ENVIRONMENTAL PROTECTION AGENCY

Since 2001, the Administration:

- Issued strict limits for new diesel engines that will reduce harmful emissions by more than 90 percent;
- Removed over 120 million pounds of contaminated sediment from areas of concern through the Great Lakes Legacy Act;
- Proposed Clear Skies legislation to reduce power plant emissions nationwide and finalized similar rules to reduce sulfur dioxide, nitrogen oxide, and mercury emissions by nearly 70 percent;
- Helped 8,500 drinking water systems complete vulnerability assessments, improving homeland security emergency preparedness and response; and
- Supported business investment and community revitalization efforts through historic Brownfields legislation.

The President's Budget:

- Provides $50 million to implement grant programs that reduce harmful emissions from diesel engines;
- Increases funding for the Underground Storage Tank program by $26 million to accelerate inspections and implement new preventative requirements;
- Develops the necessary tools and protocols to mitigate the environmental and human health effects of chemical, biological, or radiological attacks;
- Continues the Administration's commitment to provide a total of $6.8 billion for the Clean Water State Revolving Fund between 2004 and 2011, helping communities finance their wastewater infrastructure needs; and
- Reforms the process for awarding State grants to improve performance, consistency, and accountability.

FOCUSING ON THE NATION'S PRIORITIES

Improving Energy Security, the Economy, and the Environment

On August 8, 2005, President Bush signed the Energy Policy Act of 2005 into law. This Act will help transform the way energy is produced and used, resulting in greater energy security, a growing economy, and a healthier environment for generations of Americans to come.

Fossil fuels—coal, oil, and natural gas—currently provide more than 85 percent of all the energy consumed in the United States. To help diversify our energy sources, the Energy Policy Act included a provision that requires the use of renewable fuels such as ethanol and biodiesel, and directed the Environmental Protection Agency (EPA) to develop a Renewable Fuels Standard. EPA is working to develop proposed standards that increase the use of renewable fuels both efficiently and flexibly. In 2007, the program will require the use of 4.7 billion gallons of renewable fuel in U.S. passenger vehicles, approximately three percent of the total fuel used to power them.

As emissions from fuel combustion are among the leading causes of air pollution in the United States, the Administration continues to support efforts to supply cleaner energy, protecting human health and our economic growth. The Energy Policy Act authorized new EPA grant programs that target emissions from higher polluting diesel engines, and the 2007 President's Budget provides $50 million to begin implementing these programs.

On August 22, 2005, EPA Administrator Steve Johnson announced the first of EPA's Clean Diesel Initiative grants. EPA awarded $1.4 million in support of the initiative, and non-Federal sponsors provided a $5.8 million match. These grants will fund 16 new diesel pollution reduction projects.

These grants build upon efforts already underway at EPA—the Clean School Bus USA program and the Clean Diesel Initiative—and cover many types of diesel-powered vehicles, including trucks, buses, tractors, ships, and trains. The new grants will promote further deployment of new and existing emissions-reduction technologies and encourage the development of new cost-effective tools. In addition, because on- and off-road diesel vehicles and engines account for roughly one-half of the nitrogen oxide and particulate matter mobile source emissions, efforts undertaken with these grants will help regions meet new air quality standards.

The grants also will complement the strict emissions limits for new diesel engines issued during the President's first term. These rules, which begin to take effect in 2007, ensure that the next generation of diesel trucks, buses, and off-road equipment will be more than 90 percent cleaner than those on the road today.

The Administration has also proposed legislation and regulations to reduce emissions from power plants. When implemented, the President's Clear Skies legislation will result in dramatic nationwide reductions in emissions of sulfur dioxide, nitrogen oxides, and mercury. These reductions will increase protection of human health and the environment, allowing most of the country to meet new air quality standards, especially in the Northeast and Midwest, while harnessing market forces to reduce emissions cost-effectively. It relies on the same market approach successful in reducing acid rain by offering flexibility in achieving the mandated reductions. In the absence of congressional

action, EPA finalized two rules that will control these same emissions from States in the eastern half of the United States—the Clean Air Interstate Rule and the Clean Air Mercury Rule.

The 2007 President's Budget also provides $26 million over 2006 levels for the Underground Storage Tank (UST) leak prevention and detection grant program. EPA will work with the States to increase inspections and training, institute new financial assurance or secondary containment requirements, and initiate delivery prohibitions for non-compliant tanks. EPA will also continue to work with States to clean up leaking underground storage tanks (LUST), including those with MTBE contamination. The Federal and State UST/LUST programs have decreased the number of leaks by nearly 75 percent since the last time new preventative measures were mandated, and exceeded annual cleanup goals in seven of the last 10 years.

Cleaning Up the Great Lakes

The Great Lakes comprise the largest freshwater system on Earth, representing a tremendous natural resource and providing billions of dollars of benefit to the U.S. and Canadian economies. In recognition of the Great Lakes' national significance, in May 2004, President Bush signed the Great Lakes Executive Order (E.O.). The E.O. established a Federal Great Lakes Interagency Task Force (IATF), chaired by the EPA Administrator, and directed agencies to better coordinate Federal, State, and local efforts to clean up the Great Lakes. On December 12, 2005, after numerous meetings with Great Lakes governors, mayors, and Tribes, the IATF announced several actions the Federal Government would take to further protect the Great Lakes. These planned actions include an EPA pilot program to help States implement a risk-based approach for beach assessments, and an equally shared Federal/State effort to develop plans to restore, enhance, and protect 200,000 acres of wetlands in the basin.

Great Lakes Legacy Act Helps Restore Michigan's Black Lagoon

Last fall, EPA announced that it successfully completed its first Great Lakes Legacy Act project, Michigan's Black Lagoon. More than 470,000 pounds of contaminants were removed from the Black Lagoon inlet on the Detroit River, which for many years was a trap area for polluted sediment moving downstream from Detroit. Contaminants included lead, zinc, PCBs, and oil and grease.

EPA shared project costs (65 percent Federal) with the Michigan Department of Environmental Quality (DEQ). Dredging of the area began in October 2004 and took 13 months. After the dredging was complete, the bottom of the lagoon was covered with clean sand and stone to protect fish and wildlife from any lingering contamination. EPA and the Michigan DEQ will monitor the site to ensure it remains safe and clean.

While EPA and the Michigan Department of Environmental Quality dredged the Black Lagoon, yellow silt barriers kept contaminated sediments from spreading in the Detroit River.

FOCUSING ON THE NATION'S PRIORITIES—Continued

In addition to the Great Lakes commitments made in December 2005, the President's Budget continues the Administration's strong support for the Great Lakes Legacy Act by requesting $50 million, a $20 million increase over 2006 levels. These additional funds will allow EPA to accelerate the cleanup of contaminated sediments in the region, preventing contaminants from entering the food chain.

Making America Safer

Four years ago EPA assumed significant new homeland security responsibilities. EPA now plays a lead role in coordinating security of America's water infrastructure and managing the decontamination of buildings, equipment, and the environment should a chemical, biological, or radiological attack occur. EPA's homeland security program is integrated into the larger Federal effort, complementing the work of the Department of Homeland Security and other Federal partners. In total, the President's Budget requests $184 million for EPA's homeland security activities, a 43-percent increase over 2006.

EPA works with water utilities serving greater than 100,000 people to ensure they have the tools and information to prevent, detect, and respond to a terrorist or other intentional attack. To further support this effort, EPA recently initiated Water Sentinel, a pilot demonstration program that will provide early warning of a terrorist or other intentional drinking water contamination event. The President's Budget proposes to expand Water Sentinel to four additional community systems in 2007, and requests $38 million for this program. This effort will help protect thousands of miles of drinking water infrastructure and provide an early chemical and biological terrorism warning mechanism for millions of drinking water consumers.

EPA directs field activities during testing of a portable chlorine dioxide generation system that could be used to decontaminate small, indoor areas after an indoor anthrax spore release. EPA collaborated with the Department of Defense to carry out the field tests.

In 2007, EPA's National Homeland Security Research Center will continue developing decontamination options, methods, and protocols to ensure that the Nation can quickly recover from a terrorism event. The Budget supports this effort by providing $40 million, an $8 million increase over 2006, to support new decontamination research. EPA also will accelerate development of Acute Exposure Guideline Levels (AEGLs) that are needed by first responders and chemical risk managers for use in chemical emergency and counter-terrorism planning, prevention, and response programs. In 2007, EPA plans to develop proposed AEGL values for 24 chemicals.

Effective and responsive decontamination efforts will also depend upon the ability to quickly process a surge of samples following a terrorist incident with accurate and consistent results. As part of a Government-wide initiative to integrate and leverage national laboratory resources, the Budget provides $10 million so EPA can standardize analytical testing methods and establish connectivity between laboratories. The Budget also includes resources of $96 million to continue support for investigation and training activities; technical assistance to States; cooperative research; and EPA's national response teams.

Providing Clean Technologies and Reducing Poverty

In January 2006, the United States and five other countries (Australia, China, India, Japan, and the Republic of Korea) formally launched the Asia-Pacific Partnership for Clean Development and Climate at a ministerial conference in Sydney, Australia. The Partnership will facilitate the deployment of cleaner technologies in Partner countries to support poverty reduction; enhance economic growth; improve energy security; reduce pollution for improved human health and a cleaner environment; and reduce the greenhouse gas intensity to address the long-term challenge of global climate change. Results-oriented action plans are being developed and implemented through public-private task forces and other partnering activities. The Departments of State and Energy will lead the U.S. implementation of this effort, with EPA and the Departments of Commerce and Transportation as the initial participating agencies. The President's Budget provides $5 million for EPA's Asia-Pacific Partnership activities.

Revitalizing Communities

Brownfields Grant Results in Creation of Affordable Housing

Ten contiguous brownfields properties in Elizabeth, New Jersey are now the location of a 35-unit affordable residential development called Marina Village. The 10 properties are located in the Elizabethport neighborhood, the oldest section of the city. An EPA Brownfields Assessment grant award and a Memorandum of Agreement with the New Jersey Department of Environmental Protection enabled environmental assessments to be performed on the properties. Based on the assessments, the New Jersey Redevelopment Authority awarded the city $525,000 for the cleanup of metals and semi-volatile organic compounds in the soil. The resulting redevelopment effort leveraged $6.2 million in additional investment and created 35 affordable housing rental units.

Vibrant, healthy communities encourage business investment and job creation. However, economic changes over several decades have left thousands of communities with contaminated properties and abandoned sites known as brownfields. EPA's Brownfields grants support local revitalization efforts by funding environmental assessment, cleanup, and job training activities, so that properties can be used for business, green space, or housing. Since 1995, EPA grantees leveraged $7.3 billion in cleanup and redevelopment funding. Additionally, participants have reported that more than 7,500 brownfields sites have been assessed and over 2,400 properties are ready for redevelopment. In 2007,

FOCUSING ON THE NATION'S PRIORITIES—Continued

the funds requested will assess 1,000 more brownfields properties, clean up 60 communities, and address petroleum contamination found on brownfields sites in 45 communities.

Responding to Disaster

After the disaster caused by Hurricane Katrina, hundreds of EPA's emergency response personnel worked virtually nonstop along the Gulf Coast. As an integral part of the Federal team implementing the National Response Plan, EPA joined with the U.S. Coast Guard to address reported spills and releases of oil and chemicals. From September to December 2005, EPA analyzed over 3,000 air, water, sediment, and fish tissue samples to determine the kinds and extent of possible biological and chemical contamination. Along with the Corps of Engineers, EPA worked to dispose of the enormous amounts of hazardous waste and other debris left behind by Hurricane Katrina, and established several sites for debris collection. From September to December 2005, the EPA team removed more than a million unsecured or abandoned containers of potentially hazardous wastes.

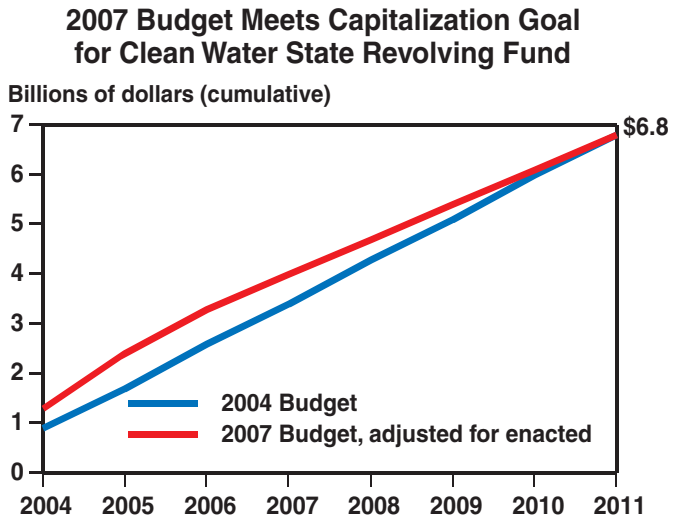
Following Hurricane Katrina, EPA collected household hazardous wastes at a central facility in St. Tammany Parish, Louisiana. EPA identified the wastes, categorized and separated the containers, and then consolidated the wastes for transport to recycling, treatment or disposal facilities.

In addition to potential threats from toxic spills and hazardous waste, Hurricane Katrina rendered many drinking water systems in the Gulf States non-operational, highlighting the importance of safe drinking water to public health. In early September, more than 895 public water systems in Alabama, Louisiana, and Mississippi had no water available to their customers or had boil water advisories in place. EPA, State and local officials, systems operators, and volunteers worked around the clock to assist in repairing drinking water infrastructure so that all people in the region had safe drinking water.

Looking ahead, EPA is coordinating with the National Oceanic and Atmospheric Administration, the Food and Drug Administration, and the U.S. Geological Survey to develop an environmental impact assessment of Hurricane Katrina's effect on coastal waters of Louisiana, Mississippi, and Alabama. EPA is also supporting local, State, and national efforts to assess aquatic resources, identify factors that harm them or cause their deterioration, and document these changes over time.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Improving Water Quality



The President's Budget continues to support State and tribal efforts to improve water quality though the Clean Water State Revolving Fund (SRF). In the 2004 Budget, the President proposed funding the Clean Water SRF at $850 million annually for 2004–2011, for $6.8 billion in total funding. Due to significant additional funds appropriated in 2004–2006, the 2007 Budget reduces annual funding for the Clean Water SRF to $688 million for 2007–2011. At this funding level, the Budget meets the 2004 capitalization commitment, ensuring communities have access to capital to finance their wastewater infrastructure needs. Additionally, this funding level will still allow the Clean Water SRF to meet its long-term revolving level goal of $3.4 billion. The revolving level is the amount of loans available annually over the long-term after Federal capitalization ends, and an indicator of the Clean Water SRF's financial stability.

Evaluating Performance

The Administration is committed to performance-based budgeting that ensures the maximum return on taxpayers' dollars. As the Administration works to cut the deficit in half, it uses performance-based budgeting to better determine the appropriate use of taxpayer resources and determine which programs are delivering measurable results.

The Program Assessment Rating Tool (PART) is one of several mechanisms the Administration uses to help inform its budget decisions. The PART provides the framework for an integrated evaluation of budget and performance criteria and holds programs accountable for achieving results. To date, 43 EPA programs have been evaluated using the PART.

EPA's Alaska Native Villages program provides grants to the State of Alaska for rural and Native villages that lack basic wastewater and drinking water systems. A 2004 PART evaluation found the program suffered from management deficiencies, and EPA's Office of Inspector General and Alaska's Legislative Audit Office published similar findings. The 2004 evaluation included follow-up actions for improvement, but over the past year, the program has not made progress in implementing these changes. Therefore, the Budget provides $15 million for the program, a reduction of $20 million from 2006. The Administration believes that implementation of the necessary program reforms will improve program efficiency and effectiveness, and ensure the grants provide maximum benefit to the intended recipients.

The PART also informed funding decisions for the Ecosystem Research program. The Ecosystem Research program is one of EPA's largest research programs, and develops protocols and tools for use by EPA and the States on a range of ecological issues. A 2003 PART evaluation included follow-up actions directing the Ecosystem Research program to develop additional long-term and annual performance measures to improve accountability. However, a reevaluation in 2005 found that the program

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

had not made progress in developing these measures. As a result, the President's Budget provides $80 million for the Ecosystem Research program, a reduction of $5 million from 2006.

The Environmental Technology Verification program is a partnership between the public and private sectors that tests and verifies the performance of environmental technologies. A PART evaluation found that this program could not demonstrate results. Though EPA has been funding up to 30 percent of the program's costs, the program primarily benefits manufacturers and product vendors. As a result, the Budget eliminates Federal funding for the program and transforms the program into a fully vendor-funded model.

Enhancing Accountability

The Administration believes that accountability improves a program's effectiveness and ensures resources are providing the intended results. However, EPA faces difficulties in getting States—which receive nearly 40 percent of EPA's budget—to report consistent, meaningful performance information. To address this issue, EPA will develop a standardized template that all States will use to develop and submit their State grant agreements. This new template will include clear linkages to EPA's Strategic Plan and long-term and annual goals, as well as consistent requirements for regular performance reporting. It also will allow for meaningful comparisons between various States' past and planned activities and performance, making progress more visible and programs more transparent.

Providing Incentives for Improvement

The Clean Water Act created the National Pollutant Discharge Elimination System (NPDES) program, which helped reduce point sources of pollution and is credited with much of the water quality improvements of the last 30 years. The NPDES program is primarily implemented by States and regulates the amount of pollutants industrial and municipal dischargers can release to waters of the United States through permits. To help offset the costs of running their NPDES programs, many States charge permit fees based on varying fee structures. However, many States do not, reducing the resources available to them for water quality programs. The 2007 Budget commits to providing incentives for States to implement or improve their NPDES fee programs, while ensuring that total Federal and State water quality resources do not decline following a State's adoption of a fee system. This proposal will ensure the beneficiaries of services help offset NPDES program costs and will increase resources available for water quality.

The 2007 Budget provides financial incentives for States to implement permitting fees for municipal and industrial dischargers, such as this wastewater treatment plant. This will result in increased resources for water quality activities across the United States.

Update on the President's Management Agenda

The table below provides an update on EPA's implementation of the President's Management Agenda as of December 31, 2005.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

Arrow indicates change in status rating since the prior evaluation as of September 30, 2005.

In Human Capital, EPA has demonstrated progress toward development of appropriate performance measures, completion of its workforce plan, and implementation of its new five-tiered performance appraisal system, which will improve employee accountability. EPA also completed its first standard public-private competition and expects significant savings as a result of additional completed and planned competitions. EPA continues its focus on management reforms with strong performances in financial management and E-Government. In financial management, EPA met its deadlines for 2005 financial reporting and is working to integrate financial data into management decision-making. As of December 2005, it has achieved a fully successful status for five of the nine Government management indicators that assess the financial management health of the Federal Government as a whole and for each individual agency. For example, EPA meets the highest standard for on-time payment of non-credit card invoices in accordance with the Prompt Payment Act, reflecting a high degree of accountability and integrity. EPA also has done well implementing the various elements of E-Government this year. The agency has an effective Enterprise Architecture and is actively working to ensure that information technology investments take advantage of existing Government-wide efforts to improve effectiveness and save money. Additionally, EPA is the lead agency for implementing the E-Rulemaking E-Government initiative. E-Rulemaking's one-stop website, *Regulations.gov*, enables citizens to more effectively participate in their Government and assists Federal agencies in managing and organizing rulemaking materials. The initiative promotes public access to the regulatory process while reducing the number of redundant Federal systems. Ultimately, E-Rulemaking's new system will replace 20 existing individual agency electronic regulatory systems and over 150 paper-based systems. As part of the Budget and Performance Integration initiative, EPA is developing outcome-oriented performance and efficiency measures for its programs.

Initiative	Status	Progress
Eliminating Improper Payments		

Under the Eliminating Improper Payments initiative, EPA completed evaluation of its direct payments and continues to assess subrecipient payments to develop a complete assessment of improper payments in its State Revolving Fund Grants programs. As reported in EPA's Performance and Accountability Report, error rates for improper payments remain low.

Environmental Protection Agency

(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Operating Program	4,271	4,215	4,275
Clean Water State Revolving Fund	1,091	887	688
Drinking Water State Revolving Fund	843	837	842
Brownfields Cleanup funding	89	89	89
Clean Diesel Grants	7	7	50
Targeted water infrastructure funding	408	281	41
Requested (non-add)	*94*	*84*	*41*
Unrequested (non-add)	*314*	*197*	*0*
Superfund	1,247	1,231	1,259
Leaking Underground Storage Tanks	69	72	73
Total, Discretionary budget authority	8,026	7,619	7,315
Memorandum: Budget authority from enacted supplementals	*3*	*8*	—
Total, Discretionary outlays	8,007	8,000	8,034
Mandatory Outlays:			
Superfund Recoveries	−63	−54	−54
All other	−24	−16	−76
Total, Mandatory outlays	−87	−70	−130
Total, Outlays	7,920	7,930	7,904