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The Honorable Tillie K. Fowler  
Chairman, Subcommittee on Oversight,  
Investigations, and Emergency Management  
Committee on Transportation and Infrastructure  
House of Representatives

Subject: Environmental Protection: Grants for International Activities and Smart Growth

Dear Madam Chairman:

The Environmental Protection Agency (EPA) relies heavily on activities funded by grants to states, local governments, universities, nonprofit organizations, and foreign countries and organizations in carrying out its mission of protecting human health by safeguarding the natural environment. In fiscal year 1999, EPA used about \$3.7 billion of its \$7.8 billion overall budget to provide grants. The grants cover a wide range of activities, including international activities and "smart growth" activities.<sup>1</sup> Grants for international activities address environmental issues of concern to both the United States and foreign countries, while smart growth grants fund projects that influence urban development patterns in a way intended to minimize the negative environmental impacts of urban growth.

You requested that we provide information on (1) the number, dollar amount, and recipients of international and smart growth grants; (2) the purposes of and the activities pursuant to the grants; and (3) the statutory bases that EPA cites for awarding these grants.

### **Results in Brief**

For fiscal years 1997 through 1999, EPA awarded approximately \$10.7 million for 73 international activities grants and \$6.2 million for 65 smart growth grants. Numerous foreign countries and organizations involved in economic development and environmentally related matters received international activities grants. Most smart growth grants were awarded to nonprofit organizations, public colleges,

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<sup>1</sup> For the purpose of this report, the term *grants* includes both grants and cooperative agreements. Grants provide organizations with financial assistance to carry out programs without substantial federal involvement. Cooperative agreements provide financial assistance with substantial federal involvement.

municipalities, or special purpose districts, such as a regional planning district for a metropolitan area.

The international grants supported a variety of activities, including the training of foreign environmental professionals and the collection and dissemination of environmental information. For example, EPA provided the World Health Organization with about \$1 million in grant funds to develop research information on the effects of chemicals on the environment. The smart growth grants that we reviewed were focused on the environmental impacts of urban development through means such as establishing an organization of government officials and other groups to gather and disseminate information on smart growth.

EPA often cited two or more statutes in the grant award documents as a basis for awarding each international and smart growth grant. EPA officials stated they did this partially because multiple benefits—such as clean air or clean water, which are covered by different statutes—could be linked to the assistance from the grants. The grant award documents for nearly all of the international activities grants cited statutes such as the Clean Air Act or Clean Water Act supplemented by the National Environmental Policy Act, which authorizes EPA to lend appropriate international support. Smart growth grants cited up to five statutes as a basis for the grant awards.

## **Background**

EPA awards grants for specific dollar amounts for activities to be accomplished within a specified time period, and the legal authority for each grant award is cited in the grant award documents. Grant awards may be amended to increase the dollar amount, change the time period for completion, or modify the scope of activities for the grant. Within EPA, major offices, such as the Office of Air and Radiation, generally address an environmental area such as air pollution. Contained within these major offices are individual program offices, such as the Office of Atmospheric Programs, which address specific aspects of the environmental area. In addition, EPA has 10 regional offices, which assist in the implementation of various programs. Both headquarters offices and regional offices may award grants. EPA does not have an individual program office that is responsible for awarding all grants for either international activities or smart growth. Instead, these grants are awarded by the various program and regional offices.

## **International Activities and Smart Growth Grants Awarded From Fiscal Year 1997 Through Fiscal 1999**

From fiscal year 1997 through fiscal 1999, EPA issued 73 international grants totaling \$10.7 million. (See table 1.) EPA entered into agreements with other federal agencies under which the other agencies shared in funding some of the grants. Of the \$10.7 million total, EPA received or will receive \$4.8 million through appropriation transfers or reimbursements from other agencies, such as the U.S. Agency for International Development. The dollar value of these grants ranged from \$3,000 to \$1.1 million and averaged about \$150,000.

**Table 1: Number and Dollar Amount of International Grants, Fiscal Years 1997-99**

<b>Year</b>	<b>Number of grants</b>	<b>Dollar value of grants*</b>
1997	23	\$4,326,000
1998	24	4,313,000
1999	26	2,049,000
<b>Total</b>	<b>73</b>	<b>\$10,688,000</b>

\*Dollar values represent all funds awarded for grants that were initially awarded in the year indicated and include amended amount increases in subsequent years.

Source: EPA's automated financial and grant data systems.

According to officials of EPA's Office of International Activities, international grants are issued by their office and by several other EPA program and regional offices for a variety of activities. The Office of International Activities reviews international grant proposals by other offices for quality purposes and to avoid duplication. However, the grants are awarded on the basis of the needs and priorities of the individual program offices within EPA. Grants for international activities were awarded by 17 EPA offices, and the Office of International Activities funded the largest dollar amount—\$4.1 million of the \$10.7 million. Sixteen other offices also awarded international activities grants, including the Office of Research and Development, which funded \$1.3 million, and the Office of Program Planning and Evaluation, which provided a total of \$1.1 million. Twelve of the 73 international grants that EPA identified received funding from more than one EPA office.

Numerous countries and a variety of organizations involved in economic development and environmentally related matters received the grants. The majority of funding—about \$7.2 million encompassing 44 grants—went to organizations in Europe, such as the Organization for Economic Cooperation and Development. Of this, about \$4 million was awarded to organizations in Eastern Europe, such as the Regional Environmental Center for Central and Eastern Europe—a nonprofit organization located in Hungary—and about \$3.1 million was awarded to organizations in other European countries. Another \$1.2 million was awarded to organizations in Latin America and the Caribbean, such as the Mexican Sustainable Development Network.

EPA officials identified a total of 65 grants, involving approximately \$6.2 million that the agency awarded for smart growth activities from fiscal year 1997 through fiscal 1999, as shown in table 2. The dollar value of these grants ranged from \$5,000 to \$490,000, and averaged about \$95,000.

**Table 2: Number and Dollar Amount of Smart Growth Grants, Fiscal Year 1997 Through 1999**

<b>Fiscal year</b>	<b>Number of grants</b>	<b>Dollar value of grants*</b>
1997	14	\$1,583,000
1998	22	2,432,000
1999	29	2,176,000
<b>Total</b>	<b>65</b>	<b>\$6,191,000</b>

\*Dollar values represent all funds awarded for grants that were initially awarded in the year indicated and include amended amount increases in subsequent years.

Source: EPA's automated financial and grant data systems.

As with international grants, smart growth grants were issued by a variety of offices rather than a single, established program. Officials of EPA's Office of Policy, the lead office for the smart growth initiative, described the smart growth effort as an approach rather than a program. While the smart growth initiative is not a formal program, the Office of Policy awarded grants for the initiative to specifically gather and disseminate information on smart growth. The Office of Policy issued 15 of these grants valued at \$1.6 million from fiscal year 1997 through fiscal 1999. In addition, other EPA offices issued grants for smart growth activities but not for the smart growth initiative. These grants addressed the priorities of the program office issuing the grant, and, according to an official of EPA's Office of Policy, likely would not have been specifically for the smart growth initiative. For example, the grants from a separate program that provided development grants—Sustainable Development Challenge Grants—for \$2.9 million were identified by the EPA as smart growth funds because these grants addressed urban development patterns in an environmentally beneficial way. Most smart growth funds were awarded to nonprofit organizations, for a total of \$4.2 million. Public colleges were awarded \$647,000; municipalities, \$344,000; and special purpose districts, \$426,000.

### **International Grants Were Awarded For Various Environmental Activities, and Smart Growth Grants Focused on Urban Development Activities**

The international grants that we reviewed were awarded for a variety of purposes, such as assessing the effects of chemicals on the environment and funding an international exchange of U.S. local officials involved in environmentally beneficial urban-planning practices in Europe. The smart growth grants that we reviewed focused on the environmental impacts of urban development through such means as establishing a nationwide network to promote smart growth or on information gathering and dissemination.

#### International Grants

The eight grants that we reviewed in detail were for a variety of purposes, and in some cases, multiple purposes were pursued under the same grant agreement. The following examples of these grants demonstrate the diversity of grant purposes:

- EPA awarded grants totaling about \$1.1 million to the Regional Environmental Center for Central and Eastern Europe, located in Hungary. The Center is a partnership of donors and Central and Eastern European countries. Since 1997, EPA provided \$200,000 and the Agency for International Development contributed about \$900,000. Awarded in September 1997, the grant was to support several objectives, including improving the technical capabilities of environmental stakeholders in the region and developing and disseminating environmental information to policymakers and other interested parties. For example, the Center was to organize and conduct a series of workshops for non governmental organizations on the preparation, implementation, and management of environmental projects. In addition, the Center was to expand library collections on key Central and Eastern European environmental topics, improve cooperation with other information resource centers, and enhance the Center's Internet services.
- In September 1998, EPA's Office of Research and Development awarded a 5-year research grant to the World Health Organization for wide-ranging support of its International Program on Chemical Safety. Through the International Program on Chemical Safety, the Organization evaluates and disseminates information on the effects of chemicals on human health and the quality of the environment. EPA has awarded about \$1 million to this effort for activities including a meeting of international pesticides experts for developing international standards on appropriate pesticide residue limits in food.
- A July 1998 grant to the Toronto-based Waterfront Regeneration Trust supported professional development of U.S., state, and local officials involved in redeveloping abandoned industrial properties known as Brownfields. EPA funded \$138,750 for this grant as of fiscal year 1999. Specifically, the grant funds were for organizing an exchange program in which officials from U.S. cities would (1) study Brownfields redevelopment projects utilizing best practices in the United Kingdom, Germany, Canada, and the Netherlands and (2) on the basis of information gained during the exchange, prepare a redevelopment plan for a selected case study site in the United States. In addition, the grant was for supporting a series of Brownfields workshops addressing international experiences on the role of parks and open spaces and for publishing Brownfields materials.
- In September 1999, EPA provided the Mexican Sustainable Development Network with a grant of \$280,000. The Network is an organization of government agencies, businesses, and groups that works in cooperation with the Mexican Ministry of Environment, Natural Resources, and Fisheries. The objective of the grant is to help Mexico assess, and eventually address, its contribution to global climate change. Funded activities included an updated assessment of Mexico's greenhouse gas emissions; an assessment of land use changes, including deforestation, on the greenhouse gas emissions; and training for environmental professionals.

### Smart Growth

In contrast to EPA's international grants, which were for a variety of environmental activities, the smart growth grants awarded by the Office of Policy focused on conducting research and disseminating information on ways to encourage environmentally sensitive urban growth patterns, in part, through the establishment of a confederation of groups and policymakers known as the Smart Growth Network. Efforts to establish the Smart Growth Network included grants to the International City/County Management Association (ICMA), which serves as the professional and educational association for administrators in local governments and others involved in land development. Two examples of grants involving the Smart Growth Network's activities follow:

- With a grant of \$488,000 first issued in May 1997, ICMA established the Smart Growth Network, a membership organization comprising government agencies, businesses, and citizens to promote environmentally beneficial urban growth patterns. Under this grant, ICMA began recruiting Smart Growth Network members, establishing and maintaining a membership list, and managing the day-to-day administration of the Network. The activities of the Network include conducting research on the cleanup and reuse of contaminated properties, maintaining a clearinghouse of information on the reuse of abandoned industrial properties, producing and disseminating various publications on the topic of Smart Growth, and providing Smart Growth Network Members with information and problem-solving tools. ICMA is also responsible for producing a Smart Growth Network newsletter and responding to information requests.
- EPA also awarded a \$155,000 grant to the Urban Land Institute to establish a working partnership with Smart Growth Network members. To achieve this, the Institute conducted three annual "partners for smart growth" conferences. Conducting the conferences included contracting for facilities; publicizing conferences; managing registrations; and, with EPA and other Smart Growth Network members, establishing conference agendas. The Institute was also to conduct smart growth training workshops, and provide Smart Growth Network members with technical and other assistance.

Beyond direct efforts to establish the Smart Growth Network, the Office of Policy's smart growth grants that we reviewed funded a combination of research, public outreach, and education on smart growth approaches related to urban development. Organizations receiving grants for these purposes include the National Neighborhood Coalition—a national umbrella organization for community-based organizations, and the Natural Resources Defense Council—an environmental organization. Two examples of these grants follow:

- In July 1999, EPA provided the National Neighborhood Coalition with a \$50,000 grant to promote the involvement of low-income communities and community-based organizations in promoting the development of abandoned urban properties. The primary focus of this effort was for identifying neighborhood

organizations that have addressed environmental issues as a part of low-income neighborhood development and to document and disseminate their experiences. With the funding, the Coalition will produce a best-practices handbook on noteworthy case studies, on the basis of a review of literature, community forums, and interviews. Subsequent to the written report, the Coalition will hold a series of local meetings to communicate the research findings to neighborhood groups.

- In April 1999, EPA provided the Natural Resources Defense Council with a grant of \$50,000 to pursue four objectives over several years. Under the agreement, the Natural Resources Defense Council would (1) evaluate the environmental impacts of “new urbanism”, a development method emphasizing close location of retail, commercial, and residential uses and pedestrian-friendly neighborhoods; (2) examine the benefits of combining energy-efficient building design with smart growth; (3) review the environmental benefits of transit-oriented compact commercial developments; and (4) undertake a program of public education regarding the environmental benefits of smart growth. The results of these efforts will be a series of reports on each objective, as well as a series of conference presentations, speaking engagements, and published articles on smart growth.

#### **Statutory Basis Cited by EPA for International Activities and Smart Growth Grants**

In the grant award documents, EPA cited a broad range of statutory authorities as justification for the 73 international and 65 smart growth grants included in our review. Fifty-three international grants cited the National Environmental Policy Act and at least one other statute as their authorities. EPA cited the Clean Water Act and the Clean Air Act as the most frequent bases for the smart growth grants.

As table 3 indicates, EPA based its authority for international and smart growth grants on a variety of laws that the agency administers, including the Clean Water Act and the Safe Drinking Water Act. EPA cited two or more of these statutes for 54 international and 26 smart growth grants. According to agency officials, this reflects the fact that international and, particularly, smart growth grants can affect more than one environmental area.

**Table 3: Statutory Authority for International Activities and Smart Growth Grants**

<b>Statutory citation</b>	<b>Number of international grants citing section</b>	<b>Number of smart growth grants citing section</b>
Toxic Substances Control Act, section 10	12	0
Solid Waste Disposal Act, section 8001	22	19
Clean Water Act, section 104	31	43
Safe Drinking Water Act, section 1442	11	6
Comprehensive Environmental Response, Compensation, and Liability Act, section 311	1	2
Clean Air Act, section 103	48	44
National Environmental Policy Act of 1969, section 102	53	1
All others	7	4

Source: EPA's automated grant data system.

The statutory basis cited in the grant award documents for the international grants consisted of one or more of the statutes in table 3, depending on the environmental area that the grants addressed. Fifty-three of EPA's international grants also cited section 102 of the National Environmental Policy Act. Specifically, this section states that the federal government shall "recognize the worldwide and long-range character of environmental problems and, where consistent with the foreign policy of the United States, lend appropriate support to initiatives, resolutions and programs designed to maximize international cooperation in anticipating and preventing a decline in the quality of mankind's world environment."

According to EPA officials, the smart growth initiative and smart growth grants are based on a variety of existing statutes, but there is no statute specifically addressing smart growth. As an official explained, smart growth seeks the environmentally friendly development and revitalization of abandoned and possibly contaminated urban properties. Consequently, the patterns of development encouraged by smart growth can have clean air and clean water benefits and lead to the cleanup and reuse of properties contaminated with toxic wastes. Thus, EPA's grant award documents cite the Clean Air Act or the Clean Water Act, for example, as the statutory basis for the grant. A decision memorandum documenting a program office's recommendation for award includes, among other things, a summary of the statutory authority for the grant. The decision memoranda of seven of the eight smart growth grants that we reviewed in detail indicated that multiple statutes had general language applicable to the grants. For example, two stated that "EPA has at least ten laws containing grant authorities, many of which can be used in this program" and another cited "several statutes including the Clean Air Act, the Clean Water Act, and the Solid Waste Disposal Act."

While we did not assess whether the statutory basis cited by EPA for its grants was appropriate, we noted that in EPA's review of the International City/County Management Association's grant proposal to establish and maintain a membership program for the smart growth network, EPA's Office of General Counsel stated that the authority might be questionable. EPA's funding for this grant included \$68,000 from the Superfund program. However, as noted by EPA's Office of General Counsel,



the grant proposes research that is not explicitly authorized in the Superfund program's authorizing legislation.<sup>2</sup> EPA's Office of General Counsel concluded that the analysis of environmentally sound redevelopment opportunities could be construed as research with respect to the effects and risks of hazardous substances on human health but that this view had vulnerability. The Office of General Counsel thus advised the program office to seek explicit statutory authority for the type of activities in the grant proposal. The program office approved the grant, stating that it accepted the risk that the grant might be questioned. According to EPA officials, this caveat is not unique to this grant. They said, for example, that the caveat is included in paperwork for nearly all of EPA's Brownfields grants.

### **Agency Comments**

We provided EPA with a draft of this report for review and comment. We met with officials of from EPA's Office of International Activities and EPA's Office of Policy and Reinvention, which manage the smart growth effort. The officials stated that they generally agreed with the facts presented in the report. The officials representing the Office of Policy and Reinvention stated that the caveat regarding the statutory basis of one of the smart growth grants is a standard caveat that is used in other grants as well. We added language to the report clarifying that such a caveat was not unique to this one grant. The officials suggested a number of other technical corrections and clarifications, which we incorporated into the report as appropriate.

### **Scope and Methodology**

To obtain information on the number and dollar amount and recipients of international and smart growth grants, the grant purposes and activities, and the statutory basis on which EPA awarded these grants, we analyzed information from EPA's automated data systems for fiscal years 1997 through 1999. Our universe of international activities grants included all grants awarded by EPA's Office of International Activities and grants from other EPA offices for which the grantee was located in a foreign country. Officials from EPA's Office of Policy identified the universe of smart growth grants. Our universe included grants initially awarded during fiscal years 1997 through 1999, and if the dollar amount of these initial grants were amended, the amended amounts were added to the initial award amount. To obtain information on grant purposes and activities, we reviewed eight international grants and eight smart growth grants in detail. This review involved examining grant files and discussing the grants with EPA officials directly responsible for the grant. We identified the statutory authorities that EPA used to award the grants by reviewing the information contained in individual grant files and in EPA's automated data systems. We did not assess EPA's determinations regarding the applicability of the statutory authorizations.

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<sup>2</sup> The Superfund program's authorizing legislation—The Comprehensive Environmental Response, Compensation, and Liability Act—authorizes “research with respect to the detection, assessment, and evaluation of the effects on and risks to human health of hazardous substances and detection of hazardous substances in the environment.”

We discussed the contents of this report with EPA officials from the Office of International Activities, Office of Policy, and Office of Grants and Debarment. On the basis of our discussions, we made revisions, where appropriate, to clarify the content of this report. Our work was conducted from January through March 2000 in accordance with generally accepted auditing standards.

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We are sending copies of this report to the Honorable Carol M. Browner, EPA Administrator, and other interested parties. We will make copies available to others upon request. Please contact me at (202) 512-6111 if you or your staff have any questions. Key contributors to this report were Neal Gottlieb, Michael Hartnett, James Hayward, Odell Pace, and John Wanska.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'D. G. Wood', with a stylized flourish at the end.

David G. Wood  
Associate Director, Environmental  
Protection Issues

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