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## INTRODUCTION TO THE DoD BUDGET

The budget process begins when the President establishes the general budget and fiscal policy guidelines in the spring of the year before the budget is delivered to Congress. This process is currently under way for fiscal year (FY)<sup>1</sup> 2004. Based on these guidelines, the Office of Management and Budget (OMB) works with each Federal agency to establish specific policy directions and planning levels for the budget year and for the following five years.

In the early fall, the Department of Defense (DoD) Components (Military Departments, Defense Agencies, Joint Staff, Unified and Specified Commands, etc.) submit their budgets to the Office of the Secretary of Defense (OSD) and OMB for review. After OSD and OMB review the budgets, the DoD Components make any necessary final adjustments. Once OMB, OSD, and the DoD Components agree on any final adjustments, normally in late December, the DoD Components prepare specific detailed budget documents.

By law, the President is required to submit the budget for the entire Federal government to Congress in early February. The DoD Components then submit to Congress material to support their portion of the DoD budget request. This Environmental Quality (EQ) Annual Report to Congress supports the Environmental Quality portion of DoD's FY 2003 budget request.

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## ENVIRONMENTAL QUALITY BUDGET



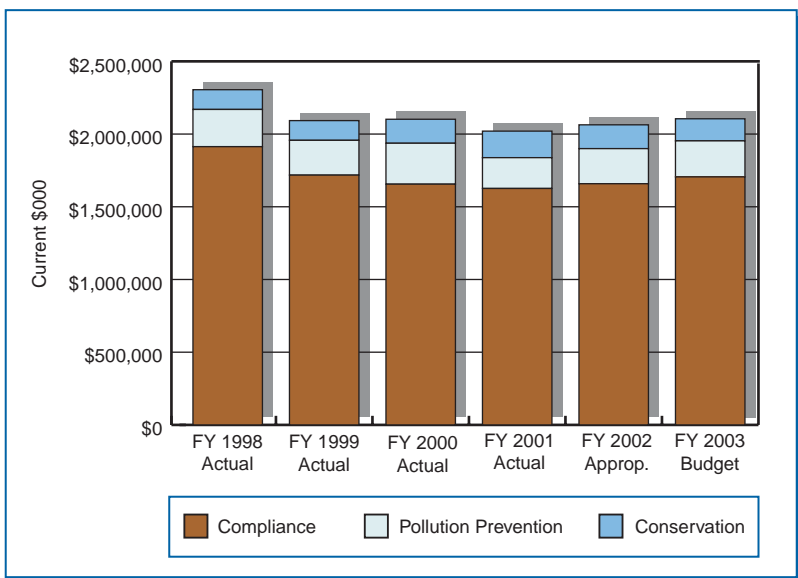
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<sup>1</sup> The Federal fiscal year runs from October 1 of the previous year through September 30 of that year.

### THE ENVIRONMENTAL QUALITY PROGRAM BUDGET

The Environmental Quality Program budget includes funding for the three main areas of the Environmental Quality Program: pollution prevention, compliance, and conservation. The pollution prevention budget includes funds to reduce or eliminate pollution at the source. DoD invests conservation funds in natural, historical, and cultural resource conservation. The compliance budget includes funds for maintaining clean air and water, disposing of solid and hazardous wastes, conducting required compliance training, and paying environmental staff. Figure 3 illustrates the Environmental Quality Program’s budget history by each of these areas.

**Figure 3**  
**DoD Budget Summary:**  
**Environmental Quality Budget by Area**



The graphs in Appendices C through G illustrate the President’s Environmental Quality Program budget data by DoD Component for FY 1998 through FY 2003. Appendix H provides FY 1998 to FY 2003 DoD budget totals in both current and constant FY 2003 dollars.

#### FY 2001 EQ BUDGET EXECUTION

Even though the budget for the Environmental Quality Program has declined more than 17 percent since FY 1998, after allowing for inflation, performance of key measures of success have improved. In FY 2001, DoD invested approximately \$2.0 billion

in Environmental Quality Program activities. This is approximately \$80 million less than DoD invested in FY 2000. DoD invested approximately 80 percent, or \$1.6 billion, to fulfill compliance requirements; 11 percent to conduct pollution prevention activities; and 9 percent to support natural and cultural resource conservation. DoD invested approximately 50 percent of the FY 2001 Environmental Quality Program budget in one-time projects, or nonrecurring activities, and 50 percent in recurring activities, or the relatively constant costs of maintaining Environmental Quality programs at DoD installations (Figure 4).

Figure 5 illustrates the FY 2001 Environmental Quality Program budget by appropriation—Operation and Maintenance; Defense Working Capital Fund; Research; Development; Testing and Evaluation; Military Construction; Procurement; and Other.

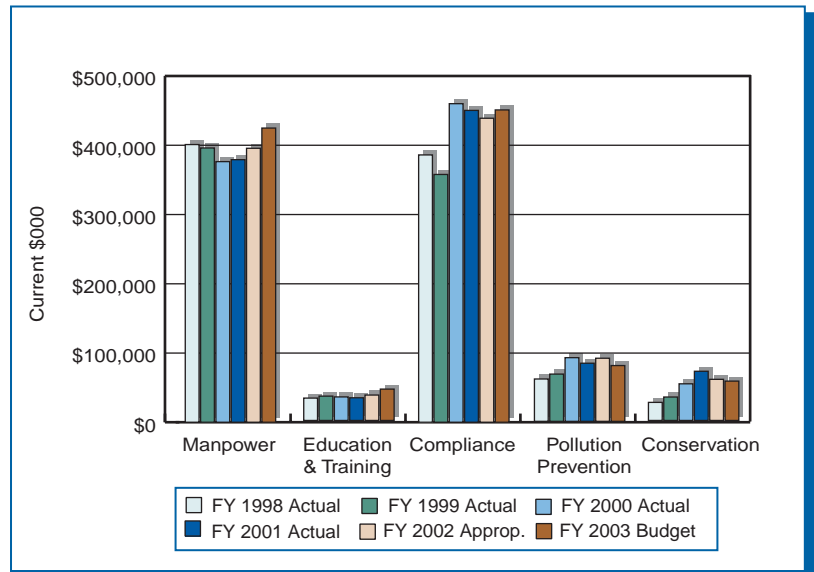
**FY 2002 EQ APPROPRIATIONS**

The FY 2002 Environmental Quality Program appropriations are, after allowing for inflation, about the same as the FY 2001 Environmental Quality Program budget. DoD is investing approximately 80 percent of the appropriations in the Compliance Program, 12 percent in the Pollution Prevention Program, and 8 percent in the Conservation Program. The investments in recurring and nonrecurring efforts are approximately equal.

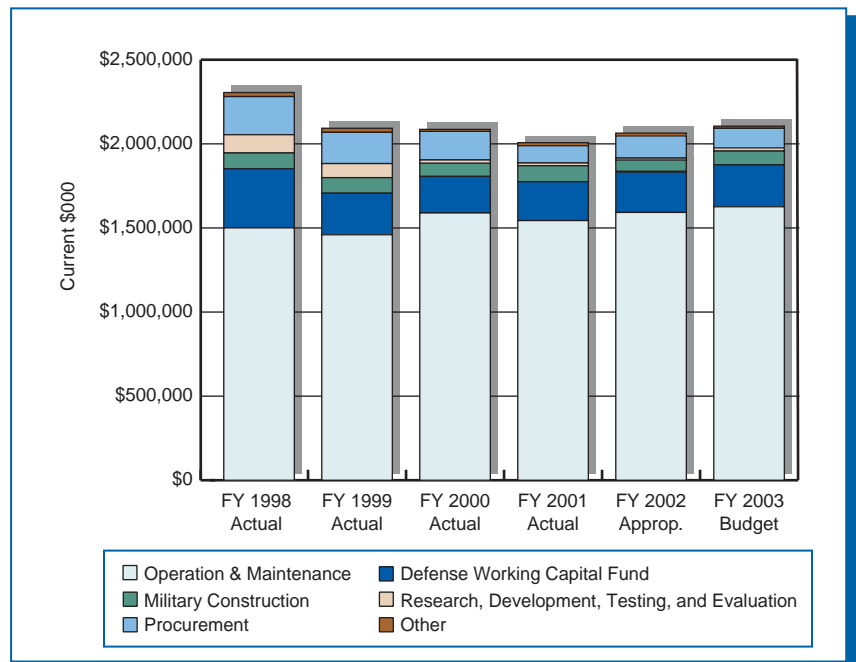
**FY 2003 EQ BUDGET REQUEST**

The President’s FY 2003 budget request for the Environmental Quality Program is about \$2.1 billion, a slight increase over the FY 2002 budget, as appropriated by Congress, of almost \$2.06 billion. Allowing for inflation, the FY 2001 through FY 2003 Environmental Quality Program budgets are consistently about \$2.1 billion each year.

**Figure 4  
DoD Budget Summary:  
Environmental Quality Recurring Costs**



**Figure 5  
DoD Budget Summary:  
Environmental Quality Budget by Appropriation**



Figures 3, 4, and 5 illustrate budget trends within the Environmental Quality Program. The figures show actual, appropriated, and budgeted funds for FY 1997 through FY 2003. Appendices C through G of this report include graphs illustrating the FY 1998 through FY 2003 President's budget data by DoD Component in current year dollars. Appendix H provides FY 1998 through FY 2003 Environmental Quality Program budget totals in current dollars and constant FY 2003 dollars. This appendix provides information to compare investment levels after accounting for inflation.

### **POLLUTION PREVENTION BUDGET**

Pollution prevention efforts at military installations reduce health and safety risks to DoD personnel and nearby communities. Pollution prevention is DoD's preferred strategy for meeting its compliance requirements. By preventing pollution, such as reducing or eliminating the use of hazardous materials, DoD reduces the growth of environmental budget requirements. DoD also reduces the number of accidents that can occur when using these materials and, thus, associated cleanup costs.

A pollution prevention project that eliminates the use of a hazardous materials also reduces the generation of water pollution, air pollution, and hazardous wastes. As a result, DoD potentially reduces compliance costs in all three areas. In addition, the project could eliminate the costs to buy, store, and deliver the hazardous material.

### **FY 2001 POLLUTION PREVENTION BUDGET EXECUTION**

During FY 2001, DoD invested \$212 million in pollution prevention activities. DoD invested about \$84 million, or 40 percent, of its pollution prevention budget in recurring costs, including managing recycling programs and Toxic Release Inventory (TRI) reporting. DoD invested the remaining \$128 million, or 60 percent, in one-time, nonrecurring projects, such as purchasing new pollution prevention equipment.

DoD's FY 2001 Pollution Prevention Program execution was 26 percent less than pollution prevention investments in FY 2000, allowing for inflation. Much of the decrease is because DoD has achieved many of its pollution prevention goals. The DoD Components are now looking forward to accomplishing new pollution prevention goals.

Hazardous waste, hazardous material reduction, and Clean Air Act (CAA) and Clean Water Act (CWA) requirements are the areas of greatest emphasis within the Pollution Prevention Program. In addition, DoD funds efforts to prevent pollution on ships and to prepare source reduction plans through the Pollution Prevention Program. During FY 2001, DoD invested 17 percent of pollution prevention nonrecurring funds in reducing the use of hazardous materials, including releases reported under the TRI program; 13 percent in managing hazardous waste; 17 percent in reducing CAA pollutants, including the use of ozone depleting substances; 6 percent in managing municipal solid wastes and establishing recycling and composting programs; and 17 percent in reducing CWA pollutants. DoD invested the remaining 30 percent in other efforts, primarily preparing pollution prevention and source protection plans for drinking water resources.

#### **FY 2002 POLLUTION PREVENTION APPROPRIATIONS**

The FY 2002 Pollution Prevention Program budget, as appropriated by Congress, is \$241 million. DoD is investing more than \$150 million of this amount, or 62 percent, in nonrecurring projects.

#### **FY 2003 POLLUTION PREVENTION BUDGET REQUEST**

DoD is requesting \$247 million to fund the Pollution Prevention Program in FY 2003, allowing for inflation. The Pollution Prevention Program budget remains relatively stable because pollution prevention is the preferred means of achieving compliance. Investments in pollution prevention over the long term reduce compliance costs and threats to DoD resources.

#### **COMPLIANCE BUDGET**

DoD's Compliance Program budget has declined by 19 percent from FY 1998 to FY 2003, allowing for inflation. At the same time, the Compliance Program has matured and performance of key indicators of success has improved each year. DoD continues to increase the use of emerging pollution prevention technologies and practices to reduce compliance costs.

### **FY 2001 COMPLIANCE BUDGET EXECUTION**

During FY 2001, DoD invested \$1.6 billion in compliance activities. Of this amount, DoD invested \$450 million in recurring compliance costs, excluding manpower and education and training. Recurring compliance costs are those relatively constant activities that an installation must accomplish to support the mission and maintain compliance with environmental regulations and permit requirements. These activities include routine sampling and analysis of discharges to air and water and hazardous waste disposal. Other recurring costs include purchasing supplies, maintaining and operating equipment, managing National Pollutant Discharge Elimination System permits and CAA inventories, and conducting self-assessments. Of the recurring investments, manpower is the single largest cost. Note that FY 2001 manpower and education and training costs, totaling \$412 million, are not included in the Figure 3 totals.

DoD invested 47 percent, or \$764 million, of FY 2001 Compliance Program funds in nonrecurring projects, or one-time events, such as projects to upgrade wastewater treatment facilities or install air pollution controls to meet current standards. One of the largest nonrecurring investments that the Compliance Program makes each year is complying with CWA regulations, which requires substantial infrastructure investments in wastewater treatment plants and storm water management.

### **FY 2002 COMPLIANCE APPROPRIATIONS**

The FY 2002 Compliance Program budget, as appropriated by Congress, totals \$1.66 billion. About 53 percent is for recurring costs. The two largest recurring costs are for personnel and other recurring costs. These other costs include preparing and updating management plans and implementing Final Governing Standards (FGS).

The nonrecurring portion of the Compliance Program budget is \$787 million, approximately 47 percent. The largest amount of funding is for other nonrecurring costs. This funding is for additional nonrecurring activities required to meet compliance standards, such as ensuring safe drinking water facilities and installing pulpers and shredders on ships.

### **FY 2003 COMPLIANCE BUDGET REQUEST**

The Compliance Program budget request is the largest percentage of the FY 2003 Environmental Quality Program budget request at 81 percent. DoD's FY 2003 budget request for the Compliance Program is \$47 million higher than the FY 2002 budget as appropriated by Congress. This increase is primarily due to increased personnel costs.

### **CONSERVATION BUDGET**

DoD is sensitive to the need to protect the natural, historical, and cultural resources located on and near its installations. The Department seeks to comply with the letter and the spirit of major statutes, including the Archaeological Resource Protection Act, the CWA, the Endangered Species Act, the Migratory Bird Act, the National Historic Preservation Act, and the Sikes Act. Conservation investments are essential to the long-term success of DoD's mission. The goals of DoD's investments in the Conservation Program are to support the military mission by providing for the sustained use of land, sea, and air resources; protecting valuable natural and cultural resources for future generations; meeting all legal requirements; and promoting compatible uses of those resources.

### **FY 2001 CONSERVATION BUDGET EXECUTION**

In FY 2001, DoD invested approximately \$183 million in conservation efforts, the largest amount ever. Of this amount, DoD invested approximately \$111 million, or 63 percent, in supporting nonrecurring, innovative conservation projects. Of the total Conservation Program nonrecurring budget, DoD invested approximately \$68 million in natural resource initiatives and \$43 million in historical and cultural resource initiatives.

Of the \$68 million to support natural resource protection, DoD invested \$9 million in wetlands protection—an increase of 14 percent compared to FY 2000, allowing for inflation. DoD invested \$17.1 million in managing and protecting threatened and endangered species in FY 2001—a decrease of 5 percent compared with FY 2000, allowing for inflation. In addition, DoD invested \$43.3 million in protecting other natural resources.



DoD invested approximately \$71 million, or 39 percent, of the Conservation Program budget in recurring costs. These activities include preparing and updating integrated natural and cultural resource management plans, coordinating with other conservation regulatory agencies, and other management actions.

### **FY 2002 CONSERVATION APPROPRIATIONS**

The FY 2002 Conservation Program budget, as appropriated by Congress, remains high at \$164 million. This level of funding reflects DoD's commitment to protecting the natural and cultural resources entrusted to its care.

### **FY 2003 CONSERVATION BUDGET REQUEST**

The President's FY 2003 Environmental Quality Program budget request includes \$152 million for DoD conservation initiatives. This request is \$12 million, or 7 percent, less than Congress appropriated in FY 2002. This decrease is due to the fact that DoD's budget request does not include the Legacy Resource Management Program.

DoD invests in Conservation Program efforts to develop innovative processes and technologies to improve efficiency. In FY 2003, DoD will continue to lead stewardship efforts through collaborative planning, process improvements, and comprehensive resource management.

### **OVERSEAS ACTIVITIES BUDGET**

Subparagraph F of 10 USC 2706(b) requires DoD to report on overseas environmental investments. These investments are necessary to comply with environmental requirements under standing treaties, laws, contracts, or other agreements. Final Governing Standards establish the investment requirements for overseas military installations. DoD must include environmental restoration and compliance activities in its investments for overseas military activities.



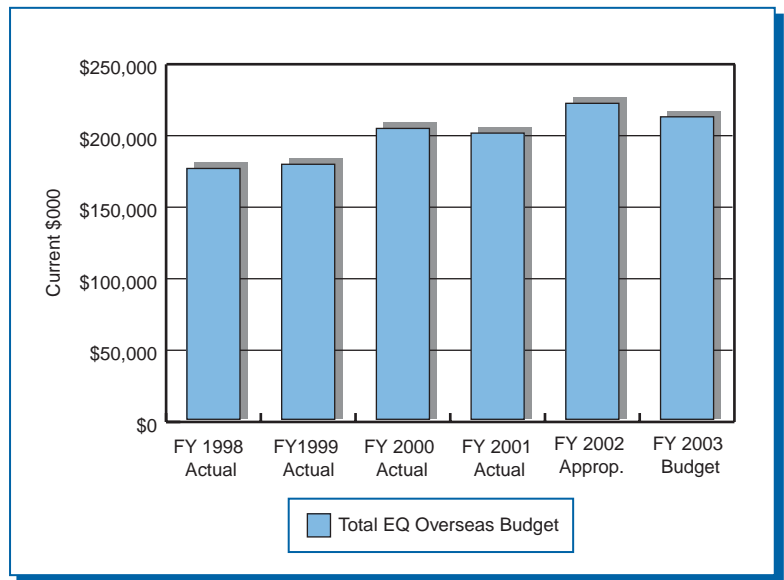
DoD establishes FGS for each country in which a DoD installation is located. DoD develops FGS by comparing host country laws and regulations, enforcement of those laws and regulations, and treaties and agreements that govern the presence of the U.S. military in that country with the OEBGD. The Organization and Responsibilities chapter includes additional information on DoD’s overseas activities and associated requirements. The Defense Environmental Cooperation chapter details information on activities conducted in cooperation with international militaries.

**FY 2001 OVERSEAS ACTIVITIES  
BUDGET EXECUTION**

During FY 2001, DoD invested \$200 million in Environmental Quality programs overseas (Figure 6). This amount is similar to the \$203 million that DoD invested in FY 2000. In FY 2001, DoD invested approximately \$20 million to clean up past contamination, \$148 million to ensure that current operations meet environmental standards, \$25 million to prevent pollution, and \$7.6 million to conserve natural and cultural resources.

DoD identified the amounts invested overseas for the past four years in the three main Environmental Quality areas: pollution prevention, compliance, and conservation—plus investments in cleaning up past contamination. Figure 7 illustrates the amounts invested in each of those areas.

**Figure 6  
DoD Budget Summary:  
Total Environmental Quality Overseas Budget**



**Figure 7  
Overseas Budget by Area**

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Approp.	FY 2003 Budget
<b>Remediation</b>	\$5,650	\$12,554	\$19,603	\$13,055	\$18,243
<b>Compliance</b>	\$153,612	\$168,560	148,140	174,696	156,100
<b>Conservation</b>	\$3,522	\$5,153	7,679	4,313	4,047
<b>Pollution Prevention</b>	\$15,479	\$17,054	24,635	28,800	33,045
<b>TOTAL</b>	<b>\$178,263</b>	<b>\$203,321</b>	<b>\$200,057</b>	<b>\$220,864</b>	<b>\$211,435</b>

### **FY 2002 OVERSEAS ACTIVITIES APPROPRIATIONS**

The FY 2002 Environmental Quality Program budget, as appropriated by Congress, includes almost \$221 million for environmental efforts overseas. DoD is investing approximately \$13 million to clean up past contamination, \$175 million to comply with current standards, \$29 million to prevent pollution, and more than \$4 million for conservation.

### **FY 2003 OVERSEAS ACTIVITIES BUDGET REQUEST**

The FY 2003 Environmental Quality Program budget includes a request for \$211 million for environmental activities that DoD will conduct overseas. This amount includes approximately \$18 million to clean up past contamination, \$156 million to comply with current environmental standards, \$33 million for prevent pollution, and \$4 million for conservation initiatives.

### **RESEARCH AND DEVELOPMENT**

New technologies are important tools for meeting environmental requirements more efficiently and effectively. Accelerating the development and use of new environmental technologies results in reduced costs to comply with environmental, safety, and health laws; more efficient conservation initiatives; and a greater ability to prevent pollution at the source.

DoD's research and development (R&D) strategy is to address environmental needs through investments in technology; to identify technologies that provide the highest return on investment; to engage in partnerships that encourage the development of innovative technologies that can be used for more than one purpose; and to accelerate the use and commercialization of technologies. DoD has established a process to coordinate, integrate, and prioritize environmental technology R&D projects across the DoD Components.

### **FY 2001 RESEARCH AND DEVELOPMENT BUDGET EXECUTION**

In FY 2001, DoD invested approximately \$286 million in basic and applied research, advanced development, demonstration, and validation of technologies to support overall environmental functions. Of this amount,

DoD invested approximately 84 percent to directly support the Environmental Quality Program. DoD allocated \$133 million for pollution prevention, \$90 million for compliance, and \$18 million for conservation R&D activities. Specifically—

- The Army invested \$78 million
- The Navy invested \$105 million
- The Air Force invested \$1 million
- The Strategic Environmental Research and Development Program (SERDP) invested \$42 million
- The Environmental Security Technology Certification Program (ESTCP) invested \$16 million.

These investments in technology support the Environmental Quality Program but are not part of the Environmental Quality Program budget. Therefore, these investments are not included in Appendices C through G, which summarize Environmental Quality Program requirements.

#### **FY 2003 RESEARCH AND DEVELOPMENT BUDGET REQUEST**

The President's FY 2003 budget requests \$205 million for research, development, testing, and evaluation to create new technologies to support the Installations and Environment Program's goals and objectives. Of this amount, DoD requested approximately \$139 million to directly support the Environmental Quality Program—DoD will allocate \$63 million for pollution prevention, \$55 million for compliance, and \$21 million for conservation R&D activities. DoD Component R&D funding requests directed to Environmental Quality programs for FY 2003 are—

- Department of the Army: \$26 million
- Department of the Navy: \$63 million
- SERDP: \$31 million
- ESTCP: \$19 million.

The Department of the Air Force did not request any funds for R&D in FY 2003.

