

ENHANCING THE MANAGEMENT CAPACITY
OF THE
ENVIRONMENTAL PROTECTION AGENCY

AN ANALYSIS OF THE EPA
BUDGET PROCESS

NATIONAL ACADEMY FOR PUBLIC ADMINISTRATION
Contract No. 68-01-6778

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I. INTRODUCTION

This is the report of the EPA Budget Process Study conducted by the National Academy for Public Administration under EPA Contract No. 68-01-6778. The Environmental Protection Agency commissioned the Academy in July 1983 to undertake intensive studies of the Agency's personnel and budget systems. The purpose of these studies was to identify strengths and weaknesses in the management and utilization of EPA's people and its resources and to recommend improvements to enable the Agency to administer more effectively the laws on public health and the national environment.

The Chairman of the National Academy convened a Panel to provide guidance and direction to the two studies. The members of this Panel are:

Frank C. Carlucci (Chair). President, Sears World Trade, Inc. Former Deputy Director, CIA, and Deputy Secretary of Defense, Former U.S. Ambassador to Portugal.

Robert W. Fri. President, Energy Transition Corp. Former Head, U.S. Delegation to the International Atomic Energy Administration; Deputy Administrator, Energy Research and Development Administration; and Deputy Administrator and Acting Administrator, EPA.

John W. Gardner. Chairman and founder, Independent Sector. Former Chairman, Common Cause. Former Secretary, Department of Health, Education and Welfare.

Simon Lazarus. Partner, Powell, Goldstein, Frazer & Murphy.
Former Associate Director, White House Domestic Policy Staff,
and Attorney, Arnold & Porter.

Gerald McManis. President, McManis Associates. Former Senior
Associate, Cresap, McCormick and Paget, and Department of Defense
executive responsible for application of systems analysis
techniques to management problems.

Dale McOmber. Former Assistant Director for Budget Review, Office
of Management and Budget.

Robert E. Merriam. Partner, Alexander Proudfoot Co. Former Chair,
Advisory Commission on Intergovernmental Relations, and Deputy
Assistant to the President.

Ersa H. Poston. Former Vice Chair, Merit Systems Protection Board.
Former President, New York State Civil Service Commission; Member,
International Civil Service Commission.

Vicki Tschinkel. Secretary, Florida Department of Environmental
Regulation, and Member of the Energy Research Advisory Board, U.S.
Department of Energy.

William N. Walker. Counsel, Mudge, Rose & Guthrie. Former Deputy
Special Representative for Trade Negotiations, Geneva, and Director,
Presidential Personnel Office.

In its conduct of the EPA Budget Process Study, the Panel was assisted by a small staff of analysts:

- ° Eldon D. Taylor, Staff Director
- ° George Pilarinos, Senior Research Associate
- ° Patricia L. Foreman, Research Assistant

The Budget Process Study Team conducted interviews with over a 100 people from the Environmental Protection Agency, at Headquarters, in the Regional offices, and the Laboratories, as well as from other interested groups such as the United States Congress and the Office of Management and Budget. A list of persons interviewed is provided in Appendix B. In addition to the interviews, the Study Team reviewed about 80 documents such as the Agency's Budget Submissions, Inspector General Audit Reports, Agency Task Force Reports, Information System Studies, and numerous memoranda pertaining to the Fiscal Year 1983 through 1985 budget cycles. A complete list of the documents pertinent to the Study is provided in Appendix C.

The Academy wishes to express its appreciation to the management and staff of the Environmental Protection Agency for their wholehearted cooperation and assistance in the conduct of this Study.

II. EXECUTIVE SUMMARY

This is the report of the Budget Process Study conducted for the Environmental Protection Agency by the National Academy for Public Administration (NAPA). The Budget Process Study Team interviewed over a hundred key management officials, program analysts, and budget analysts at EPA Headquarters, in the Regional offices, and the Laboratories, as well as staff representatives of the United States Congress and the Office of Management and Budget. The Study Team also reviewed various EPA analyses and reports pertaining to the Agency's budget process, along with numerous internal memoranda specifically relating to the Fiscal Year 1983 through 1985 budget cycles.

The Budget Study interviews and document reviews clearly indicate that the EPA budget process is fundamentally sound:

- ° EPA top management finds the process useful for internal program planning and decision-making.
- ° Budget estimates are based on careful workload analyses and specific planned accomplishments.
- ° Budget formulation is focused at EPA Headquarters, but serious efforts are made to assure that all levels of management participate.

° The EPA budget and accounting structure provides for the stewardship of funds in accordance with sections of the authorizing statutes and effective mechanisms are in place to control budget execution both at Headquarters and in the field.

° Formal accountability systems are employed to monitor performance of the Agency in its execution of commitments made in planning and budget documents.

° Representatives of the Office of Management and Budget advise that the EPA budget document and supporting data facilitate Executive Branch review and decision-making.

° Staff representatives of the Appropriations Committees of the Senate and the House of Representatives report that the EPA budget submission satisfies their review and oversight requirements.

It should also be noted that present EPA leadership has initiated a broad reexamination of the Agency's statutes, policies, and procedures that will have a positive impact on the Agency's management systems as improvements are implemented. Within this framework, the Panel has identified twelve subject areas where change might further enhance the system and enable it to contribute more effectively to the accomplishment of the Agency's mission.

STATUTORY COMPLEXITY

- ° The NAPA Panel recommends that the EPA and the Authorizing Committees of the Congress work together to enact legislation that provides consistent language in the environmental statutes for such common functions as State assistance, research and development, permitting, standard-setting, enforcement, and administrative procedure.

STRATEGIC PLANNING

- ° The NAPA Panel endorses implementation of the Guidance and Strategic Planning changes outlined in the Deputy Administrator's Memorandum of November 2, 1983. The Panel also recommends that one or two strategies be selected annually for analysis of longer term (3-5 year) trends.

COMPLEXITY AND DETAIL IN THE BUDGET DOCUMENT

- ° The Panel endorses the Agency's decision to eliminate the EPA implementation of Zero-Based Budgeting.
- ° The Panel recommends that the Agency continue to base its budget formulation on functional analysis so as to retain the management benefits that accrue therefrom.
- ° The Panel recommends that the Agency continue to move toward fewer program elements in the budget structure,

more concise budget narratives, and a somewhat higher level of aggregation of activities and accomplishments in the budget pricing analysis.

REGIONAL OFFICE PARTICIPATION IN THE BUDGET PROCESS

- ° The NAPA Panel recommends that the budget process improvements suggested in the Headquarters/Regional Relationships Task Force Report be implemented.
- ° The Panel recommends that the Deputy Administrator serve as the focal point for evaluation of the proposed balance between Headquarters and Regional funding in the formulation of initial budget estimates.
- ° The Panel also recommends that the Agency provide a conflict resolution mechanism, with the Deputy Administrator as the focal point, to moderate disputes that may arise as part of the Lead Region budget collaboration process and assure that positive Headquarters-Regional relationships are not disrupted by the process.

EPA USE OF RESOURCE DISTRIBUTION MODELS

- ° The Panel recommends the continued use of workload models for Regional resource allocation, recognizing that, when used effectively, models can yield substantial related

benefits such as more realistic budget justifications, improved staff communication, and enhanced program accountability.

- ° The Panel recommends that the Agency develop a formal policy on resource models that addresses the question of consistency in design approach and technical validity of model construction.
- ° The Panel recommends that the Agency clearly define the function of resource model design and modification as a joint Headquarters/Regional responsibility and that the policy require the full participation of the Regions in the process.

CONFIDENTIALITY OF BUDGET ESTIMATES

- ° The NAPA Panel recommends that the Agency open its budget formulation process to permit the sharing of estimates between the major programs and the Regions.

FLEXIBILITY IN BUDGET EXECUTION

- ° The NAPA Panel recommends that the Congress provide the Agency with increased reprogramming flexibility by raising the present \$250,000 and \$500,000 thresholds to \$1,000,000.

- ° The Panel recommends that the Agency conduct a review of internal control systems to insure that managers are delegated the maximum flexibility possible.

EPA MANAGEMENT ACCOUNTABILITY SYSTEMS

- ° The NAPA Panel endorses the Agency's approach to program and management accountability and recommends that the systemic improvements initiated during the Budget Study be implemented.
- ° The Panel recommends that the Agency review the impact of data collection requirements that have accumulated in recent years to reduce the load and provide a review mechanism for proposed new requirements.

BUDGETING FOR SUPERFUND ADMINISTRATIVE EXPENSES

- ° The NAPA Panel recommends that OMB, EPA, and the appropriate authorizing committees in Congress consider a revision to CERCLA which would permit funding of EPA administrative expenses within the regular Salaries and Expenses appropriation and eliminates them from the site cleanup cost recovery process.

- ° As an alternative, the Panel recommends legislation that would permit funding of EPA administrative expenses within the S&E appropriation and would prescribe a statutory formula for recovery of the administrative expenses on a site-specific basis.

BUDGETING FOR RESEARCH AND DEVELOPMENT

- ° The NAPA Panel recommends the establishment of staff "R&D Program Manager" positions in the Headquarters R&D complement, with responsibility for media-based planning and budgeting, liaison with National Program Managers, and operation of R&D management accountability systems. Research committees would serve in an advisory capacity to these Program Managers.
- ° The Panel recommends that multi-discipline Research Centers be formed at Cincinnati and at Research Triangle Park, with the Center Directors reporting to the Assistant Administrator for R&D. "R&D Program Manager" counterpart responsibilities should be provided at the Centers.
- ° The Panel recommends that the Agency seek enabling legislation for its basic research and interdisciplinary research activities.
- ° The Panel recommends that the Agency work with OMB to develop a more coherent approach to the presentation of the R&D program in the budget document.

ADMINISTRATIVE INFORMATION SYSTEMS

- ° The NAPA Panel recommends that EPA establish an Agency objective to achieve horizontal integration of administrative ADP systems for grants, contracts, personnel, payroll budget, and accounting.
- ° The Panel recommends that EPA establish an Information Systems Steering Committee composed of representatives from both line and staff user organizations, to advise on the development of administrative ADP systems, stressing horizontal compatibility and a view of information systems as an Agency-wide resource.
- ° The Panel recommends that the Agency conduct a cross-systems study of administrative processes to provide a strong foundation for software design.

COMMUNICATION AND TRAINING

- ° The NAPA Panel recommends that EPA develop a new budget manual and implement a procedure that assures the issuance of regular, periodic updates.
- ° The Panel recommends that a training course be designed for EPA personnel covering the EPA planning, budgeting, and accountability processes.

III. THE EPA BUDGET PROCESS

The Environmental Protection Agency was created on December 2, 1970, by Presidential Reorganization Plan No. 3 (Executive Order 35, Fed. Reg. 15263). The Reorganization Plan consolidated into a single independent agency a number of Federal environmental programs that had been assigned to agencies and offices within the Department of Interior, the Department of Health, Education and Welfare, the Department of Agriculture, and the Atomic Energy Commission.

As is the case with all Federal agencies, the EPA goes through a budget formulation, review, and execution process to obtain and control the use of its funds. To be properly understood, this budget process should be viewed against a backdrop of the statutes that authorize and direct the Agency's activities and the organizational setting for carrying out its mission.

Statutory Framework

In place of an organic act, EPA inherited an array of governing statutes by virtue of the numerous transfers of authority from the predecessor organizations. Following is a list of the major statutes EPA is to

execute, chronologically ordered by their expiration dates:

<u>Act</u>	<u>Expiration Date</u>
° National Environmental Policy Act of 1969	--
° Noise Control Act of 1973 as Amended by the Quiet Communities Act of 1978	1981
° Clean Air Act, as Amended	1981
° Federal Insecticide Fungicide & Rodenticide Act	1981
° Environmental Research, Development and Demon- stration Authorization Act	1981
° Federal Water Pollution Control Act, as Amended by the Clean Water Act of 1977	1982
° Marine Protection, Research and Sanctuaries Act	1982
° Safe Drinking Water Act	1982
° Resource Conservation & Recovery Act of 1976	1982
° Toxic Substances Control Act	1983
° Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund)	1985

The responsibilities and authorities contained in these statutes are expressed in considerable detail and, taken as a whole, constitute a substantial and intricate body of law. Eight of these statutes reproduced in the Selected Environmental Law Statutes, 1983, Edition, West Publishing Company, comprise about 750 pages.

Congressional oversight of EPA is carried on by 19 committees and subcommittees in the House of Representatives and 7 in the Senate. EPA officials are routinely required to testify before these committees, with the number of separate appearances averaging about 90 per year. Most of the authorization provisions of the controlling EPA statutes have expired. Until the Congress enacts new provisions, interim reauthorizations are being appended to the annual appropriation acts that provide EPA the funds to carry on its mission.

ORGANIZATIONAL FRAMEWORK

The current organization of the Environmental Protection Agency is depicted in the following chart:

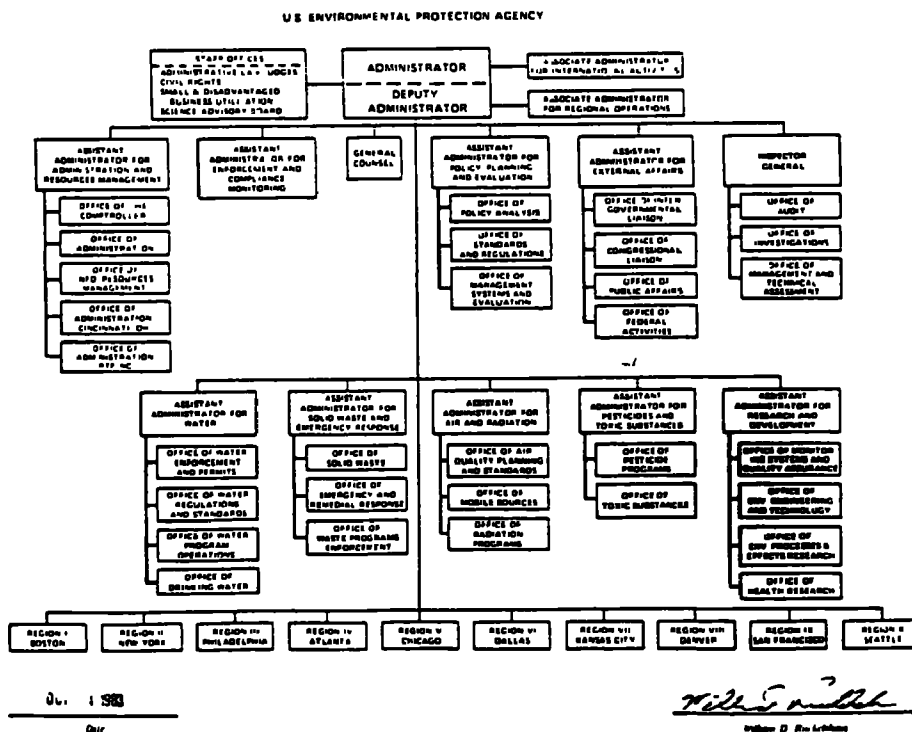


Figure 1. Organization of the Environmental Protection Agency

As the chart indicates, the functions of the Agency are carried out by a combination of Headquarters and field organizations. At the Headquarters level, the media/pollutant programs defined by the statutes are grouped under four Assistant Administrators who, functioning as "National Program Managers" (NPMs), are assigned the responsibility for planning and implementing their programs in varying degrees of coordination with their Regional counterparts. All EPA research and development activities in support of media programs are consolidated under the leadership of an Assistant Administrator for Research and Development. Although the R&D organization includes laboratories located throughout the country, the laboratories are considered Headquarters components and are not included within the jurisdiction of the Regional Administrators.

Regional Administrators report to the Administrator and are responsible for the execution of the Regional programs of the Agency. The Regional Administrator represents the Administrator in contacts and relationships with public and private groups in the Region and is responsible for accomplishing the national program objectives established at EPA Headquarters. Each Regional Office has an Air and Waste Management Division (or two separate Divisions) responsible for executing the Region's Air, Noise, Radiation, Pesticides, Toxic Substances, and Waste Management Programs; a Water Management Division, responsible for executing the Region's Water Quality programs; and an Environmental Services Division (with no Headquarters counterpart) that collects, analyzes and evaluates data on environmental

quality, including pesticide sampling, in support of Regional and National monitoring requirements.

EPA programs such as Pesticides and Toxic Substances which rely heavily on registration or permit activities tend to be centralized at Headquarters in Washington, D.C. The Water and Air Programs, on the other hand, require substantial involvement of State and local governments and rely heavily on the EPA Regional structure for program implementation. Whatever the organizational design or mode of operation, however, the budget formulation process is dominated by the National Program Managers at Headquarters with varying degrees of participation by Regional representatives.

Figure 2 shows the organizational relationships between the Administrator, the National Program Managers, the Regional Administrators and the Regional media divisions.

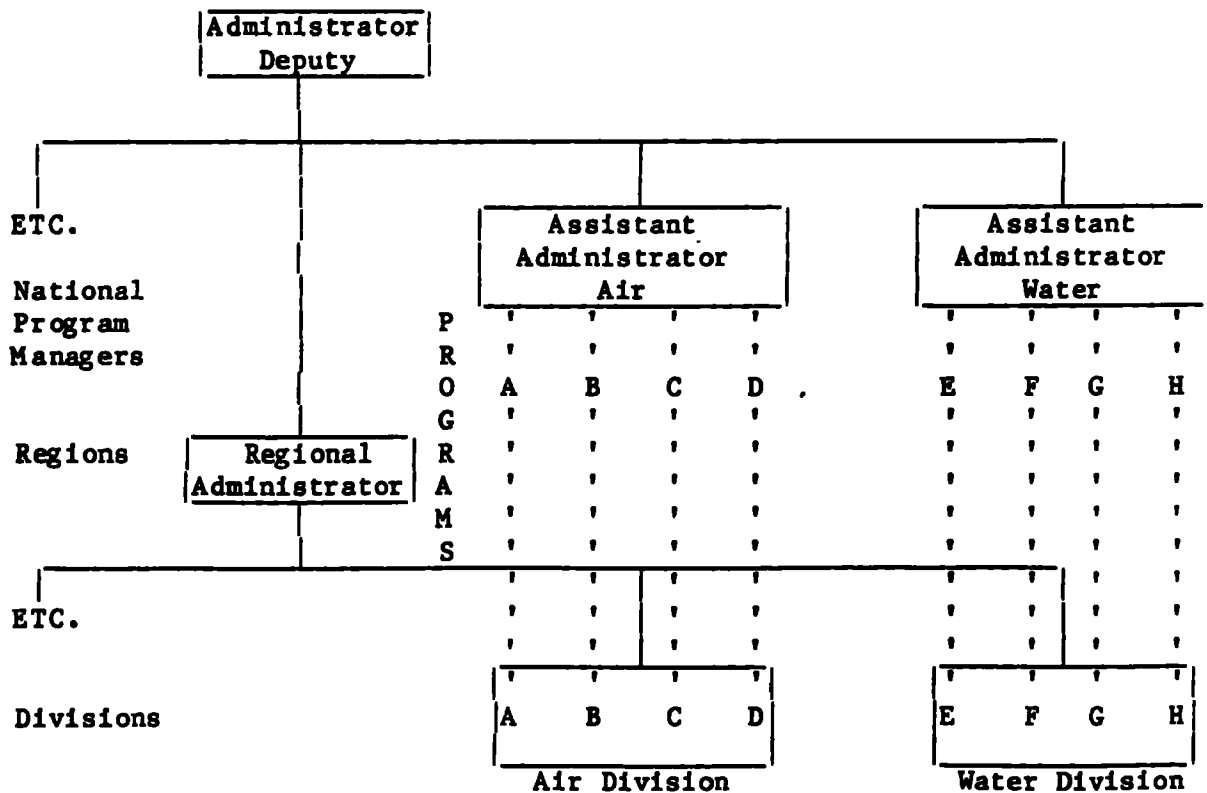


Figure 2. Headquarters-Regional Organizational Relationships

Budget Classification Structure

The EPA enabling statutes address concerns with particular environmental media or threats: air quality, water quality, drinking water, solid waste, pesticides, radiation, toxic substances, etc. As the broadest definition of the activities of the Agency these media categories represent an important high level of aggregation for purposes of budget and accounting. These statutes are divided into sections that provide authority and direct specific actions to be undertaken in such program areas as research and development; State assistance; standards for environmental quality; enforcement; permits and licenses; direct cleanup; claims processing; and others.

The enabling legislation is supplemented annually by Appropriation Acts that provide funds to carry out the mission. These Acts subdivide the total amount approved by Congress into broad groupings such as Research and Development; Abatement, Control and Compliance; Construction Grants; Salaries and Expenses; Superfund; etc. When taken in combination with the functions described in the enabling statutes, these categories require complex crosscutting aggregations of data in the budget and accounting systems. For example, within the media category Water Quality, the budget structure is divided into three functions:

- ° Research and Development
- ° Abatement and Control
- ° Enforcement

Each of these is further subdivided into several broad classifications called subactivities. For example, the Abatement and Control subactivities are:

- ° Water Quality Management
- ° Effluent Standards and Guidelines
- ° Grant Assistance Programs
- ° Water Quality Strategies Implementation
- ° Water Quality Monitoring and Analysis
- ° Municipal Source Control

These subactivities are split further into more specific "budget elements". In the case of Municipal Source Control, the units are:

- ° Municipal Waste Treatment Facility Construction
- ° Waste Treatment Operations and Maintenance

One of these is once again subdivided into two program elements—one for EPA salaries and expenses (funded as a separate appropriation), and the other for programmatic uses such as grants or contracts.

The lowest control level in the EPA program budget structure is the program element. If a program is funded from only one source (as is "Waste Treatment Operations and Maintenance"), the terms "budget element" and "program

element" are synonymous. If a program is funded from two sources (as is "Municipal Waste Treatment Facility Construction"), the term "program element" refers to each of the two components of that budget element. There are 304 program elements in the FY84 EPA program budget structure and the data for these elements are "rolled up" in various combinations as needs dictate. Budget justifications are written at the budget element level, of which there are 212.

The existence of ten EPA Regional Offices, each with program execution responsibilities, has an important impact on the budget and accounting process. For one thing, each of about 30 program elements that involve Regional work must be further subdivided into ten components--one for each Region--adding 300 more control categories to the structure.

Since the EPA budgets submitted to the President and the Congress are aggregated at National levels without specific Regional breakdowns, another byproduct of the Regional structure is the need to devise techniques to equitably disaggregate the National program element totals into allocations for each of the 30 Regional components. In response to this need, workyear and dollar distribution mechanisms ("workload models") have been developed, ranging from simple percentage formulas to complex algorithms with a number of input parameters.

The cascading nature of the classification structure needed to reflect all these combinations is depicted in Figure 3.

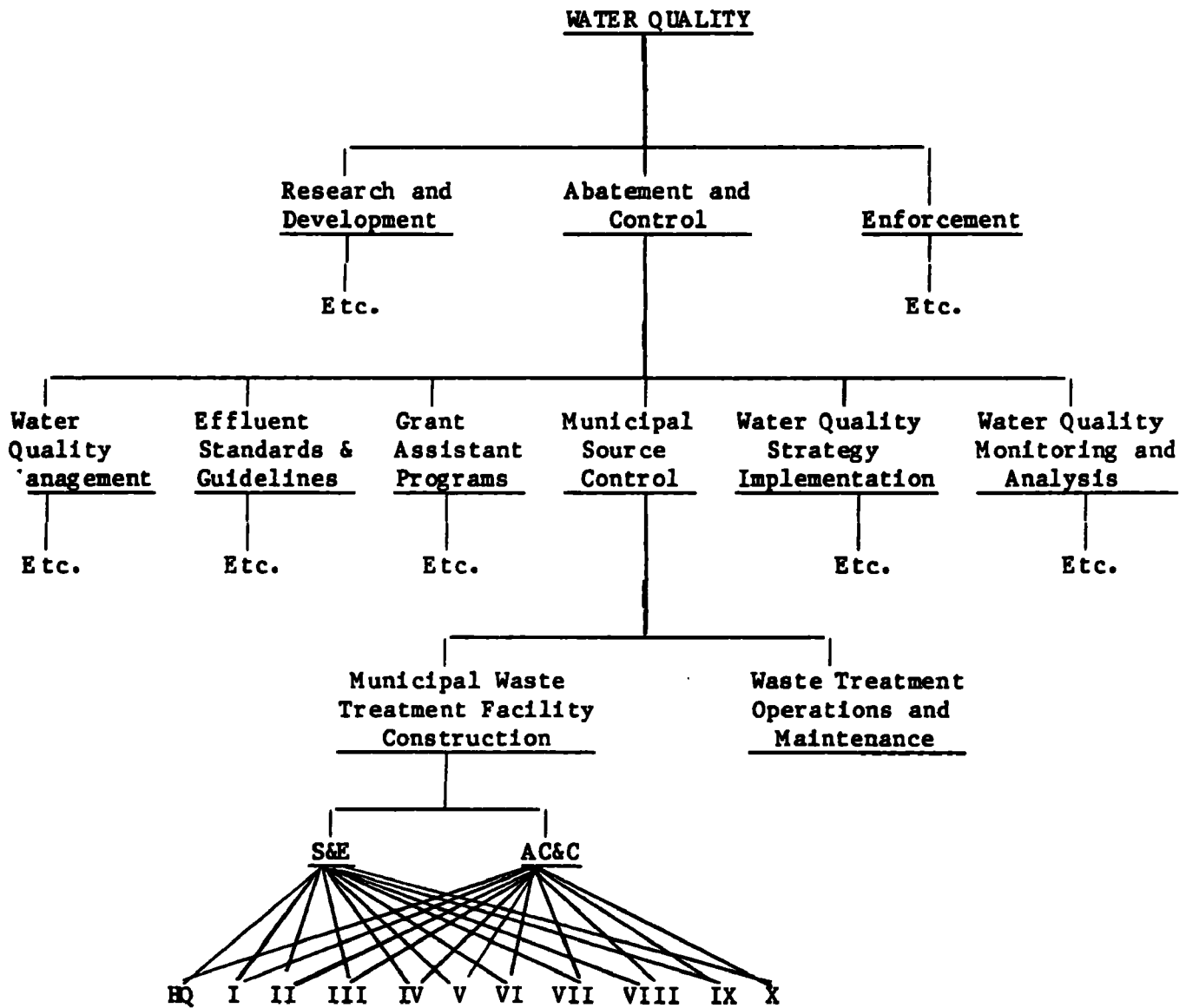


Figure 3. Budget Classification Structure Diagram

Dynamics of the Budget Cycle

At this point, a word about nomenclature may be useful. The budget process takes place over a 3-year cycle, so at any given time the Agency may be working on the budgets for three different target years. In order to keep matters sorted out, the name assigned to a particular target year changes as the cycle progresses. In the first year, or formulation phase, of a given cycle, the target year is named the "Budget Year." In the second year, or review phase, of the cycle, the target year becomes "the Operating Year." In the final year, or execution phase, the target year is referred to as "the Current Year." The following diagram displays the nomenclature and the relationship between the overlapping phases of the three cycles being addressed in a given year.

<u>FY1982</u>	<u>FY1983</u>	<u>FY1984</u>	<u>FY1985</u>	<u>FY1986</u>
<u>1982=Curr. Yr.</u>				
<u>1983=Oper. Yr.</u>	<u>1983=Curr. Yr.</u>			
<u>1984=Bud. Yr.</u>	<u>1984=Oper. Yr.</u>	<u>1984=Curr. Yr.</u>		
	<u>**1985=Bud. Yr.</u>	<u>1985=Oper. Yr.</u>	<u>1985=Curr. Yr.**</u>	
		<u>1986=Bud. Yr.</u>	<u>1986=Oper. Yr.</u>	<u>Etc.</u>
			<u>1987=Bud. Yr.</u>	<u>Etc.</u>
				<u>Etc.</u>

Figure 4. Budget Cycle Nomenclature and Relationships

For the purposes of this process flow analysis, significant events in the 1985 Target Year cycle (enclosed in asterisks in the diagram above) have been identified and ordered chronologically. When considering the workload implications of the budget process, however, it is important not to lose sight of the fact that the three cycles are underway simultaneously. Furthermore, the actual process is not as neat and tidy as the analysis would indicate. Anticipated events such as Congressional Hearings and passage of Appropriation Acts frequently do not occur according to the planned schedule. Continuing Resolutions, Supplemental Appropriations and other special factors often are injected into the stream of events, compressing the time available or adding to the amount of documentation required from the staff.

It is also important to note that the recent changes in EPA administration and organization have affected the policies and procedures associated with the budget process. Perhaps the most significant budget process change was the decision to eliminate most of the Zero-Based Budgeting (ZBB) methodology with its ranking committees and multiple resource levels of budget preparation. ZBB procedures had imposed an enormous burden of detail on the system and their elimination was a major relief to managers at all levels.

Other changes in policy, organization, and process are still under review at the Agency. For example, a major reorientation

of the process for issuance of annual Administrator's Guidance and Program Guidance and for the Administrator's Management Accountability System is underway.

Within such a dynamic situation, it is difficult to describe the budget process as a static system. To make the flow analysis as meaningful as possible, the description of significant events for months 1 through 12 (January-December 1983) describes the actual EPA experience in preparation of the FY85 Budget. Events described for months 13 through 36 (January 1984-December 1985) are based on the forecasts by EPA staff as to how the FY85 cycle will be completed.

Budget Formulation Phase

(Year 1 - months 1 through 12)

The formulation of the Fiscal Year 1985 Budget began with the development of a planning document entitled Administrator's Guidance whose purpose is to place the formulation process within a broader policy perspective. The Office of Management Systems and Evaluation (OMSE) is responsible for drafting the guidance. Although this paper treats January 1983 as month number 1 in the budget process, OMSE actually began preliminary work in October and November of 1982 to identify the set of long-term, program-specific objectives to be included in the Guidance.

OMSE began by convening media workgroups composed of staff analysts. The output of these workgroups was a list of

needs with the proposed solutions expressed in terms of objectives for FY84 and 85. The preliminary documents were circulated to Headquarters offices, Regional offices, and selected State organizations for comment, negotiation, and rewrite. Subsequent versions were moved through successively higher levels of review, culminating in the publication in February of the final document containing the Administrator's approved Guidance. The Guidance document covers two fiscal years. Relatively specific guidance is supplied for the budget that is in the Review Phase i.e., moving through the Congress and soon to be executed. A more general statement of goals and objectives is provided for the Budget Year for which formulation has now begun.

The following excerpt from the February 1983 Administrator's Guidance for the FY85 Budget Year reflects the tone and level of detail found in this document.

"OFFICE OF PESTICIDES AND TOXIC SUBSTANCES

PESTICIDES

- ° Implement oversight protocols for State enforcement programs.
- ° Consider development of registration fees to recover total registration costs.

- ° For pesticide enforcement grants and certification and training grants explore methods to increase self-sufficiency in funding.
- ° Insure adequate resources are available to review data received in response to the Registration Standards Program and to update regulatory positions when necessary.
- ° Consider encouraging States to utilize a portion of their enforcement grants to provide environmental monitoring data to OPP.
- ° Refine and report on Environmental Results Indicators to track program progress in meeting environmental objectives.
- ° Incorporate findings of Regional Environmental Management Reports into program planning and evaluation."

For the most part, the level of budget formulation activity is low in March and April. Nevertheless, some National Program Managers begin preliminary work on their portions of the budget soon after the issuance of the Administrator's Guidance. For example, program staff in the Water Quality program begin developing workload projections for the Budget Year. They solicit input for this purpose from their Regional counterparts to generate workyear projections under various assumptions, using workload models.

In April, the Office of the Comptroller (OC) begins its preliminary efforts by meeting with the Administrator and Deputy Administrator to discuss program emphases, new program starts, cutbacks, and specific issues to be addressed in the budget. OC staff may also meet with National Program Manager staff and Regional staff to exchange views on program issues and directions and to relate recent significant Congressional actions to the formulation of the FY85 Budget.

An important milestone occurs in May or early June, when the Office of Comptroller produces the formal Budget Call Letter to be sent to each Assistant Administrator. In previous years, this Call letter has contained policy guidance as well as procedural material. The Call for the FY85 Budget, however, was exclusively procedural, containing the budget process schedule, the budget resource targets to be used in submissions, the names of the Lead Deputy Regional Administrators (discussed below), sample forms, formats for ranking the program elements in the submission and for aggregating data to media level, and the schedule for accomplishment of a special project to develop an Agency ADP Plan.

The question of Regional participation in the budget process has been the subject of much discussion at EPA over the

years. The challenge has been to assure adequate participation without the expenditure of excessive resources. Since most of the major National Programs are represented in each of the ten Regions, maximum participation would require ten Regional representatives for each program to meet and discuss each program issue. Such an arrangement would be expensive and it would be difficult to produce a satisfactory product in the compressed time frames associated with the budget process. These problems could be alleviated somewhat by the electronic transmission of draft documents and the use of telephone conference calls to gain a consensus. Nevertheless, this approach is rather cumbersome and difficult to carry off effectively for all programs.

Another alternative would have each Regional Administrator develop a budget for his or her Region based on the annual Guidance. The program elements in the ten Regional budgets would then be combined with those formulated by Headquarters offices to produce an Agency budget. This approach was, in fact, tried in the development of the FY82 Budget and is generally considered to have been a failure because of the extreme workload and the intense coordination that was required. Much of the problem may have been due to the use of the complicated ZBB procedures

which, in effect, were multiplied tenfold by this process. Whatever the cause, there is little enthusiasm in either the Regions or the Headquarters for Regional budget formulation.

Instead, EPA has developed the "Lead Region " concept in which a Deputy Regional Administrator (DRA) from one Region represents the interests of all the Regions with respect to one of the media. For example for FY85, the Deputy Regional Administrator for Region IX serves as the Lead DRA for all programs associated with Air Quality for all ten Regions. Regional officials are not completely satisfied with the present system, however. A Task Force established by the Administrator to review Headquarters-Regional relationships described the problem as follows:

"The criticisms most frequently heard of the current budget development process, from the regional perspective, are:

- ° The extent and effectiveness of lead Region 'participation' is too dependent on the whim of the NPM. Participation ranges from extensive regional involvement to total exclusion.
- ° The degree of lead DRA participation varies greatly depending on a number of factors including time and staff availability.

- ° Lead Regions are in a 'reactive' mode from the very start of the process; very few NPMs involve the regions in the initial development of the regional budget request. For the most part, the Regions see NPM drafts or initial allocations after the NPM has virtually finalized his or her decisions. Scarce regional resources make it difficult for Regions to react in a short timeframe.
- ° Lead Regions are not in a strong enough position to have much impact on Headquarters/Regional splits in allocation of resources because budget guidance for program development is unclear.
- ° Some lead Regions involve their fellow Regions early in the development of the request, others involve their counterparts too late in the process or not at all. The process lacks structure. Non-lead Regions who see the budget requests for the first time in final form are presented with a 'fait accompli' which is difficult to change.
- ° The scrutiny which regional programs receive by Headquarters offices should be balanced -- Regions should have an opportunity to examine Headquarters resource allocations and comment on them.

- ° Since the 'targets' issued at the start of the process are at the NPM level, there is a tendency to think of an increase in the regional program as being at 'the expense' of a Headquarters program or vice versa. As a result, there is a tendency to make changes at the margin rather than to discuss the merits of resource specific allocations.
- ° Regions don't always know if budget comments will have an effect until the final agency budget is prepared."*

The Task Force made several important recommendations to improve the situation:

"Responsibilities of the National Program Manager and Lead Deputy Regional Administrator Should Be Better Defined..."

- ¶ General performance expectations during the initial stages of the budget development process for both the NPM and lead Region should be clearly defined and regional viewpoints should be formally recognized in the NPM budget presentation.

Regional Budget Development Meetings Should Be Held Prior to Development of the National Program Managers Submission and Before Finalization of the Administrator's Budget...

- ¶ Regional budget development meetings should be convened each spring to provide regional representatives the

*Report of the Task Force on Policy and Management Review of Headquarters-Regional Relationships, September 1983.

opportunity to advise National Program Managers of regional needs, problems and other issues...

- ¶ The Deputy Administrator should convene an annual hearing to provide Regional Administrators the opportunity to present their views on both media-specific and cross-cutting budget issues. The hearing should be held following submission of National Program Manager budget submissions to the Comptroller, but prior to finalization of the Administrator's budget proposal,

The Lead Region Selection Process Should be Broadened...

- ¶ The Comptroller should lead a broadened process for selection of lead Regions to work with each National Program Manager. The expanded process will include active participation of regional officials, National Program Managers, and the Associate Administrator for Regional Operations, with final approval by the Deputy Administrator.

Regional Participation In the Budget Development Process Should be Expanded...

- ¶ Participation of senior regional staff in the Headquarters budget process should be instituted within operating procedures developed by the Comptroller, and discussed with the Associate Administrator for Regional Operations."*

*Ibid

These proposed changes have been approved by the Deputy Administrator for implementation in the FY86 budget cycle.

With the issuance of the FY85 Budget Call Letter, National Program Managers begin intensive work on their portions of the budget. For each program, (i.e., "budget element"), within their jurisdiction, the OMB submission contains three basic sections:

- . A "BUD #1" form summarizing the workyears and intramural/extramural funds requested, along with a comparison of these amounts as approved in the two prior years;

- . A "BUD #1A" section which provides the narrative justification for the program--its goals and objectives, a description of current operations and expected accomplishments and an explanation of changes from the prior year's budget;

- . One or more "BUD #2" forms that depict every activity the Agency expects to perform under that program in the budget year. For each activity, a set of performance measures ("accomplishments") is defined, and, for each accomplishment, a particular level of performance (an "output") is committed to for the number of workyears requested.

In combination, the hundreds of BUD #2 forms in the budget request represent a comprehensive functional analysis that accounts for 100% of the resources requested by the Agency. The following excerpt from the FY84 budget submission for one program illustrates the level of detail contained in these documents:

DU CODE FAY9A HQ RT X DU TITLE Hazardous Spill and Site Response
RESPONSIBLE OFFICE Office of Solid Waste and Emergency Response

DOLLAR PRICING IS EXTRAMURAL ONLY (CONTRACTS, GRANTS AND IAC DOLLARS ONLY)

ACTIVITIES/ ACCOMPLISHMENTS	FY 1982 PROJ ACTUALS			FY 1983 OPER. PLAN			FY 1984 REQUEST		
	FTE	\$	OUT- PUT	FTE	\$	OUT- PUT	FTE	\$	OUT- PUT
REMEDIAL	88.2			103.4			127.1		
Preliminary Assessment	3.4	962.8	1,500	9.1	4,277.0	4,000	9.1		4,000
Site Inspections	11.8	4,187.6	1,300	18.2	10,678.4	2,000	18.2		2,000
Site Investigation	14.5	6,449.6	400	7.3	5,339.2	200	7.3		200
National Priority List	7.5			4.0			2.5		
Remedial Investigations/ Feasibility Studies	27.1	14,676.0	36	40.1	32,000.0	40	48.0	49,378.7	55
Remedial Design	5.8	5,135.0	13	7.1	8,200.0	24	17.5	15,264.2	40
Remedial Implementation	6.8	26,894.0	10	3.1	48,361.4	11	9.5	110,449.2	22
Initial Remedial Measure	2.5	11,666.0	12	4.5	7,500.0	15	5.0	11,217.7	20
Enforcement Coordination	5.0			5.0			5.0		

Figure 5. Sample "BUD #2" Pricing Analysis

At this stage, the estimates are at a National level of detail. That is, the requested Regional resources are shown as a total and the amounts allocated to each Region are not reflected in the submission. Nevertheless, again in varying degrees, the National Program Managers involve the Regions in the process. For example, in the Office of Water, meetings are held with Regional staff and Lead DRA's to refine the workload models for each program element and to identify priorities and strategies, which are factored into the budget justification by the Water Quality National Program Manager.

Budget estimate preparation continues in the May-June time-frame and the draft submissions of the NPM staff are distributed to the Lead DRA for information or for comment, depending on program office practice. Meetings may be held to obtain a consensus on a final draft, including the ranking of the budget elements within the media, to be submitted for approval by the Assistant Administrator. The approved submission is forwarded to the Office of the Comptroller in early July for review and aggregation into an Agency composite.

It should be noted at this point that the Office of Research and Development (ORD) follows a different budget development pattern because of differences in its mission. First, although most of its work is performed at laboratories

outside of Washington, D.C., ORD is treated as a Headquarters organization, and the Regional structure typical of the other programs is not applicable. Second, since the rest of the Agency programs are clients of ORD, a mechanism is needed for inventorying the R&D needs of the programs, prioritizing them, and pricing them out. To accommodate these unique characteristics, ORD has developed specialized procedures which are summarized as follows:

a. Media-oriented research committees composed of researchers, managers, and program office representatives have been established to examine the research and development needs in each program area. (See Figure 6.) In March, the research committee analyses are consolidated into "mega-strategies" for each media category (i.e., air, water, toxics, hazardous waste, etc.) which are reviewed by ORD Office and Laboratory Directors and submitted to media program offices for their review and concurrence.

b. In April, the Assistant Administrator for R&D develops budget year target resource allocations for each strategy area, based on discussions with the mega-strategy authors and the Administrator's Guidance. The mega-strategy authors and the research committee chairmen then meet and disaggregate the media-level totals to the individual research committees within each of the media.

STRATEGY	RESEARCH COMMITTEE STRUCTURE	PRIMARY CLIENT OFFICE	
AIR	<----- OXIDANTS ----->	OAQPS	O A N R
	<----- HAZARDOUS AIR POLLUTANTS ----->		
	<----- GASES AND PARTICLES ----->		
	<----- MOBILE SOURCES ----->	OMS	
	<----- RADIATION ----->	ORP	
WATER	<----- WATER QUALITY ----->	OWRS	O W
	<----- MUNICIPAL WASTEWATER ----->	OWPO	
	<----- INDUSTRIAL WASTEWATER ----->		
	<----- DRINKING WATER ----->	ODW	
HAZ. WASTE	<----- HAZARDOUS WASTE ----->	OSW	O S W E R
SUPERFUND	<----- SUPERFUND ----->	OERR	
PESTICIDES	<----- PESTICIDES ----->	OPP	O P T S
TOXICS	<----- TOXICS ----->	OTS	
ENERGY	<----- ENERGY ----->	CROSSCUTTING	

Figure 6.

c. In April and early May, the research committees meet and agree on objectives to be fulfilled within their resource allocations. These are translated into "Planned Program Accomplishments" (PPAs) for each resource level and forwarded to the Assistant Administrator level for aggregation.

d. At the end of May-early June, the Assistant Administrator for Research and Development holds 2 days of meetings to afford each research committee chairman an opportunity to describe his or her request. The overview is followed by a more detailed discussion during which ORD Office Directors represent their respective Laboratory Directors.

e. When the final resource decisions are made, ORD staff prepare the narrative, outputs, workyear estimates, and pricing in the formats required by the Office of the Comptroller Budget Call Letter, for submission in early July.

OC staff enter all the data supporting the NPM submissions into the computerized Resource Management Information (RMIS), a data base and software system dedicated to support of the budget process and managed by the Office of the Comptroller. After the data are entered and edited for accuracy, various Agency level composite computer compilations are generated. In addition, OC staff review the justifications and prepare issue papers for the Administrator and Deputy Administrator to assist in their review of the budget document.

The Administrator and Deputy Administrator conduct budget hearings in late July. The hearings consume about 4 to 5 days over a 2-week period and include program by program overviews followed by more specific discussions of the resources requested for each decision unit. These sessions are attended by Assistant Administrators, Office Directors, and Lead Deputy Regional Administrators (who are present only during the examination of their programs).

After the hearings, Office of the Comptroller staff develop a revised set of funding recommendations, incorporating decisions made by the Administrator and Deputy Administrator during the hearings. This draft Agency budget is reviewed with the Deputy Administrator, program by program, resulting in a list of changes which OC incorporates in the budget for review by the Administrator, who may direct further modifications. All approved changes are incorporated in the budget by the OC (which process is known as the "Markup"). Each Assistant Administrator receives the section of the new version of the Agency budget pertaining to his or her area of responsibility (the "Passback").

Assistant Administrators have an opportunity to appeal their Passbacks to the Administrator and the Deputy Administrator. For the FY85 Budget, the Appeals were heard in a general meeting with all Assistant Administrators present, with the

opportunity for separate, individual meetings if desired by the Assistant Administrators. The Appeal decisions are incorporated by OC into the Agency budget which is reviewed by the Administrator and his or her Deputy.

This final Passback is distributed to the Assistant Administrators at the end of August to enable them to complete their preparation of the narrative and tabular material for the budget by the first week of September. OC staff review the narratives, negotiate changes with each program office for clarity and consistency, and put them in final form. All changes to the tabular material are entered into the RMIS for final edits and production of final tables. The Agency's budget submission is delivered to the Office of Management and Budget on September 15 in both a hardcopy version and a computer tape version.

OMB analysts conduct hearings with EPA officials over a 5- to 6-day period around the first week of October. The hearings include an overview session with the Assistant Administrator for Administration and Resources Management and Office of the Comptroller staff, plus separate hearings with each programmatic Assistant Administrator and staff, focusing on the detailed substance of each program. In addition, OMB analysts have frequent followup discussions with EPA staff during their review of the submission. Based on these hearings, followup discussions, and review of backup material, the OMB analysts develop a group of proposed changes

to the Agency's budget (usually reductions), which they present to the Director of OMB at the end of October.

After submission of the Agency's budget to OMB, work continues on special analyses and exhibits, most of which will be appended to the budget document when submitted to the Congress by the President. These analyses are spelled out in OMB Circular A-11 and include statistical and narrative information on such topics as ADP and telecommunications systems plans, research and development activities, civil rights activities, rental payments to GSA, expenditure projections, Program and Financing Schedules (P&F Schedules), consulting services and audio-visual services justifications, etc. This material is voluminous and much of it is due by the end of September, although some items such as outlay projections and the P&F Schedules may be held until October or November, when the accounting data for the prior fiscal year become available. The statistical information for these exhibits requires cross-cuts in different patterns and aggregations from those used for the main budget document. In some cases, an initial set of tables must be submitted in September or early October, an updated set forwarded late in November after OMB issues the Passback, and a final update when the budget is completed in late December.

In addition to the A-11 submission, the Agency is often requested to submit special documentation, backup material

and computer runs. One example is a lengthy computer report presenting all the budget data by object classification within each program element. This report explodes each of the 304 program elements into three to ten categories such as personnel compensation and benefits, travel, transportation, rent, ADP contracts, grants, etc.

While the Office of the Comptroller is concentrating on A-11 submissions and related documents, Program Managers turn their attention to the question of Regional resource distribution. As mentioned earlier, the EPA budget request to OMB contains an aggregated total for Regional resources for each program. The existence of a Regional structure requires some rational method for deciding precisely how the workyears and funds should be distributed. Workload models are the mechanisms used by EPA programs to make these distributions. The concept of workload models originated in the early years of EPA when the Regional structure was new and there was no historical experience factor upon which to base the allocation of resources. To decide on the "correct" relative staffing for each Region, the program offices sought objective criteria. Two basic types of models evolved from this approach: "relative need" models and "absolute need" models.

Relative-need models use surrogate indicators of program needs such as "population in the region" and "number of automobiles in the region" and assign weights to each. When the actual data are inserted and the computations made, the result is a percentage which each Region should receive of the 100% budgeted for Regional resources for that program. Obviously, the validity of the distributions rests on the extent to which the indicators actually reflect workload.

Absolute-need models are based on an inventory of the actual program activities that planners identify as part of each Region's mission. The priority of the activities, an estimate of the workyear expenditure needed for each unit of activity, and an estimate of the expected frequency of occurrence for each activity are developed and factored into the algorithm. Absolute-need models can be detailed and complex. In some cases, the number of variables involved can be so large that computers are used for the calculations. The product of the models is a specific workyear total for each Region (as opposed to a percentage). While these models seem more realistic, being based on actual work performed, the estimates for workyears-per-activity and activity frequency are subjective and open to challenge when the results of model execution are unpopular. On the

other hand, some managers find the analysis needed to identify the spectrum of activities comprising each program element to be useful for other management purposes. In any case, most models in use today are absolute-need models.

Operation of the models is not automatic. A "calibration" stage is added to modify the final results. For example, absolute-need models quantify total need, which usually far exceeds the workyears available in the budget. An adjustment is needed to reduce the results to the actual available. (Such an adjustment is not required for relative need models since such models yield percentages rather than absolute amounts.) Modelers may feel that for various reasons one region received too much from the normal application of the model's algorithm and an adjustment is made. Or, use of the model may result in too dramatic a shift from one year to the next. To deal with these problems, modelers may give weight to the historical distribution of resources, or they may assign each Region a fixed "core" number of workyears even if the model produces a lower "need". Some models have ceilings or floors added to keep the distributions within some fixed percentage of change from the previous year. Sometimes, subjective judgments are made to add or subtract from a particular Region's allocation.

As this brief discussion of models indicates, they are not fixed formulas that remain constant from year to year. Rather, they are modified annually by National Program Managers to adjust them to changing needs and to maintain the confidence of Regional officials that each year's distribution is indeed fair. Accordingly, at about the time that OMB is reviewing the Agency's budget, some NPMs begin their review of the parameters to be included in the model when the time comes to distribute the resources. As part of this review, they may request input from their Regional counterparts as to the workload parameters they consider appropriate. The extent of involvement of the Regions in the model development and review process varies from full participation by Regional workgroups at early stages, to little participation, if any, depending on the program. It might also be noted at this point that EPA does not employ the resource models to determine workyear allocations for Headquarters offices. The models are used only for Regional distributions after the Headquarters/Regional "split" of the total available resources is decided by the NPM.

At about the same time, the Office of Management Systems and Evaluation (OMSE) once again begins work on the planning document known as the Administrator's Guidance, which was described above in month one of this analysis. The Administrator's Guidance covers a 2-year time-frame and provides a set of key objectives to be achieved by each organization

in pursuit of the Agency's goals. In the earlier description for month one, FY85 was the later of the 2 years, i.e., the Budget Year, and the Guidance for that year was relatively general in nature, primarily an extension of the FY84 Guidance.

Now, with the first year of the cycle coming to a close, FY85 will soon become the Operating Year and the Guidance to be developed is more detailed and specific. OMSE analysts draft a candidate list of 30-40 priority activities by reference to the previous Guidance, the FY85 Budget justification, various issue papers, Regional "Environmental Management Reports" and other source materials. OMSE sends the draft list for comment to Assistant Administrators, Regional Administrators, representatives of the National Governors Association (NGA), Executive Branch Organizations (EBOs), and environmental and industrial groups.

Early in October, the Deputy Administrator reviews the candidate list of priority activities with Assistant Administrators and Regional Administrators at a planning conference. Additional meetings follow with the National Governors Association, Executive Branch Organizations, and environmental and industrial groups. The objective is to gain a consensus of the participants as to the major environmental threats/opportunities to be addressed over the next several years and the specific activities to be given priority. Based on the views expressed at these meetings, and the written comments

submitted by Assistant Administrators and Regional Administrators, OMSE prepares a final priority list for review by the Administrator and Deputy Administrator. OMSE begins drafting the Administrator's Guidance document based on the decisions resulting from this review.

In accordance with the new Guidance process currently being implemented, the draft Administrator's Guidance is distributed in November, accompanied by a Call to the NPMs to develop detailed Program Guidance for the same 2-year period (i.e., Operating Year and Budget Year). For the Operating Year, the Program Guidance will be required to address the Administrator's goals and objectives and the list of 30-35 priority activities. The Program Guidance will also include a brief strategy paper (3 to 5 pages long) identifying the program's mission, goals, and program objectives for both of the target years.

The Administrator's Guidance and the Program Guidance will ultimately be combined into one Agency Guidance document to be issued in February. That Guidance document will also include a set of performance measures, reflecting the program goals and priority activities to be included in accountability systems for the Operating Year. In recent years, there was no central control over the issuance of Program Guidance (which covered only the Operating Year). The NPMs issued their directions in varying formats and levels of detail and in differing time-frames. The new procedure is designed to strengthen the Agency's strategic

planning and to provide the States a better basis for planning and program implementation.

A major milestone in November is the issuance by OMB of the changes in the EPA budget resulting from its review (the "Passback"). The Passback is sent to the Agency in the form of hardcopy and a computer tape for input to the RMIS and consists of an overview section showing the new totals, along with supporting data by program element. These are expressed in terms of workyears and dollars requested vs. the amounts approved by OMB. The OMB changes are explained in footnotes.

The Office of the Comptroller enters the computerized data into the RMIS, analyzes the changes, and provides copies to the Administrator, Deputy Administrator, and National Program Managers (who receive only the portions relating to their programs). An immediate decision (within 24 hours) is needed from the Administrator on whether to Appeal the OMB passback and, if so, at what funding level the Appeal should be focused. If it is decided to appeal, OC issues guidance to the NPMs as to the Administrator's views. The NPMs develop their portions of the Appeal document and submit it to OC for review, editing, consolidation and submission to the Administrator for approval. The Appeal must be forwarded to OMB within 5 days after the Passback is issued.

At about the same time, OC formally notifies the National Program Managers to begin reviewing their workload models in preparation for distributing the budget resources that will ultimately be approved. Program Offices that have not previously initiated this review now begin this process, again with varying degrees of participation by the Regions. Those NPMs that involve the Regions may convene working groups of Regional representatives to examine the structure of the model and develop updated versions that are broadly acceptable to the Regions. Those NPMs that do not involve the Regions, carry out the review with their own staffs.

Meanwhile, OMB is reviewing the Agency's Appeal and negotiating with EPA officials on points at issue. The result of this process is a second OMB Passback in December, which can also be appealed. Ultimately, any critical issues that cannot be resolved may be appealed to the President by the Administrator. When all issues are decided and a final Passback is received from OMB, OC updates the RMIS and completes all the A-11 Exhibits material to reflect the final data.

The OC also sends a Congressional Budget Justification Call Letter to the National Program Managers providing the general policy guidance, the schedule, the format, and the editorial instructions for production of the budget justification. The Congressional Budget is produced in a different format from

the budget submission to OMB and requires a higher standard of editorial quality. The National Program Managers compose their portions of the document ("Justification of Appropriation Estimates for Committees on Appropriations"), incorporating the resource data from the final Passback.

Because of the volume of budget justification rewriting and the short time-frame for completion, NPM work on models takes a lower priority in December and January although some Headquarters staff or Regional activity may continue.

Similarly, NPM staff move ahead with development of the detailed Program Guidance, but this too can be expected to receive a lower level of attention during the writing of the Congressional Budget.

In January, the Office of the Comptroller assembles the Congressional Budget and arranges for printing of 600-650 copies to be distributed to the Authorization and Appropriations Committees when the President submits his Budget to the Congress. OC also prepares various public documents such as a "Summary of the Budget" booklet, a press release, and a special presentation of budget data for the press. An EPA sponsored press conference is also held, with the Administrator or other official explaining the major elements of the proposed budget and responding to questions.

The data in the President's Budget are treated as highly confidential by the Executive Branch until the formal release. At EPA, recent policy has been to sharply restrict access within the Agency until the January release date. For example, Assistant Administrators and their staffs do not have access to the budget submissions of other Assistant Administrators. At the Regional level, Lead Regions usually have access only to the budget data of programs for which they have lead responsibility.

As the first year of the budget cycle--the formulation phase--comes to a close, then:

- ° The Agency has planned and constructed its budget request;
- ° The budget request has been reviewed by OMB and a final passback issued to the Agency;
- ° EPA staff have compiled the "A-11" material to be incorporated in the President's Budget which has been sent to the Congress;
- ° The Agency has produced and distributed the Congressional Budget justification;
- ° National Program Managers contemplate the mechanisms for distribution of program resources to the Regions when the budget is ultimately approved; and,

° OMSE has drafted the Administrator's Guidance and National Program Managers are developing their Program Guidance to be combined into a single document for publication next February.

Budget Review Stage

(Year 2 - Months 13 through 21)

The description of activities which unfolds for the months ahead generally follows two tracks: An external track in which the budget is defended before the Congress and an internal track to prepare the Agency for the execution of the budget in the next fiscal year. To place the internal activities in perspective, a short introduction may be in order.

The principal product of internal EPA budget activity in the Budget Review stage is the Operating Plan, to be completed before the start of the next fiscal year (now referred to as the "Operating Year"). The Operating Plan contains the detailed program element-by-program element targets for workyears to be expended and dollars to be obligated in the execution of the budget. These targets are divided into Headquarters and Regional components and further subdivided into the object classes for performance (personnel compensation and benefits; travel; equipment; supplies; etc.)

The development of the Operating Plan recognizes that the execution of the budget will begin 15 or 16 months after budget formulation began. Some of the assumptions that went into the formulation may no longer be valid. Priorities may have changed. The Operating Plan development process takes the numbers that resulted from the budget formulation phase (i.e., the President's Budget), reconsiders them in the light of the changed situation and adjusts the program element amounts accordingly, while maintaining the appropriate totals requested in the President's Budget.

When the Congress ultimately passes its version of the Budget, a final revision of the Operating Plan will be made to accommodate Congressional action on the President's request and the updated plan will be submitted to the OMB and the Congress for approval. The result is, hopefully, a realistic plan that can serve as a guide to operation in the Budget Execution phase.

With the release of the official EPA budget statistics in the President's Budget, OC issues a call to the National Program Managers to apply their workload models to the resource totals for the 30 or so program elements that involve the Regions, to disaggregate the totals into specific proposed allocations for each Region.

In parallel with this effort, the NPMs and OC begin developing backup material on program issues and detailed budget matters in preparation for Congressional Hearings. This effort includes anticipating questions that might be posed at the Hearings and preparing responses referenced to the appropriate pages in the budget document.

In early February, the NPMs will complete their final comments on the draft Administrator's Guidance and their own Program Guidance. The material is forwarded to OMSE for review, with any unresolved issues referred to the Deputy Administrator for decision.

Also in February, the Comptroller and program officials brief the various Authorization Committee staffs on the significant features of the EPA submission. The Committee staffs need immediate data because the Congressional Budget Resolution process requires them to be informed early in the Congressional budget review cycle. In addition, one Authorization Committee, the Senate Committee on Environment and Public Works regularly schedules a hearing on the EPA budget in February. The Administrator, Deputy Administrator, and the Assistant Administrators (during review of their programs) attend, give testimony, and respond to questions, making use of the backup material supplied by the staff.

Meanwhile, the National Program Managers apply their workload models to the workyear totals in the President's Budget to produce proposed Regional resource distributions for their programs. The 30-35 separate models yield 2 workyear amounts for each program element for each Region: "Permanent Full Time Equivalents" (PFTE) and "Other than Permanent Full Time Equivalents" (OPFTE). When added, these comprise the total resources allocated to the Region for that program element, i.e., "Total Full Time Equivalents" (TFTE). The allocated resources are expressed to tenths of a workyear. An example of a proposed distribution of workyears for one program element, "Hazardous Spill and Site Response" is depicted in Figure 7.

FY84 Hazardous Spill and Site Response

	REGION										
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>	<u>VI</u>	<u>VII</u>	<u>VIII</u>	<u>IX</u>	<u>X</u>	<u>TOTAL</u>
<u>FY83</u>											
PFTE	17.1	32.0	20.0	26.6	31.7	19.9	11.0	7.2	16.7	7.3	189.5
OPFTE	2.1	3.6	2.6	3.8	6.0	3.0	1.4	0.9	2.6	1.0	27.0
TFTE	19.2	35.6	22.6	30.4	37.7	22.9	12.4	8.1	19.3	8.3	216.5
<u>FY84</u>											
PFTE	17.1	32.7	21.2	24.9	32.9	18.2	11.0	8.0	15.0	8.5	189.5
OPFTE	2.0	4.2	3.4	3.5	6.8	2.7	1.7	1.1	2.4	1.8	29.6
TFTE	19.1	36.9	24.6	28.4	39.7	20.9	12.7	9.1	17.4	10.3	219.1
<u>Delta</u>											
PFTE	0.0	+0.7	+1.2	-1.7	+1.2	-1.7	0.0	+.8	-1.7	+1.2	0.0
OPFTE	-.1	+0.6	+0.8	-0.3	+0.8	-0.3	+0.3	+.2	-0.2	+0.8	+2.6
TFTE	-.1	+1.3	+2.0	-2.0	+2.0	-2.0	+0.3	+1.0	-1.9	+2.0	+2.6

Figure 7. Sample Workyear Distribution Proposal for One Program Element

The sum of the distributions of PFTE and OPFTE for each of the 30 or so program elements administered at the Regional level represents the total workyears allocated to each Region for the coming fiscal year, assuming the President's Budget is accepted by the Congress. The National Program Managers submit the proposed distributions to the Office of the Comptroller where they are consolidated and sent to the Regions for review. This is the first opportunity the Regions have had to see the effect of the operation of the models on their total workforce allocation for the coming fiscal year.

The Regions examine each component of the distributions, evaluating for each program whether the proportion of resources allocated to Headquarters vs. the Regions is reasonable and whether the relative workyear allocations between Regions are equitable. If the NPMs involved the Regions early and extensively in model development, a consensus will usually have been reached previously, with few remaining unresolved issues. For program element models that did not involve substantial participation and prior consensus, significant differences of opinion may still exist. Accordingly, the review of the proposed resource distributions is a critical milestone from the Regional perspective and receives priority attention by Regional staff.

At the end of February, the Agency Guidance for the Operating Year and the next Budget Year is published. This document, whose purpose is to provide a strong foundation for planning and program implementation by EPA components and by State agencies, contains the following sections:

- ° Administrator's Guidance: A statement of the Administrator's overarching goals, fundamental principles, and short- and long-term goals.
- ° Deputy Administrator's Overview: A statement summarizing the major program initiatives and directions in the Guidance document.
- ° Program Guidance: A statement by each of the four media program offices of the general goals and specific objectives for the Operating Year and the Budget Year including a brief narrative strategy statement.
- ° Intermedia Priority List: The list of 30-35 priority activities developed over the previous months, reflecting the most important objectives to be accomplished.
- ° Management Accountability System and Program Measures: An appendix containing each program office's performance measures to be tracked quarterly in the Administrator's Management Accountability System (MAS) or by the Assistant Administrator.

Simultaneously with the publication of the Agency's planning Guidance, the Office of the Comptroller issues a Call letter formally initiating the Operating Plan development process, which is divided into three phases. The initial

Call letter deals with Phase I, which is focused on Headquarters offices. The Phase I effort simply distributes the Assistant Administrator-level totals in the President's Budget to the subordinate Headquarters office levels. For purposes of budget execution, the Assistant Administrators are called "Responsible Planning and Implementation Officers" (RPIOs). The subordinate office directors are "Allowance Holders" who will receive and control the resources ultimately approved in the final Operating Plan. (These terms are discussed in more detail below.) The Assistant Administrators submit these Phase I breakdowns to the Office of the Comptroller in the first week of March.

Meanwhile, the Regional resource allocation process is nearing completion. The Office of the Comptroller, serving as "honest broker," negotiates with the National Program Managers and the Regional Administrators to resolve disagreements. In an effort to achieve a Regional consensus, a vote is taken on each model. If there are any unresolved issues, the affected Regional Administrator sends an Appeal memorandum to the Administrator who makes the final decisions by mid-March.

If events follow a normal course, the House of Representatives Subcommittee on HUD-Independent Agencies will hold hearings in March. These are held over a 3-day period with the Administrator, the Deputy, and the Assistant Administrators in attendance. The Office of the Comptroller prepares the Administrator's statement. Program office and OC staff

edit the transcripts resulting from the hearings, and prepare responses to questions submitted for the record.

The Senate Subcommittee on HUD-Independent Agencies holds its hearings after the House, generally in April. These hearings normally are completed in 1 day, with the Administrator, Deputy Administrator, and Assistant Administrators in attendance. Again, the Office of Comptroller prepares the Administrator's statement and Program offices and OC staff edit the hearing transcript and prepare responses to questions for the record.

With the completion of the Appeal process for the Regional workyear allocations, the Office of the Comptroller makes the final adjustments and computes the dollar distribution targets for salaries and expenses for each program element for each Region. At this point, the S&E targets are computed in two broad categories: "Personnel Compensation and Benefits" (PC&B) and "Expense". OC makes these computations using recent obligation data from the financial accounting system and applying various adjustments. For example, the PC&B target for FY83 was computed as follows:

- ° Take February actual obligations for PC&B
- ° Subtract cash awards obligated through February (cash award policies and their magnitude vary greatly between Regions.)
- ° Divide the balance by FTE actually used through February

- ° Add \$100.00 to each PC&B/FTE rate for future awards (the Agency average), yielding adjusted PC&B per FTE rate
- ° Multiply FTE in workload model distribution by PC&B/FTE rate yielding PC&B target for each program element for each Region.

The Expense category involves a somewhat more complicated formula yielding an Expense amount per FTE per Region, which is then multiplied by the FTE in the model resource distributions to produce Expense targets per program element per Region.

OC also issues the NPM distributions of contract funds and State grant funds per program element per Region. The combination of these extramural, program funds and the intramural, S&E funds comprises the total available to each Region for the coming fiscal year. The totals are identical to the amounts for these categories included in the President's Budget. The Office of the Comptroller supplies these targets to the Regions in the Phase II Operating Plan Call Letter, which also includes similar targets for the Headquarters offices. For Headquarters, the FTE and dollar distributions for each office are the amounts that were previously furnished to OC in response to the Phase I Call Letter.

The Phase II Operating Plan is an extremely important document in the Agency's budget process. It represents the first

opportunity for National Program Managers and Regional Administrators to realign their resources within the broad totals contained in the President's Budget. These changes are known as "reprogramings" and may include changes between object classes within program elements as well as changes between program elements. The objective is to produce a realistic plan based on the latest information available. This information includes the specific goals, objectives, and priorities provided in the Agency's Guidance for the Operating Year, as well as lower levels of detail such as unforeseen needs for equipment, contractual services, training, etc.

The development of the Phase II Operating Plan submission by each NPM and Regional Administrator involves more than simply rearranging totals, of course. For example, at the Regions the process normally includes the preparation by each Division of actual work plans for the Operating Year. The generalized workyear values produced by resource models must be translated into actual positions and the names of people assigned to them, vacancies for which recruitment will be initiated, and reassignments that will be needed to conform to the new distributions. Listings of equipment that will be required, travel to be undertaken, and a variety of other detailed items of information will also be

identified, reviewed, and consolidated with the personnel data into realistic, overall organizational plans.

For the Regions, the Phase II data are consolidated locally, reviewed at Regional Administrator levels and submitted directly to the Office of the Comptroller. Assistant Administrators at Headquarters do the same for their organizational components. Each change from the original resource levels for a program element must be separately justified in this submission. Multiple changes in object classes within program elements can be consolidated on a single change form. All reprogramings must total to zero since the figures in the President's Budget are an absolute ceiling. The Phase II submission also includes a memorandum highlighting major program initiatives, policy or program differences from the President's Budget and changes that do not conform to the targets included in the Call letter.

The Phase II submissions are received by the Office of the Comptroller in mid-May. The data are edited for accuracy and the changes are entered in the RMIS computer system. The product is a detailed Agency Operating Plan for the coming fiscal year. (This plan will also serve as the baseline for the formulation phase of the next budget cycle.)

In June, the House of Representatives and the Senate may begin their legislative actions on the EPA Appropriations

Bill. The House usually completes action in June or July, followed shortly thereafter by the Senate. The Office of the Comptroller monitors and analyzes Congressional action on the Bill to keep the EPA staff informed. OC also provides additional analyses to Congressional staff when requested.

At about this time, National Program Managers turn their attention to their program accountability systems that will track performance when the new fiscal year begins. Program accountability systems do not attempt to track every commitment made in the budget document, since the budget commitments are intended to account for 100% of the Agency's resources, including many tasks that are routine. Accordingly, low priority budget items are ignored. Other items may be grouped into larger aggregations. Still others are represented but expressed in terms of results and qualitative evaluations rather than in terms of quantities of things to be done. Program accountability systems can be very detailed. For example, the Office of Water examines about 50 separate activities, with well over 100 quantitative measures and over 200 qualitative questions in the Regional evaluation section of its accountability system. In order to prepare for the new fiscal year, NPMs ask the Regions to submit their proposals for measures to be tracked.

At a higher level of review, the Agency has put in place the Administrator's Management Accountability System (MAS). The MAS tracks several hundred measures of performance across the Agency on a quarterly basis. A subset of the MAS accountability measures is also committed to by each Assistant Administrator, forming the basis for that official's performance rating. MAS performance measures are quantitative in nature or have definite milestones for products. They may be identical or closely related to the measures tracked by the program office systems. The MAS performance measures were originally identified and approved as part of the Agency Guidance document issued in February. In mid-summer, OMSE meets with the NPMs to negotiate the specific number of outputs or milestone dates to be committed for each measure in the MAS for the new year.

Meanwhile, if the House of Representatives and the Senate have completed action on the Appropriations Bill by mid-summer, a House-Senate Conference is held to resolve the differences between the two versions and, if possible, pass the legislation in each chamber before the August recess.

In August, the Office of the Comptroller issues a Call for the Phase III version of the Operating Plan. This is a further refinement of the Phase II plan, breaking out the totals for each program element and object class into a quarterly distribution. The Call also requests a detailed contract plan, separately listing each action involving an

obligation of \$100,000 or more and summarizing actions below \$100,000, to show the processing schedule by quarter. These plans are primarily for the use of the Contracts Management Division in planning their workload for the coming year. The schedule in the contract plan must be consistent with the obligation pattern shown in the Operating Plan. Assistant Administrators (as "RPIOs") and Regional Administrators (as "Allowance Holders") submit these documents to the Office of the Comptroller in late August and early September.

The NPMs and Regional Administrators also complete their work on output measurements for the program-specific accountability systems and the Administrator's Management Accountability System by the end of August. Final sets of output commitments are negotiated for each system.

With the current fiscal year drawing to a close, the Office of the Comptroller must estimate the unobligated balances for those appropriations that will not expire on September 30. These balances will be available for use in the next fiscal year and must be reported to the Office of Management and Budget for apportionment back to the Agency. The estimates are derived by reviewing current unobligated balances reflected in the Financial Management System (FMS) and obligations expected to occur in the remainder of the fiscal year.

Assuming all Congressional action has been completed, and the President is satisfied with the legislation, he signs the Bill into law. The law may contain specific provisions restricting Agency discretion, i.e., ceilings or floors on particular programs or objects. The conference reports on the bills may also contain restrictions, which, while they do not have the force of law, are usually honored by the Executive Branch agencies affected.

An example of a statutory restriction is the provision in the current law that the Agency may not transfer funds out of the PC&B account of the Salaries and Expenses Appropriation to any other object class without approval by the House and Senate Appropriations Committees.

An example of restrictions added in Committee and Conference Reports is the provision that the Agency must obtain prior Committee approval of any reprogramming actions over a certain threshold. This amount is currently \$500,000 for the House and \$250,000 for the Senate. From the standpoint of change request processing, the lower limit is the effective one since the change cannot be effected pending approval by both Committees.

The Office of the Comptroller prepares a detailed analysis of Congressional actions showing the funding approvals at each legislative stage and the final amounts for each

program. The analysis also lists each statutory and Committee restriction applicable to the Agency for future follow-up.

With the enactment of the Appropriations Act, the Office of the Comptroller adjusts the Operating Plan amounts to incorporate the final Congressional action, submits the Plan to the Office of Management and Budget and requests apportionment of the funds. OMB acts on the apportionment request through its review of the adjusted Operating Plan. As they carry out this review, OMB analysts often request justifications for any significant changes from the Agency's earlier submission (as modified by Congressional action). OMB may impose additional restrictions on the Agency down to program element level through this apportionment process.

The Phase III Operating Plan is also submitted to the Congressional Appropriations Committees since the Plan will differ significantly from the President's Budget and will always exceed the reprogramming thresholds set by the Committees. One or both of the Committees may disapprove particular changes and may add new restrictions on any element.

As the fiscal year comes to a close, the Office of the Comptroller issues an end-of-year closing memo giving the details of the review process for carryover funds and OMSE issues the final "approved goals, objectives, commitments, and "measures" to be tracked by the Administrator's Management Accountability System.

To summarize the key events in this second year of the budget cycle:

- ° The EPA budget, which became the President's Budget, was reviewed by the Congress, and ultimately became law.
- ° The Administrator issued the Agency's Guidance for the Operating Year and the next Budget Year, including the Administrator's goals and objectives and detailed Program Guidance.
- ° The Agency transformed the Budget into a specific, detailed Operating Plan taking into account the latest Guidance document and other new factors.
- ° The specific output indicators and levels of performance to be tracked by the program offices and the Administrator's Management Accountability System were developed in a coordinated procedure.

Budget Execution Phase
(Year 3 - Months 22 thru 36)

The fiscal year of Budget Execution begins on October First. The appropriations made available by statute are distributed to agencies by the Office of Management and Budget in "Apportionments." OMB's apportionment of EPA funds is based on the Operating Plan submitted by the Agency (as described above). The apportionment authorizes the Agency to obligate funds within whatever restrictions may be applicable.

At EPA all funds are allotted to a single official, the Comptroller, the "Allotment Holder," who is legally accountable for assuring that obligations are made in accordance with statutory requirements and that spending authority is not exceeded.

This single Agency allotment is subdivided into "Allowances" which provide authority to specific officials ("Allowance Holders") to commit and obligate specific portions of the Agency's Operating Plan. The Allowance Holders manage the allowances and are responsible for staying within FTE ceilings and fund ceilings. Allowances are issued by appropriation and are supported by an operating plan detailing the workyears and dollars available for each program element and object class by fiscal quarter.

Within a major organizational component such as a Region, there will be several allowances. These allowances are issued to the Allowance Holders through their organizational chain of command. Within this framework, the Deputy administrator (for the Administrator's staff offices), the Assistant Administrators, and the Regional Administrators are designated "Responsible Planning and Implementation Officers" (RPIOs) for their organizational areas. The RPIOs are responsible for developing and implementing operating plans, controlling resource ceilings, and reviewing programs. Each RPIO is also an Allowance Holder.

The flow of obligation authority from the Appropriation Act to the Allowance Holder may be depicted as follows:

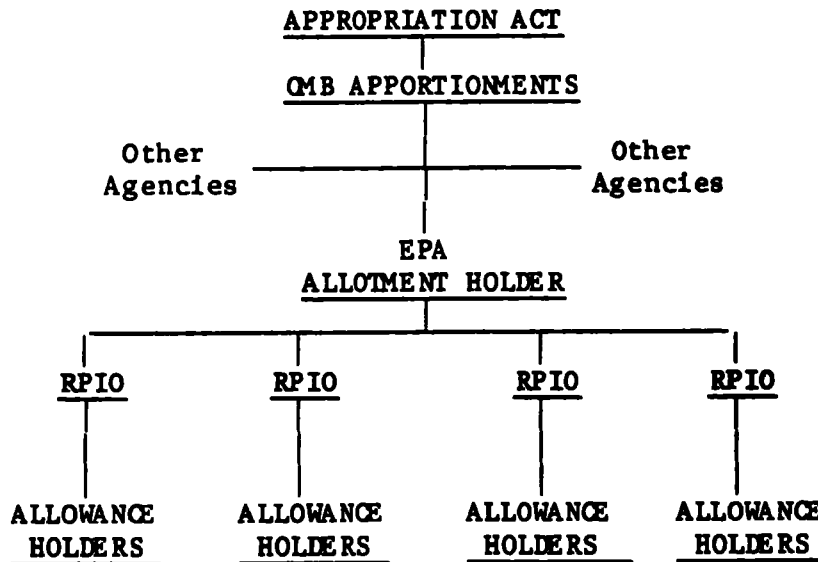


Figure 8. Flow of Obligation Authority

The allowance data which, up to now, have resided in the Resources Management Information System (RMIS) managed by the Budget component of the Comptroller organization is transferred via magnetic tape to the agency's accounting system - the Financial Management System (FMS) managed by the Financial Management Division. As Allowance Holders begin committing and obligating funds, each transaction is recorded in the FMS and applied against the specific program element and object class account code to which it relates. Salary costs and workyears expended are recorded in the Department of the Interior Payroll System ("DIPS") which is currently processed for EPA by Interior. Plans are now underway however, to bring the payroll system in-house.

Each EPA employee is assigned a "Fixed Account Number," i.e., the program element to which his or her time and salary are to be charged. If an employee works on more than one program, DIPS provides for recording these additional account numbers on the reverse of the time and attendance card. This is particularly important for employees who work on Superfund matters in addition to other program tasks because Superfund salaries and expenses are included in that appropriation rather than in the Agency's Salaries and Expenses appropriation and must be accounted for separately.

This need to account for Salaries and Expenses at the program element level complicates the Allowance Holder's control

task and requires continual reconciliation of accounts in a situation characterized by relatively high error rates in the capture via DIPS of multiple account code charges. Another factor complicating reconciliation is the fact that the RMIS and the FMS computer systems have evolved separately and the coding structures for each are not identical, requiring crosswalk tables to relate the data in the two systems. All of these systems problems are currently under review in the Agency.

As the Current Year of Budget Execution continues, Allowance Holders find that certain accounts do not have sufficient resources to cover actual needs and they initiate change requests to reprogram funds from one account to another in the Operating Plan. These requests are submitted to the Office of the Comptroller where they are reviewed for code validity, arithmetic accuracy, and to determine if the change exceeds Congressional, OMB, or Agency limitations.

If limitations are not exceeded, the changes are implemented, i.e., they are entered into the RMIS, revised allowances are issued, and the new allowances are transferred by computer tape to the FMS. If Congressional or OMB approval is required, the reprogramming is held in abeyance (anywhere from 1 to 3 months) while OC sends the request with the necessary justification to the appropriate officials. If approved, OC moves ahead to process the action.

By November of the new fiscal year, OC has the final end-of-year obligation data for the prior year, which is reported to OMB. The unobligated balances of multi-year appropriations ("carryover funds") are available for use in the current fiscal year, in addition to the new obligational authority provided by the recent Appropriations Act. Transactions, such as contracts, which were in process at the end of the prior fiscal year, but which were not executed, must now be reprocessed with current year funds or the Allowance Holder must request sufficient carryover funds to cover them. Allowance Holders may also submit justifications for other uses of carryover funds to supplement their new obligational authority.

The requests for carryover funds are reviewed by the Office of the Comptroller and an allocation pattern is recommended to the Administrator for approval. Approved amounts are issued in new allowances, incorporated in the RMIS and transferred to the accounting system via magnetic tape.

In January, the first of the quarterly accountability milestones occurs. The National Program Managers collect all the information needed for the program-specific accountability systems and the Administrator's Management Accountability System. The data are collected from Headquarters and Regional data systems as well as from State information sources.

The MAS data are submitted to the Office of Management and Systems Evaluation where they are analyzed and published in a Management Accountability Report. The Deputy Administrator discusses the output results with the Assistant Administrators, who explain any significant deviations from prior commitments.

Some Regions produce Regional versions of the MAS report depicting that Region's subset of the data. The Regional Administrators use these reports to review progress on the programs under their jurisdiction.

The Administrator's Management Accountability System also provides for a change request procedure to modify output commitments because of changed circumstances. These requests are submitted to OMSE by the Assistant Administrators and approved requests are incorporated in the next quarterly reporting cycle.

The cycle of Allowance Holder commitment/obligation, review of accounts, submission of change requests, issuance of revised allowances by OC, and update of RMIS and FMS continues throughout the fiscal year. In April, the Office of the Comptroller conducts a mid-year review of the status of accounts. OC projects workyears to be expended and dollars to be obligated through the end of fiscal year for each RPIO program element. OC sends the data to Assistant Administrators and Regional Administrators who may accept the projections or

compute new estimates based on their knowledge of the local situation. The potential result of this review is a major Agency reprogramming action to reallocate workyears, funds, and end-of-year ceilings among programs and organizations. OC submits the proposed changes to the Administrator for approval, seeks Congressional approval where necessary, incorporates approved changes in a new Operating Plan, enters the changes in the RMIS, issues new allowances, and transfers the information to the FMS for accounting purposes.

If any reprogramings require Congressional approval, they are referred to the Committees and are held in abeyance until Committee approvals are obtained.

In the April-May time-frame, the second quarterly accountability reporting cycle is completed. In this cycle and in the fourth quarter, it is planned that the Deputy Administrator will meet with Regional Administrators as well as Assistant Administrators to discuss progress on output commitments.

As the fiscal year nears completion in August and September, the pace of Operating Plan change requests picks up as Allowance Holders seek to make optimum use of their resources. The Office of Comptroller issues an end-of-year closing memorandum detailing the dates for final changes to the Operating Plan and the schedule for closeout activities in the accounting system. An interim "12th month" reconciliation is performed,

followed by a final "13th month" closeout, officially bringing the fiscal year to a conclusion.

In early November, the Office of the Comptroller conducts an end-of-year analysis of the accounting data to analyze actual vs. planned obligations for each program element, to identify the causes of any delays in use of contract funds, to identify any allowances that may have been exceeded and so on. OC factors these analyses into the issuance of carryover funds, into the budget execution for the fiscal year just beginning, and into the formulation phase of the next budget cycle.

The followup stage of the FY85 budget cycle is completed shortly thereafter with the production of the final Management Accountability Report and the Deputy Administrator's discussion of the output results with the Assistant Administrators and Regional Administrators. The Office of Management Systems and Evaluation will review the operation of the MAS to identify systemic changes that should be incorporated in the next cycle. The experience gained will also influence the development of Administrator's Guidance for the next cycle.

IV. FINDINGS AND RECOMMENDATIONS

In the pages that follow, the Panel will address various issues identified in the Study of the EPA Budget Process, along with recommendations for improvement. To put these findings and recommendations in perspective, however, it needs to be stated at the outset that the Study interviews and document reviews clearly indicate that the EPA budget process is fundamentally sound:

- ° EPA top management finds the process useful for internal program planning and decision-making.
- ° Budget estimates are based on careful workload analyses and specific planned accomplishments.
- ° Budget formulation is focused at EPA Headquarters, but serious efforts are made to assure that all levels of management participate.
- ° The EPA budget and accounting structure provides for the stewardship of funds in accordance with sections of the authorizing statutes and effective mechanisms are in place to control budget execution both at Headquarters and in the field.
- ° Formal accountability systems are employed to monitor performance of the Agency in its execution of commitments made in planning and budget documents.
- ° Representatives of the Office of Management and Budget advise that the EPA budget document and supporting data facilitate Executive Branch review and decision-making.

° Staff representatives of the Appropriations Committees of the Senate and the House of Representatives report that the EPA budget submission satisfies their review and oversight requirements.

On the other hand, the Academy study also found a high level of frustration with the budget process among EPA employees--a perception that the process impedes effective management and requires excessive time and effort to administer. To some extent, these views are simply a reflection of problems in the Federal budget process that are beyond the ability of the Agency to redress and beyond the scope of this Study. These problems are addressed in the recent NAPA report "Revitalizing Federal Management: managers and their overburdened systems" and the changes suggested in that report would materially improve the budget process at EPA.

The negative perceptions are also an understandable reaction to the recent history of EPA, characterized by major shifts in leadership, organization, and policy, coupled with severe workforce retrenchments. As the instrument for much of this change, the Agency's planning and budget process was the focus for much of the associated conflict and tension. Present EPA management is restoring employee confidence in the Agency's management systems. If these moves prove successful, perceptions related to the budget process will also be favorably affected.

Some of the negative views expressed by EPA staff represent a residual dissatisfaction with the EPA implementation of Zero-Based Budgeting (ZBB). The EPA ZBB process required massive documentation, multiple iterations, and the

deliberation of many ranking committees. In the view of most employees interviewed, in spite of all the extra effort, the quality of the budget was not improved. EPA has now discarded the ZBB process and has moved to reduce the workload burden in the formulation of the budget. These steps are perceived as important improvements by most employees.

Finally, it should be noted that present EPA top management has initiated a broad reexamination of the Agency's management systems. Some studies, such as the review of the statutory basis for the Agency's programs, were still underway as this NAPA Budget Study came to a close. Others have already led to significant new policies and procedures. For example, the new strategic planning system, the expanded participation of management officials in the planning and budget process, and the improvements in the Administrator's Management Accountability System, will ultimately have a positive impact on the management of the Agency, as they are implemented.

In summary, then, the EPA budget process is basically sound and management attention has been focused on making further improvements in the system. Within this framework, the Panel has identified twelve subject areas where change might further enhance the system and enable it to contribute more effectively to the accomplishment of the Agency's mission.

Statutory Complexity

The Environmental Protection Agency was established as an Independent Agency in the Executive Branch on December 2, 1970, by Presidential Reorganization Plan No. 3 of 1970.

The objective was to provide a unified organizational focus for the environmental programs that had been assigned to various agencies and offices within the Department of Interior, the Department of Health, Education and Welfare, the Department of Agriculture, and the Atomic Energy Commission. The creation of EPA by Reorganization Plan rather than by statute left the new Agency without an organic act providing a unified statement of National goals for the environment or a comprehensive regulatory authority with which to systematically and logically execute its mandate.

In place of an organic act, EPA inherited an array of governing statutes by virtue of the transfers of authority from the predecessor organizations. These statutes and those enacted after EPA's creation provide specific directions addressing singularly defined environmental problems such as water pollution or waste disposal, with requirements often spelled out in minute detail. The accumulation of these distinct, narrowly focused statutes has produced an extensive, overlapping, and inconsistent body of law, whose complexity is compounded by the mass of legislative history behind each statute and the subsequent actions of the courts.

Significant progress has been made toward accomplishing the major programmatic objectives of some statutes such as the Clean Air, Clean Water, and Noise Control Acts. Other laws such as the Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act have introduced new objectives that will occupy center stage for years to come. Still another

generation of narrowly focused legislation is on the horizon to deal with such more recently defined threats as acid rain and indoor air pollution. Clearly, then, a steady state of legislative mandate for EPA has not been achieved. The substance and focus of environmental law will continue to change as public awareness and understanding of the problems mature.

Congressional oversight of EPA is carried on by 19 Committees and Subcommittees in the House of Representatives and 7 in the Senate. EPA officials are routinely required to testify before these committees, with the number of separate appearances averaging about 90 per year. Most of the authorization provisions of the controlling EPA statutes have expired and new statutes are currently under consideration. Until the Congress enacts new provisions, interim reauthorizations are reflected in the annual appropriation acts that provide EPA the funds to carry on its mission.

Although the individual statutes governing EPA's mission focus on particular media or pollutants and establish goals and objectives peculiar to each, they employ very similar remedial techniques such as State assistance, research and development, permitting, standard setting, and enforcement. Unfortunately, the similar provisions in each Act differ substantially in formulas to be applied, administrative procedures to be used, application requirements, legal processes, and so on. These differing statutory approaches to the same provisions have complicated the management of the Agency and its relationships with the States and the other organizations affected by its work.

EPA has attempted to rationalize these processes and minimize the overlap, duplication, and inconsistency, within the boundaries of the statutory provisions, but has met with only limited success.

The EPA experience with the State assistance provisions is a good case study illustrating the general problem. In 1970, EPA began with three types of State assistance program grants, inherited from its predecessor agencies. By 1980, new legislation had increased the number of media-specific, targeted, State assistance categorical grants to sixteen, defined by various legislative authorizations. As a consequence, a separate State Grant application was required for each program in order to accommodate the different statutory requirements and formulas. Grant funds received from one program could not be transferred to another, making it difficult for States to address cross-media pollution control problems. In 1980, the Senate Subcommittee on Environmental Pollution held hearings on the "Integrated Environmental Assistance Act" whose purpose was "to authorize a flexible environmental program of integrated financial assistance to States and local governments to plan, manage and implement abatement and control strategies in a more efficient and effective manner." In testimony before the Subcommittee, Douglas M. Costle, former EPA Administrator, characterized the problem of vertically structured, media-specific grant provisions as follows:

"Our programs must be implemented through separate, often uncoordinated categorical

grants. This process makes cross-program collaboration difficult and trade-offs almost impossible. This familiar pattern is constantly reinforced by the numerous, different and characteristically narrow requirements of our grants. I believe one part of our answer must be effective integration across our environmental programs."

The Integrated Environmental Assistance Act would have permitted State and local governments to submit an integrated plan for two or more categorical programs and to shift up to 20% of the grant funds from one program to another. Under this bill, a single grant application and a single State effort requirement replaced the different matching funds requirements in the current laws. The expected results of the bill were better State and local government plans addressing the interrelationships between the media and crosscategory problems, with simplified and more streamlined administration of the programs. The proposed bill had strong support from EPA, State officials, and environmental groups but did not move beyond the Hearings stage.

In an effort to alleviate the problem through administrative action, the Agency explored a "consolidated grant" approach under which State or local governments submit a single application and receive a single consolidated award for two or more pollution control programs (out of a list of

seven candidate programs). Although a single application is permitted, each program component of the consolidated grant is separately described, the separate formula and matching requirements of each program still apply, the program components of the consolidated grants must be separately accounted for and funds may not be reprogrammed from one program component to another within such grants. Accordingly, the benefits of the administratively implemented consolidated grant are minimal and it is clear that the full potential of the concept cannot be realized without legislation.

The complexity of the EPA statutory framework is directly reflected in the budget process. As noted earlier, the statutes address specific media or pollutant threats. As the broadest definition of the activities of the Agency, these media categories represent an important high level of aggregation for purposes of budget and accounting. The various sections of the enabling statutes defining program activities (such as State assistance; permits and licenses; and enforcement) when taken in combination with the broad activity groupings defined by the annual appropriations acts (e.g., research and development; abatement, control and compliance; construction grants; etc.) require complex crosscutting aggregations of data in the budget and accounting systems.

The "program element" is the principal building block for budget formulation and execution. Budget justifications

are written at the program element level and "rolled up" in various combinations as needs dictate. There are 304 of these elements in the FY84 EPA program budget structure. About 30 of these elements pertaining to EPA Regional activities must be further subdivided into ten components--one for each Region--adding 300 more control categories to the structure. For execution purposes, program elements are further exploded into three to ten object class categories such as personnel compensation and benefits, travel, transportation, rent, ADP contracts, grants, etc., creating thousands of accounting control categories.

One obvious effect of the "pigeonholing" of funds is, of course, the excessive time and effort expended in recording and reconciling accounts. The problem is magnified, however, by Congressional restrictions on transferring funds from one program element to another, from certain object classes to others, from Superfund administrative categories to non-Superfund categories and so on. The cumulative effect is to tie the hands of managers and limit their ability to use their resources efficiently.

In summary, then, the complex statutory framework for administering the EPA mission impedes effective management at both Federal and State levels. The Panel is in general agreement that merging these statutes into one simplified organic act offers an attractive solution but that such a merger is not a practical choice at this time. Each of the existing separate statutes contains controversial pro-

visions, supported and opposed by powerful, polarized advocacy groups. A proposal to merge these controversial statutes into one piece of legislation--a step that would also require major shifts in Congressional Committee jurisdictions--has no reasonable prospect for success. In any case, the fundamental problem with the existing array of statutes is not so much their number, but their completely uncoordinated and inconsistent administrative requirements and procedures for similar program functions. The solution lies in somehow rationalizing these provisions horizontally, across all the statutes. Accordingly,

- ° The NAPA Panel recommends that the EPA and the Authorizing Committees of the Congress work together to enact legislation that provides consistent language in the environmental statutes for such common functions as State assistance, research and development, permitting, standard-setting, enforcement, and administrative procedure.

This recommendation builds on the concept of streamlined and more flexible cross-media procedures inherent in the proposed Integrated Environmental Assistance Act, expanding the idea to encompass all or most of the common administrative and management functions in the Agency's statutes. An important advantage of the proposal is that it leaves the Congressional Committee oversight structure and the Agency's organization unaffected.

The review of the EPA statutes recently initiated by Administrator Ruckelshaus is expected to produce the necessary analytical basis for proposing legislative changes. If the scope of the Study includes an examination of the common provisions in the present laws and the development of standardized substitute language, the Agency and the Executive Branch will be in an excellent position to help the Congress rationalize the statutes.

Model provisions could be implemented in two ways. They could be proposed as replacements for the equivalent provisions as each statute comes up for renewal. Or, they could be combined for enactment as a separate statute that would immediately supercede the equivalent provisions in all the present statutes at the same time. The Panel recommends the latter approach since it would solve a serious problem relatively quickly, while the modification of each statute in its own time-frame could take years to complete. A single statute containing the model provisions can also be viewed as "purifying" the media-specific statutes by eliminating much of the administrative detail from those Acts and letting them focus on the substance of National policy toward the environment. It might also be observed that a single statute containing the rationalized administrative and management provisions has a potential for evolving in time into a streamlined version of an organic act. Such a statute would spell out the fundamental responsibilities and authorities of the Agency, but would leave the individual media-oriented statutes in place.

Strategic Planning

Interviews with EPA managers and the review of budget process documentation indicate that the Agency has not had a formal, continuing process for examining the longer-term strategic implications of current program decisions. Agency planning has been focused on the short-term decisions required for budget and operating plan preparation.

The annual Administrator's Guidance issued in February of each year has provided summary level goals and objectives for the upcoming operating year but only minimal direction for budget formulation. The responsibility for detailed program guidance has been delegated to the National Program Managers but their guidance has usually been focused solely on the coming year and has varied greatly in format and timing. Because Program Guidance for even one year into the future is very useful to the States in formulating their plans, the unpredictable availability of this information on a timely basis has caused problems in meshing State and Federal planning.

With annual Program Guidance focused on short-term effects, the Agency has had no mechanism for identifying and communicating the need for strategic shifts in emphasis in areas such as Research and Development, State assistance and oversight, Enforcement and Compliance, etc. The absence of strategic

planning has made integrated priority setting very difficult and the net effect has been a process in which short-term budget goals tend to drive program decision-making rather than having long-range goals drive the budget decisions. At about the time that the NAPA/EPA Budget Process Study was analyzing these planning weaknesses, the Agency was considering possible changes to improve the situation. The Deputy Administrator met with members of the NAPA Panel to exchange views on the subject and to discuss specific actions that might strengthen the Agency's planning process. Subsequently, the Agency adopted a new approach to the annual guidance process, specifically addressing the weaknesses described above. The salient features of the new process may be summarized as follows:

- . A single "Agency Guidance" document issued in February will replace the present system of Administrator's Guidance issued in February and various types of separate Program Guidance published in subsequent months. EPA Regional officials and State officials will have an opportunity to influence the content of the document by receiving early drafts for comment.
- . The Guidance document will cover a 2-year period consisting of the approaching Operating Year and the following Budget Year, effectively expanding the horizon of Program Guidance from the present 1-year frame of reference.

- . For the Operating Year, the Program Guidance will be required to address a specific list of 30-35 priority activities. This list is developed through discussions and negotiations between the Deputy Administrator, the Assistant Administrators, Regional Administrators, and outside groups.

- . The Program Guidance component will also include a brief narrative strategy paper (3 to 5 pages long) identifying the program's mission, goals, and program objectives for both of the target years.

- . The Guidance document will include a set of performance measures, reflecting the program goals and priority activities to be included in accountability systems for the Operating Year.

When implemented, these changes will materially strengthen the Agency's planning posture and will also provide a better basis for planning and program implementation at the State level. On the other hand, some persons interviewed during the Study suggested that the Agency needs longer term strategic planning--in a 4- or 5-year time-frame--rather than the 2-year scale being implemented.

The Panel considered this point and concluded that while selected programs might benefit from longer-term planning,

others would not, so that an across-the-board requirement for 4- or 5-year plans would create an unnecessary paper processing burden. The Panel also considers that the Agency needs to develop some experience with the 2-year planning framework now contemplated before deciding whether Agency-wide, longer term projections (perhaps to 3 years) would be beneficial. Accordingly,

- ° The NAPA Panel endorses implementation of the Guidance and Strategic Planning changes outlined in the Deputy Administrator's Memorandum of November 2, 1983. The Panel also recommends that one or two strategies be selected annually for analysis of longer term (3-5 year) trends.

Complexity and Detail in the Budget Document

Specific criticisms of the EPA budget submission to the Office of Management and Budget are that the documentation required is overly lengthy and detailed; that the time and effort expended in preparing the material are burdensome and excessive; and that the detail in the resulting document leads to OMB examination at very low levels of Agency activity which can result in restrictions in Agency flexibility.

Interviews with EPA employees suggest that many of the negative perceptions about excessive documentation and workload are residual reactions to the Agency's implementation of Zero-Based Budgeting (ZBB) concepts in the late 1970s. The ZBB process required managers to develop lists of prioritized activities within "decision units" and to estimate, with documentation, the resources needed for each unit, at four or more levels of funding (0 to 75% of current year; 75 to 90%; 90 to 100%; 100 to 110%; etc.). These hundreds of organizational and program priorities were combined into a single Agency listing through a series of five rankings:

- . The Deputy Administrator and Assistant Administrators ranked all the decision unit levels falling under their organizational responsibility.
- . The Regional Administrators performed two rankings--individual and collective--to produce a Regional consensus on Regional programs cutting across all the media.
- . Special Media Task Groups ranked decision units, pertinent to each medium, whose programs might cut across the entire Agency's organizational structure.

- . Intermedia Ranking, performed by the Comptroller's Office, combined all the Media Task Group rankings into a single draft ranking table.

- . An Agency Ranking Committee prepared a final version of the intermedia ranking for review by the Administrator.

A few persons interviewed in the Study felt that the cross-media ranking process was a valuable contribution to the Agency's formulation process. Most people, however, felt that EPA implementation of ZBB was too complicated, that the process did not materially improve the Agency's budget submission and that the cost far exceeded any benefits. The elimination of ZBB was welcomed almost unanimously and this management decision has been cited more than any other action as a major improvement in the budget process at EPA. It is clear that a return to ZBB would be counterproductive.

As presently configured, the EPA budget prepared for OMB contains documentation for each of 212 programs in the budget structure. (Note: some programs are funded from two appropriation sources. For purposes of budget justification, the two "program elements" in such cases are combined into one "budget element." For the overall EPA budget structure, then, the 304 program

elements translate to 212 budget elements.) The documentation consists of three basic forms:

- . A "BUD #1" form summarizing the workyears and intramural/extramural funds requested for the program, along with a comparison of these amounts with those approved in the two prior years;
- . One or more pages of "BUD #1A" forms containing the narrative justification for the program--its goals and objectives, a description of current operations and expected accomplishments, and an explanation of changes from the prior year's budget;
- . One or more pages of "BUD #2" pricing analysis forms that depict every activity the Agency expects to perform under that program in the budget year. For each activity, a set of performance measures ("accomplishments") is defined, and, for each accomplishment, a particular level of performance (an "output") is committed to for the number of workyears requested.

The Agency has recently been moving in the direction of simplification of its budget submission. On a macro level, within the limitations imposed by the statutory framework, EPA has simplified its budget and accounting structure by

reducing the number of program elements needed to depict the Agency's mission. For example, between FY83 and FY84, the number of elements has been reduced from 327 to 304, one effect of which will be to reduce the number of pages of budget documentation in future submissions.

Within the budget document itself, considerable stress has been laid on improving the content of the BUD 1A section of the budget submission. Shorter, more succinct narratives have been achieved and the gross size of the budget, in terms of number of pages, has been reduced about 22% between FY83 and FY85.

The hundreds of pages of BUD 2 forms in the EPA budget, with their detailed listing of planned activities and projected accomplishments comprise a large percentage of the EPA budget documentation. The outputs-per-workyear committed in the BUD 2 are usually derived from analysis of actual workload data for the previous year. For new activities, estimates are developed of the time it will take to complete a unit of work. The following excerpt from the FY84 budget submission for one program element illustrates the level of detail contained in these documents.

DU CODE FAY9A HQ RT X DU TITLE Hazardous Spill and Site Response

RESPONSIBLE OFFICE Office of Solid Waste and Emergency Response

DOLLAR PRICING IS EXTRAMURAL ONLY (CONTRACTS, GRANTS AND IAG DOLLARS ONLY)

ACTIVITIES/ ACCOMPLISHMENTS	FY 1982 PROJ ACTUALS			FY 1983 OPER. PLAN			FY 1984 REQUEST		
	FTE	\$	OUT- PUT	FTE	\$	OUT- PUT	FTE	\$	OUT- PUT
REMEDIAL	88.2			103.4			127.1		
Preliminary Assessment	3.4	962.8	1,500	9.1	4,277.0	4,000	9.1		4,000
Site Inspections	11.8	4,187.6	1,300	18.2	10,678.4	2,000	18.2		2,000
Site Investigation	14.5	6,449.6	400	7.3	5,339.2	200	7.3		200
National Priority List	7.5			4.0			2.5		
Remedial Investigations/ Feasibility Studies	27.1	14,676.0	36	40.1	32,000.0	40	48.0	49,378.7	55
Remedial Design	5.8	5,135.0	13	7.1	8,200.0	24	17.5	15,264.2	40
Remedial Implementation	6.8	26,894.0	10	3.1	48,361.4	11	9.5	110,449.2	22
Initial Remedial Measure	2.5	11,666.0	12	4.5	7,500.0	15	5.0	11,217.7	20
Enforcement Coordination	5.0			5.0			5.0		

In combination, these forms represent a comprehensive functional analysis that accounts for 100% of the Agency's resources. The analysis requires substantial effort and increases the volume of data in the budget. On the other hand, it yields benefits that may be worth the effort:

. The BUD 2 forms clearly depict the relationship between work to be performed and the resources needed to accomplish the work. The listing of these commitments in the budget document, juxtaposed with the commitments made in two prior years constitutes an important budget accountability mechanism. The fact that program offices must be prepared to explain any significant deviations from one year to the next to Agency officials reviewing the submission, and later to OMB examiners, helps to promote the development of realistic estimates.

. The functional analyses needed to produce the BUD 2 forms require each manager to think about his or her program and to communicate to others the goals and expectations for that program beyond the current year. This communication and longer-term view are management benefits that transcend the budget process.

Accordingly, although it would be possible to reduce the EPA budget workload by limiting the document to the pricing out of workyears and dollars at high levels of program aggregation, such a change would lose the additional benefits of work planning and accountability that are now available as a by-product of the process and that are well worth preserving.

On the other hand, the descriptions of activities and accomplishments in the BUD 2 forms have sometimes been

carried to a much finer level of detail than is needed, causing the budget review to take place at a transactional level. The "guidance" resulting from such review can overly restrict flexibility in budget execution. Some programs have moved to reduce the number of separate activities/ accomplishments listed in the BUD 2 sections of their submissions by combining them into somewhat larger groupings. If this effort continues, it will not only simplify formulation of the budget material, but may move the Agency and OMB budget review process to a higher, more meaningful level of program detail.

After weighing these factors, the NAPA Panel's summary conclusions are that the principal sources of employee frustration with EPA budget complexity and detail have been resolved by the Agency within discretionary limits; that the benefits of workload analysis as a basis for budget formulation are worth the time and effort involved; and, that simplifications currently underway will further improve the EPA budget document. Accordingly,

- ° The Panel endorses the Agency's decision to eliminate the EPA implementation of Zero-Based Budgeting.
- ° The Panel recommends that the Agency continue to base its budget formulation on functional analysis so as to retain the management benefits that accrue therefrom.

- ° The Panel recommends that the Agency continue to move toward fewer program elements in the budget structure, more concise budget narratives, and a somewhat higher level of aggregation of activities and accomplishments in the budget pricing analysis.

Regional Office Participation in the Budget Process

The functions of the Environmental Protection Agency are carried out by a combination of Headquarters and field organizations. At the Headquarters level, the programs defined in the enabling statutes are assigned to five Assistant Administrators who, as "National Program Managers," are responsible for program planning and implementation.

Agency Regional programs are implemented at ten Regional Offices managed by Regional Administrators who report to the Administrator of EPA in a line capacity. Regional Administrators represent the Administrator in contacts and relationships with public and private groups in the Region and are responsible for accomplishing the national program objectives established at EPA Headquarters.

The budget formulation process is dominated by the National Program Managers at Headquarters. The NPMs are responsible

for bringing together the component parts of a program budget and for defending their portions of the Agency budget as it moves through the review cycle. For those parts of the national programs carried out in the Regions, the NPMs are expected to produce the budget estimates in collaboration with the Regional offices. The question of what form this Regional participation in the budget process should take has been the subject of much discussion at EPA over the years, and various methods have been employed. The method currently in use is known as the "Lead Region" concept. The EPA Task Force on Headquarters/Regional Relationships described this approach as follows:

"With development of the FY 1983 budget, the Zero-Based Budgeting process, with its layers of review and ranking teams, was replaced with a centralized and shortened process. The nature of the regional role changed, from participation on a variety of ranking committees, to the interaction of lead Deputy Regional Administrators (DRA) with National Program Managers (NPMs) during the budget formulation process and in the budget hearings themselves. The lead Region concept evolved as an efficient, productive method to represent regional concerns and interests in the new process.

The National Program Manager is charged with developing the request for the regional component of his or

her program in conjunction with the lead Region for each media. The lead Deputy Regional Administrator is charged with becoming the media 'experts' and with objectively representing the ten regional program needs and viewpoints, while at the same time maintaining a national perspective on the program.

During the summer budget hearings, the lead Region represents all the regions as the NPM presents his or her budget request before the Administrator and Deputy Administrator. During the final preparation of the OMB request and the OMB passback and appeal process, the regional interests are carried largely by the Comptroller and the NPMs. The Comptroller's Office is responsible for maintaining an information flow to the Regions for each step of the process."

There is not complete agreement on the success of the Lead Region concept as reported by the Headquarters/Regional Relationship Task Force.

"The criticisms most frequently heard of the current budget development process, from the regional perspective, are:

- ° The extent and effectiveness of lead Region 'participation' is too dependent on the whim of the

NPM. Participation ranges from extensive regional involvement to total exclusion.

- ° The degree of lead DRA participation varies greatly depending on a number of factors including time and staff availability.
- ° Lead Regions are in a 'reactive' mode from the very start of the process; very few NPMs involve the regions in the initial development of the regional budget request. For the most part, the Regions see NPM drafts or initial allocations after the NPM has virtually finalized his or her decisions. Scarce regional resources make it difficult for Regions to react in a short timeframe.
- ° Lead Regions are not in a strong enough position to have much impact on Headquarters/Regional splits in allocation of resources because budget guidance for program development is unclear.
- ° Some lead Regions involve their fellow Regions early in the development of the request, others involve their counterparts too late in the process or not at all. The process lacks structure. Non-lead Regions who see the budget requests for the first time in final

form are presented with a 'fait accompli' which is difficult to change.

- ° The scrutiny which regional programs receive by Headquarters offices should be balanced -- Regions should have an opportunity to examine Headquarters resource allocations and comment on them.
- ° Since the 'targets' issued at the start of the process are at the NPM level, there is a tendency to think of an increase in the regional program as being at 'the expense' of a Headquarters program or vice versa. As a result, there is a tendency to make changes at the margin rather than to discuss the merits of resource specific allocations.
- ° Regions don't always know if budget comments will have an effect until the final agency budget is prepared."

The Task Force concluded that the lead Region approach should be preserved, but made several recommendations for strengthening the process. These recommendations and associated excerpts from the report are:

- " Responsibilities of the National Program Manager and Lead Deputy Regional Administrator Should be Better Defined

As noted earlier, there is little formal guidance to the NPM or lead Regions on how effective regional involvement is to be achieved. The resulting inconsistency could be limited by formalizing internal budget development procedures.

Specifically, this could be accomplished by the Deputy Administrator through issuance of schedules, specification of interim products, and definition of a detailed process for development of the budget by the NPM. This would define the nature of involvement by the lead Region and the nature and timing of involvement of non-lead Regions. The final NPM budget submission would be accompanied by a memorandum from the lead Region expressing the regional view of issues in the regional as well as Headquarters portion of the request...

" Regional Budget Development Meetings Should Be Held Prior to Development of the National Program Managers Submission and Before Finalization of the Administrator's Budget

An additional technique to promote full involvement of all Regions would be to schedule meetings of

regional representatives to discuss, define and prioritize resource requirements...

" The Lead Region Selection Process Should be Broadened

The Assistant Administrator for Administration and the Comptroller are solely responsible for designating 'lead Regions.' Extension of the selection process to include regional officials, NPMs and other senior policy officials could be beneficial...

" Regional Participation In the Budget Development Process Should be Expanded

As a technique to further ensure that regional concerns are fully considered in the final steps of the budget development process, senior regional personnel could be designated to work with the Comptroller. Several regional people, either the Deputy Regional Administrator, Associate Regional Administrator, or Management Division Director would spend the period immediately prior to and after the budget hearings participating in the budget process; identifying and collecting regional issues, preparing regional presentations and generally insuring that regional issues are heard. During the OMB Passback and Appeal process, the same people would return

to Headquarters to continue their participation. The additional analytic activity, focused entirely on regional program issues selected by the Regions themselves, would ensure that regional concerns are voiced..."

Another problem, not mentioned in the Task Force report but identified in interviews with Regional personnel, is the potential for conflict between Deputy Regional Administrators and National Program Managers during the Lead Region's participation in the budget process. Instances were cited in which feelings ran high and adversely affected the relationship between the NPM and the Region long after the collaboration on the budget had ended. A Lead DRA serves as the single focal point for the expression of the views of all the Regions. A concern was expressed that a Region might be penalized because the Lead DRA takes his or her responsibility seriously enough to provide strong Regional advocacy on controversial issues. This concern points to a need for a buffer, or moderating influence, to be available when the situation warrants, and to assure that Lead Region collaboration in budget formulation does not impair Headquarters Regional program relationships.

The Lead Region concept is, of course, not the only option available to the Agency for Regional budget formulation

and various other approaches have been suggested to the Budget Study Team. On one end of the scale is the proposal to have all the Regions collaborate with the NPMs on all Regional program justifications through circulation of draft documents and the use of telephone conference calls to achieve a consensus. At the other end is the idea that responsibility for budget formulation should be divided, with National Program Managers preparing the Headquarters components of the budget and each Regional Administrator developing a budget for his or her Region to be consolidated at Headquarters. Several other budget formulation options fall between these approaches.

While each alternative has one or more strong features, upon examination, each can be found to pose other complications or weaknesses. None demonstrates any clear superiority over the method the Agency has adopted after dealing with this question in various ways over the years. The majority of persons interviewed, both at Headquarters and in the field, considered the Lead Region approach to be a reasonable compromise, offering the best potential for sound budget formulation, within the constraints of the Federal budget process.

In consideration of the above,

- ° The NAPA Panel recommends that the budget process improvements suggested in the Headquarters/Regional Relationships Task Force Report be implemented.
- ° The Panel recommends that the Deputy Administrator serve as the focal point for evaluation of the proposed balance between Headquarters and Regional funding in the formulation of initial budget estimates.
- ° The Panel also recommends that the Agency provide a conflict resolution mechanism, with the Deputy Administrator as the focal point, to moderate disputes that may arise as part of the Lead Region budget collaboration process and assure that positive Headquarters-Regional relationships are not disrupted by the process.

EPA Use of Resource Distribution Models

The EPA budget request to OMB contains an aggregated total for Regional resources for each program. The existence of a Regional structure requires some rational method for deciding precisely how the workyears and funds should be distributed. Workload models are the mechanisms used by EPA programs to make these distributions and two basic types of models, "relative need" models and "absolute need" models, are employed.

Relative-need models use surrogate indicators of program needs such as "population in the region" and "number of automobiles in the region" in a formula that yields a percentage which each Region should receive of the 100% budgeted for Regional resources. Absolute-need models are based on an analysis of the actual program activities that planners identify as part of each Region's mission. The absolute-need algorithm yields a specific workyear total for each Region (as opposed to a percentage). Absolute-need models can be detailed and complex and some require the use of computers. Most models in use today are absolute-need models.

Resource distribution models are not fixed formulas that remain constant from year to year. Rather, they are modified annually by National Program Managers to adjust them to changing needs and to maintain the confidence of Regional officials that each year's distribution is indeed fair. As part of this review, the NPMs may request input from their Regional counterparts as to the workload parameters they consider appropriate. The extent of involvement of the Regions in the model development and review process varies from full participation by Regional workgroups at early stages, to little participation, if any, depending on the program.

Workload models come in for a good deal of discussion at EPA and many opinions were expressed to the Budget Study Team

in interviews. The Team identified several strengths and weaknesses associated with the workload model process:

. Perhaps the greatest strength of absolute-need models is their potential for uses other than simple resource distribution. Good absolute-need models are based on a detailed analysis of the work required to accomplish program objectives. This analysis produces a common understanding on the part of all concerned as to the work that needs to be done in that program. If the activities in a good workload model correspond to those in the EPA budget document (as they should), the model can be used to assure that the resources requested in the budget are adequate to perform the accomplishments promised in that document. If these same activities are identical to or consistent with the measures contained in the program's accountability system and the Administrator's Management Accountability System the Agency has at its command an integrated budget formulation, resource distribution, and accountability system for the Region.

. Well constructed, well documented, absolute-need models based on thorough work analysis could be used by EPA management to perform "what if" simulations during the budget formulation and review stages. To be possible, this would require that all models be constructed in accordance with mandatory, consistent Agency requirements. No such directive now exists.

. Because of the complexity and the large annual effort required to maintain their validity, detailed absolute-need models based on thorough work analysis are not cost effective tools if they are used solely for resource distribution. It's just too complicated a way to allocate program element resources that may change by only a few workyears in total over ten Regions.

. Relative-need models are relatively simple and subject to less fluctuation in component elements from year to year. However, they are not useful for budget formulation or accountability measurement.

. The absence of a prescribed Agency methodology for model construction leaves the design up to individual programs. As a result, some models are not as well constructed as others, may be insufficiently documented, and may not be useful for purposes other than resource allocation. This situation also causes effort to be wasted in creating new models when existing well constructed models with analagous elements could be adapted to serve. The extent of Regional participation in the design and annual validation process is also left to individual program preference in the absence of an Agency policy on models. The Office of Management and Budget has also expressed concern that the application of inconsistent model techniques leads to inconsistent

budget documentation which makes the review process more difficult.

. Whatever the strengths and weaknesses of individual models, the process of developing them and achieving a consensus on the elements, weights, priorities, etc., represents an important communication medium within the Agency. Shifts in Agency policy must at some point be reflected in the models and the discussions by Headquarters and Regional staffs about the model are often in fact discussions about policy. Similarly, as noted earlier, absolute-need models, with their analysis of activities, inform the staff of the pattern of work to be expected in a program area.

After weighing these factors:

- ° The Panel recommends the continued use of workload models for Regional resource allocation, recognizing that, when used effectively, models can yield substantial related benefits such as more realistic budget justifications, improved staff communication, and enhanced program accountability.
- ° The Panel recommends that the Agency develop a formal policy on resource models that addresses the question of consistency in design approach and technical validity of model construction.

- ° The Panel recommends that the Agency clearly define the function of resource model design and modification as a joint Headquarters/Regional responsibility and that the policy require the full participation of the Regions in the process.

Confidentiality of Budget Estimates

Premature release of budget information is a problem for all Executive Branch Agencies and is dealt with in various ways. At EPA, the current Agency policy is to sharply restrict access to budget data during the formulation and OMB review phases and prior to release of the President's Budget in January. Assistant Administrators and their staffs do not have access to the budget submissions of other Assistant Administrators. At the Regional level, Lead Deputy Regional Administrators receive drafts of Regional budget data, but only for the program for which they have lead responsibility. In the absence of formal guidance on the subject, some Lead DRAs send copies to DRAs in other Regions to give them an opportunity to comment. Others do not, citing the requirement for confidentiality.

This policy is apparently a response to a problem of premature leaks of budget data to advocacy groups in recent years during which the Agency experienced severe retrenchment. The policy has apparently succeeded because leaks have in fact been reduced, although the

recent upward movement in the EPA budget level, reversing the reductions of recent years, may account for much of this improvement.

While tight access controls may help deal with the problem of leaks, they can also have undesirable side effects, particularly when organizations have interdependent programs. For example, each media section of the EPA budget has a subsection on research and development that is prepared by the Office of Research and Development, after consultation with the program offices. In the FY85 budget submission, changes were made by the R&D organization in its final review stage. Because the confidentiality policy prohibits the budget material of one Assistant Administrator to be shared with the others prior to the OMB review, the affected media program offices have had a difficult time making adjustments to make the rest of their documentation consistent with the revised R&D justification.

Regional officials feel that they should have an opportunity to participate in the review of budget data affecting all their programs, not just the ones for which they have lead responsibility. As a minimum, they suggest the policy be clarified so that the present inconsistent treatment of draft budget material by Lead DRAs can be regularized.

Sharing of budget data at the Assistant Administrator level would help assure that the justifications are well coordinated. Clarification of the policy to enable Lead DRAs to obtain the views of other Regions in preparing their comments would improve the Regional participation process. The result could be a higher quality, better coordinated budget document. The opening of the process, even to this extent, will increase the risk of leaks. On the other hand, the people who would receive the needed information are those who already know a great deal about the EPA budget and are already a risk factor. Accordingly,

- ° The NAPA Panel recommends that the Agency open its budget formulation process to permit the sharing of estimates between the major programs and the Regions.

Flexibility in Budget Execution

As the Agency's budget goes through its review phase in the Office of Management and Budget and in the Legislative Branch, modifications are made, adding, deleting, reducing or expanding programs. In order to assure that the modifications are implemented in the manner contemplated by the oversight organizations, policy guidance is given to the Agency, either as directions ordering particular

things to be done or as constraints imposed to prevent the Agency from thwarting the approved objectives. The constraints may be in the form of prohibitions ("None of the funds provided under this Act may be used to...") or of provisions requiring the Agency to request approval of changes.

The OMB directions and constraints are given to the Agency in the "OMB Passback," program element by program element. The Congressional directions and constraints may be incorporated in the language of the authorization and appropriations acts or they may be cited in the reports of the committees that acted on the legislation. Although neither the OMB restrictions nor the Committee report material have the force of law, for all practical purposes there is little distinction except when the statutory and non-statutory requirements differ on the same point.

An example of a statutory restriction is the provision in the current law that prohibits the Agency from transferring funds from the Personnel, Compensation and Benefits object classification to any other object classification without the approval by the House and Senate Appropriations Committees. Another statutory restriction is a ceiling, limiting the total funds for travel expenses to the amount requested in the President's Budget.

An example of restrictions added in Committee and Conference Reports is the provision that the Agency must obtain prior Committee approval of any reprogramming action over a certain threshold. This amount is currently \$500,000 for the House and \$250,000 for the Senate. Since both Committees must approve such changes, \$250,000 is the effective threshold.

When the Executive Branch and the Legislative Branch are in sharp disagreement on policy or if there is a lack of confidence in the Agency's ability or willingness to carry out the approved policy, the number of directions and constraints tends to be increased and management flexibility reduced. Once restrictions are imposed, there is a natural inertia that tends to keep them in place. Nevertheless, as oversight confidence improves, the opportunity for restoring management flexibility by removing the restrictions is enhanced.

Within EPA, the Office of the Comptroller is the focal point where all the provisions limiting Agency discretion are recorded and control mechanisms are implemented to assure that managers execute the budget in the prescribed manner. The Comptroller issues the resources to responsible officials in the form of "allowances" which provide authority to commit and obligate resources. Allowances are grouped by appropriation and are supported by an operating plan detailing the workyears and dollars available

for each program element, and object class within program element, by fiscal quarter.

The first Operating Plan is produced before the start of the new fiscal year in order to realign the resources requested in the original budget document to take account of new events and changed requirements. This initial Operating Plan is provided to OMB and the Appropriations Subcommittees for approval. It represents the first reprogramming action of the fiscal year and serves as the baseline for subsequent commitments and obligations..

For various reasons, during budget execution, managers determine that certain accounts do not have sufficient resources to cover actual needs, while other have excess amounts. In order to reprogram the resources, the Allowance Holder is required to prepare a change request explaining the proposed action and to submit the documentation to the Office of the Comptroller where it is reviewed to determine if the change will exceed Congressional or OMB limitations.

If limitations are not exceeded, the Office of the Comptroller implements the change in the Operating Plan and produces a revised allowance. If Congressional or OMB approval is required, the reprogramming is held in abeyance while the request is sent to the appropriate officials for

review, approval or disapproval. If approved, the Office of the Comptroller moves ahead to process the action and issue a revised allowance. Change requests requiring Congressional approval are often collected for submission at one time to the Appropriations Subcommittees and several months may be required to obtain approval and implement the change.

While the changes are pending, the manager may not take the action that initiated the change. Some managers indicate that the prospect of undergoing a change review process discourages them from taking an action they consider necessary. Or, if the action is considered essential, the manager may opt to "beat" the system by charging the cost to another account.

As noted earlier, controls and restrictions are instruments of policy and serve a necessary function. The question resolves itself to a matter of degree. The cumulative effect of various restrictions currently imposed on EPA, and the detailed account structures into which funds and workyears must be pigeonholed for control, is to discourage initiative and impedes effective management. Therefore,

The NAPA Panel recommends that the Congress provide the Agency with increased reprogramming flexibility by raising the present \$250,000 and \$500,000 thresholds to \$1,000,000.

EPA management should work with members of Congress and the Appropriations Committee staffs to achieve this objective. If the Congress is reluctant to raise the threshold across the board, it may be possible to identify particular program elements of particular interest for application of one control level, with the higher threshold for all others.

The Panel recommends that the Agency conduct a review of internal control systems to insure that managers are delegated the maximum flexibility possible.

The current control system does not give managers enough discretion. For example:

- . The Operating Plan provides for control of a detailed object class breakdown for each program element when it is probably necessary to control only Personnel Compensation and Benefits, Travel, and All Other as a total.
- . Through operation of the workload models, Regional workyears for each program element are allocated by a specific mix of Permanent Full Time Equivalents and Other Than Permanent Full Time Equivalents, when a program element allocation by total Full Time Equivalents would suffice. Regional Administrators could decide on the particular mix best suited to local needs.

. Reprograming change requests are required for many transactions where a change notification would suffice. A request involves delay, while notification permits immediate action.

Whatever the realities, interviews show that many Agency managers believe the system does not provide them with the operating flexibility available to the Agency. This perception problem could be addressed by involving Agency managers in a review of the budget execution control system.

EPA Management Accountability Systems

At various stages in an Agency's planning and budgeting process, commitments are made regarding the quantity and quality of work to be performed in the budget year. The comparisons of actual performance against these commitments constitute the Agency's management accountability systems. At EPA, extremely detailed commitments are made and several significant performance review mechanisms are in place.

The accountability process actually begins with the policy guidance that precedes budget formulation. The Administrator's Guidance is issued annually, setting forth the goals and objectives for the following 2 years. In prior years, more

detailed program guidance, if issued, followed on a different time scale and usually covered only one year. This year, a new system is being implemented in which the Administrator's Guidance and the Programs' Guidance will be issued as a single package covering a 2-year time frame. A forced-ranked set of 30-35 priority activities, that reflect the goals and objectives sought, will be included in the Guidance. These priority activities will, of course, influence the development of the budget document and will form the basis for subsequent performance measurement in the Administrator's Management Accountability System and in individual performance evaluations.

The workyears and outputs committed in the "BUD-2" pricing analysis forms submitted to OMB account for 100% of Agency's resources, including routine tasks and priority activities. Generally speaking, the outputs are expressed in terms of numbers of things to be done ("bean counting") with little in the way of quality measurement. Nor do the outputs reflect much in the way of environmental results, since they are oriented more toward things done rather than results achieved. National Program Managers have established program accountability systems to fulfill these broader performance measurements.

The program accountability systems do not attempt to track every commitment contained in the budget. Many budget items are ignored. Others may be grouped into larger aggregations.

Still others are represented but expressed in terms of results rather than tasks. For example, the budget might list "number of inspections performed" as an accomplishment. The program accountability system may represent this activity as "number of facilities in significant noncompliance." The program systems also include qualitative evaluations that must be addressed such as "How does the Region verify the accuracy of self-monitoring data?" or "What corrective measures have been taken?". The Office of Water Accountability System is one of the more detailed such program systems at EPA. For example, the Regional evaluation section of this system examines about 50 separate activities, with well over 100 quantitative measures, and over 200 qualitative questions.

Program accountability systems are kept in harmony with the goals and objectives expressed in the annual Administrator's Guidance. The new system which will provide for issuance of the Program Guidance at the same time as the Administrator's Guidance will help assure that the program accountability systems focus on the important issues. In any case, these program systems represent a significant mechanism of management accountability for stewardship of the Agency.

At a higher level of review, the Agency has put in place an Administrator's Management Accountability System (MAS). In the latest implementation of the MAS, the performance will clearly relate to the activities in the annual Guidance

document, including the 30-35 priority activities listed therein. The MAS will track several hundred output commitments that are negotiated with management officials throughout the Agency. Efforts are being made to assure that the set of MAS items to be tracked is identical or closely consistent with the items tracked in the program systems to avoid the need for special data collections. Considerable progress has been made in this direction. A subset of the MAS accountability measures is also personally committed to by each Assistant Administrator and these commitments form the basis for that official's annual performance rating. The MAS closes the loop between the Guidance, the budget documents prepared as a consequence of that Guidance, and the execution of the resulting budget. One further MAS change now being considered is to try to make the activities listed in the BUD-2 forms as consistent as is practical with the activities in the Guidance and the commitments tracked in the MAS.

The summary conclusion of the Budget Study is that the combination of Administrator and Program Guidance in a single package, the emphasis on 2 years of guidance, the identification and negotiation of 30-35 priority activities, and the coordination of the MAS with the program accountability systems are significant improvements that should be pursued. The Agency's trend toward aggregating the BUD 2 activity/accomplishment/output elements at higher levels

and defining them in a manner consistent with the MAS will further tighten up the process.

A small caveat should be added at this point. The changes in accountability systems and associated data collection requirements in recent years have had an impact on reporting workload. Regional officials in particular feel that insufficient attention has been paid to eliminating prior report items when new requirements are added, and that the cumulative reporting burden has grown excessively. EPA should consider conducting a thorough reports management review seeking to reduce this load. To keep the Agency's internal data collection process streamlined on a continuing basis, a Headquarters staff office should be assigned to serve as a reports control point to critique proposed new reporting requirements and to assure that obsolete requirements are eliminated. Accordingly,

- ° The NAPA Panel endorses the Agency's approach to program and management accountability and recommends that the systemic improvements initiated during the Budget Study be implemented.
- ° The Panel recommends that the Agency review the impact of data collection requirements that have accumulated in recent years to reduce the load and provide a review mechanism for proposed new requirements.

Budgeting for Superfund Administrative Expenses

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), provides for liability, compensation, cleanup, and emergency response associated with hazardous substances released into the environment and with uncontrolled and abandoned hazardous waste sites. To pay the cost of removal and remedial actions, CERCLA created a Hazardous Substance Response Trust Fund (the "Superfund") of \$1.6 billion, to be collected over 5 years by a tax (\$1.38 billion) on companies dealing with petroleum and chemical products and by appropriation of general tax revenue (\$220 million).

CERCLA provides for EPA's administrative expenses to be paid from the trust fund. To assure that trust fund administrative monies are not used for other EPA purposes, the Act specifies that the Superfund be charged only for costs which are "reasonably necessary for" and "incidental to" CERCLA implementation. When site cleanup costs are paid by the Superfund, EPA may recover the costs from the responsible parties through litigation. In such cases, the costs--direct and indirect--of cleaning up the specific sites must be accurately determined.

In short, while all other EPA administrative expenses are provided under a single Salaries and Expenses Appropriation, Superfund administrative expenses are provided from the trust fund requiring not only separate accounting, but charging of such expenses on a site-specific basis. If all EPA Superfund activities were carried out by employees, facilities, and equipment dedicated solely to those purposes it might be possible to account for administrative expenses in a relatively straightforward manner.

Unfortunately, the situation is not straightforward. Most EPA Superfund activities are carried on by employees normally assigned to other Agency functions, with shared facilities and equipment. The unique cost accounting requirements imposed by CERCLA to keep these expenses sorted out, and the further requirement to account for the Superfund portion on a site-specific basis have created a major administrative burden. The flavor of the problem may be gleaned from the following excerpts from recent a report of audit by the EPA Office of Inspector General:

"We found instances where employees' payroll costs were charged to Superfund when they were actually working on other programs. Conversely, there were many instances where employees' payroll costs were not charged to Superfund but should have been. In some cases, such mischarg-

ing was deliberate due to budgetary considerations, but in others it was due to weak internal controls or errors...

Officials who directed that payroll costs not be charged to Superfund believed that strict compliance with the June 17 guidance posed a potential conflict with prescribed 'not to exceed' full-time equivalent (FTE) workyear ceilings, for Superfund. As a result, when these offices reached their budgeted Superfund FTE ceilings they stopped charging payroll costs to Superfund and began to absorb them in the salaries and expense appropriation...

Errors of omission occurred because the time identified to the CERCLA program on employees' timesheets was not always properly entered on the timecards nor accurately entered into the accounting system... In some cases, the employees put invalid account numbers on their timesheets. In others, the timekeepers did not know they were supposed to transfer information from timesheets to the timecard; transferred incorrect information on the timesheets to the timecard; or incorrectly entered distribution information on the timecard..."

The audit report shows similar problems with the charging of support costs for rent, utilities, telephone services, and so on. As a result of this report, the Agency is imposing tighter and more detailed accounting controls including procedures for charging of Headquarters

Superfund staff time to specific sites. It is worth considering whether there are any simpler alternatives to the present system for funding CERCLA administrative costs that results in such complicated and expensive accounting requirements. Therefore:

- ° The NAPA Panel recommends that OMB, EPA, and the appropriate authorizing committees in Congress consider a revision to CERCLA which would permit funding of EPA administrative expenses within the regular Salaries and Expenses appropriation and eliminates them from the site cleanup cost recovery process.

Under such an arrangement, EPA would estimate, justify, and defend its CERCLA administrative expenses as it does for all other programs. EPA would also account for these expenses separately, by Superfund program elements as it does for all other program elements, but cost recovery under CERCLA would be limited to the recovery of extramural cleanup costs directly chargeable to the sites involved.

If the policy review of this recommendation produces a conclusion that cost recovery of administrative expenses on a site basis is essential, then:

- ° As an alternative, the Panel recommends legislation that would permit funding of EPA administrative expenses within the S&E appropriation and would prescribe a statutory formula for recovery of the administrative expenses on a site-specific basis.

Revised statutory provisions could provide a straightforward cost distribution formula to allocate these administrative costs to each site for purposes of recovery under litigation. For example, the formula might allocate overhead costs in the same ratio as the documented extramural direct costs.

Budgeting for Research and Development

The Office of Research and Development (ORD) is responsible for planning and executing a National program of research, development, and demonstration in: a) pollution sources, fate, and health and welfare effects; b) pollution prevention and control and waste management and utilization technology; c) environmental sources; and d) monitoring systems. EPA relies on its research and development program to anticipate and assess both long-term and short-term environmental risks; to support National EPA programs by providing expert consultation and advice on technical issues (e.g., in setting standards and in developing risk management strategies); and to respond to novel or emergency situations in the field (e.g., dioxin contamination).

While the rest of the Agency is organized along media lines, the ORD organization is structured functionally, focusing on

such areas as environmental monitoring systems, environmental engineering, environmental processes, and health effects. Each major R&D function potentially relates to all or most of the media programs.

Although the ORD mission is consolidated within one organizational component of the Agency, it does not have its own separate statutory basis. The authorization for R&D is included within each of the media statutes. Accordingly, the EPA budget document submitted to OMB includes a separate R&D justification for each of the media sections.

Given the basic functional design of the R&D organization, the budget process must carry the burden of determining media program requirements, pricing them out, and assigning priorities for both short-term and longer-term R&D. To accommodate these requirements, ORD has developed specialized procedures which are summarized as follows:

- a. Media-oriented research committees of researchers, managers, and program office representatives examine the research and development needs in each program area. The research committee analyses are consolidated into "megastrategies" for each media category (i.e. air, water, toxics, hazardous waste, etc.) which are reviewed by ORD Office and Laboratory Directors and submitted to media program offices for their concurrence.

b. The Assistant Administrator for R&D develops budget year target resource allocations for each strategy area, based on discussions with the mega-strategy authors and the Administrator's Guidance. The mega-strategy authors and the research committee chairmen then meet and disaggregate the media-level totals to the individual research committees within each of the media.

c. The research committees meet and agree on objectives to be fulfilled within their resource allocations. These are translated into "Planned Program Accomplishments" (PPAs) for each resource level and forwarded to the Assistant Administrator level for aggregation.

d. The Assistant Administrator for Research and Development holds two days of meetings to afford each research committee chairman an opportunity to describe his/her request. This overview is followed by a more detailed discussion during which ORD Office Directors represent their respective Laboratory Directors.

e. When the final resource decisions are made by the Assistant Administrator, ORD Staff prepare the narratives, outputs, workyear estimates, and pricing in the formats required by the Office of the Comptroller.

f. The reviews by EPA management, OMB, Authorizing Committees, and Appropriations Committees result in a variety of changes to the initial program balance suggested by the research committees. Examples include

specific program reductions, additions with funds, additions without funds, additions with inadequate funds, etc. As the Congressional review cycle nears completion, the R&D program must be adjusted to reconcile these changes in order to prepare an operating plan. This adjustment is made primarily by the Headquarters Offices.

g. Upon approval of an operating plan, allowances are issued to the ORD Offices which in turn allocate funds to the Laboratories for commitment and obligation.

A general pattern of dissatisfaction with the ORD budget process emerged from the Budget Study interviews. This dissatisfaction was expressed by officials at the R&D Laboratory level, by senior R&D managers, by National Program Managers and by the Comptroller. OMB analysts responsible for EPA oversight also cited the R&D budget as a major problem. The principal areas of concern may be summarized as follows:

- ° The organization of Headquarters Offices along functional lines complicates the day-to-day liaison and interaction with National Program Managers—particularly at senior management levels.

- ° The current Headquarters/Laboratory structure results in a highly fragmented and inflexible Laboratory capability. Each Laboratory is directed toward the relatively narrow discipline mission of its parent office and is captive to the growth and

retrenchment fortunes of that narrow mission. This narrow focus of Laboratories supporting a single Office is also conducive to detailed oversight or "micro" management by the Headquarters organization, with a more detailed accounting control pattern than is typical of the rest of the EPA organization.

° The Research Committee approach to budget planning has many of the problems found when committees are asked to perform line activities. On the one hand, Laboratory Directors feel that their point of view is not adequately addressed even though laboratory scientists serve on the committees. Similarly, National Program Managers may not agree with the positions taken by the committees although program office representatives are included. There is also a feeling that the committees tend to produce lists of projects rather than well balanced research programs and that the process pushes too much of the decision-making up to the Assistant Administrator level.

° Because EPA has been unable to consolidate Laboratories and because staff reductions have been carried out through attrition, severe imbalances in numbers of employees and skill mix have resulted at the ORD Laboratories. The need to fund these less-than-optimal Laboratory situations may conflict with the program priorities recommended by the research committees. The responsibility for making the

necessary adjustments in the R&D program rests with the Assistant Administrator for R&D and the adjustments may be made late in the budget formulation cycle. National Program Managers are naturally concerned by the deletion of "their" projects from "their" R&D budget for work they view as lower priority. .

° Finally, there is some dissatisfaction with the R&D budget justification itself. OMB officials complain that the lengthy R&D justifications, distributed throughout the budget document, comprise up to one-third of the length of the EPA submission. Because of their fragmentation, however, the justifications do not contribute to an understanding of the overall policy direction of the R&D program.

In its consideration of these problems, the NAPA Panel recognized some constraints. First, the Panel concluded that a recommendation to consolidate or eliminate Laboratories would not be helpful since previous efforts along these lines to rationalize the R&D field structure have not been successful. Secondly, the Panel will not recommend major structural changes in organization because the Agency has already drafted such plans and can implement them when it concludes that it would be beneficial to do so. The R&D organization has experienced considerable disruption in recent years and needs a period of stability before any significant overhaul is attempted. Within this framework then:

- ° The NAPA Panel recommends the establishment of staff "R&D Program Manager" positions in the Headquarters R&D complement, with responsibility for media-based planning and budgeting, liaison with National Program Managers, and operation of R&D management accountability systems. Research committees would serve in an advisory capacity to these Program Managers.

This approach accommodates the program dimension of the R&D matrix organization, providing focal points of responsibility for the development of R&D strategies and program plans along media lines. The current field structure and line reporting relationships would be unaffected.

- ° The Panel recommends that multi-discipline Research Centers be formed at Cincinnati and at Research Triangle Park, with the Center Directors reporting to the Assistant Administrator for R&D. "R&D Program Manager" counterpart responsibilities should be provided at the Centers.

Although the present number and location of R&D Laboratories may remain unchanged, their management can be improved by assigning them to two Centers for administration and oversight. Two large multi-discipline Research Centers would permit strong Laboratory advocacy in the budget process and could provide the "critical mass" of research capability now missing at the narrowly-focused Laboratories. The "R&D Program Managers" at the Centers would serve as a link with their Headquarters counterparts in support of budget formulation and execution.

Important economies in such areas as equipment procurement, equipment sharing, consolidation of stock rooms, and supply management can be realized by implementation of the Research Center concept. (Personnel management improvements also flow from this recommendation. These are discussed in the NAPA Personnel Management Study report.)

- ° The Panel recommends that the Agency seek enabling legislation for its basic research and interdisciplinary research activities.

Basic research is the work needed to anticipate environmental risks and to analyze issues cutting across media lines or issues not tied directly to the current needs of ongoing programs. However, most of this research is authorized in programmatic legislation, and so is affected by short-term program priorities. Separate legislation authorizing basic research would deal directly with the problem of stability and continuity in this program.

- ° The Panel recommends that the Agency work with OMB to develop a more coherent approach to the presentation of the R&D program in the budget document.

Discussions with OMB officials suggest that they would be willing to assist EPA in improving their R&D justifications, moving away from the detailed lists of planned accomplishments that now form the basis for review. The Agency should take advantage of this offer.

Administrative Information Systems

EPA computerized information systems for budget, accounting, payroll, personnel, grants, and contracts administration have evolved separately from one another in a vertical, functional design with little horizontal coordination. This situation is a reflection of a larger Agency ADP systems management problem, the nature and scope of which was defined as follows in the report of an Agency Task Group established to address the matter:

"Over the past few years, several studies conducted by consultants and the General Accounting Office concluded that the Agency is not effectively managing its ADP resources and realizing a fair return on its investment in ADP systems and equipment. Many of the specific problems identified in those studies were attributed in large measure to three related factors: (1) a highly decentralized management of ADP activities; (2) ineffective central guidance and coordination among ADP activities; and (3) a lack of critical mass of ADP activities and expertise in many parts of the Agency...

ADP related activities represent a very significant commitment of resources by the Agency... The agency estimates that it will spend approximately \$50 million for ADP in the 1982 fiscal year for consolidated ADP functions... The significance of ADP activities also is reflected by the fact that over 450 unique computer-based information systems and models are now operated by the Agency or are being developed...

The anomaly is that there is significant duplication of services provided, functional expertise and equipment; while at the same time some of these groups are too small to be able to competently provide a full range of support services or to maintain a nucleus of staff experts in the computer technology which is critical to EPA's future..."

The impact of the vertical systems design on the Agency's administrative support functions is substantial. EPA's major administrative systems are maintained at separate computer facilities with different hardware, different software, different processing concepts, different data definitions for similar items, inconsistent classification and coding structures, and unsynchronized processing cycles. The systems are in different stages of development and enhancement but, in general, they can be characterized as technologically out-of-date and expensive to maintain.

Some program offices have had to develop duplicative satellite systems to track or array information at a level of detail useful to their management.

Officials interviewed during the EPA Budget Process Study expressed frustration with their inability to get consistent data on the same topic from the administrative systems; the need for crosswalk tables to relate classifications and codes from one system to another; the need to learn several protocols for accessing systems on different computers; the need to learn several different retrieval languages unique to the software of each system; the cumbersome techniques required for transferring data from one system to another (such as mailing magnetic tapes); and the wasted time and effort lost in reconciling inaccurate reports for systems with outmoded data entry and editing procedures. There was also some discussion of the philosophical problem of viewing systems and databases parochially as "belonging" to a particular office as opposed to the concept of information systems being an Agency-wide resource.

The Agency has taken some major steps toward correcting the situation. As a result of the Task Group Study cited earlier, there has been a consolidation of ADP functions in the administrative area:

- ° Most ADP functions, facilities, and ADP staffs previously controlled by the various administrative

functional offices have been transferred to the Office of Information Resources Management (OIRM). Only the ADP staff reporting to the Office of the Comptroller has been left with that office rather than being moved to OIRM.

- ° Although ADP operations and staffs in Regional Offices remain under the direction of the Regional Administrators, system development policies and activities are supervised by OIRM and the Regions will now rely on standard OIRM-supported software for most administrative systems. OIRM also procures and oversees the management of ADP equipment and contract services by the Regions.

OIRM has initiated plans to bring administrative systems into better coordination:

- ° EPA's payroll is currently processed by the Department of Interior, using its "DIPS" system. Work is underway to transfer the operation of DIPS to EPA's own computer facility. A systems development project has been started to standardize personnel, payroll, and time and attendance data entry programs, procedures, and telecommunications processes, using the EPA telecommunications network.
- ° One data base management software system has been selected as the standard for EPA. The goal is to move

all administrative systems to this software over the next few years. If this is accomplished, there will be much improved horizontal coordination of systems and the user's ability to access data will be vastly simplified.

- ° Various enhancements to the accounting system are underway and a pilot project to integrate the budget, operating plans, and accounting information using office microcomputers is being evaluated.
- ° During 1982, the Office of the Comptroller arranged for a requirements analysis and a conceptual design for a new budget system under contract with Electronic Data Systems Corporation. The proposed system would make many needed improvements and would use the standard DEMS. Implementation was temporarily suspended when the ADP operations were merged. OIRM is now examining the proposed budget system to determine if the budget formulation needs of program offices and field installations are adequately addressed and to decide how the new system can most effectively be integrated with the other related administrative systems.

In its efforts to rationalize the administrative ADP systems, the Agency is not contemplating the design of a single,

new, largescale, integrated system that would replace all systems now in place. Rather, the approach is to modernize each functional system in its own development cycle and to achieve as much horizontal integration and compatibility as possible in the process.

Whatever the design approach, the development effort would benefit significantly from a cross-systems study of paper processing to streamline workflow; to eliminate redundant or otherwise unnecessary work; to design forms that permit simplified data capture, one time, at the source, to fulfill the needs of multiple systems; to standardize data definitions, classifications and codes; and to develop common edit criteria assuring cross-system validity of data.

As it moves ahead with its system development work, OIRM will be attempting to take an Agency-wide information systems perspective. This can be expected to generate organizational tensions, because the various systems have historically been "owned" by the functional organizations, with development concepts and schedules optimized in a vertical framework. Management sensitivity and attention to this factor can minimize the potentially negative effects and can help avoid undesirable compromises away from systems that mesh effectively to meet the full range of Agency management needs. Accordingly,

- ° The NAPA Panel recommends that EPA establish an Agency objective to achieve horizontal integration of administra-

tive ADP systems for grants, contracts, personnel, payroll budget, and accounting.

- ° The Panel recommends that EPA establish an Information Systems Steering Committee composed of representatives from both line and staff user organizations, to advise on the development of administrative ADP systems, stressing horizontal compatibility and a view of information systems as an Agency-wide resource.
- ° The Panel recommends that the Agency conduct a cross-systems study of administrative processes to provide a strong foundation for software design.

Communication and Training

The planning, budgeting and associated accountability systems at the Environmental Protection Agency are vital instruments for the accomplishment of the Agency's mission. The operation of these systems requires the collection, analysis, and integration of masses of data from numerous sources, the interaction of many organizational units, and the coordinated effort of hundreds of employees at Headquarters and at field installations throughout the country. The budget processes are conducted within the framework of a complex mission and a dynamic policy structure.

To function most effectively, these systems require highly competent line managers, assisted by well informed and well-trained program analysts, budget analysts, financial management analysts and other support staff.

Most of the EPA employees interviewed for the Budget Process Study have been with the Agency for some years and therefore have a good understanding of how the various components of the system work. Nevertheless, many of these same employees cited the lack of an up-to-date budget manual as a handicap. The last published EPA budget manual was issued in 1980 during the ZBB era and is now largely obsolete. There is a need for an official published description of the planning and budget system, routinely updated to keep the staff consistently and accurately informed.

While a manual is an important aid to an effective budget process, formal staff training can also play an important part to inform the responsible employees of the latest system changes and their purpose, as well as to assure that the next generation of analysts is developed. Accordingly,

- ° The NAPA Panel recommends that EPA develop a new budget manual and implement a procedure that assures the issuance of regular, periodic updates.
- ° The Panel recommends that a training course be designed for EPA personnel covering the EPA planning, budgeting, and accountability processes.

APPENDIX

BUDGET PROCESS FLOW ANALYSIS

SUMMARY CHART

BUDGET PROCESS FLOW ANALYSIS
Summary Chart

(1) January

- . Budget Formulation Phase Underway. Target Year referred to as Budget Year.
- . Office of Management Systems and Evaluation (OMSE) develops draft Administrator's Guidance after coordination with Headquarters and Regional program staff. Guidance covers 2 years including general policy direction for the second, Budget Year.

(2) February

- . Administrator's Guidance issued to Headquarters and Regions. Contains key objectives to be attained by each organization in pursuit of Agency goals.

(3) March

- . Some National Program Managers (NPM) begin preliminary work on budget with Regional participation in varying degrees. (E.g., NPM for Water requests workload estimates from Regions out to Budget Year. In ORD, "mega-strategies" for each media category are prepared, based on research committee analyses.)

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(4) April

- . Office of Comptroller(OC) meets with Administrator & Deputy to discuss program emphases, new starts, cutbacks, issues for Budget Year.
- . OC staff meets with NPM staff & Regional staff to discuss program issues/directions & to relate current Congressional actions to budget year.
- . NPMs begin/continue preliminary work on budget with Regional participation in varying degrees. (E.g., Water NPM enters Regional workload parameters into computerized workload model to produce workyear estimates. ORD NPM develops target resource allocations for each mega-strategy, for disaggregation at research committee level.)

(5) May

- . OC issues Budget Call Letter containing guidance, targets, levels, forms. OC and NPMs identify/confirm "Lead" Regions for their media to be included in Call letter. Deputy Regional Administrators represent Lead Regions.
- . NPMs begin intensive budget preparation including work-year & fund estimates for each program, with Regional participation in varying degrees. (E.g., Water NPM meets with Regional staff to update/refine workload models and to identify priorities/strategies to be factored into budget justification. ORD research committees develop "planned program accomplishments" within their research allocation.)

(6) June

- . NPM staff continue development of budget submission including ranking of programs, determining HQ-Regional "split" of resources, preparing narratives, etc.
- . Depending on program, Regions may critique draft budget and meet with Headquarters staff to develop priorities and resource levels.
- . NPMs review draft budgets, conduct hearings, decide final priorities, resolve issues. Approved documents submitted to OC.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(7) July

- . OC receives NPM budget submissions & enters data into Resources Management Information System (RMIS) managed by OC. Produces numerous runs--(historical, media, Regional, etc.)
- . NPMs also supply supplementary resource data for special topics by program element (e.g., ADP information).
- . OC pulls all data together into Agency composite. OC analysts analyze Agency composite & brief Administrator/Deputy in preparation for hearings.
- . Administrator/Deputy conduct hearings with Assistant Administrators, Office Directors, & Regional Administrators/Deputies.

(8) August

- . Hearings with Administrator/Deputy continue.
- . OC develops recommendations on resource levels; updates RMIS; submits "Passback" to Administrator for final review/changes; issues final, approved Passback to NPMs.
- . NPMs may Appeal to Administrator/Deputy on recommended levels.
- . OC "marks up" final Administrator/Deputy decisions, updates RMIS & issues final Passback to NPMs as basis for Agency submission to OMB.
- . NPMs write their final OMB budget justifications based on Passback levels.

(9) September

- . OC receives NPM justifications for budget to OMB. Analysts review & edit narratives and return to NPMs for final typing.
- . Final OMB submission--hardcopy & computer tape--produced & delivered.
- . OC and program offices develop data for initial versions of "A-11" Exhibits to be appended in President's Budget resulting from OMB review Process. Specialized EPA offices participate (e.g., ADP budget data). Exhibits delivered to OMB.
- . OC develops other special data runs such as "object class by program element."
- . Some NPMs begin review of parameters to be included in workload models. Request Regional inputs.
- . OMSE drafts candidate list of priority activities to form basis of Administrator's Guidance. Draft sent to Assistant Administrators, Regional Administrators and external groups.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(10) October

- . OC and program staff prepare briefing books for OMB hearings.
- . OMB conducts Agency budget hearings with each Assistant Administrator followed by frequent followup communication with EPA staff.
- . OMB staff revises EPA Budget, submits for OMB Director's approval.
- . OC continues to develop "A-11" Exhibit material.
- . Regions submit workload model suggestions requested by some NPMs.
- . Assistant Administrator/Regional Administrator comments on candidate list of priorities submitted to OMSE.
- . Deputy Administrator meets with Assistant Administrators, Regional Administrators, National Governors Association, Executive Branch Organizations, and environmental and industry groups to discuss priority activities, decide on final set for Administrative Guidance.
- . OMSE begins development work on Administrator's Guidance for the Operating Year (plus the next Budget Year).

(11) November

- . OMB issues Passback (hardcopy and computer tape).
- . OC updates RMIS; analyzes changes; gives copies to Administrator/Deputy and NPMs (for their programs only) for decisions on whether and at what level to Appeal.
- . OC notifies OMB if Appeal will be forthcoming; issues Guidance to NPMs on level at which Administrator desires to Appeal.
- . NPMs develop material for incorporation in Appeal.
- . OC reviews/edits, obtains Administrator's approval and submits Agency Appeal to OMB--within 5 days of Passback.
- . OC formally notifies NPMs to begin review of workload models to be used later for Regional distribution of budget resources.
- . OMSE distributes draft of Administrator's Guidance for Operating Year (and next Budget Year). Issues Call to NPMs to develop Program Guidance for Operating Year (and next Budget Year) to be included in final document.

(12) December

- . OMB reviews Appeal. Negotiations begin with EPA.
- . OMB issues second Passback which EPA might also appeal to OMB--or ultimately to the President.
- . OMB issues final Passback.
- . EPA completes A-11 Exhibit material to reflect final OMB budget decisions.
- . OC updates RMIS with final Passback and issues Congressional Budget Justification Call Letter to Assistant Administrators.
- . NPMs prepare Congressional Budget Justification, incorporating Passback data.
- . NPMs begin/continue review of workload models, refining/updating parameters in algorithms, with varying degrees of Regional participation.
- . NPMs begin developing detailed Program Guidance for Operating Year and next Budget Year, including strategy paper.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(13) January

- . OC assembles Congressional budget--produces 600-650 copies for distribution to Authorization & Appropriations Committees.
- . President's Budget submitted to Congress.
- . OC prepares "Summary of the Budget" booklet, press release, and budget data presentation to press.
- . Administrator or designee holds press conference.
- . Budget Review Phase begins. Target Year is now referred to as Operating Year.
- . OC issues Call to NPMs for proposed allocation of Regional workyear totals contained in President's Budget.
- . NPMs prepare detailed backup and briefing material for program and budget issues for Congressional Hearings.

(14) February

- . NPMs complete Program Guidance. Submit to OMSE to incorporate in Agency Guidance with unresolved issues referred to Deputy Administrator.
- . OC and program officials brief Authorization Committee staffs. Congressional Authorization Committees review Budget submission for Congressional Budget Resolution purposes. Senate Public Works Committee holds hearing.
- . NPMs develop and submit proposed allocation of Regional resources, based on models, by program element. Compute proposed distribution of State grant funds, applying statutory or other formulas.
- . OC consolidates NPM resource allocation submissions. Sends to Regions for concurrence.
- . OC issues "Phase I" Operating Plan Call to Headquarters offices to distribute Assistant Administrator ("RPIO") level totals in President's Budget to subordinate Headquarters office ("Allowance Holder") levels with no reprogramming allowed.
- . Agency Guidance for Operating Year and next Budget Year issued. Includes Administrator's Guidance and Program Guidance. Document forms basis for program planning and implementation by EPA and other agencies.

(15) March

- . House Appropriations Committee holds hearings. OC prepares Administrator's statement. OC and NPMs edit transcripts and prepare responses to questions for record.
- . OC negotiates changes to model distributions with NPMs and Regions. Regions vote on resource allocations.
- . Regions send appeal memoranda to Administrator on unresolved issues.
- . Administrator makes final decisions on appeals.
- . Headquarters offices submit proposed "Phase I" Operating Plan distribution. OC produces consolidated "Phase I" Operating Plan.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(16) April

- . Senate Appropriations Committee holds hearing. OC prepares Administrator's Statement. OC and NPMs edit transcript and prepare responses to questions for the record.
- . OC adjusts Regional workyear distributions based on review/concurrence/appeal process.
- . OC computes Regional dollar distributions based on final model distributions and applies Regional distributions of contract funds and State grant allocations.
- . OC issues Call Letter for Phase II Operating Plan, including resource targets, guidance, forms. (NPMs and Regions may reprogram resources in President's Budget for first time.)

(17) May

- . NPMs and Regions develop/submit "Phase II" plans: memoranda highlighting major initiatives, policy or program differences from President's Budget and change requests to reprogram workyears & dollars between offices, program elements and object classes.

(18) June

- . House and Senate begin action on Appropriation Bill. House often completes action before mid-summer. Senate follows. OC monitors and analyzes Congressional action on Bill. Provides additional analyses to Congressional staff on request.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(19) July

- If House & Senate complete action on Appropriations Bill by mid-summer, Conference action to resolve differences takes place before August recess.
- NPMs request Regional output commitments to be measured and tracked for performance by program accountability systems.
- OMSE meets with NPMs to negotiate performance levels for several hundred output measures in Administrator's Management Accountability System (MAS) and subset for NPM performance ratings. (Output measures were identified in Agency Operating Year Guidance document.)

(20) August

- OC issues call for "Phase III" Operating Plan--contract plans and quarterly distribution of Phase II Plan.
- Assistant Administrators (as "RPIOS") and Regional Administrators ("Allowance Holders") submit quarterly distribution plans for Phase III.
- OC estimates unobligated balances for carryover to next fiscal year. Requests apportionment of these funds from OMB.
- Regions and Headquarters submit recommended outputs to be committed and tracked by NPM accountability systems and by MAS. Final sets negotiated for each review system.

(21) September

- President signs Bill into law (assuming completion of Congressional action).
- NPMs submit contract plans for Phase III.
- OC consolidates Agency Phase III Operating Plan, adjusts to incorporate final Congressional action, submits to OMB. (Plan becomes basis for October Allowances for the new fiscal year).
- OC requests apportionment of funds from OMB.
- OMB acts on apportionment requests through review of adjusted Operating Plan. Often requires justifications for significant changes. OMB may issue new restrictions on individual program elements through apportionment process.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(22) October

- . Budget Execution Phase begins. Target Year is now referred to as Current Year.
- . OMB Apportions funds.
- . OC issues initial advices of allowance, derived from approved operating plan, to each Allowance Holder. Allowances are by appropriation supported by an operating plan detailing work-years and dollars by quarter and by object class.
- . Allowance data provided on computer tape for input to Financial Management Information System (FMS) managed by Financial Management Division.
- . Allowance Holders begin committing and obligating funds. Transactions recorded in FMS. Salary costs and workyears recorded via Payroll system.

(23) November

- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders reconcile FMS data notifying OC (Finance) of necessary corrections.
- . Allowance Holders may submit change requests to OC for reprogramming of operating plan allowances. OC (Budget) reviews for validity and determines if they exceed Congressional or OMB limitations. If so, requests approval before making change. OC (Budget) updates RMIS, provides computer tape for OC (Finance) input to FMS.
- . OC reports end-of-year obligations for prior year's appropriations to OMB. Unobligated balances of multi-year appropriations ("carry-over funds") are available for use. OC identifies portions of unobligated balances previously committed, reserved, or uncommitted.
- . Agency offices submit requests for carryover funds with justifications.
- . OC (Budget) reviews carryover requests, recommends an allocation to the Administrator, updates RMIS, and issues approved requests for carryover allowances. OC (Finance) inputs to FMS.

(24) December

- . OC (Budget) issues revised allowances monthly, reflecting approved changes requested by Allowance Holders. Enters into RMIS; provides computer tape for OC (Finance) input to FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(25) January

- . OC (Budget) reviews change requests, obtains Congressional or OMB approval if necessary, issues updated allowances, enters changes into RMIS, provides computer tape to OC (Finance) for input to FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).
- . NPMs use various information systems to collect Headquarters and Regional data needed to track outputs for program accountability systems and for MAS. Submit MAS data to OMSE.
- . OMSE produces first quarterly Management Accountability Report.
- . NPMs may submit requests to change output measurement commitments in MAS. OMSE reviews change requests, revises plan.

(26) February

- . OC (Budget) reviews change requests, obtains Congressional or OMB approval if necessary, issues updated allowances, enters changes into RMIS, provides computer tape to OC (Finance) for input to FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).
- . Administrator/Deputy discuss MAS output results with Assistant Administrators.

(27) March

- . OC (Budget) reviews change requests, obtains Congressional or OMB approval if necessary, issues updated allowances, enters changes into RMIS, provides computer tape to OC (Finance) for input to FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(28) April

- . OC, Assistant Administrators, and Regional Administrators conduct "Mid-year Review." Project workyears and dollars through end of fiscal year using data for first 6 months recorded in FMS.
- . OC recommends allocations of workyears, funds, ceilings to Administrator.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change request to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).
- . NPMs collect Headquarters and Regional output data for program accountability systems and for MAS. Submit data to OMSE.
- . OMSE produces second quarterly Management Accountability Report.
- . NPMs may submit requests to change output measurement commitments in MAS. OMSE reviews change requests, revises plan.

(29) May

- . OC revises operating plan in FMIS reflecting reprogramming resulting from Mid-year Review. Submits changes exceeding Congressional limitations for review by Congressional Appropriations Committees.
- . Appropriations Committees review changes and their justifications; if approved, OC adjusts allowances.
- . OC (Budget) issues revised operating plan allowances as approved by Appropriations Committees. Provides computer tape to OC (Finance) for input of data to FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).
- . NPMs conduct Mid-year Reviews of Regional progress against commitments & other measures for program accountability systems.
- . Administrator/Deputy discuss MAS output results with Assistant Administrators and Regional Administrators.

(30) June

- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(31) July

- . OC, Assistant Administrators, and Regional Administrators conduct third-quarter review, using FMS reports. Project needs to end of year. After coordinating with NPMs, OC issues new operating plan allowances reflecting revised data.
- . If changes exceed limits, OC submits for approval by Congressional Appropriations Committees before issuing revised allowances.
- . New allowances are recorded in RMIS and FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC.
- . NPMs collect Headquarters and Regional output data for program accountability systems and for MAS. Submit MAS data to OMSE.
- . OMSE produces third quarterly Management Accountability Report.
- . NPMs may submit requests to change output measurement commitments 'AS. OMSE reviews change uests, revises plan.

(32) August

- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).
- . Administrator/Deputy discuss MAS output results with Assistant Administrators.

(33) September

- . OC (Budget) reviews change requests, obtains Congressional or OMB approval if necessary, issues updated allowances, enters changes into RMIS, provides computer tape to OC (Finance) for input to FMS.
- . Allowance Holders commit/obligate funds. Transactions recorded in FMS. Allowance Holders identify reprogramming needs, submit change requests to OC. Allowance Holders reconcile financial reports, submit corrections to OC (Finance).
- . OC (Budget) reviews and approves year-end change requests, issues final updated allowances, enters into RMIS, provides computer tape to OC (Finance) for input to FMS.
- . OC issues end-of-year closing memorandum detailing dates for final operating plan changes and 12th and 13th month closeout dates for FMS.

BUDGET PROCESS FLOW ANALYSIS
Summary Chart - (Con't)

(34) October

(35) November

(36) December

- . OC conducts end-of-year analysis of FMS data to determine actual vs planned obligations, to identify causes of delays in use of contract funds, to identify any allowances that were exceeded, etc. Review is factored into issuances of carryover, budget execution, and budget formulation for next cycle.
- . NPMs collect Headquarters and Regional output data for program accountability systems and for MAS. Submit MAS data to OMSE.
- . OMSE produces end-of-year Management Accountability Report.
- . Administrator/Deputy discuss MAS output results with Assistant Administrators and Regional Administrators.
- . OMSE reviews operation of MAS to identify changes to be incorporated in next cycle and to influence Administrator's Guidance for next cycle.

INDIVIDUALS CONSULTED BY THE NAPA/EPA BUDGET PROCESS STUDY TEAM

EPA Headquarters Offices:

Deputy Administrator's Office

Deputy Administrator - Alvin Alm

Special Assistant to the Deputy Administrator - Ronald Brand

Office of Regional Operations

Associate Administrator - Samuel Schulhof

Office of the Inspector General

Inspector General - John Martin

Deputy Inspector General - Donald Kirkendall

Auditor - Steven McNamara

Office of Administration and Resources Management

Assistant Administrator - Howard Messner

Deputy Assistant Administrator - Seymour Greenstone

Special Assistant - Carol Finch

Management Analyst - John Alter

Office of Administration

Director, Office of Administration - Kirke Harper

Director, Facilities & Support Services Division - Stormy Friday

Director, Grants Administration Division - Harvey Phippen

Chief, Grants Policy & Procedures Branch - John Gwynn

Office of the Comptroller

Comptroller - Morgan Kinghorn

Deputy Comptroller - John Chamberlin

Chief, Budget Formulation & Control Division - Vincette Goerl

Chief, Budget Planning & Resources Information Systems Branch -

Daiva Balkus

Chief, Air, Radiation & Legal Services Branch - Al Pesachowitz

Chief, Superfund/RCRA Branch - Dave Ryan

Office of Information Resources Management

Director, Office of Information & Resources Management - Edward Hanley

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Acting Director, Information Systems Division - Jack Sweeney

Office Systems Group - Stephan Schilling

Director, Management Planning and Evaluation Staff - Mary Blakeslee

Management Planning and Evaluation Staff - David Speights

Office of External Affairs

Assistant Administrator - Josephine Cooper

Deputy Assistant Administrator - Dick Sanderson

Management Operations Staff - Don Flattery

General Counsel Director, Legislative Division - Virginia Gibbons

Office of Policy Planning & Evaluation

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Chief, Program Integration Branch - Cheryl Wesserman

Environmental Scientist - Alan Ehrlich

Director, Management Systems Division - Cynthia Kelly

Chief, Accountability Systems Branch - James Vickery

Chief, Policy Evaluation Branch - Thomas Kelly

Chief, Program Management Staff - John Beecher

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Office of Air, Noise and Radiation

Director, Office of Program Management Operations - Jack Hidingier

Stationary Source Compliance Division - Richard Duffy

Staff Director, Office of Air and Radiation - John Topping

Office of Pesticides and Toxic Substances

Chief, Economics Analysis Branch - Arnold Aspelin

Program Support Division - Ronald Ware

Senior Budget Analyst - Walter Muelken

Office of Research and Development

Assistant Administrator (Designate) - Bernard Goldstein

Acting Assistant Administrator - Courtney Riordan

Director, Office of Research Programs Management - Samuel Rondberg

Director of Research Program Management for Technical Information -
Randy Shobe

Deputy Director, Office of Operations - Alan Neuschatz

Director, Office of Health Research - Roger Cortesi

Program Analyst - Clifford Moore

Office of Solid Waste & Emergency Response

Assistant Administrator - Lee M. Thomas

Chief, Program Management Branch - Bruce Engelbert

Budget Analyst - Susan Hughes

Senior Budget Officer - Thaddeus Juszczak

Office of Water

Acting Assistant Administrator - Rebecca Hanmer

Senior Budget Officer - Cynthia Dougherty

Director, Office of Program Management and Evaluation - Michael Quigley

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Region II - New York, New York

Assistant Regional Administrator for Policy & Management - Herbert Barrack

Deputy Director, Office of Policy & Management - Kathleen Callahan

Chief, Financial Management Branch - Ronald Gherardi

Analyst, Financial Management Branch - Robert Genovese

Chief, Planning & Evaluation Branch - Stephen Luftig

Analyst, Planning & Evaluation Branch - Barbara Pastalov

Director, Water Division - William Muszynski

Region III - Philadelphia, Pennsylvania

Regional Administrator - Thomas Eichler

Assistant Regional Administrator for Policy and Management - Alvin Morris

Region V - Chicago, Illinois

Regional Administrator - Valdas Adamkus
Director, Planning & Management Division - Robert Springer
Chief, Financial Management Section - Jan Mason
Chief, Financial Management Branch - Richard Walker
Chief, Management Services Branch - Beryl Jacobson
Program Analyst, Planning and Analysis Branch - Vicki Thomas
Budget Analyst, Account & Budgeting Unit - Cyndy Colantoni
Director, Central Regional Laboratory, Environmental Service Division -
Chief, Curtis Ross Municipal Facilities Branch, Water Division (Construction
Grants) - Todd Cayer
Chief, Remedial Program Staff, Great Lakes National Programs
Office - Vacys Saulys
Deputy Director, Environmental Services Division - Thomas Yeates
Deputy Regional Counsel - David Ullrich
Deputy Director, Water Division - Dale Bryson
Director, Air Management Division - David Kee

Region VI - Dallas, Texas

Deputy Regional Administrator - Frances Phillips
Assistant Regional Administrator for Management - John Floeter
Air & Waste Management Division - Allyn Davis
Water Management Division - Myron Knudson
Environmental Services Division - Oscar Ramirez
Budget Officer - Jane Moore
Financial Management Officer - Richard Kenyon

EPA Environmental Research Laboratories:

Cincinnati, Ohio

Director, Industrial Research Laboratory (IERL) - David Stephan
Director, Municipal Environmental Research Laboratory (MERL) - Francis Mayo
Director, Drinking Water Research Division (MERL) - Gordon Robeck
Director, Office of Administration - William Benoit
Deputy Director (MERL) - Lou Lefke

Program Analyst (MERL) - Robert Bridges
Director, Environmental Monitoring Laboratory - Robert Booth
Director, Center for Environmental Research Information (CERI) -
Cal Lawrence

Office of Management and Budget

Deputy Associate Director for Natural Resources - Donald Crabill
Chief, Environment Branch - David Gibbons
Budget Examiner - Robert Fairweather
Budget Examiner - Richard Brozen

Congress

Professional Staff Member, Senate Committee on Environment and
Public Works - Ann Vom Eigen
Professional Staff Member, Senate Subcommittee on HUD-Independent
Agencies, Committee on Appropriations - Wallace Berger
Staff Assistant, House Subcommittee on HUD-Independent Agencies;
Committee on Appropriations - Richard Malow and Donald Ryan

DOCUMENTS REVIEWED BY THE NAPA/EPA BUDGET PROCESS STUDY TEAM**1. Briefing Documents:**

- ° Overview of the Environmental Protection Agency, prepared for the National Academy of Public Administration, August 25, 1983
- ° EPA's Budget...Overview, Structure, Process, Issues, June 8, 1983
- ° FY 1983 Budget Process Volume I, II and III
 - FY 1983 Guidance and Process
 - FY 1983 Budget Call Letter
 - FY 1983 National Program Manager (NPM) Submission
 - FY 1983 Passback (Agency)
 - FY 1983 Appeals (Agency)
 - FY 1983 Budget Submission to OMB (2 volumes)
 - A-11 Preparation and Submission of Budget Estimates
 - Items Prepared in Accordance with A-11
 - FY 1983 Passback (OMB)
 - FY 1983 Appeals (OMB)
 - Requirements and Format for 1983 Congressional Submission
 - FY 1983 Justification of Appropriation Estimates for Committee on Appropriations (1 volume)
 - Press Conference Materials
 - Workload Model Call Letter
 - "White Paper" on Workload Analysis
 - Survey of Workload Analysis Methods
 - Summaries of 23 Workload Models
 - Sample Workload Model Allocation Procedures
 - Workload Models
 - Operating Plan Call Letter - Phase I
 - Operating Plan Call Letter - Phase II
 - Operating Plan Highlight Memo
 - Operating Plan Call Letter - Phase III
 - Contracts Submission
 - Analysis of Congressional Action on FY 1983 Appropriation Bill
 - FY 1983 Allowance Letter
- ° Region II Budget Process and Internal Controls, FY 84 Briefing Book
- ° Region V FY84 Regional Planning Process Guidance, March 8, 1983

2. EPA Manuals:

- ° Organization and Functions Manual, 1982 Edition
- ° Delegations Manual, Environmental Protection Agency, May 7, 1982
- ° Planning and Budgeting Manual, April 11, 1980
- ° Resource Management Information System, EPA Comptroller's Office, June 1981
- ° Budget Tracking Module User's Guide, ORD, March 1982
- ° Fund Control Manual, July 11, 1975
- ° Financial Management Manual, August 19, 1976
- ° Timekeeping Manual, July 27, 1983

3. EPA Reports and Published Documents:

- ° Administrator's Guidance Operating Year FY 1984 - Budget Year FY 1985, EPA February 1983
- ° Water Research Strategy FY 1985 - (Draft Report, March 31, 1983)
- ° Office of Water Operating Guidance and Accountability System, FY 1984, Office of Water, March 1983
- ° Administrator's Management Accountability System FY83 Goals, Objectives Commitments and Measures, November 3, 1982
- ° EPA Administrator's Management Accountability System - Third Quarter FY 1983 Report
- ° Office of Research and Development Program Planning and Documentation Guide, EPA August 14, 1983
- ° Planning in the EPA Regional Offices, Prepared by Planning & Evaluation Branch, Region I, September 1982
- ° Region V - FY84 Regional Planning Process, March 8, 1983

- Environmental Management Report, Region X, March 1983
- Office of Research and Development (ORD) Laboratory/Project Committee Report, June 11, 1982 - Committee for the Review of the Organizational and Scientific Capability of ORD Laboratories
- Policy and Management Review of Headquarters/Regional Relationships, September 1983
- Final Report of the State/Federal Roles Task Force, September 14, 1983
- Streamlining EPA Procurement, Procedures and Processes: Project Summary of the Procurement Review Task Force - August 1983 EPA
- Recommended Approach for Consolidated Management of the Agency's ADP Resources, ADP Consolidation Task Force - Feb. 26, 1982
- Regional Support Services Fund Study Findings, February 17, 1982
- Budget Structure and Codes - FY 1983, FY 1984
- FY 1984 RCRA/Superfund Workload Analysis, 28 September 1983
- FY 1984 Analysis of Object Class by Program Element, Report to Office of Management and Budget
- Analysis of Action on FY 1984 Appropriation, Office of the Comptroller, July 12, 1983
- Region II Accomplishments and Goals, FY 1982-1983
- Region II FY 1984 Operating Plan, 10 June 1983
- Region V - Environmental Services Division Activities Report, 10/26/83

4. Audit Reports:

- ° Final Report of EPA's Portion of the Hazardous Substance Response Trust Fund as of September 30, 1982, Office of Inspector General, March 31, 1983
- ° Review of the Office of Research and Development's Extramural Research Activities, Audit Report, Office of the Inspector General, March 31, 1983
- ° Report to the Administrator Environmental Protection Agency: EPA's New Research Controls: Problems Remain. General Accounting Office, July 14, 1981
- ° Promising Changes Improve EPA's Extramural Research; More Changes Needed, General Accounting Office, October 28, 1980
- ° Accounting and Reporting of Resources Under EPA's Formal Planning and Reporting System, Region IV, Office of the Inspector General, October 22, 1979

5. Contractor Reports:

- ° Cost Allocation Feasibility Study for the Superfund Program, September 1983, Allen & Hamilton, Inc.
- ° Laboratory Information Resources for Research Program Management, April 13, 1983, Urban Systems Research and Engineering, Inc.
- ° Integrated Budget Systems Development Functional Requirements, December 3, 1982 - Electronic Data Systems Corporation
- ° Integrated Budget Systems Development, Data Element Matrices and Data Base Evaluation, December 3, 1982 - Electronic Data Systems Corporation
- ° Environmental Protection Agency Strategic Planning Review, October 6, 1978, Programatics, Incorporated

6. External Publications:

- ° Selected Environmental Law Statutes 1983 Edition, St. Paul Minn. West Publishing Company, 1983
- ° Revitalizing Federal Management: managers and their overburdened systems, National Academy of Public Administration, November, 1983

7. Correspondence:

- ° Workplan for Review of EPA Statutory Authority, From: Milton Russell, Assistant Administrator-Designate for Policy, Planning and Evaluation; To: Deputy Administrator, November 15, 1983
- ° Development of Operating Year Guidance for FY 1985 and FY 1986, From Deputy Administrator To Assistant Administrators, Inspector General, Associate Administrators and Regional Administrators,
- ° Reorganization, From: Director, Office of Information Resources Management, To: The Staff, Oct. 27, 1983
- ° Minutes from Budget & Management Task Force From: Robert Springer, Region V, October 20, 1983
- ° Preliminary Working Capital Fund Design Paper, From: Roger Coates to Edward J. Hanley, Director OMISS, Sept. 23, 1983
- ° Action Tracking System (ATS), From: Alvin L. Alm, Deputy Administrator, To: Assistant Administrators, Inspector General, Associate Administrators, Deputy Regional Administrators, Office Directors, September 20, 1983
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- ° Streamlining EPA's Management Structure--Action Memorandum To: Administrator, September 9, 1983
- ° ADP Modernization Program for the Environmental Protection Agency; From: Edward J. Hanley, Director, Office of Management Information and Support Services; To: Assistant Administrators, Associate Administrators, Regional Administrators, and Inspector General, September 9, 1983
- ° Interim EPA Policy on Microcomputers, From: [REDACTED] Director, Office of Management Information and Support Services, To: Assistant Administrators, Regional Administrators and Laboratory Directors, September 9, 1983
- ° Review of EPA Statutory Authority, From: Administrator Ruckelshause, To: Assistant Administrators, Associate Administrators, Regional Administrators Inspector General, August 12, 1983
- ° Deadlines for Submission of FY 1985 Budget Request Material, From: Samuel T. Rondberg, Director, Office of Research Program Management, To: ORD Office Directors, Program Operations Directors and Research Committee Chairmen, Jun. 22, 1983