



EPA Budget: Upcoming Decisions, Milestones and Processes

Presidential Transition Briefing
November 2024



Introduction and Overview

The following slides are intended to provide an overview of EPA's budget structure, data and historical perspectives, as well as budget-related decisions, timelines and processes.

This information is intended to provide context and related to the Fiscal Year 2025, 2026, and 2027 budget processes

This deck is not intended to explore major investment or policy options.

Federal Budgeting

Generally divided into 2 parts:

- 1) Budget Formulation
- 2) Budget Execution

Formulation – Requesting funds, developing estimates, and planning for future needs. The agency as a whole is formulating budgets for FY 2026 and beyond

Execution - Correctly use monies that have been appropriated
We are executing FY 2024 and prior year monies, which include supplemental dollars

EPA Appropriation Accounts

EPA's major funding appropriations are:

State and Tribal Assistance Grants (STAG) – Funds, grants, or cooperative agreements for states and tribes to solve environmental problems. In FY 2025 PB, STAG includes: \$2.4 billion for State Revolving Funds, \$1.5 billion for Categorical Grants, and \$697 million for other items.

Environmental Programs & Management (EPM) – Funds a broad range of pollution control efforts for all programs except Superfund, LUST, OIG, Oil, including payroll, travel, support contracts, and some grants.

Hazardous Substance Response Trust Fund (Superfund, SF) – Funds CERCLA & related emergency response to hazardous waste spills: long term planning & site cleanup and enforcement actions requiring responsible parties to clean up & allow the government to recover costs.

Science & Technology (S&T) – Primarily funds research & research related activities.

Leaking Underground Storage Tanks Trust Fund (LUST) – Funds Superfund Amendments & Reauthorization Act (SARA) and corrective action for releases from leaking underground storage tanks. Implemented through cooperative agreements with states.

EPA Appropriation Accounts

EPA's major funding appropriations (continued)

Buildings and Facilities (B&F) – Funds repairs, improvements, & new construction for EPA buildings.

Inland Oil Spill Programs (Oil) – Funds prevention & response to oil spills in waterways.

Inspector General (IG) – Funds EPA audit, evaluation, & investigative functions.

WIFIA – Appropriation for the Water Infrastructure and Finance Innovation Act

NOTE: EPA may NOT move funds across appropriations – SF transfer to S&T and IG is the only exception as directed in the annual appropriation language

Major Budget Decisions by Fiscal Year



FY 2025

Continuing Resolution – The agency is currently operating under a CR while Congress deliberates on a full-year appropriation. The CR funds the agency at FY 2024 levels until December 20, 2024.

Operating Plan – Funds agency through September 30, 2025, basis for a continuing resolution.

Strategic Resource Management – Hiring, payroll, IT updates, strategic and administration priorities, etc.

FY 2026

President's Budget – OMB and Congress set deadlines for Transition Year Budgets

- White House discusses and announces overall levels for Agencies (December)
- Internal EPA deliberation (January - February)
- Prepare and release in detailed 1,000+ page budget and supporting documents (March)

Budget Hearings – Congressional Budget Hearings, Testimony, and Questions (April-May)

FY 2027

Summer Process – OCFO launches the summer planning process (May)

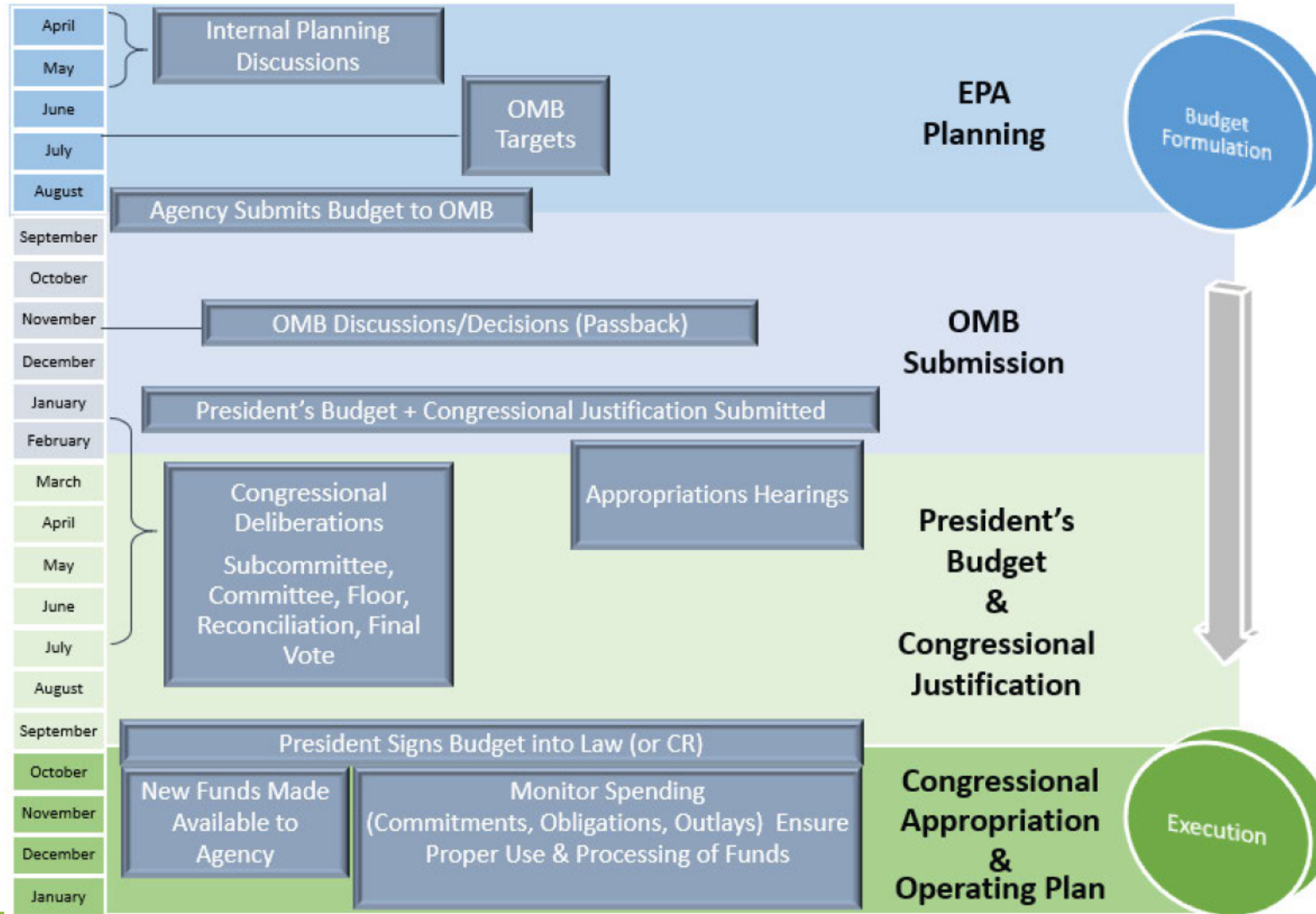
Targets – OMB issues Spring Guidance to set Administration priorities and target funding levels (June)

Planning Meetings – Senior Leadership Planning & Budget Meeting (July)

Final Agency Guidance – OCFO issues agency-wide resource level and policy decisions (late July – early August)

OMB Submission – Agency submits proposed budget to OMB (early September)

EPA Budget Formulation Schedule



Multi-Year Schedule

		Oc t	Nov	Dec	Jan	Feb	Mar	Apr	Ma y	Jun	Jul	Aug	Sep
Formulation	Planning Year						OMB Target EPA Deliberations/Planning Prepare OMB Submission						OMB Sub
	2 years hence- FY 2027						Budget Forum – Senior Mgmt. Priorities						
	Budget Year	OMB discussions and passback.				PB / CJ	Appropriation Hearings, Congressional Deliberations CR or ENA						
	Next Year FY 2026												
Execution	Current Fiscal Year	Develop and implement operating plan				Spending, monitoring and accounting, managing balances.						End of FY	
	FY 2025												
	Past Fiscal Year	• Audits of Previous Year & Develop Financial Statements • Obligate funds "carried-over" from previous fiscal years • Outlay obligated funds - Monitor and Account for available balances										End of FY	
FY 2024													
	Prior Fiscal Years	• Outlay obligated Funds • Monitoring, and Accounting of funds • Reviewing to assure proper expenditure or de-obligation of funds										End of FY	
	FY 2023 and earlier												

FY 2025 Continuing Resolution (CR)



It is likely that Congress will pass temporary CR appropriations bills to fund agency operations before reaching a final full-year agreement.

The CR bill contains language on the rate of operations (or spending) and funding available levels.

- Generally, no new programs, program eliminations, or reorganizations can be implemented during a CR.
- Offices should consult with the Office of General Counsel prior to beginning a new program, terminating a program, or implementing a reorganization during a CR.

If the agency does not receive a full year appropriation and no additional CR is passed, there is a lapse in appropriations (shutdown).

- Some EPA employees are "excepted" and continue to work, for example to protect life or property.
- Other employees may be deemed "exempted" if their funding source has not lapsed, like IRA, IIJA, and some other non-appropriated sources of funding.

FY 2025 Operating Plan

When the EPA receives a full-year appropriation, we must develop an operating plan

- Generally, EPA must submit a detailed Operating Plan to OMB within 20 days and to Congressional appropriations committees within 30 calendar days of the President signing the bill.
- To develop an Operating Plan, EPA reviews congressional direction and updates costs by:
 - Applying any rescissions and reviews Congressional direction,
 - Updating cost calculations (e.g. payroll, support costs, etc.),
 - Addressing potential pay/non-pay shortfalls, and
 - Considering agency redirections to support policy choices from the President's Budget within available flexibility
- Specific Congressional language can vary, including additional approval steps, changes in due dates, or other details.

FY 2025 Operating Plan Decisions

Decisions points needed to develop the FY 2025 Operating Plan include:

FTE Levels / Payroll

- Resource constraints may force decisions between payroll and other types of funding (i.e. contracts or grants).
- Individual programs may have appropriations language or specified levels that create similar decisions within the program.
- Choices may have to be made at an agency or individual office level.

Contracts and Grants

- New priorities may have emerged since the President's Budget submission that require additional resources.
- Funding may be constrained and there may be decisions across programs for general or specified reductions.
- Choices may have to be made at an agency or individual office level.

Trade offs between Programs

- Recent appropriations have not provided full levels requested, requiring prioritization decisions.
- Congressional reprogramming limits or other direction limits the agency's flexibility to move funding across programs.

FY 2026 Budget Formulation Process



Steps taken prior to election

Agency submitted its FY 2026 OMB Submission to OMB in September. This may be the basis of the President's Budget or a new Administration may wish to start over.

Post- Election *(early November through January)*

Transition Teams arrive and may begin looking at funding options and priorities. *Below are some possible major steps based on past transitions.*

Budget Blueprint developed *(February or March in previous transitions)*

New Administrations sometimes announce Budget Blueprints with budget totals for agencies and major initiatives and investments – *EPA appointees may have a role in suggesting initiatives*

Prepare and Submit FY 2026 Budget *(February through May in previous transitions)*

- Passback – OMB may have a formal passback in which they give the EPA an overall budget target and policy directions. *(November, March in previous transitions)*
- Prepare Congressional Justification / President's Budget. *(February through March, March & April in previous transitions)*
- Deliver President's Budget to Congress *(March, May in previous transitions)*

Budget Formulation Considerations

Agencies have flexibility within the OMB proposed funding level (OMB target) to consider:

Big Picture

- Are there programs that have significant resource gaps?
- What FTE (staffing) levels will be included in the request?

Administration Initiatives

- Are there government-wide initiatives that the EPA should participate in?

Additional Requests?

- Does OMB guidance allow for additional or over-target proposals?

Does the OMB target allow for adequate payroll and other base costs?

- Cost Savings Proposals – Short- and long-term strategies to reduce costs
- Trade offs between programs - Sunset or reduce programs?
- What performance results could be achieved with greater resources?

But – EPA has a complicated budget structure which limits choices

- EPA's Budget justification is over 1,000 pages and provides detail on each appropriation and program project
- The EPA currently is controlled through nine appropriations, 146 program projects organized into 31 program areas.
- Congress limits movement for each program area to \$1M or 10% per year through reprogramming limits. EPA cannot transfer funds between appropriations.

Appendix

o

Career Officials with Budget Responsibilities



OCFO Leadership – including Deputy CFO, Associate CFO, Controller, Budget Director

Senior Resource Officials (SROs) – the Deputy Assistant Administrators (DAA) OR Mission Support Divisions Directors in NPMs and Regional Offices, respectively are responsible for resources management and guide resource planning.

Senior Budget Officers (SBOs) – Each NPM has an SBO with a small team who help in budget formulation and guide budget execution.

Larger NPMs also tend to have smaller financial units within their major offices

- E.g., OW's Clean and Drinking Water groups or RTP in North Carolina.
- SBOs will coordinate with lead Regions on particular budget topics.

Mission Support Division Directors (MSDDs) – coordinate all administrative functions in each Region, including budget and finance

Regional Comptrollers – manage financial execution and participate in some budget execution exercises. Normally have a budget and finance lead.

Funds Control Officers (FCOs) – EPA organizations designate and train officials to assure sound financial management. FCOs track, review, report, and assure the proper use of funds.

Federal Spending Requirements

All program spending must comply with 3 general sets of Law and Rules

- **1) Environmental Laws (Statutes)**

- NEPA, CAA, CWA, SWDA, RCRA, TSCA, CERCLA, FIFRA, etc.
- *Many EPA authorizing statutes have specific financial authorizations and requirements.*

- **2) Appropriations Statutes** - Annual & Supplemental Appropriations

- Appropriations have directives and requirements in law and report language,
- *The EPA cannot move dollars between its nine appropriations*
- *Congress limits reprogramming between EPA's 31 program areas and 146 program projects to \$1 million or 10 percent (whichever is lower)*

- **3) Government-wide Management Laws (Statutes) and Guidance/Regulations**

- **Laws** – Anti-Deficiency Act (ADA) GPRA, CFO Act, FMFIA (internal controls), the Recording Statute, FFMIA, FACA, IG Act, Data Act, Miscellaneous Receipts Act (MRA), Fiscal Responsibility Act (FRA), etc.
- **Guidance/Regulations** – comes from different organizations
 - Office of Management & Budget (OMB) Circulars (A-11, A-123, etc.), GAO (Green Book, Red Book, etc). OPM (HR), GSA (space, procurement, travel), DOC-NIST (cyber-security), Treasury (finance), etc.

Spending Rules

Federal Government spending rules can be very different than private sector, non-profit, or even state and local spending and administrative rules.

Legal, administrative, and financial specialists can advise on plans, contracts, grants, travel, pay, and other actions to check on how to meet all Federal requirements

For example:

- 1) Statutes** - Program Experts & General Counsel can advise on what is authorized under environmental statutes
- 2) Appropriations** - Senior Budget Officers (SBOs) and Regional Comptrollers, General Counsel and OCFO on appropriation directives, restrictions, and report language
- 3) Management Laws and Rules** - Funds Control Officers (FCOs), Contract Offices and Grants Officers on the administrative, financial and other laws and rules

o