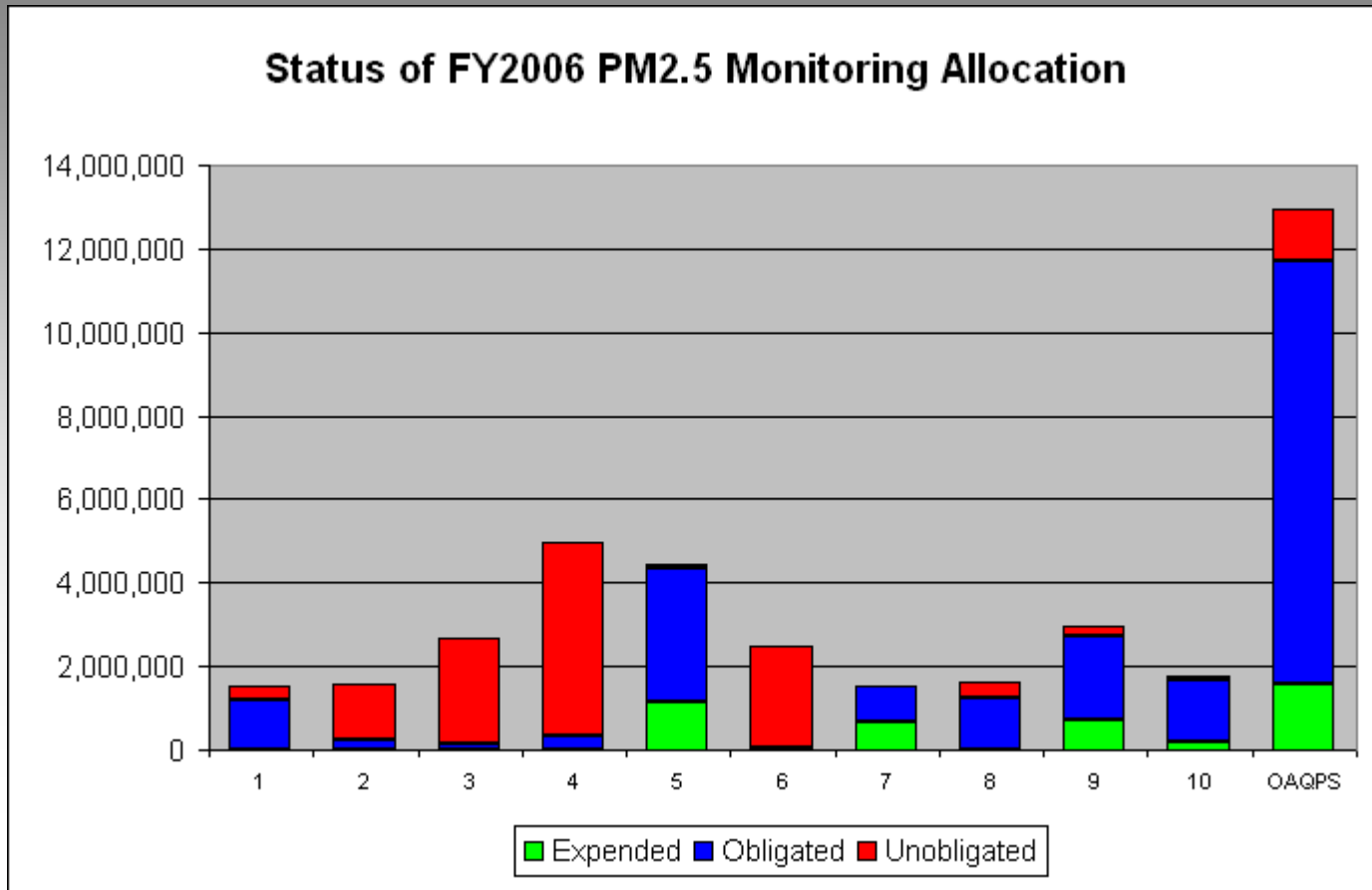
(\$millions)

STAG	FY 2006 Enacted	FY 2007 PB	FY 2007 HAC Mark	FY 2007 SAC Mark	FY07 PB - FY 06 Enacted	HAC Markup - FY 07 PB	HAC Markup - FY 06 Enacted	SAC Markup - FY 07 PB	SAC Markup - FY 06 Enacted	SAC Markup - HAC Markup
State and Local Air Grants*	220.3	185.2	220.3	200.2	-35.1	35.1	0.0	15.0	-20.1	-20.1
Tribal Air Quality Management Grants	10.9	10.9	10.9	10.9	0.0	0.0	0.0	0.0	0.0	0.0
EPAct Diesel Grants		49.5	26.0	20.1	49.5	-23.5	26.0	-29.4	20.1	-5.9
Diesel Bus Retrofit Grants	6.9				-6.9	0.0	-6.9	0.0	-6.9	0.0
Radon Grants	7.4	8.1	8.1	8.1	0.6	0.0	0.6	0.0	0.6	0.0

*Includes section 105 grants, PM monitoring grants, and RPO grants

Managing Grant Funds in FY 2007

- FY 2007 enacted level for air grants will likely fall between House and Senate levels, but could be less than Senate
- The Congress will likely retain Section 103 authority for PM monitoring grants
- If EPA has discretion – as in the current Senate bill -- any reduction will likely come from PM monitoring grants
- Status of prior-year PM funds must be considered in FY 2007 planning; the bulk of FY 2006 funds will still be available



Summary of FY 2008 Budget Process

- FY 2007 President's Request is the base for FY 2008 request
- EPA completed internal process and sent FY 2008 request to OMB in early September
- OMB held "hearings" on EPA request in September
- EPA expects "passback" in late November
- President will send budget request to the Congress in February 2007

Priorities for FY 2008

- Implement key clean air programs
 - Ozone/PM NAAQS
 - Clean Air Interstate Rule and Clean Air Mercury Rule
 - On-road and non-road diesel rules
- Develop new major rules
 - Air toxics residual risk and area source rules
 - Locomotive and marine rules
- Implement Energy Policy Act of 2005
 - Fuels provisions
 - Diesel retrofit program

Priorities for FY 2008 (cont.)

- Collaborate on Multi-Media Programs (e.g., mercury, CARE)
- Implement the President's Climate Change program; support international partnerships
- Continue transition to environmentally preferable technologies and materials, here and abroad, that protect stratospheric ozone
- Increase momentum of radon risk reduction program
- Continue indoor air program focus on reducing triggers of asthma

Challenges for FY 2008

- Meeting Court-Ordered Deadlines
- Implementing PM/Ozone NAAQS
- Addressing other responsibilities under the Energy Policy Act
- Ensuring Funding for Presidential Initiatives

Update on the PART Process

- OMB has reviewed all OAR programs, except radiation
- All programs except grants and permits had passing scores
- OMB has accepted performance measures, and two of three efficiency measures, for NAAQS programs
- EPA updates OMB twice a year on performance measures

Re-allocation of State Grant Dollars

- OMB response on PART results for air grants directed EPA to develop new allocation
- OAR workgroup met last year and developed draft principles for re-allocation
- OAR has had several calls with STAPPA-ALAPCO to discuss how we should work together on new allocation
- STAPPA-ALAPCO funding committee chairs discussed OAR proposal with board of directors

Re-allocation of State Grant Dollars (cont.)

- STAPPA-ALAPCO proposal:
 - Establish workgroup including one state or local member from each region
 - Provide periodic opportunities for workgroup to engage all states
 - Allow delay in implementation of new allocation
- Each EPA region will name one person to the workgroup. Regional representatives will be a mix of experienced staff and managers

Loss of Co-Regulator Exception

- EPA grants competition policy includes 6 exceptions, including “co-regulator” exception
- EPA’s Office of Administration and Resources Management will likely eliminate the co-regulator exception, beginning in calendar year 2007

Loss of Co-Regulator Exception (cont.)

- EPA regions will have to use other approaches to fund multi-state organizations:
 - Compete grants
 - Use another exception from EPA's competition policy, such as “one responsible source”
- States also could fund multi-state organizations directly