



December 8, 2004 –
Final FY 2005 EPA Appropriations

EPA R&D Falls in 2005 Budget Squeeze

Highlights

- The Environmental Protection Agency (EPA) budget for FY 2005 was caught in the difficult VA-HUD spending bill; increases for veterans, housing, and space programs squeezed out EPA funding. **EPA's R&D declines 2.8 percent to \$598 million** (see Table).

- Most R&D programs remain at or near last year's levels.

- **EPA's total budget falls \$342 million down to \$8.0 billion**, with particularly steep cuts to the State and Tribal Assistance Grants program.

EPA R&D in FY 2005 Final Appropriations

On November 20, Congress came to an agreement on an FY 2005 omnibus appropriations bill (HR 4818), which incorporates the final version of the FY 2005 VA-HUD appropriations bill. President Bush signed the bill into law on December 8. The omnibus bill keeps funding for domestic programs flat in FY 2005. The VA-HUD section of the bill was especially difficult because increases for veterans, housing, and space programs squeezed out other funding. The Environmental Protection Agency (EPA) budget was caught in the squeeze, especially after factoring in a 0.80 percent across-the-board cut for most domestic programs. (All figures in this analysis reflect the across-the-board cut.) The omnibus provides EPA with a total budget of \$8.0 billion in FY 2005, \$342 million or 4.1 percent below FY 2004.

EPA's R&D funding declines 2.8 percent to \$598 million, better than the 7.1 percent cut requested by EPA in February. (For details of R&D in the FY 2005 request, please see Chapter 13 of *AAAS Report XXIX: R&D FY 2005* or the February 25 AAAS R&D Funding Update.) Of the four major R&D funding agencies that see their R&D budgets decline in FY 2005, three (EPA, NSF, and VA) are in the VA-HUD section of the omnibus bill.

EPA's R&D is mostly funded in the **Science and Technology** (S&T) account. R&D in the S&T account totals \$555 million in FY 2005, a 0.9 percent drop, but flat funding if congressionally designated performer-specific R&D earmarks are not counted. In the FY 2005 budget, there are more earmarks than in previous year, but the average earmark is smaller. The FY 2004 omnibus bill contained 41 congressional earmarks in the S&T account many of them renewed from FY 2003, for a total of \$47 million in R&D earmarks (AAAS estimates). The earmarks return in the FY 2005 omnibus bill; 49 congressional R&D earmarks in the S&T account total \$45 million, down \$2 million from last year's total. There are also several earmarks for non-R&D projects in the S&T account. There are some modest program increases, such as particulate matter research from \$58 million last year to \$61 million this year, and computational toxicology (\$9 million last year to \$11.5 million). Most EPA research areas see flat funding, including water quality research (flat at \$45 million) and drinking water research (\$44 million).

EPA's S&T investments are a small part of the overall EPA portfolio, and are designed to support EPA's regulatory and enforcement missions. The EPA R&D cuts mirror cuts to the overall EPA budget by 4.1 percent down to \$8.0 billion, a loss of \$342 million (see Table). EPA requested only \$3.2 billion for **State and Tribal Assistance Grants (STG)**, perennially a higher priority for Congress than for EPA, but Congress added to the request, though not enough to prevent STG funding from declining 7.8 percent to

\$3.6 billion. Most of this money goes to state, local, and tribal governments to fund environmental projects, primarily projects to preserve clean drinking water. For **Environmental Programs and Management**, which funds most of EPA's operating expenses, Congress appropriated \$2.3 billion. The Superfund program declines 0.8 percent to \$1.2 billion; Superfund's funding of R&D declines from \$45 million last year to \$36 million in FY 2005.

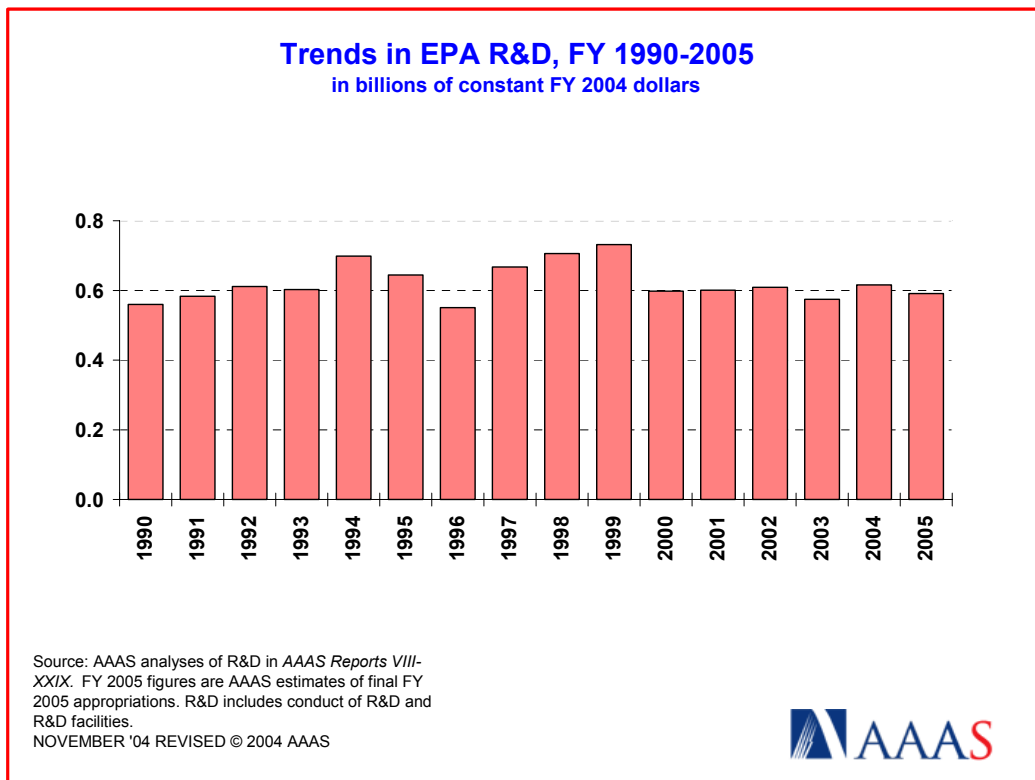


Figure 1. (click on the image for PDF)

Impacts of the EPA R&D Portfolio

EPA's R&D support has been relatively stagnant for the last few years after steady growth until FY 1994. After the 1994 elections when the Republican Party gained control of Congress, EPA's R&D budget declined sharply and bottomed out in FY 1996 (see Figure 1). In subsequent years, EPA's R&D budget has had its ups and downs but peaked in FY 1999 when the federal budget was in balance and discretionary spending grew. EPA R&D declined again in FY 2000, but the anthrax decontamination research in FY 2003 and general increases in FY 2004 recovered some but by no means all of the lost ground. EPA R&D has essentially stayed at \$600 million in today's dollars for the past decade.

EPA's basic and applied research support (excluding development and R&D facilities) comprises most of EPA's R&D. The largest part of EPA's research is in the life sciences (primarily biology and environmental biology), with significant amounts support for the environmental sciences and engineering as well. Although EPA is the major environmental regulatory agency in the federal government, many other agencies have environmental responsibilities related to research, resource stewardship, and economic management of the environment, so EPA is a relatively small funding source for R&D related to the environment. In the environmental sciences, EPA accounts for only 4 percent of total federal support, while in the life sciences EPA funds only 1 percent of total federal support.

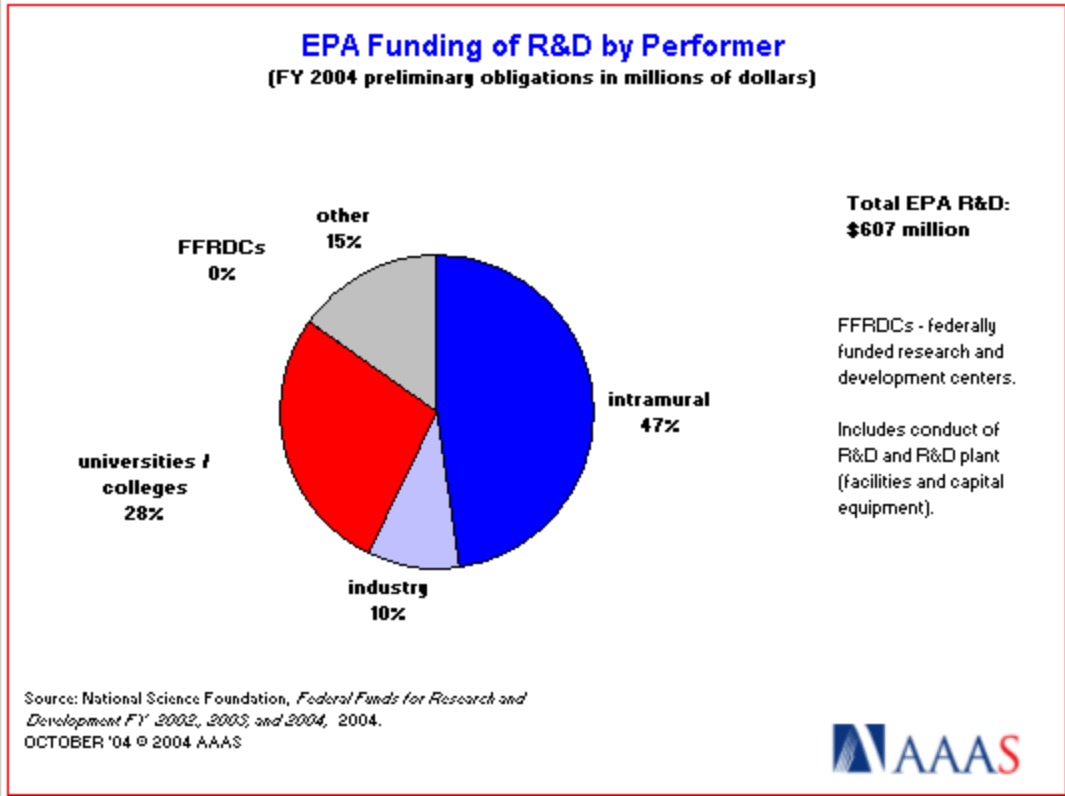


Figure 2. (click on the image to view or download a color, full-page PDF version of the chart)

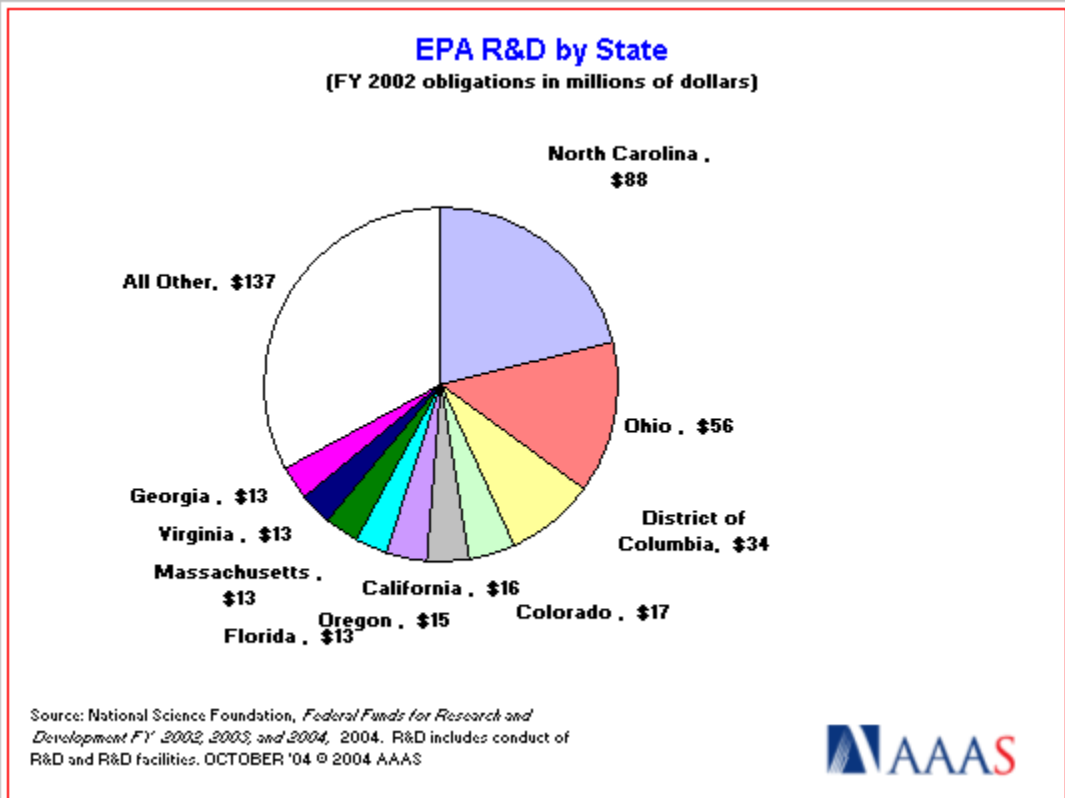


Figure 3. (click on the image to view or download a color, full-page PDF version of the chart)

Nearly half (47 percent) of EPA's R&D is performed in the agency's own laboratories, while 10 percent is performed by industrial firms (see Figure 2). Nearly a third of EPA's R&D is performed by colleges and universities, a share that has been growing in recent years as EPA has attempted to expand its links with academia. The remainder is performed by nonprofit institutions and state and local governments.

North Carolina and Ohio are the largest recipients of EPA's R&D dollars (see Figure 3). Research Triangle Park in North Carolina is home to EPA's largest laboratory as well as NIH's National Institute of Environmental Health Sciences (NIEHS) which receives Superfund money to perform environmental health R&D. Cincinnati is home to several EPA laboratories, including the National Homeland Security Research Center (NHSRC) which was recently designated as a permanent laboratory focusing on topics such as building decontamination and drinking water security related to homeland security.

Outlook

The omnibus bill's cuts to the EPA budget were signed into law on December 8, bringing to a close a disappointing budget season for EPA.

(This analysis is one of a series of AAAS R&D Funding Updates on the FY 2005 congressional appropriations process. This analysis includes information on R&D in final FY 2005 appropriations for the Environmental Protection Agency. The complete series of AAAS R&D Funding Updates, including continually updated analyses of R&D by agency in FY 2005 appropriations, is available on the AAAS R&D Web Site (<http://www.aaas.org/spp/rd>) in the "FY 2005 R&D" or the "What's New" sections.)

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Table. EPA R&D in FY 2005 Final Appropriations

**Table. Environmental Protection Agency
Final Congressional Action on R&D in the FY 2005 Budget
(budget authority in millions of dollars)**

	FY 2004 Estimate	FY 2005 Request	FY 2005 Approved	House-Senate Conference			
				Chg. from Request Amount	Percent	Chg. from FY 2004 Amount	Percent
EPA R&D:							
Science and Technology ¹	561	535	555	21	3.9%	-5	-0.9%
Superfund	45	36	36	0	-0.8%	-9	-19.9%
Leaking Underground Storage Tanks	1	1	1	0	-0.8%	0	-0.8%
Oil Spill Response	1	1	1	0	-0.8%	0	-0.8%
Other R&D	9	0	6	6	--	-3	-37.1%
Total EPA R&D	616	572	598	26	4.6%	-17	-2.8%
EPA Budget:							
Science and Technology ¹	782	689	744	55	8.0%	-38	-4.8%
Environ. Progs. and Management	2,280	2,317	2,295	-22	-1.0%	15	0.7%
Superfund	1,258	1,381	1,247	-134	-9.7%	-10	-0.8%
State and Tribal Assistance Grants	3,878	3,232	3,575	344	10.6%	-302	-7.8%
Buildings and Facilities	40	43	39	-4	-9.9%	-1	-2.7%
Leaking Underground Storage Tanks	76	73	69	-3	-4.3%	-6	-8.1%
Oil Spill Response	16	16	16	-1	-3.4%	0	-1.5%
Inspector General	37	38	38	0	-0.8%	0	1.0%
Total EPA Budget	8,366	7,789	8,023	234	3.0%	-342	-4.1%

AAAS estimates based on FY 2005 appropriations bills. Includes conduct of R&D and R&D facilities.

FY 2004 and FY 2005 request figures based on OMB R&D data and supplemental agency budget data.

Figures are rounded to the nearest million. Changes calculated from unrounded figures.

¹ Does not include transfers from Superfund (see Superfund line).

**FY 2005 Approved figures adjusted to reflect across-the-board reductions in the FY 2005 omnibus bill.
November 24, 2004 - AAAS estimates of final FY 2005 appropriations bills.**