

**GRANTS MANAGEMENT AT THE ENVIRONMENTAL
PROTECTION AGENCY**

**A NEW CULTURE REQUIRED TO CURE A HISTORY
OF PROBLEMS**

**REPORT TO THE CHAIRMAN
SENATOR JAMES M. INHOFE
U.S. SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE**

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GRANTS MANAGEMENT AT THE ENVIRONMENTAL PROTECTION AGENCY

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"...[I]t appears that a major cultural shift is only the beginning of a number of reforms needed to create the culture of accountability... that is necessary within the Agency for new and effective grants."

Opening Statement, Chairman James
Inhofe, Senate Committee on Environment
and Public Works Hearing, March 3, 2004.

On March 3, 2004, the U.S. Senate Environment and Public Works Committee held an oversight hearing into grants management at the Environmental Protection Agency (EPA). Testimony offered at the hearing referenced the need for a cultural shift within EPA necessary for new and effective grants management and oversight within EPA. This Report for the Chairman represents preliminary findings and is compiled from testimony from that hearing and information derived from subsequent oversight conducted by Environment and Public Works Committee (EPW) Majority Staff following that hearing.

EPA GRANTS MANAGEMENT

Each year, the EPA awards over half of its annual budget, totaling over \$4 billion, in grants. This amounts to between seven to eight thousand grants or grant actions taken each year. EPA awards both discretionary and non-discretionary grants to recipients such as state, local, and tribal governments, educational institutions, non-profit organizations, foreign recipients, and individuals among other types of recipients.¹ The U.S. General Accounting Office (GAO) completed a comprehensive report on EPA grant management which it issued in August 2003, compiling ninety-three GAO and EPA Inspector General reports, 1,232 reviews of records of awarded grants ending in fiscal year 2002, and interviews with EPA grant officials. According to the GAO report, the majority of EPA grant awards are non-discretionary grants awarded to governmental entities to fund infrastructure and the implementation of federal and state environmental programs. These grant funds are awarded according to statutory or regulatory formulas to the receiving governmental entities. The GAO reported that in fiscal year 2002, the EPA awarded nearly \$3.5 billion in non-discretionary grants. The remaining approximately \$700 million in fiscal year 2002 was awarded in discretionary grants in which EPA officials have the discretion to determine the grant amounts and recipients. Primarily, EPA awards discretionary

¹Environmental Protection Agency, "Grant Award Activity." February 20, 2004. p.1.

grants to non-profit organizations, universities, and governmental entities.² The following chart displays the average number of grants and average amounts of grants to all discretionary and non-discretionary grant recipients for the 1997 through 2003 fiscal years.

**Grant Award Activity Summary
FY1997–FY2003³**

Recipient Type	Average No. of Awards	Percent
State Governments	2,744	35.3%
Local Governments	892	11.5%
Tribes	1,154	14.9%
Educational Institutions	899	11.6%
Non-Profits	1,698	21.9%
Other	385	4.8%
Total	7,773	100%
Recipient Type	Average Funds Awarded	Percent
State Governments	\$3,209,184,100	77.0%
Local Governments	\$387,093,000	9.3%
Tribes	\$99,459,200	2.4%
Educational Institutions	\$173,271,300	4.2%
Non-Profits	\$273,397,800	6.6%
Other	\$23,448,500	0.6%
Total	\$4,165,854,000	100%

EPA grants are awarded and managed both through EPA headquarters and through the ten regional EPA offices. The EPA Office of Administration and Resources Management's Office of Grants and Debarment within agency headquarters develops agency policy for grants management. Overall, the program offices within EPA headquarters and the regional offices

²U.S. General Accounting Office, *“Grants Management EPA Needs to Strengthen Efforts to Address Persistent Challenges.”* GAO-03-846. August 2003. p.7.

³EPA, *“Grant Award Activity.”* p.1.

employ 109 grants specialists responsible for financial oversight of grant awards and over 1,800 project officers responsible for providing technical and programmatic oversight of grant recipients and to monitor the progress of individual grants.⁴

EPA GRANTS MANAGEMENT HISTORY

The EPA Inspector General (OIG), the Office of Management and Budget (OMB), and the GAO have consistently identified deficiencies in EPA grant management in numerous audits and reports. The EPA has consistently identified grants management as either an agency or material weakness in recent annual Federal Managers Financial Integrity Act reports. As recently as September 2003, the OIG again recommended that the EPA again reflect that grants management is a “material weakness.”⁵

In its August 2003 comprehensive report on grants management, the GAO provided a condensed history of grants management within the EPA. As described in the report, the OIG first recommended in 1995 and subsequently provided congressional testimony in July 1996 that EPA demonstrated a significant weakness in grants management. This resulted in EPA identifying grants management as a “material weakness” in its 1996 Integrity Act report. In response, the EPA instituted new policies for monitoring grant recipients, providing grants training for project officers, and reviewing grants management effectiveness. Although EPA reported in its 1999 Integrity Act report that weaknesses in grants management had been corrected, the OIG again provided congressional testimony in November 1999 where it disclosed that OIG audits revealed management problems persisted despite new EPA policies. The EPA continued to designate grants management as an “agency weakness” in its 2000 Integrity Act report. In 2002, the OIG and the OMB recommended that EPA designate grants management as a “material weakness” within the agency. Additionally, in its August 2003 report, the GAO stated that EPA continues to encounter the problems in the following areas: 1.) selecting the most qualified applicants, 2.) effectively overseeing grantees, 3.) measuring the environmental results of grants, and 4.) effectively managing grants staff and resources.⁶ The U.S. House of Representatives Committee on Transportation and Infrastructure Subcommittee on Water Resources and Environment held a series of hearings in June 2003, October 2003, and July 2004 concerning the continued deficiencies in EPA grants management based in large part on the GAO findings.

In the President’s 2004 Budget submission, the OMB identified four EPA grant programs

⁴GAO, GAO-03-846. pp.5-6.

⁵Environmental Protection Agency Office of Inspector General, “*Semiannual Report to Congress, April 2003-September 2003.*” EPA-350-K-03-002. November 2003. p.15.

⁶GAO, GAO-03-846. pp.1-2, 8-9.

in which it reported EPA could not adequately measure the effectiveness of those programs.⁷ Additionally, in the President's 2005 Budget submission, the OMB evaluated a total of twenty EPA programs including ten grant-based programs. Again, the OMB reported that EPA exhibits weakness in measuring the effectiveness of its grants programs.⁸

On March 3, 2004, the Senate Environment and Public Works Committee held its first oversight hearing into grants management at the EPA. With such a troubling history in EPA grants management, the testimony offered at the hearing led Chairman James Inhofe to characterize the previous 10 years of grants management at EPA in the following manner:

“[F]or the last ten years, the story of grants management is seemingly a **revolving door** of the EPA IG audits, GAO reports, Congressional hearings, and new EPA policies in response. Even with this constant cycle of criticism, hearings, and new policies, the GAO reported later last year that the EPA continues to demonstrate the same persistent problems in grants management. These problems include a general lack of oversight of the grantees, a lack of oversight of the Agency personnel, a lack of any measurement of environmental results, and a lack of competition in awarding grants. It is imperative that Agency personnel are accountable for monitoring grants - that measurable environmental results are clearly demonstrated.”⁹

NEW EPA RESPONSES

In September 2002, the EPA issued a new grant award competition policy which focused on requiring competition in grant awards over \$75,000 with certain exceptions and created the position of grant competition advocate to enforce the policy and recommend changes.¹⁰ Additionally, the GAO reports that in 1998, 1999, and in February 2002, the EPA has issued oversight policies designed to increase grant baseline monitoring, increase in-depth reviews, create annual monitoring plans, and create a grantee compliance database.

In April 2003, the EPA issued its first five-year grants management plan. This plan

⁷*Id.* p.22.

⁸This represents the second year of EPA program evaluations under the Program Assessment Rating Tool (PART).

⁹*Grants Management at the Environmental Protection Agency: Hearing before the U.S. Senate Committee on Environment and Public Works, 108th Cong. (2004).* Opening statement of Senator James Inhofe, Chairman.

¹⁰Environmental Protection Agency, *Policy for Competition in Assistance Agreements*, EPA Classification No. 5700.5, Approved September 12, 2002.

incorporates the new grants competition and oversight policies establishing the following principal Objectives and Activities for grants management:

- ▶ Enhance the skills of EPA personnel involved in grants management
- ▶ Promote competition in the award of grants
- ▶ Leverage technology to improve program performance
- ▶ Strengthen EPA oversight of grants
- ▶ Support identifying and achieving environmental outcomes.¹¹

SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE OVERSIGHT

At the March 3, 2004, Senate Environment and Public Works Committee oversight hearing into grants management at the EPA, Chairman Inhofe stated:

“I want to announce to all of you today that this Committee is going to take this oversight responsibility seriously in regards to grants management.... I am going to make a personal commitment that it is going to change this time.... We are going to have accountability and the revolving door will stop.”¹²

The Committee heard testimony from the OIG, EPA Office of Administration and Resources Management, GAO, and a representative from Taxpayers for Common Sense. GAO and OIG reiterated the much of the same themes that have characterized their consistent criticisms of grant management at the EPA. The GAO testified to:

- ▶ a lack of oversight of grantees and EPA personnel,
- ▶ a lack of competition in discretionary grants, and
- ▶ a lack of measurable environmental outcomes.¹³

The OIG testified to:

- ▶ no link between funded projects and EPA mission,
- ▶ no assessment of probability of success,
- ▶ no determination of the reasonableness of the costs of the grant,
- ▶ no measurable environmental outcomes, and

¹¹Environmental Protection Agency, “*Grants Management Plan 2003-2008.*” April 2003.

¹²*Grants Management at the EPA Hearing*, Opening Statement of Chairman Inhofe.

¹³*Id.*, Statement of John B. Stephenson, Director of Environment and Natural Resources, U.S. General Accounting Office.

- ▶ no deliverables in grant work-plans.¹⁴

A representative for Taxpayers for Common Sense echoed similar criticisms offered by the OIG and GAO and, while acknowledging EPA's new focus on improving grants management, testified that EPA needs to improve:

- ▶ EPA personnel commitment to competition in grants selection,
- ▶ grantee oversight,
- ▶ ensuring grants are consistent with Agency goals, and
- ▶ EPA staff accountability.¹⁵

The EPA focused its testimony on the new grants management plan and accomplishments under that plan detailing its five main goals and evidence of its initial success. The EPA testified to:

- ▶ new certification of grants project officers,
- ▶ increased competition especially among non-profit grantees,
- ▶ deployment of a new Integrated Contracts Management System automating grants management monitoring, and
- ▶ increased minimal monitoring standards for all grants.¹⁶

The hearing produced the following general findings: EPA discretionary grants need a system that requires wide competition for the available funds and sufficient notice of the funding opportunities that may be available; EPA discretionary and non-discretionary grants need to demonstrate and quantify measurable environmental results; and EPA administration and project officers need to ensure that new policies to more closely monitor grants, ensure measurable environmental results, and ensure wide solicitation and competition among grants, among other goals, are accomplished.

In addition, the hearing produced the specific finding that discretionary grants in particular are often the most problematic due to limited oversight from the EPA. Testimony offered by the GAO revealed that oversight through such safeguards as the Single Audit Act¹⁷ to

¹⁴*Id.*, Statement of Melissa Heist, Assistant Inspector General for Audits, Environmental Protection Agency.

¹⁵*Id.*, Statement of Steve Ellis, Vice President for Programs, Taxpayers for Common Sense.

¹⁶*Id.*, Statement of David O'Connor, Acting Assistant Administrator for Office of Administration and Resources Management, Environmental Protection Agency.

¹⁷31 U.S.C. §7501 et seq.

ensure that discretionary grantee expenditures are allowable costs are generally not applicable to discretionary grants given the grants comparatively low dollar amounts. Responding to questions from Chairman Inhofe, GAO representative John Stephenson testified to the following:

“Senator Inhofe. Would [discretionary grants] be the most difficult to monitor?”

Mr. Stephenson. I would think so. The non-discretionary grants go by formula to the States based on the need. There is a little more specificity in place as to how you oversee that category of grants. So I would agree that the discretionary grants are probably more problematic.”¹⁸

The OIG offered corresponding answers to similar questions from Senator Inhofe testifying to the following:

“Senator Inhofe. You are testifying that the EPA mismanagement of only discretionary grants costs the taxpayers hundred of million of dollars each year?”

Ms. Heist. Of predominately discretionary funds, yes.

Senator Inhofe. Why do you focus on discretionary recipients in particular?”

Ms. Heist. In the past we found the most problem was with discretionary grants. We found problems with, as has been mentioned here today, competition. We found Agency managers continued to use the same grantees year-after-year and there has not been a lot of competition. Predominately, that is where we found the problems, so we continue to focus in that area.”¹⁹

In fact, the OIG supplemented her testimony with a March 1, 2004, audit of a discretionary grant recipient non-profit organization that received a total of \$4,714,638 in five selected grants from 1996 to 2004. The OIG’s audit concluded with the following finding:

“Therefore, although EPA funds were awarded to a 501(c)(3) organization, in actuality, a 501(c)(4) lobbying organization performed the work and ultimately received the funds. This arrangement clearly violates the Lobbying Disclosure Act prohibition on a 501(c)(4) organization which engages in lobbying from receiving Federal funds.

In summary, the [Consumer Federation of America], a 501(c)(4) organization: (1)

¹⁸*Grants Management at EPA Hearing: Chairman Inhofe questions to Director John Stephenson.*

¹⁹*Id.* Chairman Inhofe questions to Asst. IG Melissa Heist.

performed direct lobbying of Congress, and (2) received Federal funds contrary to the Lobbying Disclosure Act. Consequently, all the costs claimed and paid under the agreements are statutorily unallowable.”²⁰

The March 1, 2004 OIG audit subsequently concluded among other findings, “EPA recover all funds paid to the non-profit recipient” and “EPA suspend work under current grants or cooperative agreements not covered by the audit and make no new awards until the recipient can demonstrate that its financial management practices and controls over Federal funds comply with all regulatory requirements.”²¹

However, lack of oversight in grants to non-profit organizations is not entirely new information. The GAO reported in 2001 that EPA exhibited weaknesses specifically in non-profit grantee oversight. In its April 2001 report the GAO specifically evaluated EPA’s oversight of non-profit grantee costs. The GAO concluded, “EPA’s post-award grant management policy provides minimal assurance that unallowable costs for non-profit grantees will be identified.”²² In its August 2003 report, the GAO again reported it found some of the largest number of problems in discretionary grants to non-profit organizations.²³ In fact, the GAO reported that of the grants it sampled for its report, EPA took some of the most significant remedial actions to problems within individual grants against non-profit organizations.²⁴

Testimony received during the hearing also confirmed that EPA has continued to award discretionary grants to non-profit and other recipients often without preparing solicitations and without competition with other potential applicants. In its August 2003 EPA grants report, the GAO reported the following:

“The Federal Grant and Cooperative Agreement Act of 1977 encourages agencies to use competition in awarding grants. To encourage competition, EPA issued a

²⁰Environmental Protection Agency Office of Inspector General, “*Audit Report Consumer Federation of America - Cost Claimed Under Cooperative Agreements CX825612-01, CX825837-01, X828814-01, CX824939-01, and X829178-01,*” Report No. 2004-4-00014, March 1, 2004. p.6.

²¹*Id.*, p.25.

²²U.S. General Accounting Office, “*Environmental Protection EPA’s Oversight of Nonprofit Grantees’ Costs Is Limited,*” GAO-01-366, April 2001, p. 15.

²³GAO, GAO-03-46, p. 49.

²⁴*Id.* p.57. The GAO evaluated the following significant actions: agreement termination, annulment, disallowance of costs, grantee disbarment, high risk designation or special condition, payment holds, referral for investigation, stop work orders, and threats to take action.

grants competition policy in 1995. However, EPA's policy did not result in meaningful competition throughout the agency, according to EPA officials. Furthermore, EPA's own internal management reviews and a 2001 Inspector General report found that EPA has not always encouraged competition. Finally, EPA has not always engaged in widespread solicitation when it could be beneficial to do so. Widespread solicitation would provide greater assurance that EPA receives proposals from a variety of eligible and highly qualified applicants who otherwise may not have known about grant opportunities. According to a 2001 EPA Inspector General report, program officials indicated that widespread solicitation was not necessary because 'word gets out' to eligible applicants. Applicants often sent their proposals directly to these program officials, who funded them using 'uniquely qualified' as the justification for a noncompetitive award. This procedure created the appearance of preferential treatment by not offering the same opportunities to all potential applicants. In addition, the agency provided incomplete or inconsistent public information on its grant programs in the *Catalog of Federal Domestic Assistance*. Therefore, potential applicants may not have been adequately informed of funding opportunities."²⁵

In fact, the OIG reported in May 2001 that the lack of competition and lack of solicitation in discretionary grants led to the appearance of preferential treatment in awarding grants and an uncertainty that grants were being awarded to the most meritorious and cost-effective projects:

"Without widespread solicitation [of available grants], EPA is not only limiting potential applicants, but is also creating the appearance of preferential treatment. Furthermore, during our discussions with EPA program officials we found implications of preferential treatment in the selection of grantees."²⁶

During the hearing, EPA acknowledged neglecting competition and giving the appearance of favoritism in awarding grants as EPA responded to the following question asked by Senator Jeffords:

"*Mr. O'Connor.* Senator Jeffords, with respect to the competition as was noted, for years and years, our project officers were accustomed to just selecting their grantee which led to at least the appearance that we had favorites and that we were not necessarily going out there sure that we were getting the best value for the Government. That policy, quite frankly, did not go over very well initially, with our 1,800 project officers because it does require quite a bit of additional work. This was something that they had to adjust to. Frankly, we set a goal of

²⁵GAO, GAO-03-46, pp. 10-11.

²⁶Environmental Protection Agency Office of Inspector General, "EPA's Competitive Practices for Assistance Awards," Report No. 2001-P-00008, May 21, 2001, p.10.

competing, I believe it was 30 percent of the covered grants in our first year. I was very pleased with achieving the 75 percent. But that is one of a number of major mindsets that we are trying to change, and will change, over the next couple of years in how we manage our grants.”²⁷

Chairman Inhofe concluded the hearing with a closing statement acknowledging that all the witnesses could agree that discretionary grants oversight may be particularly problematic. Upon the conclusion of the hearing, Chairman Inhofe began a series of information requests to EPA. Chairman Inhofe issued the first request at the close of the March 2004 hearing. The request included a listing of all discretionary grant recipients in fiscal year 2003, the amount of the recipient, and the type of recipient for each grant award. It also requested the amounts in grants those recipients had received for the two previous fiscal years.

SUBSEQUENT OVERSIGHT

Pursuant to Environment and Public Works Committee oversight responsibility, Chairman Inhofe has submitted subsequent information requests which have included requesting project officer grant files on discretionary grant recipients and interviews with the EPA project and approving officers for discretionary grants. In each information request, EPA has fully responded, making grant files and personnel available.

Additionally, one of the first accomplishments from the Committee’s oversight has been a change in availability of information on grants on the EPA Web site. At the March 2004 hearing Chairman Inhofe inquired,

“What would be wrong with putting all [grant awards] on a Web site where the public and anyone interested would have access to them?”²⁸

Later in the hearing, Chairman Inhofe reiterated his point of transparency in grant awarding stating,

“I like the idea of doing something, of opening the doors, and not just having a Web site where you show the various competitions coming up, but also where you show the grants that are issued.... I look forward to that.”²⁹

²⁷*Grants Management at EPA Hearing*: Senator Jeffords questions to Asst. Admin. David O’Connor.

²⁸*Id.* Chairman Inhofe questions to Asst. Admin. David O’ Connor.

²⁹*Id.* Closing Statement of Chairman Inhofe.

EPA has responded by reorganizing its Web site to provide a direct link to the EPA grants from its homepage³⁰ and reorganized its Office of Grants and Debarment page to clearly list links concerning EPA grants.³¹ However, most importantly, EPA has created a new site of the most comprehensive information ever provided on individual grants.³² This new page contains information such as the awarding office, total amount of the grant, purpose of the grant, and awarding and monitoring personnel at EPA. This new page allows users to search all awarded grants by description, type of recipient, and by quarter or fiscal year all within seven days of the grant award. Additionally, this page is only an interim site as the EPA plans to develop a “Grants Datamart” of new publicly accessible information through its Web site by early 2005.

Although more publicly available information on available grants, new competition for those discretionary grants and full disclosure of awarded grants are a promising beginning to reform of EPA grants management, individual EPA program offices must enforce these new policies with necessary oversight of EPA personnel and EPA grantees. However, with comparatively low individual dollar amounts, discretionary grants to non-profit organizations in particular may receive the least oversight compared to recipients of larger dollar amount grants. As referenced in previous GAO reports and corroborated in the OIG recent audit of a non-profit grant recipient, discretionary grants to non-profit recipients have exhibited some of the highest amount of problems and have required the most significant remedial actions taken by the EPA.

“BIG BUSINESS ENVIRONMENTALISM”

In spring 2001, the *Sacramento Bee* began a series of articles on the operations of the national environmental groups and the current actions of the modern environmental movement. Those articles began characterizing the today’s environmental groups in the following manner:

“[T]oday’s groups prosper while the land does not. Competition for money and members is keen. Litigation is blood sport. Crisis, real or not, is a commodity. And slogans and sound bites masquerade as scientific fact.”³³

The series continued by identifying the twenty environmental organizations reporting the largest resources, each an Internal Revenue Service (IRS) registered non-profit organization, and criticizing today’s environmental movement for its largesse. The series highlighted such issues

³⁰<http://www.epa.gov>

³¹<http://www.epa.gov/ogd>

³²http://yosemite.epa.gov/oarm/igms_egf.nsf

³³Tom Knudson, “Fat of the Land. Movement’s prosperity comes at a high price,” *Sacramento Bee*, April 22, 2001.

and arguments as:

the salaries paid to environmental group executives,
the millions of dollars in assets, or billions in some cases, of environmental groups,
the unprecedented focus on fundraising,
the marketing and advertising on agenda-based science,
the increasingly litigious business of today's environmental groups, and
the subsidizing of environmental groups with federal tax dollars.³⁴

Continuing on the theme of environmental groups being subsidized by federal taxpayers, that same publication published an additional article in October 2001, specifically highlighting the issue of federal tax dollars going to environmental groups regularly engaged in lobbying and litigating against the federal government, and how that, according to federal audits, in some cases those tax dollars have been misused. Interestingly, the article adds,

“Just how much public money flows to environmental groups has never been calculated, partly because it springs from so many sources.... But no government agency charts the total spending, identifies trends, or assesses what taxpayers are getting for their money.”³⁵

The *Washington Post* published a series of articles beginning May 2003 focusing on a particular non-profit environmental group, The Nature Conservancy, branding the organization “Big Green” for its status as the nation’s eighth largest non-profit with assets of \$3 billion.³⁶ The series criticized The Nature Conservancy, a regular EPA discretionary grant recipient, for its wide-ranging business interests including drilling operations, product marketing activities ranging from beef to neckties to a breakfast cereal to toilet cleaners, and million-dollar land deals to organization board members and supporters that has gained The Nature Conservancy a U.S. Senate Finance Committee investigation and subsequent audit by the IRS.³⁷

Earlier this year, *FrontPage Magazine* published a similarly critical article of

³⁴The *Sacramento Bee* published a total of five articles in Tom Knudson’s original series from April 22, 2001 through April 26, 2001.

³⁵Tom Knudson, “Taxpayer dollars help fund many environmental groups,” *Sacramento Bee*, October 21, 2001.

³⁶David Ottaway and Joe Stephens, “Non-profit Land Bank Amasses Billions,” *Washington Post*, May 4, 2003, p.A1.

³⁷The *Washington Post* has published an ongoing series of several articles by Joe Stephens and David Ottaway concerning The Nature Conservancy beginning May 2003.

environmental non-profit groups titled “Environmental Activism Is In Fact Big Business,” reporting that today’s more than 3,000 environmental non-profit organizations collect more than \$8.5 billion annually and that most individually collect more than \$1 million each year.³⁸

Not all environmental organizations regularly receive EPA grants or receive EPA grants at all. However, some environmental groups receive millions of dollars in private contributions each year and receive hundreds of thousands of dollars in EPA grants each year as well. Additionally, those same environmental groups are closely linked with affiliate organizations which are politically involved or are closely associated with other politically involved environmental organizations.

SELECTED EPA DISCRETIONARY NON-PROFIT GRANTEES

The following organizations are IRS registered 503(c)(3) tax exempt non-profit entities that have regularly received discretionary grant funding from the EPA. Each organization has received varying amounts of EPA discretionary grants. Each organization is also affiliated with an IRS registered 501(c)(4) or 527 political organization or is otherwise involved in political activities. Unless otherwise specified, the EPA reports that until it formally adopted its grants competition policy in 2003, although it encouraged competition, each grant was likely awarded without solicitation or competition with other potential applicants.

Natural Resources Defense Council

The Natural Resources Defense Council (NRDC) states that its purpose is to “safeguard the Earth: its people, its plants and animals and the natural systems on which all life depends.” The NRDC is represented by three organizations. These organizations are the NRDC, Inc., a 501(c)(3) organization; the NRDC Action Fund, a 501(c)(4) organization; and the Environmental Accountability Fund, a section 527 political organization.³⁹

The NRDC is consistently critical of the Bush Administration’s environmental record and devotes a portion of its own Web site to the “Bush Record” which it characterizes in the following manner: “This administration, in catering to industries that put America's health and natural heritage at risk, threatens to do more damage to our environmental protections than any other in U.S. history.”⁴⁰ In fact, this organization is particularly politically involved with a

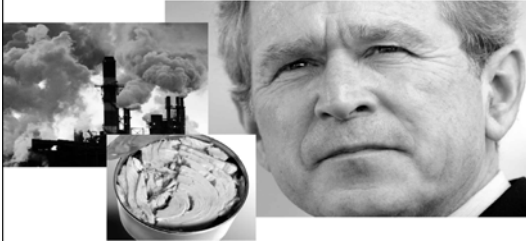
³⁸“Environmental Activism is In Fact Big Business,” *FrontPage Magazine*, Jan. 19, 2004.

³⁹*See*, Natural Resources Defense Council, Inc., IRS Form 990 filings for the periods ending 2003, 2002, 2001, 2000, and 1999 for information on affiliated organizations. *See also*, Tania Soussan, “Bashing Bush,” *Albuquerque Journal* (New Mexico), July 15, 2004, p.1.

⁴⁰*See*, <http://www.nrdc.org>

First Arsenic Now Mercury

GEORGE BUSH'S EPA AND THE POLITICS OF POLLUTION



America learned this week that tuna, and many other fish, can contain harmful levels of toxic mercury. Forty-five states already post warnings of mercury contamination in their lakes and streams. So why is President Bush trying to weaken controls on mercury pollution?

It's déjà vu all over again. Early in his presidency, George Bush tried to allow more arsenic in drinking water. Now, he wants the EPA to let coal-fired power plants treat their mercury pollution as "non-hazardous" even though mercury threatens pregnant women and children. The Bush administration's

plan would allow coal-fired power plants to put more mercury into the air, where it rains down on lakes and oceans, is swallowed by fish, and could wind up on your plate. Exposure to mercury can cause learning disabilities and neurological damage in kids and the developing fetus.

Guess who is praising this scheme? Coal power companies, who are big mercury polluters and big political contributors, too.

The Mercury Money Trail
The big mercury polluters and their trade associations are aggressive political players in Washington. Their executives and PACs are also generous political donors. It's no surprise that the Bush administration is following the industry's script for weakening mercury regulations.

Last time around, President Bush had to back down on arsenic in the face of a massive outcry from people across the political spectrum. Let's make history repeat itself.

Tell President Bush to get serious about reducing mercury pollution. Our kids deserve no less. Let the Bush administration and the EPA hear your voice about its proposed mercury rule. Go to www.nrdc.org

YES, I want to join the Natural Resources Defense Council and help thwart President Bush's plan to weaken controls on toxic mercury. Here's my tax-deductible gift of \$:

NAME: _____
ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____

NRDC
MoveOn.ORG
Democracy in Action.

history of spending millions of dollars in previous election cycles.⁴¹ The NRDC is also involved in this year's Presidential race joining with other organizations airing television and radio advertisements against President Bush.⁴² The NRDC's section 527 political organization, the Environmental Accountability Fund, last reports to have raised nearly \$1 million in the 2004 election cycle, at the time of this report.⁴³ The NRDC 501(c)(3) organization is also nationally politically involved joining earlier this year with Moveon.org, another section 527 political organization, running advertisements, such as this one featured earlier this year in the *New York Times*, accusing the Bush Administration of weakening regulations on drinking water and air quality while at the same time soliciting contributions for the NRDC 501(c)(3) affiliate.⁴⁴

The NRDC, Inc. organization has reported consistent end of the year annual net assets of over \$70 million for the previous three years, with over \$80 million of end of the year net assets

reported in its tax filing for the year ending 2003. Additionally, the NRDC, Inc. reports receiving increasing amounts of direct public contributions totaling from \$32.6 million in 1999 to over \$55 million in 2003.⁴⁵

The NRDC, Inc. organization also reports spending an increasing amount on direct and grassroots lobbying, from \$264,253 in its filing for the year ending 1999 to \$861,524 in its filing

⁴¹Ronald A. Taylor, "Why Reagan Is On Griddle Over Environment," *U.S. News and World Report*, August 30, 1982, p.57.

⁴²Tania Soussan, "Bush Has Activists Seeing Green," *Albuquerque Journal*, May 6, 2004, p. A1. and "Ads in Spanish Attach the President on the Environment," *The Miami Herald*, August 23, 2004, Section B, p.3.

⁴³See, Environmental Accountability Fund, IRS Form 8872 for filing periods 2003-04.

⁴⁴The referenced advertisement was published in the *New York Times*, March 26, 2004.

⁴⁵See, Natural Resources Defense Council, Inc. IRS Form 990 filings for the periods ending 2003, 2002, 2001, 2000, 1999.

for the year ending 2003 with a total of nearly \$1 million in total lobbying expenditures in 2002 alone. NRDC Lobbying Disclosure Act Reports over the same 1999-2003 period disclose NRDC, Inc. made these expenditures lobbying Congress and the Administration, including Department of Energy, the Department of the Interior and the EPA.⁴⁶

The NRDC, Inc. organization reported receiving over half a million dollars annually in government grants in its IRS filings for the reporting periods ending 1999 through 2003. Specifically, the NRDC, Inc. organization reports it received \$850,903 in government grants for the period ending 1999, \$759,596 for 2000, \$679,319 for 2001, \$630,910 for 2002, and \$608,099 for 2003. The EPA reports that NRDC, Inc. organization has received nearly \$6.5 million in twenty-three discretionary grants since 1993. EPA also reports that these individual grants ranged in amounts from \$7,500 to nearly \$2 million during this period. The EPA acknowledges that likely all these grants were awarded without competition with any other applicant. The EPW Majority Staff requested interviews of EPA approving and project officers for selected grants over \$200,000 each. The purposes for some grants to NRDC, Inc., were wide ranging. For instance, EPA reported that some of the stated purposes for grants awarded to NRDC, Inc., have included development of energy efficient technologies, strengthening the case for smart growth, a NRDC and Ad Council clean water campaign, and promoting energy efficiency in Russian buildings. In some instances, approving officers and project officers for those grants have since retired from the EPA. However, EPW Majority Staff interviewed EPA approving and project officers for one ongoing grant awarded by the Office of Air and Radiation beginning in January 2002 through December 2004 for a total of \$1,198,993.00. The grant's stated project title and description are as follows: "Development or Long-Term Adoption of Energy-Efficient Products and Services, To work within the energy efficiency and manufacturing community toward long term market transformation of energy-efficient technologies and practices." EPA officials stated that the grant was awarded without solicitation or competition with other applicants, and EPA awarded the grant pursuant to a proposal NRDC, Inc. submitted to the EPA. One EPA official reported that although this particular grant proposal was unsolicited, it was subject to a peer review. However, upon further questioning EPW Majority Staff learned that the peer review consisted of the review of one other EPA official within the Climate Protection Partnerships Division of the Office of Air and Radiation. EPA officials reported that this grant received some form of review from several levels within the Climate Protection Division from review of the technical merits of the proposal by the project officers through approval by the division director. EPW Majority Staff interviewed the approving officer and two project officers for this grant, and all reported receiving EPA grant training and receiving periodic recertification. Each interviewed personnel has been employed with the EPA for various tenures from two years to over twenty years. EPA project officers reported that monitoring for this grant consists of periodic contact by the project officer and the requirement of quarterly reports from NRDC, Inc. on its progress on the grant. All EPA officials interviewed were aware of NRDC's regular litigation against the federal government, and some were otherwise aware of NRDC's political activity and criticisms

⁴⁶See, Natural Resources Defense Council, Inc., Lobbying Disclosure Act Reports for 2000, 2001, 2002, and 2003.

of the Bush Administration's environmental policies.⁴⁷

Children's Environmental Health Network

The Children's Environmental Health Network (CEHN) describes itself as a "national multi-disciplinary organization whose mission is to protect the fetus and the child from environmental health hazards and promote a healthy environment."⁴⁸ CEHN has been a 501(c)(3) tax exempt organization since 2001 and reported for the filing period ending 2000, end of the year net assets of \$25,324.00. However, the CEHN also reports receiving a total of \$545,626 in direct contributions in addition to \$136,729.00 in government grants.⁴⁹

Since CEHN's beginnings in 2001, the EPA reports it has awarded four grants to CEHN in amounts ranging from a \$2,600 to an ongoing grant totaling \$332,304.00 for the grant term of August 2002 to July 2005. As of this report, EPA has awarded nearly \$400,000 in grants to the CEHN. All EPA approving and project officers for each of these grants are still employed at the EPA, the EPW Majority Staff requested interviews with each official. EPA officials confirmed that the agency awarded each grant without solicitation and without competition with any other potential applicant.

The first of the awards was a \$10,000 grant awarded from EPA Office of International Affairs to CEHN to distribute information from the Global Forum for Action, a conference sponsored by CEHN. EPA officials, however, disclosed that the original proposal from CEHN requested \$70,000 to pay for a large part of the Global Form for Action conference that had already concluded prior to CEHN's submission of its grant proposal. EPA, however, agreed to provide \$10,000 for dissemination of information from the conference.⁵⁰ The second of the awards was a \$43,615 grant awarded from EPA headquarters for the purpose of developing a plan for the expansion of the use of the Internet to increase information regarding environmental health threats to children. EPA officials monitored the grant by requiring quarterly progress reports. The result of the grant was a report CEHN prepared on its meetings with Internet providers and medical associations. EPA officials, however, reported that a Web site disseminating information on children's health has not been developed subsequent to this report.⁵¹ Interestingly, however, during this same period and thereafter, the CEHN has published

⁴⁷Interview with EPA concerning NRDC grant X-83033101, July 12, 2004.

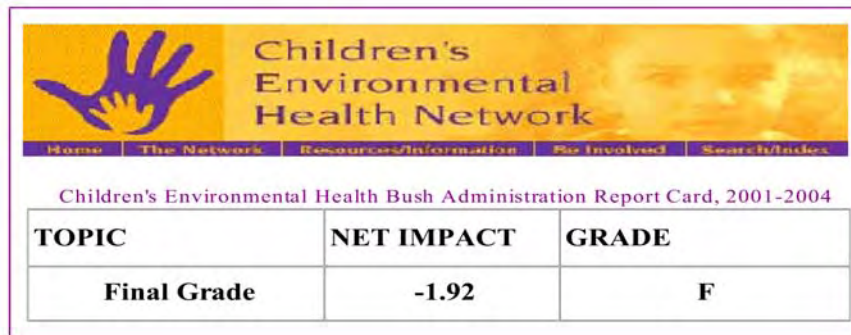
⁴⁸See, <http://www.cehn.org>

⁴⁹See, Children's Environmental Health Network, IRS Form 990 filing for period ending 2002.

⁵⁰Interview with EPA concerning CEHN grant X-82963401, June 24, 2004.

⁵¹Interview with EPA concerning CEHN grant X-82977301, June 24, 2004.

its own Children's Environmental Health Bush Administration Report Card for 2001-2004. On April 5, 2004, CEHN published its most recent report card on its own Internet site which graded the Bush Administration's environmental record with an "F" on protecting children's health citing sixteen areas where it claims the Bush Administration is lacking in protecting children's health.⁵²



Children's Environmental Health Network		
Home	The Network	Resources/Information
Who's Involved	Search/Index	
Children's Environmental Health Bush Administration Report Card, 2001-2004		
TOPIC	NET IMPACT	GRADE
Final Grade	-1.92	F

The third grant to CEHN was awarded from EPA Region 3 in the amount of \$2,600 for the purpose of training two Washington, D.C. highschool students to assist with environmental education in a local elementary school classroom. CEHN coordinated the training for these two highschool students in a three-week course. Representatives from the Sierra Club, Environmental Defense, the EPA, and others made presentations to the students about a variety of topics including "lead poisoning, asthma, ozone depletion, global warming, the workings of a power plant, and water topics." Although the students toured a water treatment facility in conjunction with the presentations, EPA officials could not confirm that the students actually toured a power plant. The grant reports CEHN submitted also did not include a representative from the utility industry as a presenter, and EPA officials also could not confirm that the students received any information from industry representatives.⁵³

Finally, the fourth grant EPA awarded to CEHN is the largest. The EPA Office of Prevention of Pesticides and Toxic Substances awarded the first installment of an ongoing grant totaling \$332,304.00 over the grant period August 2002 to July 2005. The purpose of this grant is to increase available scientific information on children's health to CEHN and other non-governmental organizations. Like all other grants awarded to CEHN, this grant was awarded through an unsolicited proposal without competition with any other potential applicants. Interestingly, the chairperson of the board of directors for CEHN is the former EPA Assistant Administrator for the Office of Pesticides and Toxic Substances during the Clinton Administration from 1993 to 1999. EPA officials involved in approving and monitoring this

⁵²See, <http://www.cehn.org/> for entire scorecard.

⁵³Interview with EPA concerning CEHN grant T-98388501, June 24, 2004.

grant advised EPW Majority Staff that although they personally did not work closely with the former Assistant Administrator, they worked for the Office of Pesticides and Toxic Substances during the same period.⁵⁴

Environmental Defense, Inc.

Environmental Defense describes itself as “fighting to protect human health, restore the oceans and ecosystems, and curb global warming.”⁵⁵ Environmental Defense is represented by two organizations: Environmental Defense, Inc., a 501(c)(3) organization, and the Environmental Defense Action Fund, Inc., a 501(c)(4) organization.

Environmental Defense, Inc. reports consistently increasing amounts of end of the year net assets from approximately \$33 million in its tax filing for the period ending 1999 to over \$49 million for 2003. During that same period Environmental Defense, Inc. has received increasing amounts of direct public contributions, from \$28.4 million in 1999 to nearly \$42 million in 2003. This organization also reports spending varying amounts in direct and grassroots lobbying expenditures for the same period, spending \$528,804 for 1999, \$410,975 for 2000, \$857,542 for 2001, \$673,548 for 2002, and \$856,983 for 2003.⁵⁶ Environmental Defense, Inc. reports making those expenditures lobbying Congress and the Administration agencies including the EPA.⁵⁷

Environmental Defense, Inc. also reports receiving varying amounts of annual government grants. It reported receiving \$752,645 for 1999, \$505,170 for 2000, \$575,673 for 2001, \$273,116 for 2002, and \$341,338 for 2003. Environmental Defense, Inc. has also received over \$4.6 million from the EPA in discretionary grants since 1993, many, if not all, awarded without competition with other potential applicants.

The Tides Center

The Tides Center describes its organization as “working with new and emerging charitable organizations who share our mission of striving for positive social change.”⁵⁸ This organization is represented or affiliated with two other organizations: the Tides Foundation, a

⁵⁴Interview with EPA concerning CEHN grant X-83041901, June 24, 2004.

⁵⁵See <http://www.environmentaldefense.com>

⁵⁶See, Environmental Defense, Inc., IRS Form 990 filings for the period ending 2003, 2002, 2001, 2000, and 1999.

⁵⁷See, Environmental Defense, Inc., Lobbying Disclosure Act Reports for 2000, 2001, 2002, and 2003.

⁵⁸See, <http://www.tidescenter.org>

501(c)(3) foundation, and the Tsunami Fund, a 501(c)(4) organization.

The Tides Center and Tides Foundation regularly grant funds to what it designates as its projects. To receive funding, The Tides Center's main requirement for becoming a new project is that the "project's work falls within the Tides Mission of working toward progressive social change."⁵⁹ Some of the projects the Tides Center and Tides Foundation have funded include other environmental organizations such as the Environmental Working Group, the Natural Resources Defense Council, and affiliates of the Sierra Club and Greenpeace.⁶⁰

The Tides Center regularly reports annual end of the year net assets increasing from \$21.1 million in its tax filing for the period ending 1999 to \$33.8 million in 2003. During this same period, the Tides Center reports increasing direct public contributions from \$38.7 million in its 1999 filing to nearly \$60 million in 2003. The Tides Center reports varying amounts of legally allowable direct and grassroots lobbying expenditures between \$22,505 in its 1999 filing to \$601,885 in its 2003 filing with a 2002 filing disclosing expenditures of nearly \$1 million.⁶¹

The Tides Center also regularly receives several millions of dollars of government grants in increasing amounts each year. The Tides Center reported receiving \$1,626,906 for 1999, \$1,582,370 for 2000, \$2,145,499 for 2001, \$3,481,484 for 2002, and \$5,175,732 for 2003.⁶² Although the Tides Center has received increasing amount of funding in grants, the U.S. Department of Housing and Urban Development (HUD) Inspector General audited the Tides Center as recently as September 2002 and recommended that HUD consider suspending grant funding until the Tides Center and its project organization partner in the audited grant develop and implement appropriate management controls to ensure the Tides Center's compliance with federal rules concerning allowable expenditures for federal funding.⁶³ The EPA reports that the Tides Center and Tides Foundation have received nearly \$2 million in federal grants from the EPA alone since 1993. EPW Majority Staff interviewed EPA approving and project officers in

⁵⁹*Id.*

⁶⁰*See*, Tides Center, IRS Form 990 or Tides Foundation, IRS Form 990PF filings for period ending 2003, 2002, 2001, 2000, 1999, and 1998.

⁶¹*See*, The Tides Center, IRS Form 990 filings for period ending 2003, 2002, 2001, 2000, and 1999.

⁶²*Id.*

⁶³U.S. Department of Housing and Urban Development Office of Inspector General, "Audit Memorandum - Congressional Requested Audit of the Outreach and Training Assistance Grants Awarded to the Housing Rights Committee for San Francisco/Tides Center, San Francisco, CA, Grant Numbers FFOT98004CA and FFOT00005CA." Audit Case Number: 2002-SF-1005, September 26, 2002.

four grants EPA awarded to the Tides Center. In two of the selected grants, EPA made the awards without solicitation or competition with other applicants. In fact, the single largest grant EPA has made to the Tides Center since 1993 was awarded for a term of May 2002 to December 2003 for a total of \$477,275. The grant was awarded for the purpose of encouraging public participation in the cleanup of hazardous waste at federal facilities. Although the grant was awarded without solicitation or competition, EPA confirmed the project officer has made on-site visits to the grantee and has requested an audit of funds to ensure EPA grant funding is separated from other funds used by the Tides Center.⁶⁴ In another ongoing grant to the Tides Center totaling \$75,000 for the purpose of developing a white paper on the markets for environmental papers, EPA again confirmed this grant was awarded subsequent to an unsolicited proposal and without competition. In fact, in awarding funding to the Tides Center in other grants based on unsolicited proposals, EPA has simply recorded that the grantee has “unique and superior qualifications to perform the work.” However, in each of these previously described grants, EPA project officers confirmed that prior to this particular grant oversight with Tides Center, neither had any prior experience with the Tides Center.⁶⁵

In two of the other two selected grants, EPA made the awards with competition with one award approved by the awarding office’s Assistant Administrator. The first of these ongoing grants was for a total of \$125,000 for a grant term of September 2003 to August 2006, for the purpose of “strengthening the national network of brownfield environmental justice and community groups, technical assistance, training, research on schools sitting on contaminated property, regional workshops, and history of selected brownfields community efforts.” The grant application, however, states that the Tides Center will ultimately apply for a total of \$442,000 for this project. The Tides Center’s submitted proposal for the grant includes conducting conferences, workshops, and producing fact sheets. The EPA Office of Solid Waste and Emergency Response awarded this grant following a review throughout the office with final approval by the office Assistant Administrator. EPA officials confirmed that the solicitation for this grant was available for forty-five days on the agency Web site. EPA received forty-four proposals and awarded twenty-one.⁶⁶ Finally, the fourth Tides Center ongoing grant in which EPW Majority Staff interviewed EPA officials involved an awarded amount totaling of \$150,000 for a grant term of May 2004 to May 2005, for the purpose of “improving meaningful non-federal stakeholder involvement in decisions concerning clean up of hazardous waste at federal facilities. In this grant, EPA reports that it prepared a solicitation that was available for sixty days on the agency Web site and in the *Federal Register*. EPA received a total of twenty-three proposals and awarded one. Proposals were evaluated by a panel comprised of EPA personnel

⁶⁴Interview with EPA concerning Tides Center grant R-830231-01, August 11, 2004.

⁶⁵Interview with EPA concerning Tides Center grant X-82938201, August 11, 2004.

⁶⁶Interview with EPA concerning Tides Center grant TR-83132101, August 11, 2004.

and two additional members from the Army Corps of Engineers and the Department of Energy.⁶⁷

Consumer Federation of America

The Consumer Federation of America describes its purpose as to “work to advance pro-consumer policy on a variety of issues before Congress, the White House, federal and state regulatory agencies, state legislatures, and the courts.”⁶⁸ The Consumer Federation of America (CFA) was formerly represented by two organizations: the Consumer Federation of America Foundation, a 501(c)(3) organization, and the Consumer Federation of America, a 501(c)(4) organization. According to the CFA, currently both organizations have now merged into one 501(c)(3) organization following an EPA Inspector General audit completed March 1, 2004 that was referenced in testimony on EPA grants management before the Environment and Public Works Committee on March 3, 2004.

The CFA reported end of the year net assets of \$609,745 for its IRS filing for the period ending 2003. It also reports receiving \$184,110 in direct public contributions during that same reporting period.⁶⁹ CFA has regularly filed Lobbying Disclosure Act reports disclosing lobbying expenditures between \$80,000 and \$200,000 from lobbying Congress and a variety of federal agencies.⁷⁰ In fact, the EPA Inspector General included in its audit of CFA that CFA had an estimated a total of \$940,000 in direct lobbying costs from 1998 through 2002.⁷¹

The CFA Foundation has also been a regular recipient of grant dollars from the EPA. Since 1993, the CFA or CFA Foundation has received over \$8 million alone from the EPA. However, during the EPW Committee grants management oversight hearing held March 3, 2004, the OIG testified to the following:

“We have reported on EPA shortcomings in overseeing assistance agreements for over ten years. A particularly relevant example is a recent report in which we questioned \$4.7 million because the work was performed by an ineligible lobbying organization. EPA awarded the cooperative agreements to an associated organization but did not have any employees, space, or overhead expenses. In addition, the ineligible organization's financial management practices did not

⁶⁷Interview with EPA concerning Tides Center grant []-83167801, August 11, 2004.

⁶⁸See, <http://www.consumerfed.org>

⁶⁹See, Consumer Federation of America, IRS Form 990 filing for period ending 2003.

⁷⁰See, Consumer Federation of America, Lobbying Disclosure Act Report for 2003, 2002, 2001, 2000.

⁷¹OIG, Report No. 2004-4-00014, March 1, 2004, p.5.

comply with Federal regulations. The recipient did not adequately identify and separate lobbying expenses in its accounting records. As a result, lobbying costs may have been charged to the Federal projects.”⁷²

The OIG included its March 1, 2004 audit of the CFA with the its testimony which concluded with the following summary:

“In summary, the [CFA] Federation, a 501(c)(4) organization: (1) performed direct lobbying of Congress, and (2) received Federal funds contrary to the Lobbying Disclosure Act. Consequently, all the costs claimed and paid under the agreements are statutorily unallowable.”⁷³

EPA has advised EPW Majority Staff that it continues to work to resolve this issue with CFA and to develop a response to the OIG audit. EPA has also disclosed that the agency offices awarding the grants to CFA that were subject to the audit did not prepare solicitations for the grants nor subject the grants to competition with other potential applicants.

World Wildlife Fund

The World Wildlife Fund (WWF) describes its purpose as the “conservation of nature,” and describes its conservation work as focusing on three issues: “saving endangered species, protecting endangered habitats, and addressing global threats such as toxic pollution, over-fishing and climate change.” The WWF advocates for a wide variety of issues, such as opposing oil and gas development in the Arctic National Wildlife Refuge, strengthening the Endangered Species Act, advocating for global warming legislation, and arguing that the Bush Administration plans to eliminate millions of acres of national forests for road building, logging, and mining interests.⁷⁴

The WWF is a 501(c)(3) tax exempt non-profit organization. The WWF reports increasing end of the year net assets ranging from \$114 million for its tax filing in the period ending 1998 to \$146 million for 2003. During this same period the WWF reports receiving an increasing amount in direct public contributions from \$66.6 million for 1998 to \$79 million for 2003. The WWF also reports lobbying expenditures each year from 1998 to 2003 in amounts from \$121,138 to \$400,548.⁷⁵ The WWF reports making these expenditures lobbying Congress

⁷²*Grants Management at EPA Hearing: Statement of Melissa Heist.*

⁷³OIG, Report No. 2004-4-00014, March 1, 2004, p.6.

⁷⁴*See*, <http://www.worldwildlife.org>

⁷⁵*See*, World Wildlife Fund, IRS Form 990 filing for period ending 2003, 2002, 2001, 2000, 1999, and 1998.

and the Administration, including the Department of Interior, U.S. Forest Service, and the EPA.⁷⁶

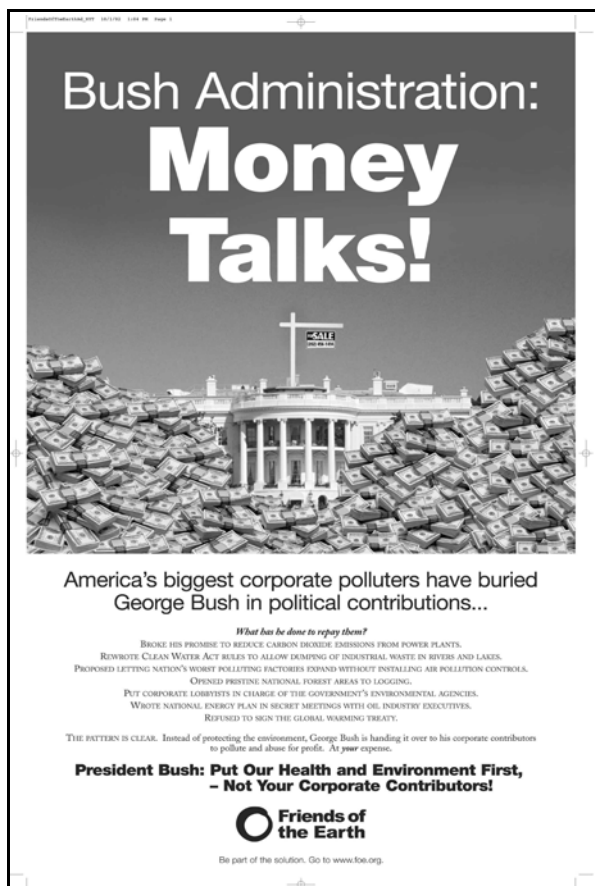
The WWF is also a regular recipient of government grants and reported receiving over \$20 million in government grants from 1998 to 2001. The WWF reported receiving government grants of over \$18 million in 2002 and over \$16 million in 2003 alone.⁷⁷ Since 1993, the WWF has received over \$1.6 million in EPA discretionary grants including the most recent ongoing EPA grant to the WWF for \$100,000. The EPA Office of Research and Development (ORD) awarded this grant to the WWF beginning May 2002 for the purpose of providing technical assistance to governmental departments of American Samoa to assess the impacts of climate change on coral reef systems. EPW Majority Staff interviewed EPA approving and project officers for this grant. Although this grant was awarded prior the EPA's discretionary grant competition, the ORD prepared a solicitation for this grant that was available from July 2001 to October 2001 on the EPA Web site and in the *Federal Register* and *Commerce Business Daily*. The ORD received twelve proposals that were evaluated by a panel consisting of representatives from the EPA, the National Oceanic and Atmospheric Administration, and Harvard University. EPA awarded grants to five of the twelve proposals. The WWF proposal begins with the foundation that global warming due to anthropogenic effects is causing damage to coral reefs among other detrimental effects. The EPA reported that part of the monitoring requirements WWF is to meet during the term of the grant is to submit periodic reports. In each grant quarterly reports prepared by WWF, the WWF reports working with local governmental departments sampling and conducting studies gathering information on the damage to coral reefs and associated species to ultimately recommend means to protect American Samoa's corral reefs. EPA officials anticipate the grant will conclude in 2005. EPW Majority Staff also asked EPA officers responsible for monitoring the grant whether grant management was sufficiently described in their job description and whether it is an area in which EPA measures their job performance. Interestingly, one EPA officer responded that since being assigned to ORD, both aspects were true. However, the same EPA officer responded that in previous assignments neither aspect was true.⁷⁸

⁷⁶See, World Wildlife Fund, Lobbying Disclosure Act Reports for years 2003, 2002, 2001, and 2000.

⁷⁷WWF, IRS Form 990 filings, *supra*.

⁷⁸Interview with EPA concerning WWF grant R-82980801, August 26, 2004.

Friends of the Earth



Friends of the Earth states its mission as the following: “Friends of the Earth defends the world and champions a healthy and just world.” Friends of the Earth is a group critical of the Bush Administration’s environmental record, suggesting that political contributors have solely determined the environmental agenda of the Bush Administration. The following publication is one of several featured on the Friends of the Earth Web site.⁷⁹

Friends of the Earth is represented by two organizations: Friends of the Earth, a 501(c)(3) organization, and Friends of the Earth Action, Inc., a 501(c)(4) organization.

Friends of the Earth has consistently reported end of year net assets between \$1 million and \$3 million in IRS filings for periods ending in 1998 through 2003. Over the same period, Friends of the Earth has reported receiving annual direct public contributions from \$3.5 million for 1999 to \$4.4 million for 2003. From 1999 to 2003, Friends of the Earth

also reported lobbying expenditures from \$29,433 to \$111,849. Friends of the Earth annual lobbying reports disclose these expenditures include lobbying Congress and the Administration, including the EPA.⁸⁰

Since 1999, Friends of the Earth has regularly reported it has received no government grants; however, it has received small federal grants from the EPA from 1993 to 1999 totaling about \$200,000. Like many other discretionary grants, EPA acknowledges that these grants likely were awarded without a public solicitation and without competition with other potential

⁷⁹See, <http://www.foe.org>

⁸⁰See, Friends of the Earth, Lobbying Disclosure Act Reports and IRS Form 990 filings for periods ending 2003, 2002, 2001, 2000, 1999, and 1998.

applicants.

World Resources Institute

The World Resources Institute describes itself as an independent non-profit organization and describes its mission is to “move human society to live in ways that protect Earth's environment and its capacity to provide for the needs and aspirations of current and future generations.”⁸¹ The World Resources Institute (WRI) is represented by two 501(c)(3) tax exempt non-profit organizations, the WRI and the World Resources Institute Fund.

The WRI board of directors consists of thirty-two members including representatives from fellow EPA grantee, the Natural Resources Defense Council, and the League of Conservation Voters. WRI describes its work as being, “concentrated on achieving progress toward four key goals:

- ▶ protect Earth's living systems
- ▶ increase access to information
- ▶ create sustainable enterprise and opportunity
- ▶ reverse global warming.”⁸²

In IRS reporting periods from 1998 to 2003, the WRI regularly reports end of the year net assets from \$46 million to \$57 million. During this same period the WRI reported receiving varying amounts of annual direct public contributions, from \$8.6 million for 1998, \$14.3 million for 1999, \$9.4 million for 2000, \$15.7 million for 2001, \$21.7 million for 2002, and \$9.3 million for 2003. WRI has also reported consistently receiving millions of dollars in government grants each year. WRI reported receiving \$3.2 million for 1998, \$2.4 million for 1999, \$2.9 for 2000, \$2.3 for 2001, \$3.4 for 2002, and \$2.7 for 2003.⁸³ The WRI is also a regular recipient of EPA grants, totaling around \$8,132,060 million awarded since 1993. All except \$575,000 of the total amount of grants awarded to WRI were awarded prior to the EPA competition policy. Additionally, all of the \$575,000 awarded since 2003 has been awarded in amounts under the competition policy threshold or were incremental amounts under already awarded original grants. Unless the awarding office within EPA for any of the grants within the \$8.1 million instituted its own competition policy, EPA acknowledges that all \$8.1 million was likely awarded without solicitation and competition with other potential recipients.

⁸¹See, <http://www.wri.org>

⁸²*Id.*

⁸³See, World Resources Institute, Internal Revenue Service Form 990 filings for periods ending 2003, 2002, 2001, 2000, 1999, 1998.

National Wildlife Federation

The National Wildlife Federation describes itself as “the nation's largest and oldest protector of wildlife.” The National Wildlife Federation is involved in various environmental issues and features a “Take Action” page on its Web site advocating for national global warming legislation and characterizing the Bush Administration as “ax[ing] protections for National Forests across the country.”⁸⁴

The National Wildlife Federation is represented by two organizations: the National Wildlife Federation, a 501(c)(3) organization, and the National Wildlife Action, a 501(c)(4) organization.

The National Wildlife Federation has reported varying annual end of the year net assets from \$33.8 million in its IRS filings for the period ending 2000 to \$6.7 million for 2003. During the same period, the National Wildlife Federation reports receiving direct public contributions from \$34.7 million for 1999 to \$37.9 million for 2003 with public contributions over \$40 million for 2001 and 2002. The National Wildlife Federation also reports consistent lobbying expenditures from \$140,000 to \$371,000 from 2000 through 2003.

The National Wildlife Federation has also reported regularly receiving government grants each year, with \$265,441 for 2000, \$214,811 for 2001, \$244,403 for 2002, and \$330,941 for 2003.⁸⁵ EPA reports that it has awarded the National Wildlife Federation approximately \$600,000 since 1994 all of which was awarded in grants which individually amounted to well under the EPA’s new discretionary grant competition policy threshold.

STAPPA - ALAPCO

STAPPA-ALAPCO is the combination of the State and Territorial Air Pollution Program Administrators, a 501(c)(3) organization, and the Association of Local Air Pollution Control Officials, a 501(c)(6) trade association. STAPPA-ALAPCO describes itself as the “two national associations that represent air pollution control agencies in 54 states and territories and over 165 major metropolitan areas across the United States.”⁸⁶

STAPPA-ALAPCO receives no direct public contributions, and according to the EPA, it receives all of its funding from EPA through government grants. STAPPA-ALAPCO created a “Secretariat” in 1980 and that has been receiving funding through Clean Air Act grants from the

⁸⁴See, <http://www.nwf.org/>

⁸⁵See, National Wildlife Federation, Internal Revenue Service Form 990 filings for periods ending 2003, 2002, 2001, and 2000.

⁸⁶See, <http://www.cleanairworld.org/>

EPA Office of Air and Radiation since that time.⁸⁷ These grants are exempt from the EPA competition policy because of an exemption for co-regulators.

STAPPA-ALAPCO has drawn the past criticism of Chairman Inhofe for its regular Congressional testimony supporting a variety of new EPA rulemakings. In his opening statement in an EPW Committee hearing in July 2002 concerning environmental regulations effecting military readiness, Inhofe stated:

“How many times has STAPPA-ALAPCO testified before Congress, and how many times were they opposing the streamlining of procedural paperwork....These groups of government bureaucrats invariably wind up testifying for bigger government and opposing smaller government.

To add insult to injury, not only are the salaries of these individual government employees paid with our tax dollars; quite often the groups themselves receive separate, additional, appropriated dollars to pay for the groups themselves and the activities of these groups. As I say, these activities almost invariably amount to lobbying for bigger government and more expenditures of our tax dollars with an emphasis not on better results but rather on more procedures.”⁸⁸

Pursuant to a resolution of member states, EPA calculates the individual shares of each member state and sets aside funds from Clean Air Act grant allocations for a state to fund STAPPA-ALAPCO. This method of EPA directly funding STAPPA-ALAPCO has drawn past criticism. For instance, language in the conference report for the 2001 Department of Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Bill directed EPA to withhold state and local grant funds at the national level to pay for activities or programs *only* if such activities are efforts that will benefit state and local air agencies, if the activities are the responsibility of state and local air agencies and if state and local air agencies have provided their concurrence.⁸⁹ A state is free to withdraw support from STAPPA-ALAPCO. Additionally, a state is now also free to support STAPPA-ALAPCO directly. In fact, not all states are currently members of STAPPA-ALAPCO. In response to an EPW Majority Staff request for the total amount of EPA grants awarded to the STAPPA-ALAPCO Secretariat over the period 1988-2003, EPA responded with a list of five grants for a total of \$6,190,830.

⁸⁷EPA has awarded grants to the STAPPA-ALAPCO Secretariat pursuant to the organization’s budget submission to the EPA every two years. EPA awards this funding through Clean Air Act grants authorized under 42 U.S.C. §§ 7403, 7405.

⁸⁸*The Range Readiness and Preservation Initiative of the Department of Defense: Hearing before the U.S. Senate Committee on Environment and Public Works, 107th Cong. (2002).* Opening statement of Senator James Inhofe.

⁸⁹*See, H.R. Conf. Rpt. No. 106-674, (2001).*

CONCLUSION

The EPA awards over half of its annual budget each year in grants. The GAO, OMB, and OIG have made various common criticisms of EPA grants management, including a lack of measurable environmental results, a lack of a measurable probability of success from the grants, no evaluation of reasonable costs in grants, and a general lack of oversight of EPA personnel and grantees. Although much of EPA's grant funding is provided in formula-based non-discretionary grants to state and local governmental entities, several hundred million dollars each year are awarded to discretionary recipients. For several years, the GAO, OMB, and OIG have criticized the management of these discretionary grants, in particular citing that EPA has often awarded these grants without widespread solicitation or competition with any other potential applicants. The GAO has argued that EPA oversight of discretionary grants has been particularly problematic especially of non-profit recipients. The OIG has even argued that this lack of competition in discretionary grants has given the appearance of years of preferential treatment in EPA discretionary grant awards. EPA has responded with new competition and oversight policies and a five-year grants management plan to cure the years of criticism of its overall grants program. This preliminary report confirms some of those criticisms in some individual discretionary grants and highlights some promising practices within the EPA to better manage and award discretionary grants.

However, this report also reveals the problem that EPA has consistently awarded discretionary grants to non-profit recipients that are either extremely politically involved or closely associated with politically involved groups. These grants have been awarded in large part without solicitation or competition with other applicants and may have received the least oversight from EPA. The example of the OIG audit of the Consumer Federation of America may be a discrete situation or may simply be one example of non-profit grant recipients taking advantage of past EPA grant oversight to potentially use funds for unintended purposes. In either case, however, EPA needs to be aware that it regularly subsidizes non-profit organizations with discretionary grant funding that are partisan or otherwise politically active. Of all new reforms in EPA grants management, reforms in discretionary grants can occur immediately due to fact they are just that - discretionary. EPA should include in its new culture of grant management a careful scrutiny of all the activities of discretionary grant applicants to absolutely ensure grant awards are being used for their intended purposes. In addition, and as important as ensuring allowable costs, the Administration should ensure that it is not being undermined by the other activities of its grants recipients and give equally careful scrutiny to the wide spectrum of political activity of some of its discretionary grant recipients before making awards.