

ADMINISTRATOR'S LETTER

November 13, 2007

The President
The White House
Washington, D.C. 20500



Dear Mr. President:

I am pleased to present the U.S. Environmental Protection Agency's Fiscal Year 2007 Performance and Accountability Report, which reviews our programmatic and financial performance over the past fiscal year. I give my assurance that the performance and financial data included here are complete and reliable, consistent with guidance provided by the Office of Management and Budget.

This report meets the requirements of the Government Performance and Results Act and other management legislation. It demonstrates EPA's commitment to be accountable for results, assessed against the annual performance goals and measures we presented in our FY 2007 Annual Plan. Our FY 2007 report reveals the considerable progress EPA has made toward each of the five long-term goals for protecting human health and the environment that we established in our 2006-2011 Strategic Plan. These results were accomplished with the help of our state, local, and tribal partners. We continue to rely on collaborative efforts, innovative programs and approaches, and sound science to promote the protection of human health and the environment and to establish a culture of environmental stewardship.

Progress and Accomplishments

In the more than 36 years that EPA has existed, we have established a strong record of environmental progress. America's air, water, and land are cleaner today than they were just a generation ago – and they continue to improve. Since 1970, our population has grown by nearly 40 percent; vehicle miles traveled have almost tripled; and our energy use has increased by almost half. Yet even with these added demands on our natural resources, emissions of the major criteria pollutants in the United States have decreased more than 50 percent. Moreover, during this same period our gross domestic product has nearly tripled. We have learned that economic growth and environmental health can go hand-in-hand.

Today, EPA is laying the groundwork for a cleaner, more dependable energy tomorrow. For example, EPA is helping American consumers and businesses make smart energy choices that make sense for our environment and their wallets through common-sense programs like ENERGY STAR. Last year alone, Americans, with the help of ENERGY STAR, saved \$14 billion on their energy bills and prevented greenhouse gas emissions equivalent to those of 25 million vehicles.

We are also helping meet your call to green our nation's energy by encouraging organizations to purchase green power. Through EPA's Green Power Partnership, launched in 2001, we are working with more than 750 partner organizations that voluntarily buy green power

– generated from eligible renewable resources such as solar, wind, geothermal, biomass, and biogas – to reduce the environmental impacts associated with conventional electricity use and to promote the development of new renewable generation resources. Overall, EPA Green Power Partners are buying more than 10 billion kilowatt-hours (kWh) of green power annually, an increase of nearly 163 percent since January 2006. The National Top 25 list of Green Power Partners accounts for more than 6 billion kWh per year of green power purchasing – more than 60 percent of the total kWh in the Green Power Partnership – reducing greenhouse gas emissions equivalent to more than 700,000 vehicles.

Since pollution knows no geographical or political boundaries, EPA is working with our international neighbors to protect our shared environment. Earlier this year, we marked the 20th anniversary of the signing of the landmark international treaty, the Montreal Protocol. Since its signing in 1987, the U.S. has achieved a 90 percent reduction in the production and consumption of ozone-depleting substances – ending the production and import of over 1.7 billion pounds per year of these chemicals. In addition, this year, the United States led the effort to adopt a new international commitment under the Montreal Protocol to accelerate the phase-out of hydrochlorofluorocarbons. Not only will we speed up the recovery of the ozone layer, the accelerated phase-out has the additional benefit of reducing greenhouse gas emissions.

While we are working to protect our environment, EPA is also committed to putting both people and property back to work. During FY 2007, EPA awarded supplemental grants to nine state or local governments to help return problem properties back into productive use. Approximately \$2.2 million is being awarded to brownfields revolving loan funds grantees. EPA's brownfields program provides funding to state, local, and tribal governments to make low-interest loans and subgrants that fund clean-up activities at brownfields sites. Since 1997, grant recipients have executed 114 loans and awarded 13 subgrants to support brownfields clean-ups totaling more than \$53 million. The loan funds have leveraged more than \$780 million in public and private clean-up and redevelopment investment.

And finally, we are staying on track to meet your goal under the 2004 Earth Day Initiative by restoring and enhancing 61,856 wetland acres during FY 2007, exceeding our cumulative target of 12,000 acres. These acres include those supported by Wetland 5 Star Restoration Grants, the National Estuary Program, and Clean Water Act Section 319 Nonpoint Source grants.

Management

EPA's leadership team is committed to achieving the goals set under the President's Management Agenda for delivering environmental results to the American public efficiently and effectively. EPA now ranks first among federal agencies in its PMA progress and status scores. During FY 2007, EPA received its first "green" status score in the Performance Improvement Initiative (formerly Budget and Performance Integration). In addition, EPA maintained its green status and progress scores throughout the year in Competitive Sourcing, Financial Performance, and Eliminating Improper Payments. EPA maintained green progress scores in Human Capital and expects to achieve a green status score later this year.

Under the Federal Managers' Financial Integrity Act, the Agency has identified three material weaknesses. We have already corrected one in the area of delinquent receivables, and we are addressing the remaining two, which are systems-related significant deficiencies that must be reported as material weaknesses under Section 4 of FMFIA and as non-compliances under the Federal Financial Management Improvement Act. EPA continues to

address improvement opportunities throughout our operations and to strengthen our overall internal controls and internal controls related to financial reporting, as required in Office of Management and Budget Circular A-123. Under FMFIA, I am giving a qualified statement of assurance that EPA's overall internal controls, with the exceptions noted, and its internal controls over financial reporting protect the Agency's programs and resources from fraud, waste, abuse, and mismanagement. My assurance statement appears in the Management's Discussion and Analysis section of this report.

Future

EPA is proud of the results we, and our partners, achieved in FY 2007 to improve the quality of air and water and to protect the land. We intend to learn from our experience this year to adjust our approaches and build on our accomplishments to better protect human health and the environment. We will meet our responsibilities for enforcing the nation's environmental laws and regulations, and we will continue to work in collaboration with our state and local partners to address our biggest environmental challenges.

Together, we are promoting America's evolution to a green culture by equipping the nation's growing army of environmental stewards with the tools they need to help pass down a cleaner, healthier world. Today, instead of having only 17,000 EPA employees working to protect the environment, we have more than 300 million Americans as environmental partners. Americans from all sectors of society – businesses, communities and individuals – have begun to embrace the fact that environmental responsibility is everyone's responsibility, not just the responsibility of EPA. By encouraging America's shift to a green culture, EPA will meet your charge of accelerating the pace of environmental protection while maintaining our nation's economic competitiveness. Together, with our partners, we are not only building on our nation's environmental accomplishments, we are creating a lasting legacy for future generations of Americans.

Respectfully,



Stephen L. Johnson