300

Natural Resources and Environment

Budget function 300 supports programs administered by the Army Corps of Engineers, the Department of Agriculture, the Department of the Interior, the Environmental Protection Agency, and the Department of Commerce's National Oceanic and Atmospheric Administration. Those programs involve water resources, conservation, land management, pollution control, and natural resources. CBO estimates that discretionary outlays for function 300 will total $28 billion in 2003. Since 1990, spending under this function has increased almost every year.

Federal Spending, Fiscal Years 1990-2003 (In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Estimate 2003
Budget Authority (Discretionary)	18.6	19.6	21.3	21.4	22.4	20.4	20.6	22.4	23.4	23.8	24.6	29.1	29.6	29.1
Outlays														
Discretionary	17.8	18.6	20.0	20.1	20.8	21.9	20.9	21.3	21.9	23.6	25.0	26.0	28.6	28.1
Mandatory	-0.7	*	*	0.2	0.2	*	0.6	-0.1	0.4	0.3	0.1	-0.3	0.8	1.0
Total	17.1	18.6	20.0	20.2	21.0	21.9	21.5	21.2	22.3	24.0	25.0	25.6	29.5	29.1
Memorandum: Annual Percentage Change in Discretionary Outlays	n.a.	4.5	7.7	0.2	3.7	5.4	-4.6	1.7	3.0	7.9	5.7	3.9	10.3	-1.8

Note: * = between -$50 million and zero; n.a. = not applicable.

300-01—Discretionary

Increase Net Receipts from National Timber Sales

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Savings							
Budget authority	78	80	83	86	89	416	909
Outlays	76	80	82	85	88	411	899

The Forest Service (FS) manages federal timber sales from national forests. The spending necessary to make those sales in some cases exceeds the receipts paid to the government. As a result, questions have arisen about whether those sales should be made.

In 1998, the FS sold roughly 3 billion board feet of public timber. Purchasers may harvest the timber over several years and pay the FS upon harvest. The total 1998 harvest, 3.3 billion board feet, represented a plateau following a decline in volume over previous years. According to the FS's *Forest Management Program Annual Reports*, in recent years, the FS spent more on the timber program than it collected from companies harvesting the timber. In 1998, the expenses for the program reported by the FS exceeded the receipts by about $126 million. (Because of new depreciation procedures associated with road costs, 1998 figures are not directly comparable with those for prior years.) In calculating expenses, the FS excluded receipt-sharing payments to states. With such payments included, expenses exceeded receipts by more than $338 million (or more than 60 percent) in 1998.

The FS does not maintain the data needed to estimate the annual receipts and expenditures associated with each individual timber sale. Therefore, it is hard to determine precisely the possible budgetary savings from phasing out all timber sales in the National Forest System for which expenditures are likely to exceed receipts. To illustrate the potential savings, however, this option estimates the reduction in net outlays in the federal budget from eliminating all future timber sales in five National Forest System regions for which expenditures significantly exceeded receipts in 1997 and 1998.

In those five regions (the Northern, Rocky Mountain, Southwestern, Intermountain, and Alaska regions), cash expenditures exceeded cash receipts by at least 30 percent in 1997 and 1998. Eliminating all future timber sales from those regions would reduce the FS's outlays for 2004 by $76 million and by $411 million for the 2004-2008 period.

Timber sales for which spending exceeds receipts have several potential drawbacks in addition to their federal costs. They may lead to excessive depletion of federal timber resources and the destruction of roadless forests that have recreational value.

Potential advantages of those sales include mitigating forest stewardship costs and bringing stability to communities dependent on federal timber for logging and related jobs. Timber sales also provide access to the land —as a result of road construction—for fire protection and recreational uses.

RELATED OPTIONS: 300-03, 300-04, and 300-07; Revenue Option 26

300-02—Discretionary

Eliminate Federal Grants for Water Infrastructure

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Savings							
Budget authority	1,082	1,654	2,816	2,874	2,938	11,364	27,055
Outlays	54	245	713	1,387	2,081	4,480	18,477

The Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA) require municipal wastewater and drinking water systems to meet certain performance standards to protect the quality of the nation's waters and the safety of its drinking water supply. The CWA provides financial assistance so communities can construct wastewater treatment plants that comply with the act's provisions. The 1996 amendments to the SDWA authorized a state revolving loan program for drinking water infrastructure. For 2003, the Congress appropriated about $2.6 billion for the Environmental Protection Agency's (EPA's) programs for wastewater and drinking water infrastructure. Phasing out all of EPA's funding of water facilities over three years would save $54 million in outlays in 2004 and $4.5 billion through 2008.

Title II of the CWA provides for grants to states and municipalities for constructing wastewater treatment facilities. As amended in 1987, the CWA phased out title II grants and authorized a new grant program under title VI to support state revolving funds (SRFs) for water pollution control. Under the new system, states continue to receive federal grants, but now they are responsible for developing and operating their own programs. For each dollar of title VI grant money a state receives, it must contribute 20 cents to its SRF. States use the combined funds to make low-interest loans to communities for building or upgrading municipal wastewater treatment facilities. Although authorization for the SRF program under the CWA has expired, the Congress continues to provide annual appropriations for grants.

As amended in 1996, the SDWA authorizes EPA to make grants to states for capitalizing revolving loan funds for treating drinking water. As with the CWA's wastewater SRF program, states may use those funds to make low-cost financing available to public water systems for constructing facilities to treat drinking water. In 2003, the Congress appropriated $850 million for capitalization grants for drinking water SRFs.

Proponents of eliminating federal grants to water-related SRFs say such grants may encourage inefficient decisions about water treatment by allowing states to lend money at below-market interest rates, which in turn could reduce incentives for local governments to find less costly alternatives for controlling water pollution and treating drinking water. Proponents also argue that federal contributions to wastewater SRFs were originally viewed as a temporary step on the way to full state and local financing and that they may have replaced, rather than supplemented, state and local spending.

Opponents of such cuts argue that the need for investments to replace aging infrastructure, reduce health threats in drinking water (from cryptosporidium, for example), and protect the nation's waters (from sewer overflows, for example) is so large that federal aid should be increased, not reduced. They say that water systems in many small and economically disadvantaged communities will be unable to maintain service quality and comply with the CWA's and SDWA's new and forthcoming requirements without external assistance and that states cannot supply all of the needed funding. They further argue that eliminating the federal grants would mean that even many large systems, which tend to have lower costs because of economies of scale, would have to charge rates that would pose significant hardships for low- and moderate-income households.

RELATED OPTIONS: 300-02 and 450-01

RELATED CBO PUBLICATIONS: *An Analysis of Future Investment in Water Infrastructure*, October 2002; and *The Economic Effects of Federal Spending on Infrastructure and Other Investments*, June 1998

300-03—Mandatory

Reauthorize Holding and Location Fees and Charge Royalties for Hardrock Mining on Federal Lands

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Added Receipts	25	25	25	25	25	125	250

The General Mining Law of 1872, which originally supported the policy of encouraging settlement of the American West, governs access to hardrock minerals—including gold, silver, copper, and uranium—on public lands. Unlike producers of fossil fuels and other minerals from public lands, miners do not pay royalties to the government on the value of hardrock minerals that they extract. Instead, under the mining law, holders of more than 10 mining claims on public lands pay an annual holding fee of $100 per claim, and claimholders pay a one-time $25 location fee when recording a claim. However, authorization for the federal government to collect the holding and location fees expires in 2003.

Estimates place the current gross value of the production of hardrock minerals at about $600 million annually (excluding claims with patent applications in process). That sum has diminished greatly in recent years because of patenting activity. (In patenting, miners gain title to public lands by paying a one-time fee of $2.50 or $5.00 an acre.) This option would reauthorize the current holding and location fees. It assumes that such fees would be recorded as offsetting receipts to the Treasury (they are currently counted as offsetting collections to appropriations). The option also includes an 8 percent royalty that the Congress could impose on producers of hardrock minerals from public lands. That royalty would apply to net proceeds (defined here as revenues from sales minus costs for mining, separation, transportation, and other items).

Total budgetary receipts from those actions would be $25 million in 2004 and $125 million over the 2004-2008 period. Of that total, the reauthorization of holding and location fees would account for about $100 million and royalty collections for about $25 million. Those estimates assume that states in which the mining takes place would receive 10 percent of the gross royalty receipts. They also assume that no further patenting of public lands would occur. (In comparison, royalties based on gross proceeds would raise more money. In general, the costs of administering any royalty based on net proceeds could exceed those for a royalty based on gross proceeds.)

People in favor of this option—including many environmental advocates—argue that low holding fees and no royalties make producing minerals on federal lands less costly than on private lands (where the payment of royalties is the rule). That policy, they contend, encourages overdevelopment of public lands, which may cause severe environmental damage. Reforming the law could promote other uses of those lands, such as recreation and wilderness conservation.

Opponents of this option would argue that without free access to public resources, miners—especially small ones—would limit their exploration for hardrock minerals in this country. In addition, they might argue, royalties would diminish the profitability of many mines, leading to scaled-back operations or closure and adverse economic consequences for mining communities in the West. Because many mineral prices are set in world markets, miners would be unable to pass along new royalty costs to consumers.

RELATED OPTIONS: 300-01, 300-04, and 300-07; Revenue Options 22 and 23

RELATED CBO PUBLICATIONS: *Reforming the Federal Royalty Program for Oil and Gas,* November 2000; *Alternative Proposals for Royalties on Hardrock Minerals*, May 4, 1993; and *Review of the American Mining Congress Study of Changes to the Mining Law of 1872*, April 1992

300-04

Set Grazing Fees for Federal Lands on the Basis of State Formulas

						Total	
(Millions of dollars)	2004	2005	2006	2007	2008	2004-2008	2004-2013
Added Receipts	5	16	20	22	23	86	159

Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

The federal government owns and manages just over 630 million acres of public lands, which have many purposes, including providing grazing for privately owned livestock. Cattle owners compensate the government for using the lands by paying grazing fees, but the fees may not give the public a fair return.

The Forest Service and the Bureau of Land Management (BLM) administer grazing on public rangelands in the West. In 2001, ranchers were authorized to use about 16 million animal unit months (AUMs)—a standard measure of forage—for grazing on those lands.

In 1990, the appraised value of public rangelands in six Western states varied between $5 and $10 per AUM. A 1993 study indicated that the Forest Service and BLM spent $4.60 per AUM in that year to manage their rangelands for grazing. The 1993 fee, however, was $1.86 per AUM. Thus, the current fee structure may be well below market rates and also below the federal costs of administering the program. (The current fee is $1.35 per AUM.)

The Public Rangelands Improvement Act of 1978 established the current formula for grazing fees. It uses a 1966 base value of $1.23 per AUM and makes adjustments to account for changes in beef cattle markets and in markets for feed, fuel, and other production inputs. The Congress has considered various proposals to increase grazing fees. The increase in federal receipts resulting from any such proposal depends on the degree to which ranchers reduce their use of AUMs in response to higher fees.

This option would determine grazing fees for federal lands in each state the same way the particular state determines grazing fees on state-owned lands. The government would implement this option over 10 years as existing permits expired. Added receipts in 2004 would be $5 million, and added receipts through 2008 would total $86 million. Those estimates are net of additional payments to states, which would total roughly $29 million in the 2004-2008 period. The estimates do not include any additional appropriations for range improvements that could result from added receipts.

Proponents of this option believe that the low fees subsidize ranching and contribute to overgrazing and deteriorated range conditions. They support the approach of following decisions made at the state level and reject the one-size-fits-all nature of the current federal fee. State grazing fees and the means of calculating them vary widely by state and sometimes even within a state. Supporters of this option also point out that states' interest in the revenue received from both state and federal fees lessens any incentive to manipulate state fees to lower federal fees.

Opponents of this option note that state rangelands may be more valuable than federal lands for grazing purposes. Therefore, some formulas used by states to establish fees may not reflect those differences in quality and conditions of use when applied to federal lands. Opponents could also argue that the administrative costs of using different procedures to set federal grazing fees in each state would be higher than those incurred under the current uniform federal fee structure. (This option does not consider possible differences in administrative costs.)

RELATED OPTIONS: 300-01, 300-03, and 300-07

300-05

Recover Costs Associated with the Issuance of Permits by the Army Corps of Engineers

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Added Receipts	10	20	21	21	22	94	217

Note: This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

The Army Corps of Engineers administers laws pertaining to the regulation of the nation's navigable waters. Section 10 of the Rivers and Harbors Act of 1890 requires the Corps to issue permits for work that would affect navigable waters or materials around those waters. Section 404 of the Clean Water Act requires the Corps to issue permits for dredging or placing fill material in navigable waters. In 2001, the Corps received about 85,000 permit applications. By increasing fees for permits issued under sections 10 and 404, the Corps could recover a portion of its annual regulatory costs. Imposing cost-of-service fees on commercial applicants would generate $10 million in receipts in 2004 and $94 million through 2008.

Section 404 grew to become the core of the nation's effort to protect wetlands. As legally interpreted, the term "navigable" includes waters that would not conventionally seem so, such as wetlands adjacent to navigable waters and perhaps wetlands adjacent to nonnavigable tributaries of traditional navigable waters; the terms "dredge" and "fill" encompass virtually any activity in which dirt is moved. As a result, the Corps has regulatory jurisdiction over many wetlands. (In the wake of a 2001 Supreme Court ruling, the extent of the Corps's jurisdiction over U.S. wetlands will ultimately be determined by federal agencies' interpretations of terms like "adjacent" and "tributary" that withstand the scrutiny of the courts.) Under section 404, the Corps must evaluate each application and grant or deny a permit on the basis of expert opinion and statutory guidelines. The bulk of the permits are quickly approved through outstanding general or regional permits, which grant authority for many low-impact activities. Evaluation of applications not covered by outstanding permits may require the Corps to conduct detailed, lengthy, and costly reviews.

Currently, the fees levied for commercial and private permits are $100 and $10, respectively. Government applicants do not pay a fee. That fee structure has not changed since 1977. Total fee collections fall far short of covering the costs of administering the program, particularly for applications requiring detailed review.

Proponents of higher fees for commercial applicants argue that the party pursuing a permit—not the general taxpaying public—should bear the cost of the permit. Since the permit seeker is advancing a private interest whose benefits accrue to a private party, the cost should be borne by that party. Taxpayers should not have to pay for something that advances the interests of a comparative few.

Permit seekers oppose such fees because they do not want to pay the costs of a process that may ultimately deny them the right to use their land in the way they choose. The goal of the section 404 program, for example, is to advance a public interest by protecting wetlands. Some people argue that because society benefits from wetlands protection, often at the perceived expense of property owners, society should pay. Furthermore, they contend, the regulatory process that property owners must deal with is already onerous, so raising the permit fees would further infringe on property owners' rights.

RELATED OPTIONS: 300-06, 300-08, 400-04, and 400-05

RELATED CBO PUBLICATION: *Regulatory Takings and Proposals for Change*, December 1998

300-06—Discretionary

Impose Fees on Users of the Inland Waterway System

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Added Receipts	88	175	360	371	381	1,376	3,456

Note: This fee could be classified as a discretionary offsetting collection, a mandatory offsetting receipt, or a tax receipt, depending on the specific language of the legislation establishing the fee.

The Army Corps of Engineers spent about $600 million on the nation's inland waterway system in 2001—about 60 percent for operation and maintenance (O&M) and about 40 percent for new construction. Current law allows up to 50 percent of new inland waterway construction to be funded by revenues from the inland waterway fuel tax, a levy on the fuel consumed by tow boats using most segments of the system.

Imposing user fees that are high enough to fully recover both O&M and construction outlays for inland waterways would generate $88 million in receipts in 2004 and about $1.4 billion over five years. The receipts could be considered tax revenues, offsetting receipts, or offsetting collections, depending on the form of the implementing legislation. They could be raised by increasing fuel taxes, imposing charges for the use of locks, or imposing fees based on the weight of shipments and distance traveled. (The estimates do not take into account any resulting reductions in income tax revenues.)

Advocates of this option contend that imposing higher fees on users of the inland waterway system could improve the efficiency of its use by encouraging shippers to choose the most efficient transportation route. Moreover, user fees would encourage more-efficient use of existing waterways, reducing the need for new construction to alleviate congestion. Further, user fees based on costs send market signals that help identify the additional projects likely to provide the greatest net benefits to society.

But the effects of user fees on efficiency would depend largely on whether the fees were set at the same rate for all segments of a waterway or were based on the cost of each segment. Since costs vary dramatically by segment, systemwide fees would offer weaker incentives for the efficient use of resources.

Opponents of this option argue that user fees might repress economic development in some regions. Fees could be phased in to lessen those effects, but that approach would reduce near-term receipts. Imposing higher user fees would also lower the income of barge operators and shippers in some regions, but those losses would be small in the context of overall regional economies.

RELATED OPTIONS: 300-05, 300-08, 400-04, 400-05, and 400-06; Revenue Option 35

RELATED CBO PUBLICATION: *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* May 1992

300-07—Mandatory

Open the Coastal Plain of the Arctic National Wildlife Refuge to Leasing

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Added Receipts	0	0	1,700	0	400	2,100	2,150

The Arctic National Wildlife Refuge (ANWR) consists of 19 million acres in northeastern Alaska, of which 1.5 million acres are coastal plain. The coastal plain is the yet-to-be-explored onshore area with perhaps the country's most promising oil-production potential. It is also the least disturbed Arctic coastal region—valued for species conservation and used by indigenous people to support their daily lives.

ANWR was established by the Alaska National Interest Lands Conservation Act of 1980. The refuge serves to conserve fish and wildlife habitats, fulfill related international treaty obligations, provide opportunities to continue indigenous lifestyles, and protect water quality. The law prohibits industry activity on ANWR's coastal plain unless specifically authorized by the Congress.

This option would open ANWR's coastal plain to oil and gas production. The federal government would receive proceeds from auctioning oil and gas development rights and (once production begins) royalties. This option, as do some proposals, incorporates the assumption that the federal government receives one-half of the offsetting receipts from those sources and the state of Alaska receives the other half.

For this estimate, the Congressional Budget Office assumed an average price of $22 per barrel (in 2003 dollars) during the 2013-2045 period, on the basis of price projections from the state of Alaska, the Energy Information Administration, and other sources. With oil selling for $22 per barrel (delivered to the West Coast), the Department of the Interior estimates a 50 percent probability that at least 2.5 billion barrels of oil will be produced. Using that mean resource assessment and assuming that lease sales are held in 2006 and 2008, CBO estimates that leasing ANWR will generate receipts of about $4.2 billion over five years (with half of that amount going to Alaska).

Arguments in favor of this option include the national security advantages of reducing dependence on imported oil. Most of ANWR would remain closed to development, and the part of the coastal plain that would be directly affected by oil drilling and production represents less than 1 percent of the refuge. Moreover, technological changes in the industry have improved its ability to safeguard the environment.

An argument against this option is the short-term nature of the still uncertain gain from extracting a nonrenewable resource: it will not provide lasting energy security. The coastal plain is ANWR's most biologically productive area and sustains the biological productivity of the entire refuge. Opponents of leasing in ANWR point out that industrial activity poses a threat to wildlife and the environment despite efforts to mitigate its impact.

RELATED OPTIONS: 300-01, 300-03, and 300-04

300-08

Impose a New Harbor Maintenance Fee

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Added Receipts	150	229	208	191	172	950	1,569

Notes: These numbers are net of revenues lost from repealing the existing harbor tax.

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt, depending on the specific language of the legislation establishing the fee.

On March 31, 1998, the Supreme Court ruled that the harbor maintenance tax (as it applied to exports) violated the constitutional restriction that “No tax or duty shall be laid on articles exported from any State.” The federal government ceased collecting the tax on exports on April 25, 1998, but continued to collect the tax on imports. One way to replace the revenue formerly generated by the harbor maintenance tax is to develop a new system of harbor fees that is constitutional. Under such a system, the commercial users of U.S. ports would pay a fee based on port use rather than a payment based on cargo value. Such a fee would apply to imports, exports, and domestic shipments. Taxes currently levied on imports and domestic shipments would be rescinded. The fees would help support the operation, construction, and maintenance of harbors.

The Army Corps of Engineers now spends about $960 million (in 2000 dollars) annually for costs associated with operating, constructing, and maintaining commercial harbors nationwide. A major part of those activities is maintaining adequate channel depths. Replacing what remains of the harbor maintenance tax with a more comprehensive fee on commercial port users would generate $150 million in receipts in 2004 and $950 million over the 2004-2008 period.

Two arguments can be made for imposing a harbor maintenance fee. First, harbor maintenance activities, such as dredging by the Corps of Engineers, provide a commercial service to identifiable beneficiaries. Modern and well-maintained ports save shippers money by allowing the use of larger vessels and by minimizing inland transport costs. Exporters currently make no payments directly associated with their use of port facilities. Second, imposing a harbor fee would be unlikely to decrease the use of ports because the fee would result in charges on users similar to the ones they recently paid under the rescinded tax.

Whether a new harbor fee would pass constitutional muster is uncertain. Such a fee might be viewed by the Supreme Court as an unconstitutional export tax disguised by another name. A second legal concern with a fee program is whether it would violate international trade agreements, as several international trading partners allege of the harbor maintenance tax. Another drawback of the fee is that after several years, the cash it generated would not keep pace with the revenue that the rescinded tax on exports would have generated: under the existing harbor maintenance tax on imports, tax collections based on the value of the goods shipped are projected to increase more quickly than the fee in this option, which would be tied to the costs of operating, constructing, and maintaining harbors.

RELATED OPTIONS: 300-05, 300-06, 400-05, and 400-06

300-09—Discretionary

Terminate Economic Assistance Payments Under the South Pacific Fisheries Treaty

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Savings							
Budget authority	14	15	15	15	15	74	157
Outlays	14	15	15	15	15	74	157

The South Pacific Fisheries Treaty is formally known as the Treaty on Fisheries Between the Governments of Certain Pacific Island States and the Government of the United States of America. Signed in April 1987, it lays out terms and conditions under which up to 55 U.S.-flag commercial fishing vessels may use methods involving special nets (referred to as purse seine) to catch tuna in the territorial waters of 16 Pacific Island states, including Kiribati, Micronesia, and Papua New Guinea. Japan, South Korea, and Taiwan have similar treaties providing access to those waters for their tuna fleets.

Associated with the treaty is an agreement on economic assistance paid by the United States to the South Pacific Forum Fisheries Agency—from June 1993 through June 2002, it called for an annual payment of $14 million. In March 2002, the signatories completed negotiations to amend and extend the treaty, agreeing on an annual economic assistance payment of $18 million from June 2003 to June 2012. The amendment has not yet been forwarded to the U.S. Senate for ratification. This option would terminate the U.S. government's payments to the South Pacific Forum Fisheries Agency. Savings would be $14 million in 2004 and would total $74 million over the 2004-2008 period.

The expiring treaty also provided for an annual payment of $4 million by the U.S. tuna industry to cover license fees for up to 55 vessels as well as technical assistance to the Pacific Island parties. (In addition, it called for the industry to cover the cost of a program under which observers could board vessels for scientific, compliance, monitoring, and other purposes.) From June 1993 to June 2000, on average, 40 U.S.-flag vessels had access to tuna in the territorial waters of the South Pacific Island states each year. Thus, industry payments per vessel, excluding the cost of the observer program, averaged nearly $100,000 annually. The treaty extension in this option would lower the maximum number of vessel licenses to 45 and the annual industry payment to $3 million.

People in favor of terminating U.S. economic assistance and not extending the treaty believe that taxpayers are supporting the access of private vessels to the territorial waters of the party states. The U.S. subsidy may in fact be encouraging the overexploitation of fisheries.

People who oppose this option believe that the treaty is a vehicle through which the United States provides financial assistance in keeping with its foreign policy interests to the nations in the South Pacific Forum Fisheries Agency. They argue that it is not a subsidy—the fishing industry's own payments under the treaty are comparable with those made by non-U.S. fleets. Those fleets obtain yearly licenses on a bilateral basis with any Pacific Island state of interest at a cost of 5 percent of the value of their previous year's catch.

300-10—Discretionary

Eliminate Federal Funding of Beach Replenishment Projects

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Savings							
Budget authority	96	98	100	103	105	502	1,090
Outlays	34	98	100	102	104	438	1,030

Each year, the Army Corps of Engineers partially funds and conducts several sand replenishment projects to counter beach erosion. That activity raises questions about the federal role in addressing what may be primarily local problems and the ultimate effectiveness of the replenishment efforts, regardless of who pays for them. The operations typically involve dredging sand from offshore locations and pumping it ashore to rebuild eroded areas. Typically, state and local governments share part of the cost. Ceasing federal funding for beach replenishment activities would reduce discretionary outlays by $34 million in 2004 and $438 million over the 2004-2008 period.

Beach replenishment projects have two primary motivations: mitigating damage and enhancing recreation. Beaches act as a barrier to waves and protect coastal property from severe weather. Replenishing eroded beaches helps them maintain that protective function. And because beaches are an important recreational resource in many areas, sand replenishment projects help to ensure that such areas continue to generate economic activity through tourism.

Proponents of halting federal spending for beach replenishment argue that its benefits accrue largely to the states and localities in which the projects occur. Therefore, they reason, state and local governments should bear the projects' entire cost, not the federal government. An argument against any funding, federal or otherwise, of replenishment projects is their ultimate futility. Beach erosion is an irreversible natural process, and replenishment projects serve only to temporarily delay the inevitable natural shifting of beaches. A better long-term solution, proponents argue, would be to accept the fact that beaches will shift over time and to remove the various retention structures that inhibit the natural flow of sand along beaches and sometimes exacerbate erosion.

Opponents of eliminating federal funding argue that beach replenishment not only benefits specific states and localities but also serves the interests of nonresident beachgoers. They further contend that it would be unfair to stop federal funding because municipalities and owners invested in beachfront property with the expectation of continuing federal support. Opponents also argue that in some cases, federal projects—such as those intended to keep coastal inlets open—contribute to beach erosion and that the federal government should bear part of the cost of replenishment in those cases.

RELATED OPTIONS: 400-02 and 400-03

300-11—Discretionary

Eliminate the Environmental Protection Agency's Energy-Efficiency Partnerships

(Millions of dollars)	2004	2005	2006	2007	2008	Total 2004-2008	Total 2004-2013
Savings							
Budget authority	59	60	61	63	65	308	655
Outlays	59	60	61	62	64	306	655

The Climate Change Technology Initiative (CCTI) is a governmentwide strategy to stabilize emissions of greenhouse gases. It includes several partnership programs of the Environmental Protection Agency (EPA) that are intended to stimulate the adoption of energy-efficient technologies and the use of renewable energy by households and businesses. This option would halt new appropriations for two of EPA's activities that are a part of the CCTI but may contribute few environmental benefits: the Energy Star and Green Lights programs for labeling energy-efficient products and the Climate Wise program of public/private partnerships to encourage businesses to save energy. Ending those appropriations would save $59 million in 2004 and $306 million over the 2004-2008 period.

Energy Star and Green Lights are product-labeling programs meant to encourage businesses to sell products that meet or exceed federal guidelines for energy efficiency and to raise consumers' awareness of energy-efficient products. The types of products that EPA has designated to receive the labels include lighting fixtures, home appliances, office equipment, home construction materials, and new houses. EPA also disseminates information on sellers of the labeled products and offers program participants some technical assistance in implementing changes that increase energy efficiency. The Climate Wise program helps businesses identify actions that may save energy and reduce their production costs—by providing free pollution-prevention and energy-efficiency assessments, for instance. For the three programs, major benefits to participants are in the public recognition and free advertising that they receive for their efforts.

People who advocate eliminating the partnership programs question the actual energy savings they produce and whether any savings that do occur reduce greenhouse gas emissions. For example, putting a government label on products that already meet government standards may produce little gain. Furthermore, encouraging consumers to purchase an electric appliance identified by EPA's partnerships rather than a less-efficient gas appliance could actually increase carbon dioxide emissions because the carbon content of the coal used to produce electricity is so high.

People who oppose eliminating the programs emphasize that saving energy may reduce emissions of greenhouse gases (primarily carbon dioxide) and other toxic or smog-producing elements. They also believe that EPA is addressing market failures because consumers do not see the full public benefits of using energy-saving products. Insufficient consumer interest in energy efficiency may compound industry's reluctance to invest in uncertain new technologies.

RELATED OPTIONS: 270-02 and 270-04