

DEFENSE ENVIRONMENTAL RESTORATION PROGRAM FUNDING



Environment is a fundamental component of our national power. We must be ever vigilant in ensuring lack of attention to environment does not undermine or degrade our national power.

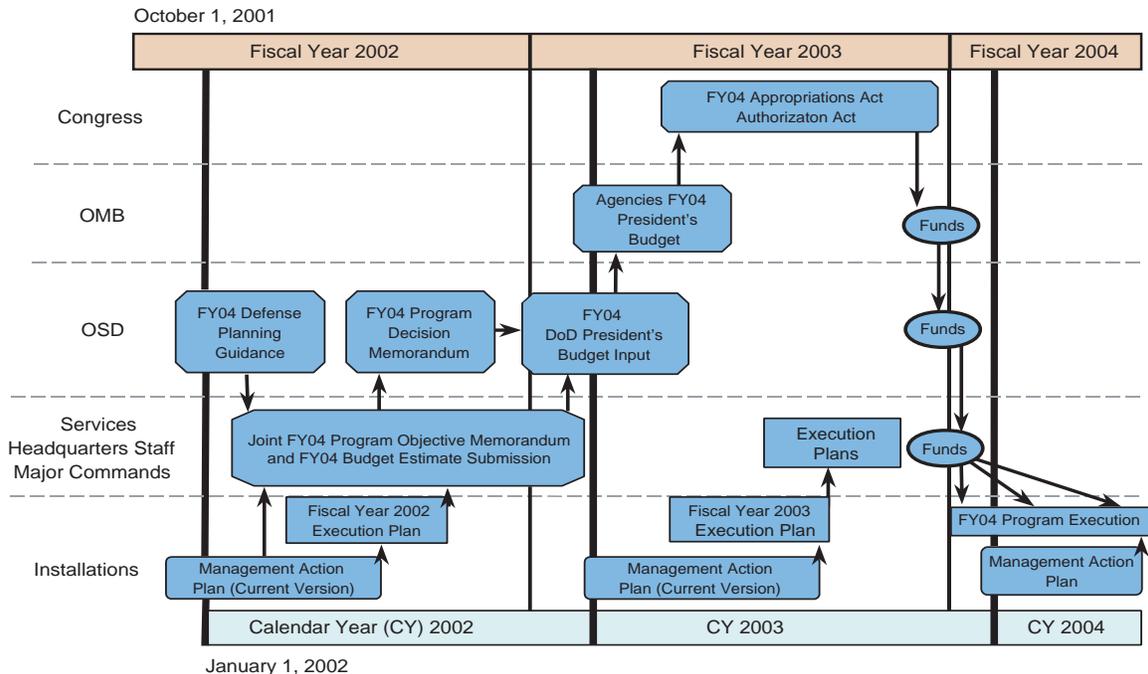
— **Raymond F. DuBois, Deputy Under Secretary of Defense (Installations & Environment)**

Conducting environmental restoration activities at each site at an installation requires accurate planning, funding, and execution. Addressing cleanup and response requirements at over 29,500 sites requires careful coordination, prioritization, and tracking. Because funding for cleanup is limited, the Department of Defense (DoD) must plan its activities years in advance to ensure that adequate funding is available and used most efficiently. Developing the budget for the Defense Environmental Restoration Program (DERP) begins at the site level and builds to the Component level. DoD's ability to plan and conduct cleanup activities depends on receiving stable and predictable funding from year to year.

Funding for cleanup is influenced by many factors, including changing priorities in the cleanup process and identification of new sites. In addition to these considerations, each site's sequencing for environmental restoration activities is based on overall site conditions and the factors related to the environmental and safety risks present.

To ensure that the program progresses smoothly toward completing its environmental restoration requirements and maintains continuity in changing circumstances, DoD must carefully and methodically plan its activities while remaining flexible and adaptable to changes. This chapter describes the DERP's budget process, which consists of four interrelated phases—planning, programming, budget development, and program execution—and summarizes the program's progress. Figure 2 shows the complex budget process and the steps taken to develop the budget, beginning at the installation level, building through to the Congressional level, and ending with the distribution of appropriated funds to the installation level, where the budget process begins again.

**Figure 2
DERP Budget Process**



Planning at the Installation Level

The first phase of the DERP's budget process involves program planning at the installation level. Within the DERP, each installation works toward completing its environmental restoration requirements by developing and maintaining a management action plan (MAP) or a base realignment and closure (BRAC) cleanup plan (BCP) for managing its environmental restoration activities.

A MAP contains information about an active installation's past restoration activities and current status, presents a vision for future site-level requirements, establishes schedules, and identifies funding requirements through completion. A BCP is the equivalent planning document for installations undergoing base closure or realignment where property is being transferred to the community. Formerly Used Defense Sites (FUDS) properties use state-level MAPs, managing properties in groups by state. The comprehensive nature of a MAP or BCP requires installation environmental restoration personnel to describe the requirements for response action under both the Installation Restoration program (IRP) and Military Munitions Response program (MMRP) categories, including the anticipated funding requirements. Each installation updates its MAP or BCP at least once a year to reflect changes in priorities, additional cleanup information, policies, cleanup progress, and funding. The best opportunity for stakeholder involvement in and input into restoration activities is when these plans are updated.

Programming at the Component Level

Components use the funding requirements identified in their installations' MAPs or BCPs in the second phase of the budget process to prepare long-range (5- to 6-year) plans called Program Objective Memorandums (POMs), which demonstrate how the Components will achieve their restoration goals. The Office of the Secretary of Defense (OSD) reviews the POMs and then issues program decisions in the form of Program Decision Memorandums to the Components, if necessary, to assist them in the preparation of their budget estimate submittals. Each Secretary of the Military Departments submits certification that their POM submission is adequate to meet all legal requirements.

Building the Budget

During the third phase of the budget process, the Components prepare and submit budget estimates to OSD for review and approval. Any issues are resolved during a rigorous 3-month review process. One of DoD's main concerns is making sure it can fulfill its Defense-wide requirements; the Department believes it is critical that the Components receive adequate environmental restoration funding to meet their program goals and protect human health and the environment.

Once OSD has received and approved the Components' budget estimates, it develops the overall Defense budget and submits it to the Office of Management and Budget for review and approval before forwarding the budget to the President. The President submits the full Federal budget to Congress early in the following calendar year. For a given fiscal year, Congress authorizes DoD's activities through the National Defense Authorization Act and provides funds through the National Defense Appropriations Act.

Program Execution

Once Congress approves a budget, the final phase of the budget process begins, which involves the appropriation of environmental restoration funds for active installations and FUDS properties into five specific accounts:

- ✦ Environmental Restoration (ER), Army
- ✦ ER, Navy
- ✦ ER, Air Force
- ✦ ER, FUDS
- ✦ ER, Defense-wide (includes funding for the Defense Logistics Agency (DLA), the Defense Threat Reduction Agency, and the OSD Cleanup office).

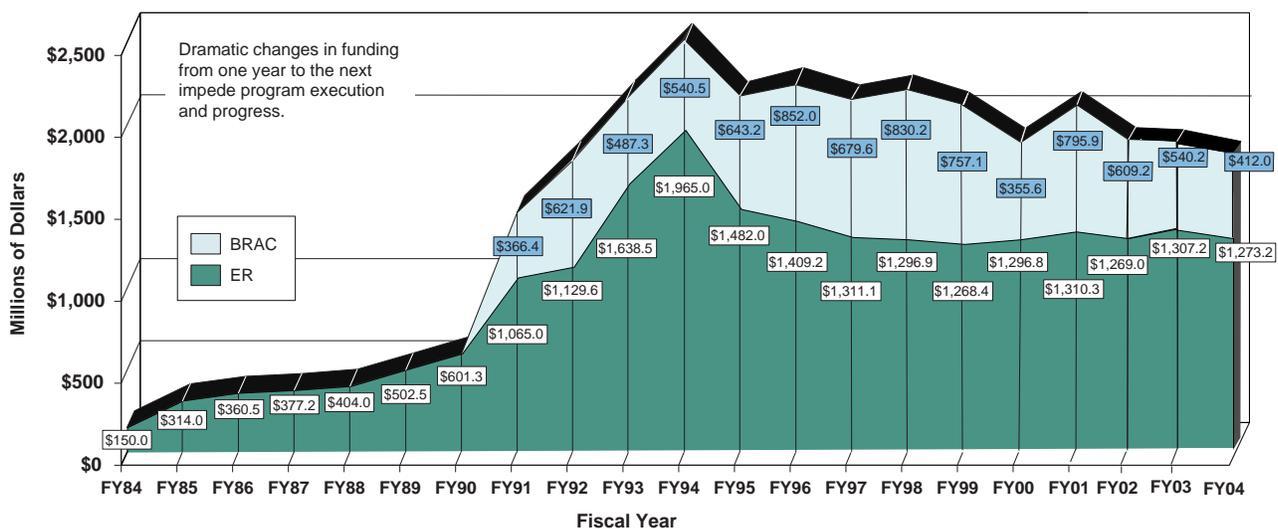
Cleanup activities at BRAC installations are funded through the overall BRAC account, which was extended by Congress in 1999. This account also covers closure-related environmental compliance and environmental planning activities. Once funds have been allocated, the Components are responsible for distributing the funds to their individual major commands and installations for program execution.

In the past 18 years, DoD has spent almost \$25 billion through the DERP. In fiscal year 2002 (FY02) alone, Congress appropriated approximately \$1.3 billion for environmental restoration activities at active installations and FUDS properties. In addition, Congress appropriated \$0.6 billion for environmental activities, including compliance and planning, at BRAC installations.

Figure 3 shows DoD's funding through FY04. DoD requires predictable funding levels for accurate planning and estimation of future costs and activities. As the DoD Components draw nearer to achieving their goals in the IRP category and work to develop the MMRP category, DoD will continue to depend on congressional support to ensure stable and predictable funding for environmental restoration activities.

Figure 4 shows actual and requested FY01, FY02, FY03, and FY04 DoD funding by Component for environmental restoration activities at active installations and FUDS properties. For FY02, Congress appropriated \$387.1 million to Army, \$255.2 million to Navy, \$382.8 million to Air Force, \$220.7 million to FUDS, and \$23.3 million for Defense-wide active-installation restoration activities.

Figure 3
Environmental Restoration and BRAC Environmental Funding Trends



DoD's challenge is to maintain the program's momentum while sustaining stable funding levels.

Figure 5 shows actual and estimated FY01, FY02, FY03, and FY04 DoD funding by Component for environmental restoration activities, including compliance and planning, at BRAC installations. FY02 BRAC environmental funding includes \$155.5 million for Army, \$229.4 million for Navy, \$217 million for Air Force, and \$7.3 million for DLA. As is the case with active installations and FUDS properties, once BRAC funds have been appropriated to the Components, they are responsible for allocating the funds to their major commands and installations for DERP execution.

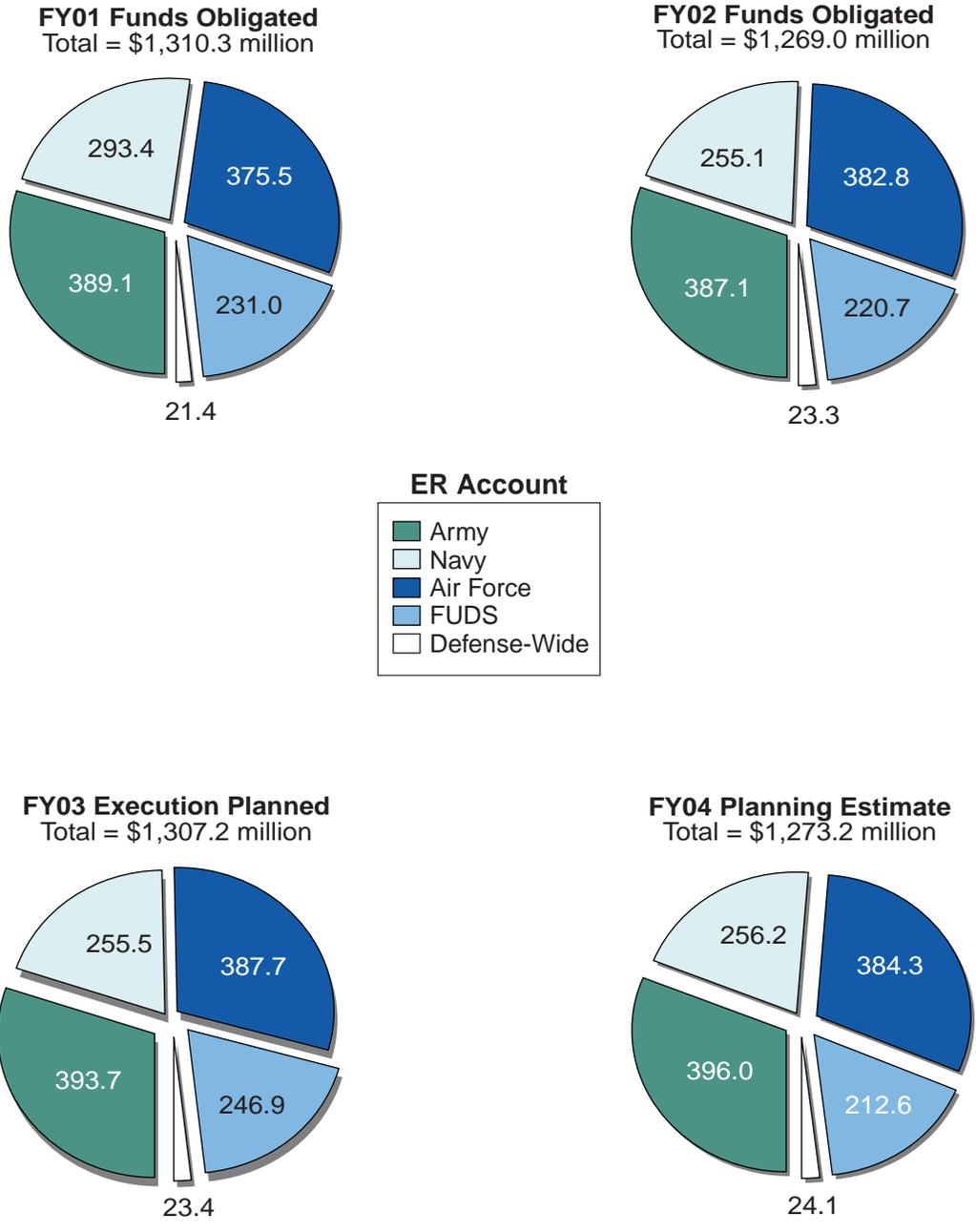
Progressing Toward Program Completion

The budget process is closely tied to restoration program goals and progress. Budget numbers are affected both by the program initiative to address the “worst first” in site cleanup and by the progress of sites moving through the phases of the restoration process.

In accordance with DoD’s intent to address the worst first, funding is used to address sites according to the relative risk posed by the site. Funding limitations require that DoD prioritize its resources for sites that pose the greatest threat to human health and the environment. The relative-risk site evaluation (RRSE) is the system DoD uses to prioritize sites based on the risk the site poses to human health and the environment relative to other sites in the program. The RRSE is discussed in further detail in Chapter 3.

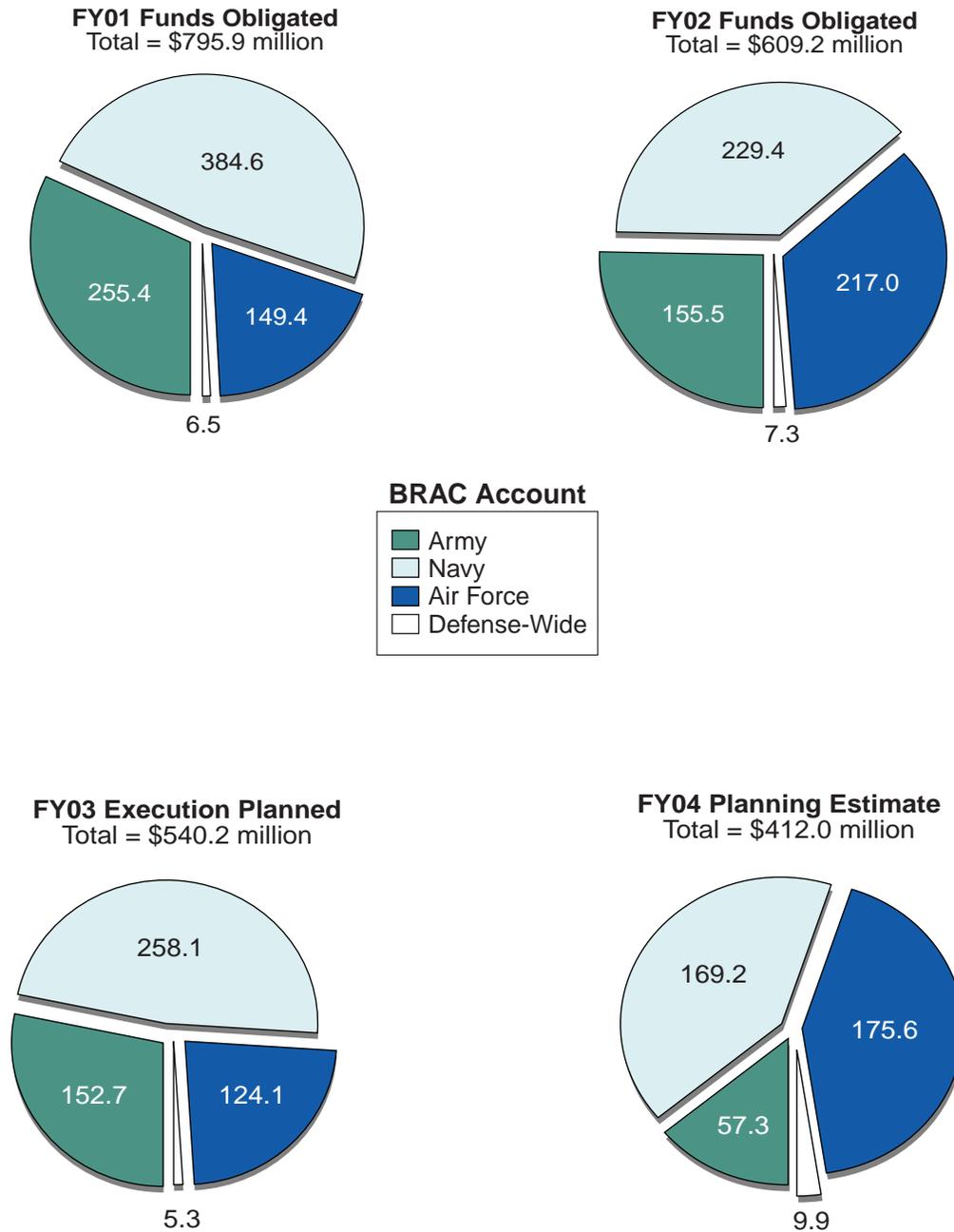
As the DERP continues to mature, the majority of sites progress from the investigation phases of the restoration process into the cleanup phases—which include the remedy in place (RIP) milestone—and ultimately to “response complete” (RC). A designation of RIP indicates that the selected remedy is in place and operating properly, while RC is achieved when all cleanup objectives specified for the site have been met. DoD expects to spend a greater percentage of funding on cleanup activities while decreasing the percentage spent on investigation. This trend is reflected in Figure 6, which shows actual and planned funding for cleanup, investigation, and program support.

Figure 4
Environmental Restoration Funding Profile for Active Installations and FUDS Properties*
 (in millions of dollars)



*Due to rounding, Component subtotals may not equal Fiscal Year totals.

Figure 5
BRAC Environmental Funding Profile for BRAC Installations**
 (in millions of dollars)



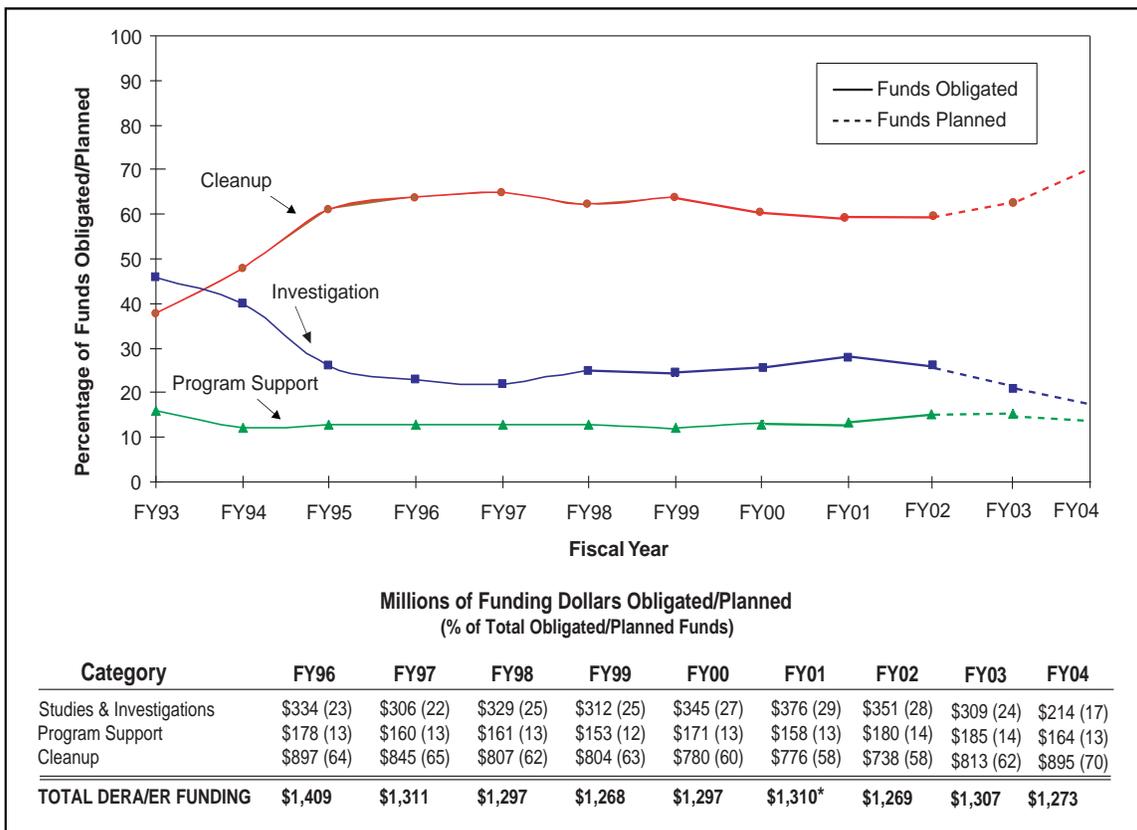
*Due to rounding, Component subtotals may not equal Fiscal Year totals.

†Funding shown includes compliance, planning, and program management in addition to restoration.

In addition to the increase in funding for cleanup activity, the majority of DERP sites have moved from investigation toward completion of the response action, demonstrating program progress over time. Figure 7 displays this trend at active installations by illustrating a decline of the number of sites in the investigation phase and an increase in the number of sites that have achieved RIP or RC.

As seen in Figure 8, DoD's cost-to-complete (CTC) estimates have generally declined each year at active installations as DoD completes DERP requirements at more sites. With a number of sites reopened in FY02, however, DoD experienced a slight increase in overall CTC at its active installations. A reopened site means additional, previously unidentified cleanup work is needed. The overall active installation CTC estimates have also experienced a slower rate of decline for many of the same reasons that BRAC

Figure 6
Environmental Restoration Active Installations and FUDS Cleanup, Investigation, and Program Support Obligations and Planning Estimates



*Does not include \$1.2 million applied against FY98 operations and maintenance.

installation CTC estimates have increased. For BRAC installations, these reasons include the discovery of additional contamination; longer and more costly remedial action-operation and long-term management phases than originally anticipated; the

Figure 7
Active Installation Site Progress Over Time

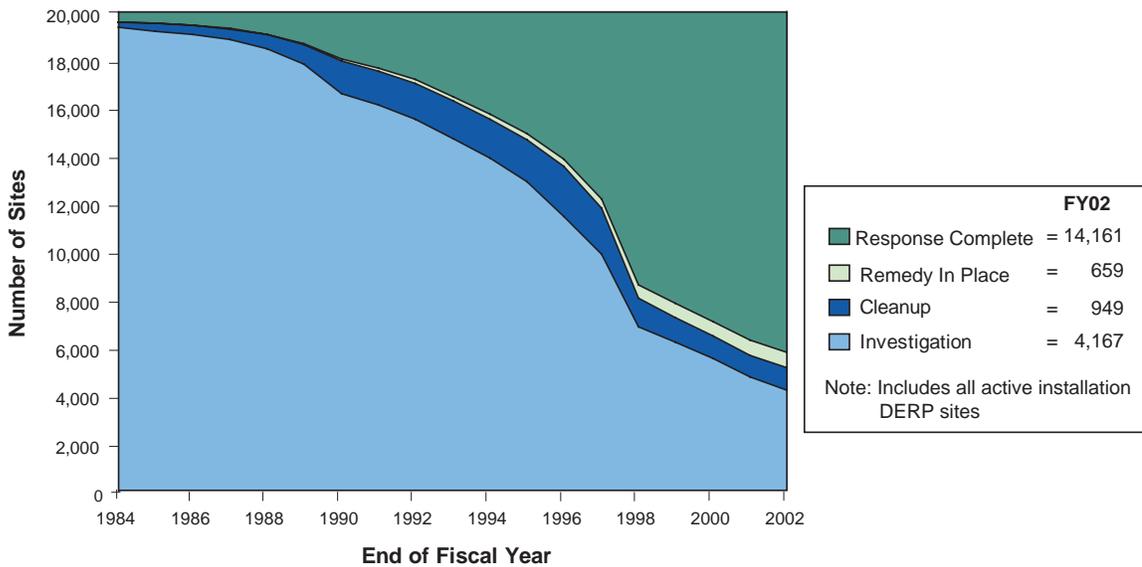
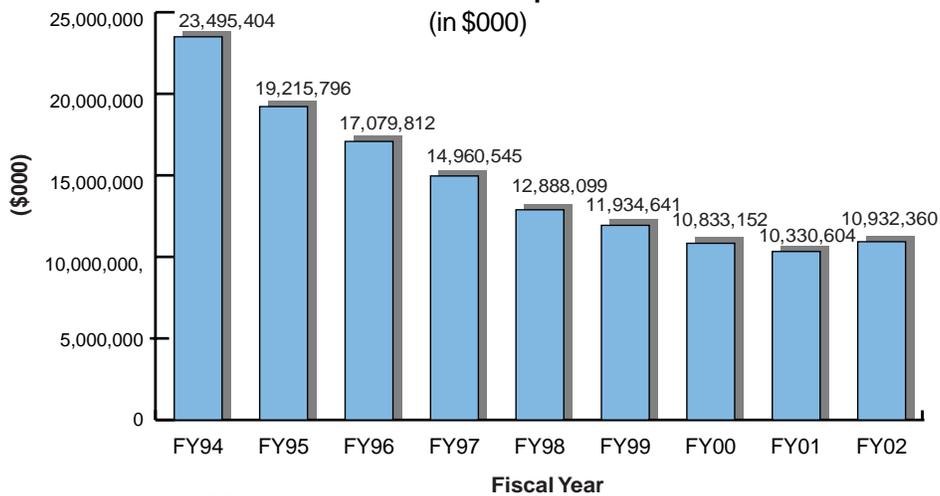


Figure 8
Active Installation Cost-to-Complete Estimate Trends*
(in \$000)



*Does not include MMRP costs.

additional remediation of unexploded ordnance, discarded military munitions, and munitions constituents; property reuse decisions; and improved cost estimating technologies and procedures.

Figure 9 shows that BRAC site progress over time is similar to that at active installations, with an increasing number of sites moving from the investigation phase into RIP and RC. Figure 10 shows the CTC funding estimate trend for BRAC, which is not declining overall at the same rate as the estimate for active installations. BRAC CTC estimates may fluctuate in part as a result of the dynamic nature of property reuse in BRAC. The BRAC funding estimates for FY95 and FY96 included not only restoration funding but also compliance funding estimates, causing them to appear larger. After FY96, compliance estimates were removed to provide a more accurate picture of restoration program funding requirements (Figure 10). Similarly, activities at military munitions response sites were previously funded through BRAC compliance; with the transition of this response into restoration in FY98, additional funding was required, as shown by the increase in CTC estimates from FY98 to FY99.

Figure 9
BRAC Installation Site Progress Over Time

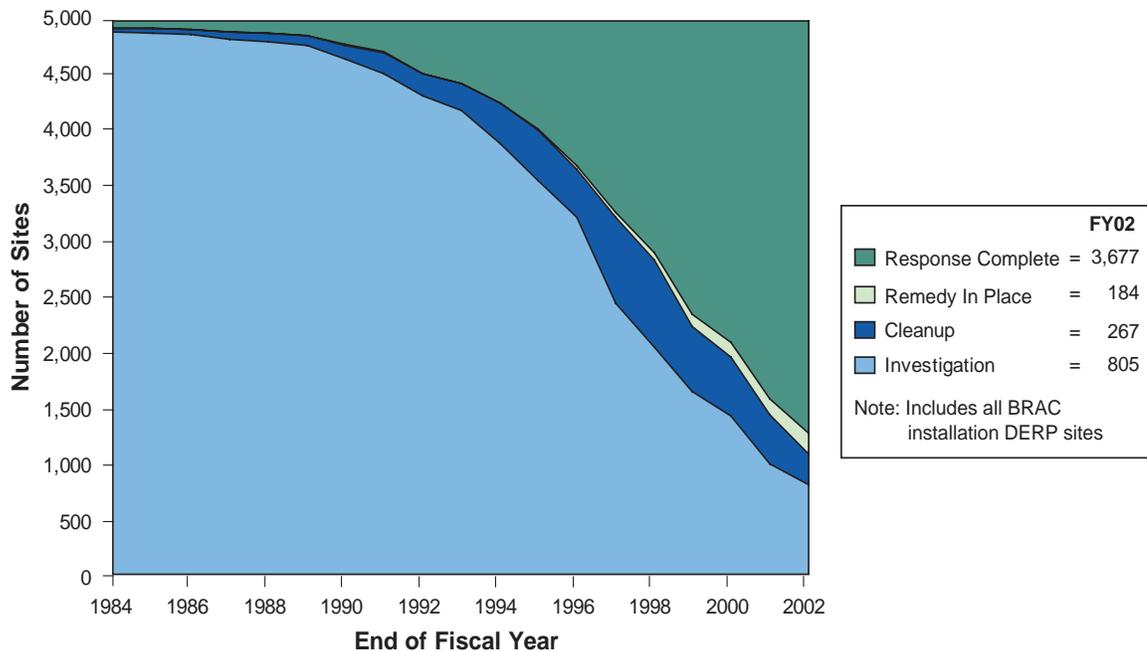
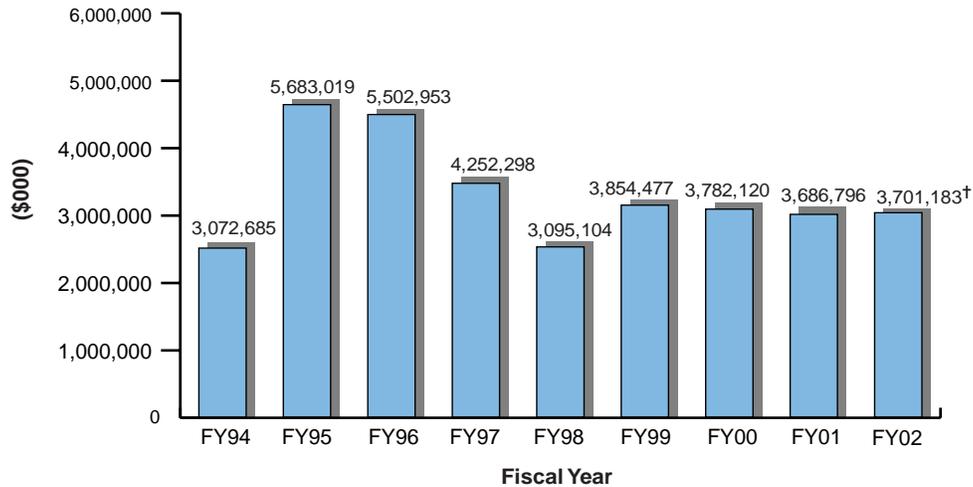


Figure 10
BRAC-ER Installation Cost-to-Complete Estimate Trends*
 (in \$000)



*FY95 and FY96 funding includes compliance in addition to restoration funding and funding for MMRP sites.
[†]The total BRAC environment (including environmental restoration, compliance, and program management) cost-to-complete estimate is approximately \$4.2 billion.

Cost-to-complete is an important oversight and program management indicator. Both the Department and the Military Services are addressing CTC issues on multiple fronts, including refining validation of future estimates, pilot programs for performance-based contracting, further privatization of the cleanup process, land sales where the buyer is conducting the cleanup, and oversight reviews of program execution and management. In addition to verifying and validating the CTC estimates, oversight management reviews are focused on ensuring that adequate and appropriate management controls and information management systems are in place to cost-effectively execute the program in accordance with policy and guidance.



This chapter described the DERP's funding process and the resources it will need. The next two chapters provide an in-depth look at the status, progress, and differing requirements of the DERP's IRP and MMRP categories.