

For Release
on Delivery
Expected at
9:00 a.m. EST
Thursday
February 8, 1990

Creation of a Department
of the Environment (S. 2006)

Statement of
J. Dexter Peach, Assistant Comptroller General
Resources, Community, and Economic Development
Division

Before the Committee on Governmental Affairs
United States Senate



C47680/140565

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear here today to present our views on the creation of a Department of the Environment and on Senate Bill 2006. Accompanying me is Richard L. Hembra, Director for Environmental Protection Issues, U.S. General Accounting Office (GAO).

Conferring Cabinet status on the Environmental Protection Agency (EPA) not only symbolizes the growing importance of the agency. It is also an action that should, in the long term, position the agency to address more effectively the complex environmental challenges this nation will face in coming years.

Since EPA was created in 1970, the nation's understanding of environmental problems has grown enormously, and with it, EPA's responsibilities. Today, EPA's mission, size, and scope of responsibilities place it on a par with many Cabinet departments. From my own involvement in GAO's work at the Departments of Energy, Interior, Agriculture and Transportation, I am very aware of the interplay between environmental issues and the programs of these departments.

Elevating EPA to Cabinet status should help ensure that environmental policy is given appropriate weight in relation to domestic and foreign policies that are carried out by other

Cabinet departments. Conferring Cabinet status on EPA would also help its head deal effectively as an equal with counterparts in the federal government as well as in the international community. Finally, establishing the head of EPA as a Cabinet member would, from a long-term institutional standpoint, make clear the organization's direct access to the President on environmental matters.

The remainder of my statement expands on these points and presents our views on:

- the growth of EPA and of environmental issues;
- the relationship of environmental protection to other Cabinet departments and policies;
- other criteria by which to assess the elevation of EPA; and
- organizational and management issues identified in our past work which are reflected in the proposed legislation before the Committee.

GROWTH OF EPA AND ENVIRONMENTAL ISSUES

It is important to understand how different the EPA of 1990 is from the EPA of 1970. Today, the agency administers nearly a dozen major environmental statutes. Most of these statutes had not yet been enacted when EPA was created--even those that were on the books, such as the Clean Water Act, were completely revamped in the 1970s. From its first-year expenditures of \$384 million, EPA's

annual outlays have risen to over \$5 billion. And as a percentage of total federal outlays, EPA's share has more than doubled since 1970.

Of even greater significance than federal outlays, however, is the effect of EPA's programs on our national economy. Environmental cleanup has cost the nation well over \$700 billion thus far. We now spend over \$86 billion a year, or about 2 percent of our GNP, on pollution control and regulation. In fact, a whole new sector of the economy has grown around pollution control. In the early 1970s, federal programs controlled the most visible types of pollutants--what comes out of smokestacks or goes into sewers. Since then, the federal government has assumed responsibility for regulating the less visible, but more pervasive, aspects of pollution: the toxic chemicals manufactured, the methods and location of hazardous waste disposal, and the cleanup of chemically contaminated lands and water.

In the future, the federal role in environmental protection is likely to grow even larger, especially as environmental problems become increasingly international. While we have improved our air and water quality in some respects, these problems continue to dog us. The cleanup of hazardous waste sites is clearly going to continue well into the next century, as are efforts to reregister pesticides. And even as we move to try to get a handle on old problems, we discover new ones, like global warming, toxic air

pollutants, and indoor air pollution. Moreover, the solutions to some of these problems--like global warming and the depletion of the stratospheric ozone layer--will require a degree of international cooperation that may be unprecedented. To sum up, the number, scope, and persistence of environmental problems are strong arguments in favor of Cabinet status for environmental issues.

RELATIONSHIP OF ENVIRONMENTAL PROTECTION
TO OTHER DEPARTMENTS AND POLICIES

As our awareness of environmental problems has increased, and as EPA's role has expanded, environmental policy has steadily come to play a critical role in shaping other domestic and foreign policies. The President's proposed amendments to the Clean Air Act, for example, calling for a switch to cleaner fuels and cleaner coal-burning technologies, are directly linked to the nation's energy policies. The United States' participation in the international agreement to phase out the production of chlorofluorocarbons (CFCs) shows how our environmental policy has been integrated into our trade and foreign policies. As we begin to address global climate change, we will have to examine a host of policies, including energy, agriculture, overseas assistance, foreign trade, and national security, among others.

Because EPA is the federal organization responsible for identifying and representing environmental interests before the rest of the government, EPA interacts regularly with the Departments of Agriculture, Defense, Energy, Interior, State, Transportation, and so on. Compared to many of these departments, EPA's interests and responsibilities are equally wide-ranging. Furthermore, its expenditures are about the same as the Department of the Interior's; are larger than both the State and Energy Departments' (excluding DOE's atomic energy defense activities), and are twice those of the Commerce Department.

Moreover, as demonstrated by numerous GAO reviews, other federal agencies do not always provide the support and cooperation necessary to further environmental policy goals. Instead, roadblocks are often created by jurisdictional conflicts, organizational structures, and cultures that are not conducive to cooperation with EPA or that place a low priority on environmental protection. In some cases, the outcome of these problems has been serious. We see, for example, that years of ignoring environmental consequences at Defense and Energy Department facilities have jeopardized the health of neighboring communities and are likely to cost the federal government tens of billions of dollars to correct. The President's proposed budget for next year suggests that cleaning up federal facilities may ultimately cost taxpayers between \$140 and \$200 billion. It is therefore important that the United States have an organization at the federal level

that is designed to ensure that, as far as possible, agencies will consider and actively support national environmental policy goals as they make decisions about programs for which they are responsible.

In this regard, we believe that the creation of an Interagency Committee on Global Environmental Change, as called for in S. 2006, should provide a much needed mechanism for coordinating national policies on some of the most important environmental issues confronting us today. We recently reported that the Administration does not have a coordinated national policy on global climate change, nor has it tasked any agency to provide overall direction.¹ Even agencies that might have served this coordinating function--including the Office of Science and Technology Policy and the Council on Environmental Quality--have not been very effective.

OTHER ASSESSMENT CRITERIA

In recent years, when other agencies have been proposed for Cabinet status, concerns have been expressed that increasing the number of Cabinet members reporting to the President would make the Cabinet more cumbersome and less useful. While these concerns are not without merit, we believe that they are overshadowed by the

¹ Global Warming: Administration Approach Cautious Pending Validation of Threat (GAO/NSIAD-90-63, Jan. 8, 1990).

importance of environmental issues, the significant impact of environmental decisions on our economy, the interrelationship of environmental issues and other national issues--most of which are represented by agencies with Cabinet status--and the emerging international importance of environmental issues.

Furthermore, when consideration was being given to creating a Department of Veterans Affairs in the last Congress, the National Academy of Public Administration (NAPA) developed criteria for evaluating proposals for Cabinet agencies. These included improving program visibility to achieve a broad national goal; facilitating the achievement of cross-cutting national policy goals; and improving the agency's oversight and accountability. In an analysis we conducted at the request of the Chairman of the House Government Operations Committee, we found that the proposal to elevate EPA to Cabinet status met many of these NAPA-suggested criteria. As you will note in the attached analysis, we believe that a Cabinet department for the environment would, among other things, support a broad national goal that affects all segments of society, and its structure would allow consolidation of functions now located in other executive branch agencies.

Although we have not analyzed the costs associated with implementing the provisions of S. 2006, the Congressional Budget

Office has calculated that the costs of simply converting EPA to a department would be relatively minimal. The bill now under consideration contains additional features that could add to the Department's costs--specifically, the Bureau of Environmental Statistics and the Commission on Improving Environmental Protection. We believe, however, that in light of some long-standing concerns, which I will discuss in a moment, such costs could, in the long run, more than pay for themselves.

ORGANIZATION AND MANAGEMENT ISSUES

From our reviews of individual programs at EPA, as well as a general management review of the agency we conducted in 1988,² we believe that several problems would remain to be addressed even if EPA were elevated to Cabinet status. Among other things, the agency needs better means for measuring the effectiveness of its programs, better financial and other management information systems, and better internal controls, as well as an organizational structure that is better able to reflect what are considered to be the most important environmental problems.

We are therefore pleased to see that S. 2006 would establish a Bureau of Environmental Statistics within the Department of the

² Environmental Protection Agency: Protecting Human Health and the Environment through Improved Management (GAO/RCED-88-101, Aug. 16, 1988).

Environment, as well as a commission to study organizational and jurisdictional issues. Both throughout the agency and within specific programs, EPA does not have a base of information that would allow it to assess the effectiveness of its programs in improving or protecting environmental quality. Developing a reliable set of environmental indicators, which would allow EPA to judge the nation's progress in meeting environmental goals, should be one of the new Bureau's top priorities.

We have also, in the course of our work, raised questions about an appropriate structure for EPA and about the need for a unified environmental statute that might eliminate some of the conflicts and inconsistencies among the many environmental statutes for which EPA is responsible. A commission to study these issues could provide an important public service in its answers to these questions.

Several other features of S. 2006 also deserve mention. Based on our reviews of EPA's financial and information resource management systems, we strongly endorse the designation of a Chief Financial Officer and a Chief Information Resources Officer for the new Department, with duties as laid out in the bill. As you are well aware, GAO is deeply concerned about federal agencies' vulnerabilities to fraud, waste and abuse, and weaknesses in agencies' internal controls. By defining high-level positions with specific responsibilities for two key internal control systems, the

bill sends a strong message about their importance to the sound management of the new Department.

CONCLUSION

In summary, Mr. Chairman, elevating EPA is an affirmation of the prominence and permanence of the federal role in environmental protection. With the proposed additions that I have commented on in my statement, a Department of the Environment could ultimately provide the United States with a far more effective organization for addressing the difficult environmental agenda that awaits us in the years ahead.

Mr. Chairman, this concludes my prepared statement. Mr. Hembra and I would be pleased to respond to any questions.

INFORMATION ON ELEVATING EPA TO CABINET STATUS
BASED ON NAPA CRITERIA

The following criteria, expressed as 14 questions within five general categories, are taken directly from the National Academy of Public Administration's (NAPA) Evaluation of Proposals to Establish a Department of Veterans Affairs, published in March 1988. In developing our responses, we have attempted to adhere closely to the meaning apparently inferred by the NAPA evaluation panel.

I. Establishing a National Priority for the Agency's Programs

Question: Does the agency or set of programs serve a broad national goal or purpose not exclusively identified with a single class, occupation, discipline, region or sector of society?

Response: We believe that a Department of Environmental Protection meets this criterion. As much as any other Cabinet-level issue, environmental protection affects all Americans--from urban dwellers who experience air pollution to rural residents whose drinking water may be affected by runoff from pesticides and fertilizers. All levels of government are involved in environmental regulation, and they join business and industry as

subjects of environmental regulation. In addition, the benefits of environmental regulation are derived by all citizens.

Question: Is there evidence that there is a significant need that is not now adequately recognized or addressed by EPA, the President, or the Congress which would be better assessed or met by elevating the agency to a Cabinet department?

Response: This question focuses on the ability of the agency to obtain necessary resources for its programs. Looking at environmental programs, it seems to us unlikely that outlays will be significantly changed by Cabinet status. The appropriate level of funding for environmental activities has been a concern to both the Administration and the Congress for the past decade, as both environmental problems and the budget deficit have grown. The question concerning what level of resources to devote to environmental programs will undoubtedly persist in the years ahead, whether these programs are housed in an independent agency or a Cabinet department.

Question: Is there evidence of impending changes in needs or circumstances which would be better addressed if EPA were made a Cabinet department? Are such changes expected to continue in the future?

Response: In our view, a Cabinet department would be an appropriate acknowledgment that environmental problems have become long-term, increasingly complex, and also increasingly international in scope. As noted in our testimony to the subcommittee, the federal role in environmental protection, which has expanded greatly in the last two decades, is likely to grow even larger in the future. Old problems of air and water pollution persist. Cleanup of hazardous waste sites is now recognized as a long-term problem. At the same time, our nation is discovering and beginning to deal with the more subtle but pervasive problems of toxic air pollution, indoor air pollution, and others. Some of these newly-recognized problems, like global warming and stratospheric ozone depletion, will require a degree of international cooperation that could be well-served by a Cabinet department.

Question: Would a Cabinet department increase the visibility and thereby substantially strengthen the active political and public support for EPA programs?

Response: EPA's creation in 1970 reflected the widespread concern for environmental protection. Since that time opinion polls have consistently demonstrated that environmental concerns, from the public's perspective, remain a top national issue. Political support for environmental issues, however, has

not always been viewed as mirroring public support. This was especially true during the early 1980's when the Administration placed less emphasis on environmental issues and political problems plagued EPA.

We see conferring Cabinet status on EPA as enhancing existing support for environmental issues from two perspectives. EPA's elevation would be an important symbolic gesture, signalling that the Administration recognizes the longstanding public support for environmental protection. From a political standpoint, the action would ensure that EPA is present to represent environmental issues during the development of national and international policies.

Question: Is there evidence that becoming a Cabinet department would provide better analysis, expression and advocacy of the needs and programs which constitute the agency's responsibilities?

Response: In our view, environmental issues deserve the attention of the President. Also, from a long-term institutional standpoint, the environmental protection organization should have regular access to the President. As the NAPA panel noted, a

Cabinet department secretary often has better personal access to the President and senior White House staff than the administrator of an independent agency.

We recognize that Cabinet standing is no guarantee of presidential interest, and conversely, that independent agency status is not automatically accompanied by indifference on the President's part. However, as discussed later, environmental issues play a critical role in our national and international policy decisions. Placing EPA on equal footing with the departments responsible for developing those policies would help ensure, over the long-term, the integration of environmental protection with such policies.

II. Improving Program Effectiveness

Question: Is there evidence that elevation to a Cabinet department would improve the effectiveness of EPA's delivery of services?

Response: Because EPA does not provide services, this question does not directly apply. However, if one interprets the question to mean the effectiveness of EPA programs in general, we would conclude that elevation to Cabinet status is unlikely, by itself, to bring improvements. As we pointed out during our

testimony, our general management review and other reviews of EPA revealed a number of weaknesses in the agency's management, such as: the absence of linkages between its planning and budgeting functions, its use of activities rather than outcomes as measures of program effectiveness, and the lack of good financial management and information systems, among others. Resolution of these types of weaknesses reflect management commitment and leadership, not organizational placement.

Question: Is a Cabinet department required to better coordinate or consolidate programs and functions which are now scattered throughout other agencies in the executive branch of government?

Response: Although current proposals do not call for moving the functions of any agency other than EPA to a Department of Environmental Protection, its creation would nevertheless provide the framework and thereby facilitate the consolidation of other environmental programs, if warranted. It has been suggested, for example, that the National Atmospheric and Oceanic Administration (NOAA) and other environmental research organizations be included in a Department of Environmental Protection.

III. Improving Program Efficiency

Question: Is there evidence that a Cabinet department with its increase in the centralized political authority of the Secretary's office would result in a more effective balance within the agency between integrated central strategic planning and resource allocation, and the direct participation in management decisions by the line officers who are responsible for directing and managing service delivery? Would the staff officer-line officer interaction be improved?

and

Question: Is there evidence of significant structural, management, or operational weaknesses within the agency that could be more easily corrected by elevation to a Cabinet department?

Response: As noted earlier in our assessment, the management weaknesses within EPA that we have observed are not likely to be affected by a change in its status; these problems will need to be addressed whether EPA is elevated or remains an independent agency. We found, for example, that the budgeting process at EPA is driving planning rather than the other way around. The result is that resources are focused on traditional program activities rather than on what are defined as priorities. Both GAO and EPA have found problems in the agency's financial management systems, and we have both noted difficulties in creating

and retaining a skilled workforce at EPA. We also found that EPA needs to develop more effective working relationships with state and local governments, who are to a great extent responsible for carrying out federal environmental programs. Better internal controls are needed, particularly in the area of contracting, which now takes up about a third of EPA's budget. With effective leadership, these and other management problems can be addressed either by the existing agency or a Department of Environmental Protection.

Question: Is there evidence that there are external barriers and impediments to timely decision making and executive action that could be detrimental to improving the efficiency of EPA programs? And would these impediments be removed or mitigated by elevation to a Cabinet department?

Response: In our view, the most apparent external barrier faced by EPA is the variety of legislation from which EPA derives its statutory authority. Because EPA was created under an Executive Reorganization Plan, it does not have an overarching legislative mission. Instead, its statutory responsibilities are set forth in roughly a dozen pieces of legislation. As we pointed out in our EPA management review, each of these statutes contains divergent regulatory philosophies and standards. Such diversity complicates agency management and adoption of an integrated cross-

media environmental approach. As a result, the agency has less flexibility in setting priorities based on its assessment of the risks presented by various environmental problems.

We recognize that, by itself, elevation to a Cabinet department would not resolve EPA's difficulties. But, if Cabinet status were accompanied by an organic piece of legislation, it might make it easier for EPA to set priorities and allocate resources in response to its evolving understanding of environmental problems.

Question: Would elevation to a Cabinet department help recruit and retain better qualified leadership within the agency?

Response: Cabinet status in our opinion would improve EPA's ability to recruit, but only to a marginal degree. We have reported that EPA has had problems in retaining its Superfund workforce, and like other federal agencies, can probably expect increased difficulties in competing for skilled personnel in the future. In 1987, we noted that one-third of the Superfund program staff we surveyed planned to look for other jobs the following year. To the extent that staff turnover is a function of a perceived lack of commitment to the agency--as may have been the case in the early 1980s--then elevation of EPA to Cabinet status

may be an important signal that staff efforts are important and valued.

However, you should be aware that we have found pay to be a major factor in retaining a skilled Superfund workforce. EPA must compete for staff with a growing private sector that is able to offer considerably higher salaries. Superfund staff that left EPA in 1985-86 for jobs with private industry received, on average, about \$7,000 a year more than they were earning at EPA.

Looking at high-level positions, we would share the NAPA panel's observation that Secretary and Assistant Secretary positions are customarily more attractive to senior executives than non-Cabinet officers. Here too, however, executive pay levels may be a deterrent regardless of Cabinet status.

IV. Improving Federal Policy Integration

Question: Is there evidence that a Cabinet department would facilitate more uniform achievement of broad, cross-cutting national policy goals?

Response: We believe that a Cabinet department would more effectively integrate environmental policy into a broad array of related domestic and international policies. In the President's

recent proposal to amend the Clean Air Act, in the United States' negotiations to phase out CFC production, and in a variety of other ways, it has become evident that environmental policy plays a critical role in our energy, transportation, trade, and foreign assistance policies, among others. Having equal status with the departments responsible for carrying out these other policies would place EPA on an equal footing and allow it to more easily represent environmental interests before the rest of the federal government.

As we noted in our testimony, it is also important to have a vehicle for environmental cooperation to ensure that other federal agencies, insofar as possible, will take national environmental policy goals into account as they make decisions about their programs. In numerous reviews, we have found instances where this has not been the case, sometimes with serious effects. Years of ignoring environmental consequences at Defense and Energy Department installations, for example, have jeopardized the health of neighboring communities and are likely to cost the federal government tens of billions of dollars to correct.

Question: Would EPA's elevation to a Cabinet department weaken or strengthen the Cabinet and the Executive Office of the President as policy and management aids to the President?

Response: Although we have not evaluated this issue, the NAPA panel did draw conclusions. In evaluating the veterans affairs proposal, the panel noted that while an increased number of Cabinet departments dilutes the usefulness of the Cabinet as an advisory body, the addition of one department would have little if any effect on the operations of the Executive Office of the President and would not be reason enough to reject a proposal for Cabinet status.

V. Improving Accountability to Elected Public Officials

Question: Would the elevation to a Cabinet department have a beneficial or detrimental effect on the oversight and accountability of the agency to the President and the Congress?

Response: In our view, oversight and accountability would be unaffected by EPA's elevation to a Cabinet department. Although EPA is an independent regulatory agency, its administrator is confirmed by the Senate and serves at the pleasure of the President, as does a Cabinet Secretary. Likewise, a Cabinet department would remain subject to the same established congressional oversight mechanisms now in place, such as those contained in the Federal Managers' Financial Integrity Act, the Inspector General Act, and other such laws. EPA has been and can be expected to remain subject to congressional oversight through

statutory reporting requirements, frequent hearings, and deadlines for agency activities. The 1984 amendments to the Resource Conservation and Recovery Act, for example, specified 76 deadlines, 8 of them containing so-called "hammer" provisions that would automatically result in certain actions if EPA failed to meet the deadlines. The intensity of oversight seems to us to be more closely related to public and congressional concern for environmental issues rather than to the type of organization responsible for the issues.