



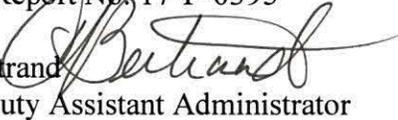
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

NOV 13 2017

OFFICE OF CHEMICAL SAFETY
AND POLLUTION PREVENTION

MEMORANDUM

SUBJECT: OCSPP Response to Final Report: "EPA Needs to Manage Pesticide Funds More Efficiently," Report No. 17-P-0395

FROM: Charlotte Bertrand 
Principal Deputy Assistant Administrator

TO: Arthur A. Elkins
Inspector General

This memorandum is in response to the Office of Inspector General's (OIG's) Final Report entitled, "EPA Needs to Manage Pesticide Funds More Efficiently," dated September 18, 2017.

Specifically, this memo proposes corrective actions for unresolved portions of Recommendations 1 and 2, which recommend that OCSPP:

1. Establish a target range for the Pesticides Registration (PRIA) Fund year end balances; and
2. Develop and implement a plan to reduce excess PRIA Fund balances within the established target range.

As you may recall, the Office of Chemical Safety and Pollution Prevention (OCSPP) initially disagreed with portions of the OIG's Recommendations 1 and 2 in the July 13, 2017 Draft Report. OCSPP is pleased to report that as a result of the OCSPP/OIG meeting on October 18, 2017, we can now agree to the objective of Recommendations 1 and 2 -- to spend down the PRIA balance to an acceptable level -- and provide a timeline for the completion of corrective actions to achieve this objective.

OCSPP's August 15, 2017 response to the Draft Report explained our initial concerns with regard to setting a target range for the PRIA Fund. As a result of the variability of PRIA collections and expenditures within and across fiscal years, setting a target range for carryover is more difficult for the PRIA Fund than for the Reregistration and Expedited Processing (FIFRA) Fund. PRIA collections are highly dependent upon the submission of certain types of applications (e.g., new chemical applications) with high fee amounts, and the time frames for review of these types of applications may span multiple years. For these reasons, in lieu of setting a carryover target for PRIA, OCSPP's Office of Pesticide Programs (OPP) has agreed to develop spend-down projections which show our current

estimated future spending against the PRIA fund and demonstrate OPP reducing the balance to an acceptable level by 2021.

EPA has already begun efforts to start spending down the current balances for both the PRIA and FIFRA funds. The Pesticide Program intends to hire additional Full Time Equivalent (FTE) to support program activities. These FTEs will not count against the Agency’s appropriated FTE ceiling because they are considered to be “reimbursable FTE.” Because these FTE will directly support registration and registration review activities, we will be able to fund their work exclusively with user fees.

While hiring new employees will make up the bulk of the spending down of carryover for the next few fiscal years, OPP has also implemented a new funding review process that could result in increased utilization of the PRIA and FIFRA funds on existing and new contracts. These contracts will assist the Registration Program (in meeting PRIA statutory decision time frames) and the Registration Review Program (in meeting an October 2022 statutory deadline for review of 725 pesticide active ingredients).

Assuming that OPP’s new hires come onboard in FY 18, and that OPP does not experience significantly above-average attrition over the next few fiscal years,¹ OCSPP projects to reduce the current PRIA fee balances to an acceptable level by the end of FY21. This projected spend-down is described in the table below, and assumes average PRIA fee collections of \$18M/year.

PRIA Spend-down Projections (FY 18 - FY 21)

<u>FY</u>	<u>Starting Carryover In</u>	<u>Net avg collections - avg obl</u>	<u>Ending Carryover</u>
2018*	\$16,000,000	-\$2,060,397	\$13,939,603
2019	\$13,939,603	-\$3,935,397	\$10,004,206
2020	\$10,004,206	-\$3,935,397	\$6,068,809
2021	\$6,068,809	-\$3,935,397	\$2,133,412

Table Footnote

*Assumes that 25 additional FTE will not be hired until midyear and assumes an estimated FY carryover starting balance of 16M in FY 18. The real/accurate starting balance will not be available until OCFO reconciles Compass budget tables against the general ledger tables.

It is important to note that these projections assume that the fee for service structure under PRIA is continued in the upcoming fiscal years. The expiration date of PRIA 3 was September 30, 2017, but was extended by the Continuing Resolution through December 8, 2017. If PRIA 4, the bill pending before Congress reauthorizing the collection and spending of both PRIA registration service fees and FIFRA maintenance fees, is not enacted into law or if these authorities are not extended through a future Continuing Resolution or a full

¹ Historic attrition rate had averaged at 3%.

budget passage, maintenance fee authority would expire and PRIA registration service fee phase-out provisions will go into effect. Under those provisions, reduced PRIA fee amounts would be collected for the two fiscal years following expiration, after which authority to pay and collect registration service fees would terminate. In that event, the PRIA spend down rate would be greatly accelerated from that described in the table above.

Should you have any questions or require additional information, please contact Janet Weiner, OCSPP's Audit Liaison, at (202) 564-2309.