

**STATEMENT OF
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BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON NATIONAL ECONOMIC GROWTH,
NATURAL RESOURCES, AND REGULATORY AFFAIRS COMMITTEE ON
GOVERNMENT REFORM AND OVERSIGHT
AND THE
UNITED STATES SENATE
SUBCOMMITTEE ON ENERGY RESEARCH, DEVELOPMENT,
PRODUCTION AND REGULATION
COMMITTEE ON ENERGY AND NATURAL RESOURCES**

May 20, 1999

Good afternoon, Mr. Chairman and members of the Subcommittees. Your letter of invitation asked OMB to discuss: (1) agency's plans to comply and its compliance to date with specific provisions relating to climate change in the 1999 Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act and the 1999 Foreign Operations, Export Financing, and Related Programs Appropriations Act and their associated reports; and (2) program performance measures for each line item increase in funding requested in the President's FY 2000 Budget. Before I turn to these specifics, however, I would note that since 1993 President Clinton has put into place dozens of win-win programs to develop and deploy energy efficient technologies and to spur the development and broader use of renewable energy. The Climate Change Technology Initiative - announced in the President's FY 1999 Budget - accelerates these efforts through a vigorous program of tax incentives and R&D investments. Together, these mutually reinforcing efforts constitute stage one of the President's plan, which seeks to lay a solid foundation for cost-effectively meeting the challenge of climate change. Other important elements of the President's plan include: moving forward with electricity restructuring; providing companies with real credit for early reductions in greenhouse gas emissions or increased carbon sequestration; establishing a set of working partnerships with key energy-intensive sectors including autos, home building, steel, chemicals, and forest products; substantially reducing the Federal Government's own greenhouse gas emissions; and proposing a \$1.8 billion scientific research program to improve our understanding of the forces that shape the Earth's climate.

COMPLIANCE WITH FEDERAL STATUTES AND REPORTS

On April 20, 1999, the President transmitted to the Congress a detailed account of Federal spending and performance goals for climate change programs and activities, both

domestic and international, as included in the President's FY 2000 Budget. This report was provided in response to Section 573 of the Foreign Operations, Export Financing, and Related Appropriations Act, 1999, as contained in the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, (Public Law 105-277), and Senate Full Committee Report 105-251, Treasury and General Government Appropriations Act, 1999. The report is also consistent with the goals embodied in Senate Full Committee Report 105-227, Department of the Interior and Related Agencies Appropriations Act, 1999 and, Conference Report 105-769, Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999, since it includes information on climate change programs from agency budget justifications sent to Congress earlier this year.

Generally, when Congress directs the President to provide it with a report, OMB fulfills the role of formulating the report for the President. With respect to climate change, Congress requested a number of reports in various FY 1999 appropriations statutes and reports. The Department of Energy and the Environmental Protection Agency were directed to provide Congress with specific reports on climate change. OMB's role was to coordinate the review of these reports. With respect to the Administration's government-wide report to Congress, OMB worked with the relevant agencies to collect information on funding and performance measures to include in the report. This report was presented to the President and transmitted to Congress.

We believe that this report provides Congress with a detailed account of FY 2000 Federal spending and performance goals for climate change programs, both domestic and international, in compliance with the above mentioned statutes and reports. The report identifies by agency and appropriation account programs related to climate change, describes the major domestic technology and science programs by sector or program element, explains proposed increases in funding over FY 1999 for major program areas, and summarizes program performance goals and objectives related to climate change. It is the most comprehensive summary of the full range of Federal spending on climate change-related programs available to date. Additional information on climate change programs is available in agency budget justifications submitted to Congress earlier this year. The following is a summary of the major components of the report.

Summary of Federal Climate Change Expenditures - FY 2000 Budget

The President's FY 2000 Budget proposes \$4,449 million, an increase of \$1,031 million over FY 1999 enacted, for spending programs and tax policies related to addressing climate change. This funding generally falls into four major program areas. Collectively, these areas provide a comprehensive approach to better understand and address the challenge of global climate change. The four program areas are:

Climate Change Technology Initiative. The Climate Change Technology Initiative (CCTI) is the cornerstone of the Administration's efforts to stimulate the development and use of renewable energy technologies and energy efficiency products that will help reduce greenhouse gas emissions. Many of the programs included in the initiative are expansions of programs that have been in existence for years and have enjoyed bipartisan support from Congress. Even if the threat of global warming did not exist, these programs make good sense as they help address other energy-related and environmental challenges

including reducing U.S. dependence on imported oil, diversifying U.S. domestic fuel and electricity supply systems, expanding U.S. exports of energy technologies, and reducing air pollution.

The FY 2000 Budget proposes \$1,368 million in discretionary spending for CCTI, an increase of \$347 million over FY 1999 enacted. Led by the Department of Energy (DOE) and the Environmental Protection Agency (EPA), the effort also includes the Department of Agriculture, the Department of Housing and Urban Development, and the National Institute of Standards and Technology.

The FY 2000 Budget also includes \$383 million as the first year of a proposed package of tax incentives to stimulate the adoption of energy efficient technologies in buildings, industrial processes, vehicles, and power generation. The specific details on the spending and tax incentives included as part of the CCTI are discussed in the report.

U.S. Global Change Research Program. The U.S. Global Change Research Program (USGCRP) seeks to provide a sound scientific understanding of both the human and natural forces that influence the Earth's climate system. Information produced by USGCRP scientists is used by national and international policy makers to make informed decisions on global change issues. This multi-agency scientific research program is coordinated through the National Science and Technology Council.

The FY 2000 Budget proposes \$1,787 million for the USGCRP, an increase of \$105 million over FY 1999 enacted. Of the amount requested, \$829 million is for scientific research and \$958 million is for NASA's development of climate monitoring satellites and ground-based observation systems. A complete explanation of the programs under the USGCRP, related funding, and key performance measures are discussed in more detail in the report.

International Assistance. International assistance programs support developing country efforts to address climate change through improvements in energy efficiency, renewable energy, land use, and forestry practices. The FY 2000 Budget proposes \$163 million, an increase of \$6 million over FY 1999 enacted, for climate change programs administered by the U.S. Agency for International Development and to support the Secretariat of the Framework Convention on Climate Change and the Intergovernmental Panel on Climate Change.

Other Climate-Related Programs. There are several programs proposed in the FY 2000 Budget that exist primarily for another purpose or have multiple environmental benefits, but also contribute to improving energy efficiency and reducing greenhouse gas emissions. These programs are not included under the Climate Change Technology Initiative, the U.S. Global Change Research Program, or as part of the international assistance component.

The programs identified in this category include EPA's new Clean Air Partnership Fund, DOE's Weatherization and State Energy Grant programs, DOE programs that promote coal and natural gas combustion and utilization and nuclear energy R&D, funding not included in CCTI that supports the Partnership for a New Generation of Vehicles initiative, and U.S. contributions to the Global Environment Facility (GEF). GEF funding helps address trans-border environmental problems like international water pollution, biological diversity conservation, and climate change. The Budget proposes \$748 million, an increase of \$190 million over FY 1999 enacted, for these programs. A complete description of the other climate-related programs are discussed in the report.

PROGRAM PERFORMANCE MEASURES

Regarding your question about program performance measures related to climate change, the details of how the performance measures were developed for specific programs administered by the Department of Energy and the Environmental Protection Agency will be addressed by Deputy Secretary Glauthier and Assistant Administrator Gardiner. I would like to say, however, a few words about OMB's role in implementing the Government Performance and Results Act (GPRA) and the requirement that agencies have performance measures in their annual plans.

As you know Mr. Chairman, August 1998 marked the fifth anniversary of the enactment of GPRA. The past five years have seen a remarkable transformation in our Federal Government. The Federal budget has gone from being \$255 billion in deficit for FY 1993 to a surplus of over \$117 billion in FY 2000. There has been a decrease in Federal spending from 22 percent of Gross Domestic Product (GDP) to less than 20 percent during the same period. Federal civilian employment has been cut by over 330,000, or approximately 15 percent, while at the same time overall employment in the private sector grew by over 18 million.

Fiscal discipline has been a major factor in this transformation and this era of fiscal prudence will surely continue. Having such limits means that there is an increased pressure to demonstrate that money is spent to good effect and to secure the results we intend. In the midst of this era, GPRA strategic and performance plans began to emerge on a government-wide basis. These plans provide us with a valuable tool for expanding the emphasis on program performance, program execution, and accountability.

OMB's effort to secure a successful implementation of GPRA has been extensive. Nearly every office within OMB is engaged to some degree in working with agencies as they prepare the plans and reports required by GPRA. We believe the agencies have made great progress in producing plans that are both used and useful, and that OMB's efforts have significantly helped toward this end. The strategic and annual performance plans submitted to Congress have met statutory requirements. However, this does not mean these plans cannot be further improved. The experience of other countries is that five or more years may be needed before performance management practices such as those envisioned by GPRA take full effect. OMB expects the revised and updated strategic plans, which agencies will be transmitting to Congress by September 2000, to be significantly improved over the initial strategic plans. The FY 2000 annual performance plans were, on the whole, markedly better than their FY 1999 counterparts, and OMB expects further improvement in the FY 2001 annual plans.

I would point out that the President's report to Congress does include key performance goals formulated by the agencies for programs included in the Climate Change Technology Initiative, the U.S. Global Change Research Program, and the international assistance programs related to climate change. In many cases, these performance goals are discussed in more detail in agency budget justifications and annual plans submitted to Congress earlier this year. A few of the climate change performance goals are also included in the FY 2000 Government-wide plan. The report did not include performance measures for the several programs listed in the other climate-related category because these programs exist primarily for another purpose or have multiple environmental benefits, and may not have performance goals related to climate change.

In closing Mr. Chairman, I would like to reiterate what other Administration witnesses have said over the past year about proposed increases in the Climate Change Technology Initiative and other related spending on programs that help reduce greenhouse gas emissions. The Administration has no intention of implementing the Kyoto Protocol prior to ratification with the advice and consent of the Senate. Even if the threat of global warming did not exist, the Administration believes that these programs make good sense because they help our country address other energy-related and environmental challenges.

I will be pleased to answer any questions members may have.

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