



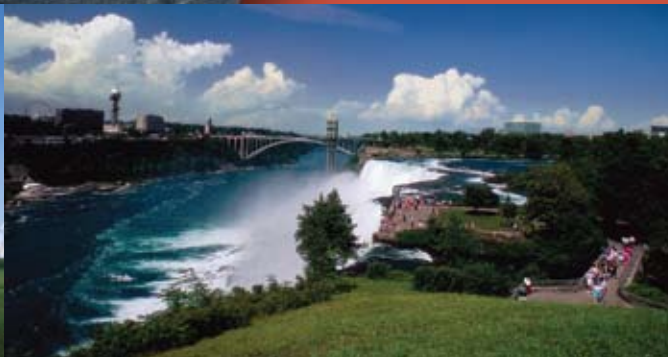
U.S. ENVIRONMENTAL PROTECTION AGENCY

Fiscal Year

2008

*Performance and
Accountability Report*

CITIZENS'
REPORT



ENVIRONMENTAL AND FINANCIAL PROGRESS

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Environmental Protection Agency

Budget, Performance and Financial Snapshot, Fiscal Year 2008

Who We Are

Mission: The mission of the Environmental Protection Agency is to protect human health and the environment. Since 1970, EPA has been working for a cleaner, healthier environment for the American people. View the Agency's Strategic Plan at: www.epa.gov/ocfo/plan/plan.htm.

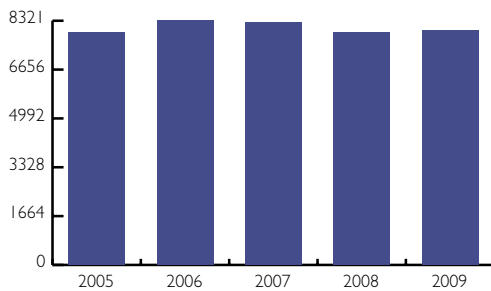
Organization: The Agency's mission is carried out by 14 headquarters offices in Washington, D.C., 10 regional offices, and more than a dozen labs. For more information visit: www.epa.gov/epahome/organization.htm.

Personnel: EPA employs approximately 17,000 people across the country. Staff are highly educated and technically trained; more than half are engineers, scientists, and policy analysts. In addition, a large number of employees are legal, public affairs, financial, information management and computer specialists. For more information, visit: www.epa.gov/careers.

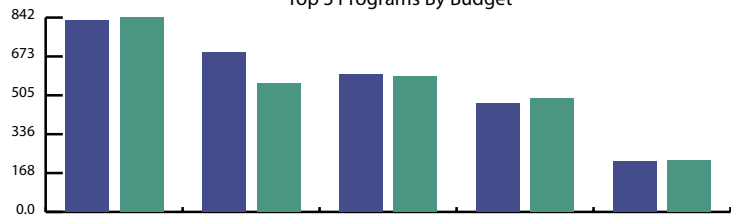
Budgetary Resources: The budgetary resources for FY 2008 totaled \$7.472 billion or \$25 per person.

Budget Snapshot

Total Spending FY 2005–FY 2009



Top 5 Programs By Budget



Category	2005	2006	2007	2008	2009
Mandatory*					
Discretionary	\$7,913	\$8,321	\$8,259	\$7,930	\$7,999
TOTAL					

\$ in Millions

Year	Infrastructure Assistance: Drinking Water SRF	Infrastructure Assistance: Clean Water SRF	Superfund: Remedial	Facilities Infrastructure and Operations	Categorical Grant: Pollution Control (Section 106)
2008	\$829	\$689.1	\$593.7	\$472.1	\$218.2
2009	\$842.1	\$555	\$586.1	\$490.6	\$221.7

\$ in Millions

Performance Snapshot

Accomplishments: In 2008, the Agency set stringent new standards for a significant number of air pollutants or pollution sources; proposed a new regulation to allow for the underground storage of greenhouse gases in a manner that protects ground water sources of drinking water; ensured that 96 percent of hazardous waste facilities are permitted and 66 percent of the nation's underground storage tanks are in compliance; completed a thorough reassessment of all food pesticides, setting the most health protective standards in the world for pesticides and food safety; and took enforcement actions to secure commitment from polluters to spend an estimated \$11.8 billion on pollution control activities.

Challenges: EPA faced several challenges in 2008 including improving data collection for performance measures, improving efficiency of operations, ensuring consistent application of standards, meeting Homeland Security requirements, and working with partners to address infrastructure concerns. For example, approximately 160,000 public drinking water systems provide the nation with drinking water, and 16,000 facilities treat and dispose of wastewater. Many of the country's water infrastructure systems are aging and need repairs or upgrades to meet various requirements of the Clean Water Act and Safe Drinking Water Act. EPA and its federal, state, and local partners face a significant challenge in developing a national strategy for addressing this issue and resolving the problem of aging and deteriorating water infrastructure to protect public health and the environment.

Financial Snapshot

Clean Opinion on Financial Statements			Yes
Timely Financial Reporting	Yes	Material Weaknesses	0
Improper Payment Rate	0.39%	Total Assets	\$17,107
Total Liabilities	\$1,664	Net Cost of Operations	\$8,041

*Footnote: Note: EPA does not have any mandatory spending. All \$ amounts used for the budget per strategic goal were taken from EPA's FY 2009 Congressional Justification of the President's Budget. Additional information on federal spending can be found at: www.usaspending.gov/index.php. Additional information on the performance of federal programs can be found at: www.whitehouse.gov/omb/expectmore.

Summary of Environmental Protection Agency Ratings for Fiscal Year 2008

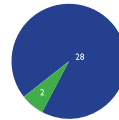
FY 2008 Performance Results per Strategic Goal

- Met/Exceeded
- Not met but improved over prior years
- Not met target
- Data not yet available

Budget per Strategic Goal (\$ in millions)

Strategic Goal 1: Clean Air and Global Climate Change

Protect and improve the air so it is healthy to breathe, and risks to human health and the environment are reduced. Reduce greenhouse gas intensity by enhancing partnerships with businesses and other sectors.

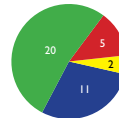


2008 Actual = \$972

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Tons of particulate matter 2.5 (PM _{2.5}) reduced since 2000 from mobile sources	73,460	85,704	97,947	Data available 2009	110,890

Strategic Goal 2: Clean and Safe Water

Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health; support economic and recreational activities; and provide healthy habitat for fish, plants, and wildlife.

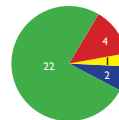


2008 Actual = \$2,855

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Percent of population served by community water systems that will receive drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.	89.4	92	90	92	90

Strategic Goal 3: Land Preservation and Restoration

Preserve and restore the land by using innovative waste management practices and cleaning up contaminated properties to reduce risk posed by releases of harmful substances.

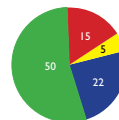


2008 Actual = \$1,689

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Number of Superfund sites ready for anticipated use site-wide.	N/A	64	30	85	30

Strategic Goal 4: Healthy Communities and Ecosystems

Protect, sustain, or restore the health of people, communities, and ecosystems using integrated and comprehensive approaches and partnerships.

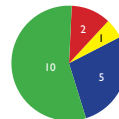


2008 Actual = \$1,227

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Percent of new chemicals or organisms introduced into commerce that do not pose unreasonable risks to workers, consumers, or the environment.	100	96	100	Data available 2009	100
Cubic yards of contaminated sediment remediated (cumulative, in millions) in the Great Lakes.	4.1	4.5	5.5	5.5	5.5

Strategic Goal 5: Compliance and Environmental Stewardship

Protect human health and the environment through ensuring compliance with environmental requirements by enforcing environmental statutes, preventing pollution, and promoting environmental stewardship. Encourage innovation and provide incentives for government, business, and the public that promote environmental stewardship and long term sustainable outcomes.



2008 Actual = \$735

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Pounds of pollution estimated to be reduced, treated, or eliminated as a result of concluded enforcement actions (in millions of pounds).	890	890	890	3900	890

* This measure was selected from a number of performance measures aimed at the specific strategic goal.



Message *From the* Administrator



I am pleased to present the U.S. Environmental Protection Agency's *Fiscal Year 2008 "Citizens' Report,"* a companion to our *FY 2008 Performance and Accountability Report*. Designed for the general public, the *Citizens' Report* presents highlights of the detailed performance and financial results contained in our *FY 2008 Performance and Accountability Report*. The Report also describes the considerable progress that EPA has made toward protecting human health and the environment as well as outlines some of the challenges we face.

For example, EPA set stringent new standards, including new standards for ozone, which we expect will help improve air quality. The Agency completed reassessment of all food-use pesticides this year, which will help ensure America's food supply is safe. We restored more than 2,000 impaired water bodies and made 85 Superfund sites ready for reuse. EPA also added thousands of acres to the nation's wetlands and provided wastewater sanitation to thousands of homes along the United States-Mexico border. Finally, in FY 2008, EPA achieved record results from our enforcement actions, reducing an estimated 3.9 billion pounds of pollution.

EPA is proud of the results we and our partners achieved in FY 2008 to improve the quality of our air and water and to protect our land. We will continue to meet our responsibilities for enforcing the nation's environmental laws and regulations and to work in collaboration with our partners to address the environmental challenges that lie ahead.

One of my stated priorities as Administrator has been to leave behind a stronger EPA. To this end, I have supported efforts to improve the EPA's performance measures, strengthen the Agency's scientific knowledge and capabilities and bolster the well-trained and talented workforce. Our *FY 2008 Performance and Accountability Report* reveals these accomplishments and more. It has been my privilege to guide the Agency in achieving these results.

Stephen L. Johnson
Administrator



Message *From the* Chief Financial Officer

I am proud to provide EPA's *FY 2008 Citizens' Report*, which summarizes some of the Agency's notable accomplishments, as well as the challenges we face, in protecting human health and the environment. The results we achieved during FY 2008 reflect our commitment to financial excellence and to using our resources effectively and efficiently to fulfill our mission.

In FY 2008, for an unprecedented second year in a row, EPA received the federal government's highest honor for strong and effective management—the President's Quality Award for Management Excellence. This award recognizes EPA's continued efforts to develop a data-driven, results-oriented culture.

EPA also continues to rank among the highest performing federal agencies under the President's Management Agenda scorecard. In FY 2008 for the second straight year, EPA achieved successful "green" progress and status ratings throughout the year for the five government-wide initiatives, Human Capital, Commercial Services Management, Expanded E-Government, Improved Financial Performance, and Performance Improvement, and for a sixth program initiative, Eliminating Improper Payments. In addition, the Agency again received an unqualified "clean" opinion on our financial statements, demonstrating EPA's sound and responsible financial management practices and accountability to American taxpayers.

I would like to extend my sincere gratitude and appreciation to EPA's dedicated staff across the country who work daily to protect human health and the environment and without whom our progress in FY 2008 would not have been possible.

Lyons Gray
Chief Financial Officer



Introduction

Since EPA was formed in 1970, the United States has made enormous environmental progress. America's air, water, and land are cleaner today than they were only a decade ago, and increasingly, Americans are shifting to a "green" way of thinking.

As America's environmental steward, EPA has made great strides in leading the nation's environmental science, research, education, and assessment efforts. The Agency has strengthened regulations to protect air, water, and food, and, through its compliance efforts, prevented or reduced millions of pounds of pollution released into the environment. With state, tribal, and local government partners, EPA is working to protect ecosystems and develop new opportunities and innovative partnerships to accelerate environmental protection.

Despite this progress, however, EPA continues to face serious challenges in improving and sustaining the environment. The nation's freshwater resources provide safe drinking water for millions of Americans, and EPA must continue to safeguard these resources. Increased energy consumption and costs underscore the need to promote the use of alternative energy sources and investment in new technologies. Global climate change requires that the Agency create partnerships around the world and across many sectors to help foster production and consumption choices that slow the rate of global climate change impacts while still growing the economy. These and other challenges inspire the Agency, driving its work and commitment to achieve excellent performance and strong results.

EPA's Long-Term Strategic Goals

1. Clean Air and Global Climate Change
2. Clean and Safe Water
3. Land Preservation and Restoration
4. Healthy Communities and Ecosystems
5. Compliance and Environmental Stewardship



About EPA

What We Do

EPA strives to achieve a cleaner, healthier environment for the American people. To accomplish its mission, the Agency:

- ◆ Develops regulations to implement environmental laws enacted by Congress.
- ◆ Enforces environmental laws, regulations, and standards by taking legal actions.
- ◆ Provides grants to states, nonprofit organizations, and educational institutions.
- ◆ Operates laboratories throughout the nation.
- ◆ Supports pollution prevention and energy conservation.
- ◆ Promotes environmental education for all Americans.

Who We Are

EPA's staff of more than 17,000 employees is highly educated and technically trained. More than half are engineers, scientists, or policy analysts; others are legal, public affairs, financial, information management, and computer specialists. EPA is headquartered in Washington, D.C. The Agency also has 10 regional offices and more than a dozen laboratories and field offices across the country. For more information, visit EPA at www.epa.gov.



How We Work

Collaboration With Partners and Stakeholders

EPA partners with other federal agencies, states, tribes, local governments, and other countries to address today's complex environmental issues. EPA and

states share responsibility for protecting human health and the environment, and the Agency can authorize states to carry out the day-to-day work of implementing

most national environmental programs. EPA works with tribes in a government-to-government relationship to improve compliance with environmental

regulations in Indian Country. The Agency also works with business and industry, non-profit organizations, environmental

groups, and educational institutions in a wide variety of collaborative efforts. EPA understands that government alone cannot

begin to address all of the nation's environmental challenges.

Performance Management

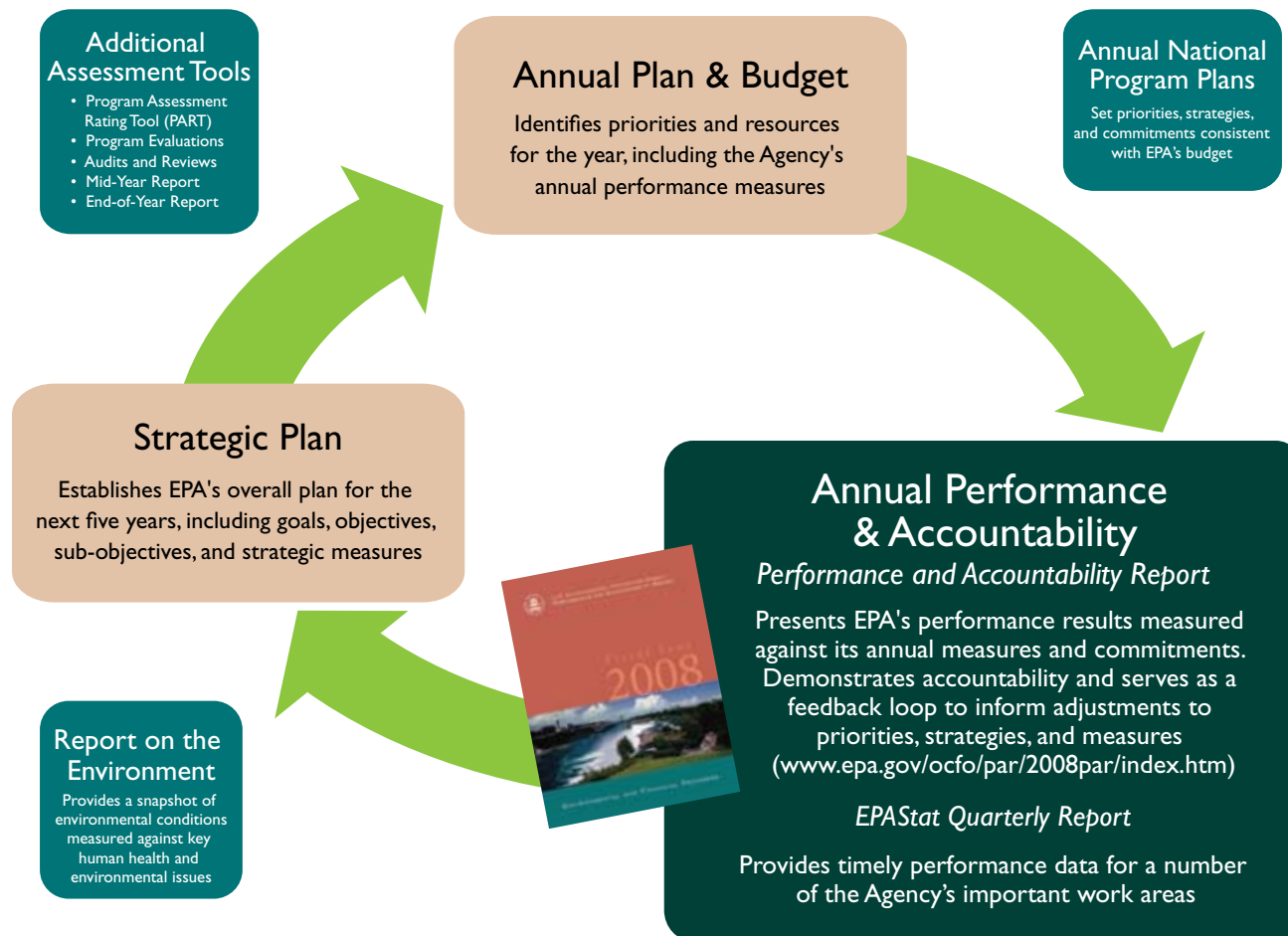
EPA's five goals, their 20 supporting objectives, and numerous strategic targets are described fully in the Agency's *2006-2011 Strategic Plan* (www.epa.gov/ocfo/plan/2006/entire_report.pdf). Based on its Strategic Plan, each year EPA commits in its Annual

Performance Plan and Budget to annual performance measures, which support the achievement of longer-term strategic objectives. EPA is accountable for using its resources efficiently and effectively in managing programs and achieving results. In an

annual *Performance and Accountability Report* (www.epa.gov/ocfo/par/2008par/index.htm), the Agency reports on its performance results against its annual performance measures and describes its progress in the context of longer-term measures.

EPA's Performance Management Framework

Planning, Budgeting, and Accountability for Results



Highlights of Environmental

Region 10 Implements Federal Green Challenge

On Earth Day 2008, Region 10 launched the Federal Green Challenge. All Regional federal partners are challenged to reduce greenhouse gas emissions by 5 percent over the next year by managing energy, transportation, waste, and water. Region 10 registered nearly 20 partners representing more than 1,000 facilities across Washington, Oregon, Alaska, and Idaho.
www.federalgreenchallenge.net

Region 9 Eliminates Pollution Along California/Arizona Border With Mexico

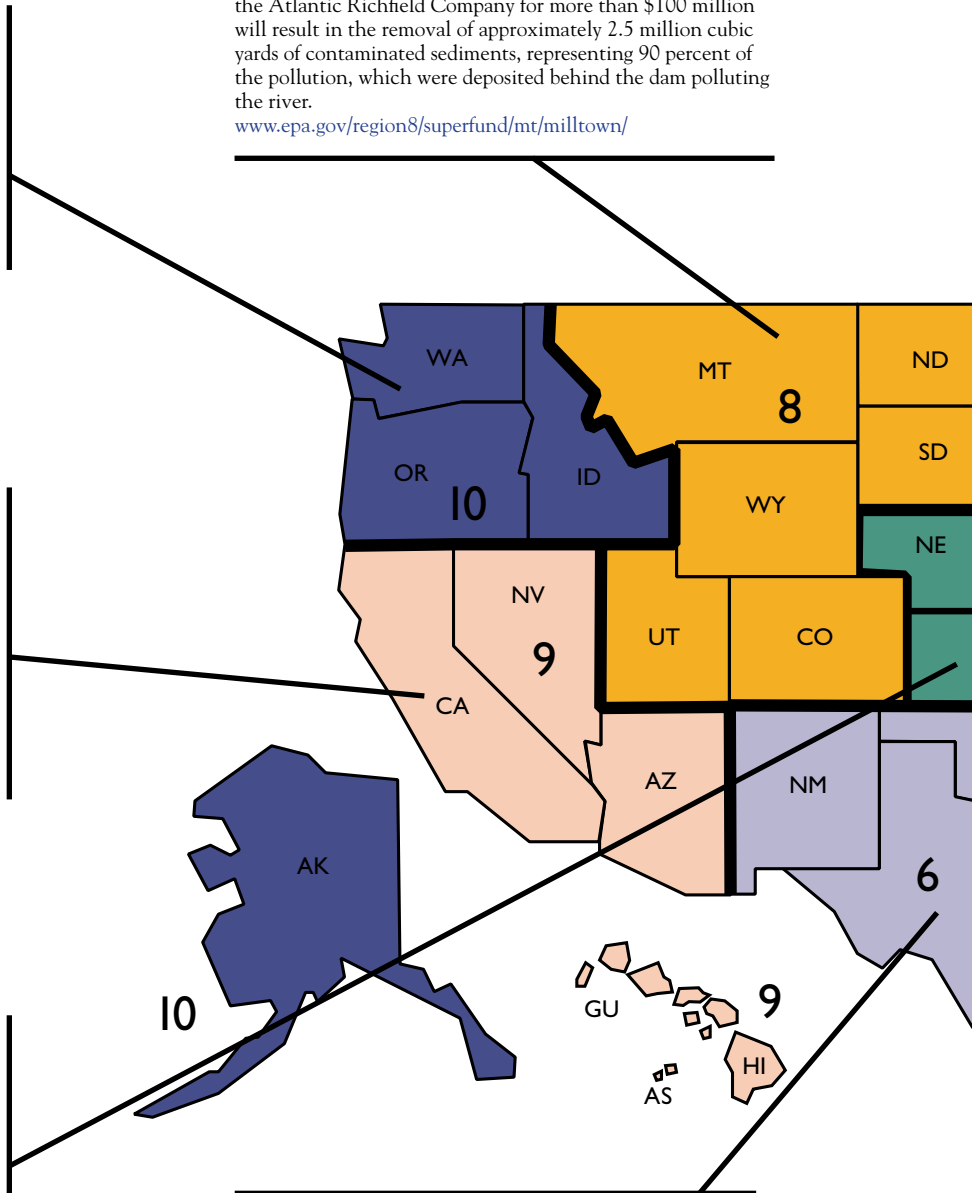
Region 9 inspected more than 50 percent of the federally regulated entities responsible for major sources of pollution to the air, land, or water along the California and Arizona border with Mexico and took actions against the worst polluters. The enforcement will result in more than \$887 million investments in environmental and operational improvements and other efforts to protect community health and the environment.
www.epa.gov/region09/enforcement/accomplishments.html

Region 7 Assists in Iowa Flood Disaster

The U.S. government declared the 2008 Iowa floods the single largest disaster in history in the four-state regions of Iowa, Nebraska, Kansas, and Missouri. Region 7 worked in 160 counties in Iowa and Missouri to collect 200,000 pieces of household hazardous waste, orphaned drum containers, and electronic goods from more than 1,000 miles of river and thousands of flood-damaged residences.
www.epa.gov/region07/cleanup/iowa_flooding2008/index.htm

Region 8 Clark Fork and Blackfoot Rivers Now Flowing Freely

In March 2008, the Milltown Dam in western Montana was breached, and for the first time in a century, the Clark Fork and Blackfoot Rivers began to flow freely. An agreement with the Atlantic Richfield Company for more than \$100 million will result in the removal of approximately 2.5 million cubic yards of contaminated sediments, representing 90 percent of the pollution, which were deposited behind the dam polluting the river.
www.epa.gov/region8/superfund/mt/milltown/



Region 6 Proposes First 8-hour Ozone Attainment Plan

In July 2008, Region 6 made a proposed approval for an 8-hour ozone attainment plan for the Dallas-Fort Worth area, the first in the nation. The plan reduces 88 tons of ozone-forming nitrogen oxides every day. As a result of these efforts, air quality in the area has improved, and the ozone levels in 2008 are the lowest since 1973, when verifiable ambient ozone monitoring began.
www.epa.gov/region6/6xa/dfw_cap_documents.htm

Accomplishment, EPA Regions

Region 5 and the Great Lakes National Program Office Collect Vast Quantities of e-Wastes and Pharmaceuticals

During the April 2008 Earth Week Campaign, more than 5 million unwanted pills and more than 5 million pounds of electronic waste were collected at 33 recycling events, far exceeding the goal of 1 million unwanted pills and 1 million pounds of electronic waste. Region 5, in conjunction with 188 partner organizations including cities, counties, townships, tribes, environmental groups, businesses, community organizations, faith-based organizations, and media outlets, supported this event.

www.epa.gov/glnpo/earthday2008/

Region 1

Increases "No Discharge" Area Designations

In 2008, EPA approved "No Discharge" designations for significant stretches of the New England coastline, including Boston Harbor and Cape Cod Bay. Region 1 and its state and local partners have improved water quality and protected public health and marine life by halting sewage discharges from boats across more than 2,200 miles of the New England coast.

www.epa.gov/region1/topics/water/nodischarge.html

Region 2 Reaches Agreement to Remove Contaminated Sediment

EPA signed an agreement with Occidental Chemical and Tierra Solutions that will result in the most significant removal of contaminated sediment from the lower New Jersey Passaic River in its history. A total of 200,000 cubic yards of dioxin-laden material will be removed in two phases.

www.epa.gov/region02/passaicriver/

Region 3

Embraces "Recycle Mania"

Region 3 led the nation during Recycle Mania 2008 by registering 75 colleges for the competition. The top school in each state will receive an excellence award for achieving the rank of Number 1 in the "Per Capita Classic" category.

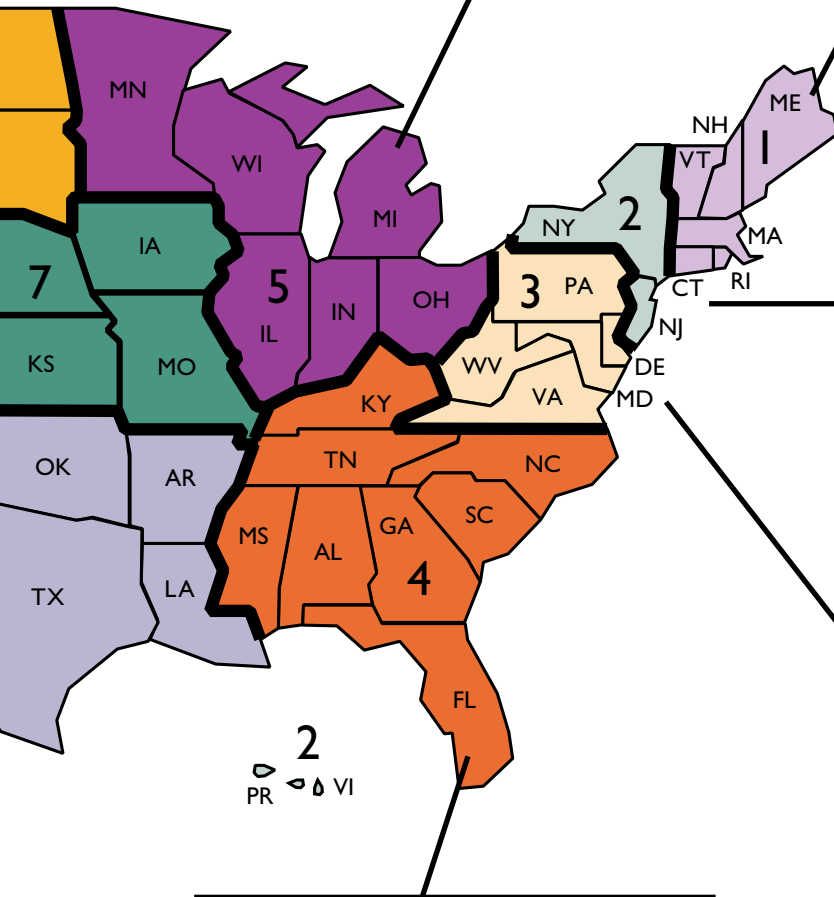
www.epa.gov/reg3wcmd/solidwastemania.htm

Region 4

Increases Greenspace at Five Mile Creek

The Freshwater Land Trust created a 28-mile network of trails and green space in the greater Birmingham area, located along Five Mile Creek, with a \$200,000 brown-fields grant. Community participation, outreach, and education efforts contributed to the success of the initiative, including ongoing creek cleanups, trail improvements, and water quality monitoring projects.

www.freshwaterlandtrust.org



U.S. Environmental Protection Agency

The mission of the Environmental Protection Agency is to protect human health and the environment





FY 2008 Program Performance

In FY 2008, EPA met 113 of its 219 performance measures, 76 percent of the 149 performance measures for which data were available. The Agency did not meet 36 performance measures, for a variety of reasons.

- ◆ Factors that are out of EPA's control, such as weather or litigation, often influence results. For example, heavy population growth and land use patterns continually contribute to the Chesapeake Bay Program not meeting its goals to reduce nitrogen, phosphorous, and sediment pollution loads in the Bay.

- ◆ Competing priorities and diverted resources sometimes affect EPA's timelines.
- ◆ Many of EPA's performance results depend on collaboration between the Agency and its federal, state, and local government partners. For example, when expected water quality submissions were delayed in states waiting for attorney general certifications, the Agency narrowly missed its target for states and territories submitting this information.

EPA is not yet able to report on 70 of its 219 performance measures, because final end-of-year data are not available. This delay in reporting can be largely attributed to the complex nature of environmental problems and the Agency's sharpened focus on longer-term environmental and human health outcomes rather than more specific, annual output measures. Furthermore, data for many outcome-oriented performance measures require extensive quality assurance. Since EPA's *Performance and Accountability Report* is published only 45 days after the end of the fiscal year, much of the performance results data will not be available until FY 2009 or later.



Goal 1: Clean Air *and* Global Climate Change

Protect and improve the air so it is healthy to breathe, and risks to human health and the environment are reduced.

Reduce greenhouse gas intensity by enhancing partnerships with businesses and other sectors.



Key Achievements

◆ **Most Stringent Ozone Standard.**

In March 2008, EPA issued the most stringent 8-hour standard ever established for ozone, the primary component of smog. The Agency revised the ozone standards for the first time in over a decade, basing changes on the most recent scientific evidence about the effects of ozone on human health. EPA valued the health benefits from this rule between \$2 billion and \$19 billion by preventing 260 to 2,000 premature deaths, 380 cases of chronic bronchitis, and many other adverse health effects. The cost estimates of this rule range from \$7.6 billion to \$8.5 billion.

◆ **Better Air Quality in Schools.**

In FY 2008, EPA sponsored the Eighth Annual *Indoor Air Quality Tools for Schools* National Symposium with more than 500 attendees from across the country to accelerate the adoption of key drivers of effective and sustainable indoor air quality management programs in schools. EPA also recognized 43 school districts and several individuals for making outstanding progress in creating healthy learning environments for children.

“This year, EPA established stringent new air quality standards for lead, strengthened air quality standards for ground-level ozone, and issued new emission standards that will cut pollution from locomotive and marine diesel engines by up to 90 percent.”

—Robert J. Meyers, Principal Deputy Assistant Administrator for Air and Radiation

◆ **Expanded Radiation Data.** During FY 2008, the Agency more than tripled the number of locations included in RadMap, a Geographic Information Systems-based, interactive desktop tool that can quickly provide emergency responders and health officials with key information on radiation monitoring system locations across the country. This tool has been well received in the EPA emergency response community, and the Agency is evaluating options to broaden responder access to the tool.

◆ **New Climate Leaders.** In 2008, EPA recognized 51 new companies as Climate Leaders, bringing membership in the Climate Leaders Program to more than 200 partners working to measure greenhouse gas emissions and set aggressive long-term reduction goals. Notably, eight companies took the next step in the partnership by announc-

ing new goals for reducing greenhouse gases. Collectively, EPA's Climate Leaders represent more than 10 percent of the U.S. gross domestic product and have pledged to prevent estimated greenhouse gas emissions equivalent to 9 million cars annually.

◆ **Research to Inform National Ambient Air Quality Standards.**

In FY 2008, EPA researchers characterized the respiratory and cardiovascular effects of air particles of different sizes, showing that breathing in these particles affects blood clotting, can cause changes in heart rate, and can result in mild lung infections. In addition, EPA's Office of Research and Development provided research, data, and advice, which were critical in National Ambient Air Quality Standards reviews and decisions on ozone, nitrogen oxides, sulfur oxides, and lead.

GOAL 1 AT A GLANCE

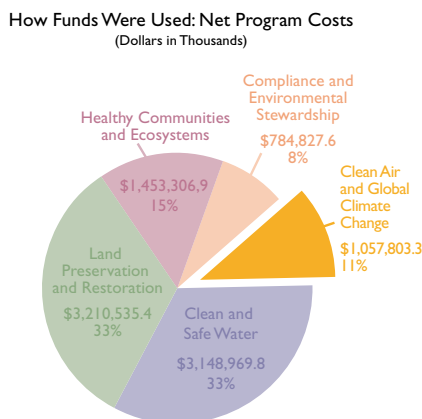
**FY 2008
Performance
Measures**

Met = 2

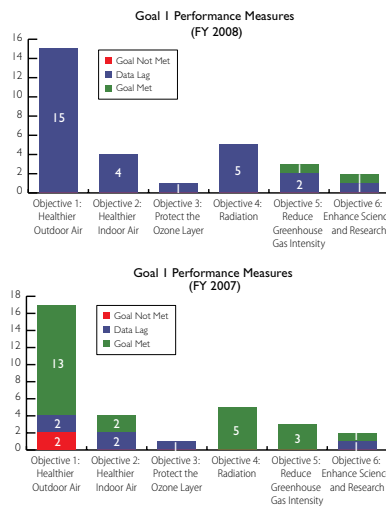
Not Met = 0

Data Available
After 11/17/08 = 28

(Total Measures = 30)



Source: FY 2008 Statement of Net Cost by Goal



Goal 1 FY 2008 Performance and Resources

Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 1 Funds
Objective 1—Healthier Outdoor Air: Protect human health and the environment by attaining and maintaining health-based air-quality standards and reducing the risk from toxic air pollutants.	\$685,364.3	65%
Objective 2—Healthier Indoor Air: Healthier indoor air in homes, schools, and office buildings.	\$51,632.2	5%
Objective 3—Protect the Ozone Layer: Through worldwide action, ozone concentrations in the stratosphere will have stopped declining and slowly begun the process of recovery, and the risk to human health from overexposure to ultraviolet (UV) radiation, particularly among susceptible subpopulations, such as children, will be reduced.	\$18,413.6	2%
Objective 4—Radiation: Working with partners, minimize unnecessary releases of radiation and be prepared to minimize impacts to human health and the environment should unwanted releases occur.	\$47,698.3	5%
Objective 5—Reduce Greenhouse Gas Intensity: Through EPA's voluntary climate protection programs, contribute 45 million metric tons of carbon equivalent (MMTCE) annually to the President's 18 percent greenhouse gas intensity improvement goal by 2012.	\$152,864.9	14%
Objective 6 – Enhance Science and Research: Provide and apply sound science to support EPA's goal of clean air by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 1.	\$101,830.0	10%
Goal 1 Total	\$1,057,803.3	100%

Due to rounding, some numbers might add up to slightly less or more than 100%.

Challenges

◆ Addressing climate change continues to be one of EPA's biggest challenges. In FY 2008, the Agency published an Advanced Notice of Proposed Rulemaking to solicit public input on the complexity and magnitude of the question of whether and how greenhouse gases could be effectively controlled under the Clean Air Act. This action was in response to the April 2, 2007,

Supreme Court decision in *Massachusetts v. EPA*, which found that greenhouse gas emissions could be regulated if EPA determines they cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare.

◆ In July 2008, the Agency's Clean Air Interstate Rule was challenged in court and vacated. EPA had estimated

that by 2015 the rule would reduce power plant emissions of sulfur dioxide by 73 percent and nitrogen oxides by 61 percent in 28 eastern states and the District of Columbia, preventing thousands of premature deaths and other damaging health and environmental effects each year. The Agency filed a rehearing petition for this important regulation in September.

Goal 2: Clean and Safe Water

Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic ecosystems to protect human health; support economic and recreational activities; and provide healthy habitat for fish, plants, and wildlife.



Key Achievements

◆ **Protected Drinking Water.** In FY 2008, 92 percent of the population served by community water systems received drinking water that met all applicable health-based drinking water standards. These results exceeded the Agency's annual goal of 90 percent—a particularly noteworthy accomplishment as community water systems face challenges daily in applying existing drinking water regulations and implementing standards for new contaminants.

◆ **Restored Impaired Waters.** EPA continues to make strong progress in addressing impaired waters. By the end of FY 2008, a total of 2,165 water bodies that were listed as impaired in 2002 were restored

to fully attain the Agency's water quality standards, exceeding EPA's annual target of 1,550. By attaining water quality standards, waters become safer for drinking, fishing and swimming.

“EPA has made significant progress in protecting the nation's water resources—in FY 2008, 2,165 waterbodies that were listed as impaired in 2002 are now fully attaining water quality standards.”

—Benjamin Grumbles, Assistant Administrator for Office of Water



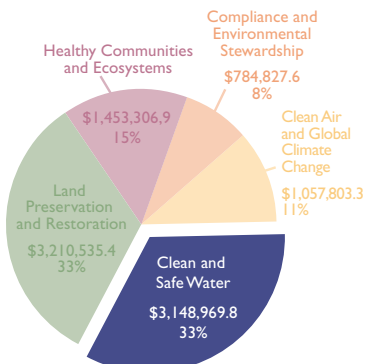
◆ **Research on Disinfection Byproducts.** In FY 2008, the Agency completed research on health risks associated with drinking water exposures to disinfection byproducts. This research provides scientific support for more robust health risk assessments of both regulated and unregulated disinfection byproducts, enabling water suppliers to make more informed treatment decisions that control exposure to disinfection byproducts while meeting disinfection requirements.

GOAL 2 AT A GLANCE

**FY 2008
Performance
Measures**

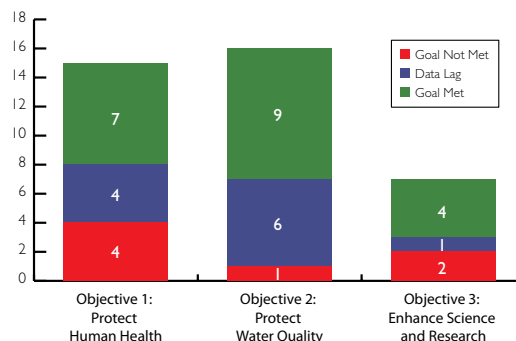
Met = 20
Not Met = 7
Data Available
After 11/17/08 = 11
(Total Measures = 38)

How Funds Were Used: Net Program Costs
(Dollars in Thousands)



Source: FY 2008 Statement of Net Cost by Goal

Goal 2 Performance Measures



Goal 2 FY 2008 Performance and Resources

Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 2 Funds
Objective 1—Protect Human Health: Protect human health by reducing exposure to contaminants in drinking water (including protecting source waters), in fish and shellfish, and in recreational waters.	\$1,339,331.9	43%
Objective 2—Protect Water Quality: Protect the quality of rivers, lakes, and streams on a watershed basis and protect coastal and ocean waters.	\$1,664,746.0	53%
Objective 3—Enhance Science and Research: Provide and apply a sound scientific foundation to EPA's goal of clean and safe water by conducting leading-edge research and developing a better understanding and characterization of the environmental outcomes under Goal 2.	\$144,891.9	5%
Goal 2 Total	\$3,148,969.8	100%

Due to rounding, some numbers might add up to slightly less or more than 100%.

Challenges

- ◆ Population growth and climate factors are causing concern about water scarcity. Communities across the country are facing challenges in securing reliably safe supplies of drinking water. Small drinking water systems, including those supplying drinking water to tribes, are particularly challenged by the need to improve infrastructure and develop the capacity to meet new and existing standards.
- ◆ Tens of thousands of homes, primarily in tribal communities, lack access to basic sanitation. Challenges remain in providing first-time access to tribal homes for wastewater services and continued service to those homes already connected. Even where facilities exist, technical, financial, and managerial capacity in small, rural, and tribal communities remains a significant issue. EPA continues to participate in an Interagency Tribal Infrastructure Task Force and Access subgroup to address challenges in tribes. In FY 2008, the Access subgroup developed an implementation plan and recommendations to the task force. In addition, five workgroups were established to address clean water and drinking water quality issues in tribal communities.

Goal 3: Land Preservation and Restoration

Preserve and restore the land by using innovative waste management practices and cleaning up contaminated properties to reduce risk posed by releases of harmful substances.



Key Achievements

- ◆ **Reduced Municipal Solid Waste.** In FY 2007, the most recent year for which there are data, EPA contributed to reducing, reusing, and recycling 23.5 billion pounds of municipal solid waste. This is equivalent to reducing 6.9 million metric tons of carbon equivalent.

In FY 2008, the Agency determined that 85 Superfund sites were ready for anticipated use, exceeding the annual target of 30. For these sites, construction remedies have been completed; cleanup goals to reduce unacceptable risk that may affect current and future land uses have been achieved;

and institutional controls have been implemented. The cumulative number of sites ready for anticipated use sitewide is 343.

- ◆ **Research on Ethanol and Fuel Byproducts.** In FY 2008, EPA conducted modeling and field investigations to evaluate how methyl tertiary butyl ether (MTBE), ethanol, and other fuel additives move and transform in the environment. Regulators in California, Michigan, New York, Utah, Virginia, West Virginia, and Wisconsin are using EPA tools to predict the impact of ethanol on gasoline spills and to examine effects on water aquifers.

“EPA increased its ability to assist during national disasters by establishing a network of response labs this year and through its 1,800 Volunteer Response Support Corps employees.”

—Susan Bodine, Assistant Administrator for Solid Waste and Emergency Response

- ◆ **Cleanup Completed at 30 Superfund Sites.** In FY 2008, EPA completed cleanup construction (“construction complete”) at 30 Superfund sites, achieving its annual target for that measure. Since the Superfund Program’s inception, EPA has completed construction at 1,060 sites
- ◆ **Superfund Sites Ready for Anticipated Use.** Superfund cleanup helps communities return some of the nation’s worst hazardous waste sites to safe and productive uses.

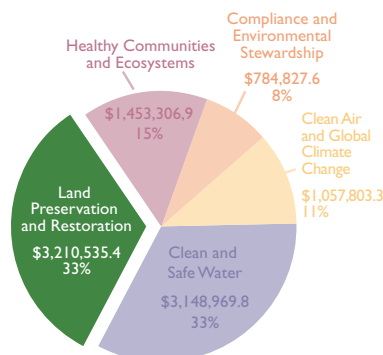


GOAL 3 AT A GLANCE

FY 2008 Performance Measures

Met = 22
 Not Met = 5
 Data Available After 11/17/08 = 2
 (Total Measures = 29)

How Funds Were Used: Net Program Costs
 (Dollars in Thousands)



Source: FY 2008 Statement of Net Cost by Goal

Goal 3 Performance Measures



Goal 3 FY 2008 Performance and Resources

Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 3 Funds
Objective 1—Preserve Land: Reduce adverse effects to land by reducing waste generation, increasing recycling, and ensuring proper management of waste and petroleum products at facilities in ways that prevent releases.	\$220,845.8	7%
Objective 2—Restore Land: Control the risks to human health and the environment by mitigating the impact of accidental or intentional releases and by cleaning up and restoring contaminated sites or properties to appropriate levels.	\$2,909,314.3	91%
Objective 3—Enhance Science and Research: Provide and apply sound science for protecting and restoring land by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 3.	\$80,375.3	3%
Goal 3 Total	\$3,210,535.4	100%

Due to rounding, some numbers might add up to slightly less or more than 100%.

Challenges

◆ While EPA's Superfund Remedial Program met all of its FY 2008 targets, it is facing significant challenges, including maintaining a high rate of construction completions in future years. Many of the remaining National Priorities List sites will involve more complex cleanups than those completed to date. In addition, the Department of Defense is currently inventorying and assessing all military muni-

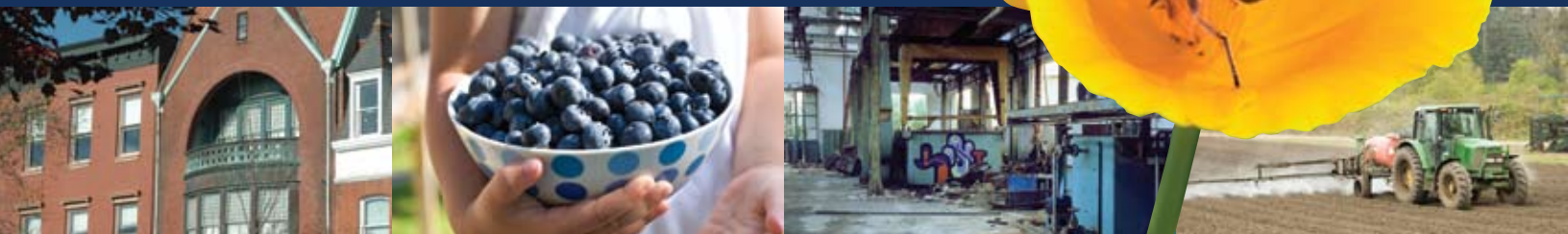
tions response sites. Newly discovered munitions at National Priorities List facilities are delaying cleanups at federal facilities. Finally, recent dramatic increases in the price of fuel, materials, and labor across the country are resulting in rapidly escalating construction costs, which are likely to affect program progress.

◆ The goal of completing 13,000 cleanups per year from leaking underground

storage tanks has become increasingly challenging to EPA and our state and tribal partners. There are a number of factors affecting this challenge, such as the increasing costs and complexity of cleanups, decreasing state budgets and increasing state workloads, and other factors.

Goal 4: Healthy Communities and Ecosystems

Protect, sustain, or restore the health of people, communities, and ecosystems using integrated and comprehensive approaches and partnerships.



Key Achievements

- ◆ **Chemical Assessment and Management Program.** Launched in March 2008, the Chemical Assessment and Management Program uses industry-provided data to create risk and hazard-based prioritizations to assess whether high- and moderate-production volume chemicals produced in the United States pose risks to human health and the environment. In FY 2008, the Agency completed 150 risk-based prioritizations, and 55 hazard-based prioritizations are on track to be completed in early FY 2009.
- ◆ **Re-evaluating Risks of Older Pesticides.** In FY 2008, EPA completed its last pesticide “Reregistration Eligibility Decision” under the Federal Insecticide, Fungicide, and Rodenticide Act, the federal law regulating pesticides. Under this multi-year effort, the Agency identified a wide range of potential risks to human health and the environment posed by older pesticides still on the market and developed plans to address the risks, including reducing workers’ exposure to pesticides and eliminating pesticides in urban watersheds.
- ◆ **Revitalize Brownfields Properties.** FY 2007 results for EPA’s Brownfields and Land Revitalization Program show that 1,371 properties were assessed, and 77 properties were cleaned up, leveraging 5,209 jobs and \$1.7 billion in cleanup and redevelopment funding. In addition, 2,399 acres were made ready for reuse through site assessment or property cleanup. FY 2008 results will be available in FY 2009.
- ◆ **Remediating Contamination in the Great Lakes.** In 2007 (the most recent year for which EPA has data), approximately 973,000 cubic yards of contaminated sediments were remediated in the Great Lakes by EPA and its partners. This includes 450,000 cubic yards pursuant to the Great Lakes Legacy Act. FY 2008 results will be available in the fall of 2009.
- ◆ **Restoring Gulf of Mexico Habitat.** In FY 2008, EPA’s regional offices and industry partners coordinated efforts of more than 72 organizations to restore a total of 25,215 acres of coastal and marine habitat in the Gulf of Mexico, significantly exceeding EPA’s FY 2008 goal of 18,200 acres.



“EPA has now completed the reassessment of all pesticides, including those in food and around homes, resulting in the most health-protective standards in the world for pesticide safety.”

—Jim Gulliford, Assistant Administrator for the Office of Prevention, Pesticides, and Toxic Substances

GOAL 4 AT A GLANCE

FY 2008 Performance Measures

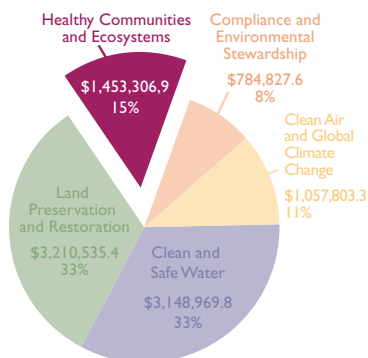
Met = 50

Not Met = 20

Data Available After 11/17/08 = 22

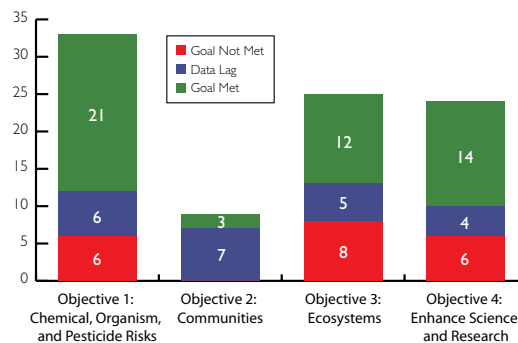
(Total Measures = 92)

How Funds Were Used: Net Program Costs
(Dollars in Thousands)



Source: FY 2008 Statement of Net Cost by Goal

Goal 4 Performance Measures



Goal 4 FY 2008 Performance and Resources

Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 4 Funds
Objective 1—Chemical, Organism, and Pesticide Risks: Prevent and reduce pesticide, chemical, and genetically engineered biological organism risks to humans, communities, and ecosystems.	\$475,850.1	33%
Objective 2—Communities: Sustain, clean up, and restore communities and the ecological systems that support them.	\$298,998.4	21%
Objective 3—Ecosystems: Protect, sustain, and restore the health of natural habitats and ecosystems.	\$272,638.5	19%
Objective 4—Enhance Science and Research: Provide a sound scientific foundation for EPA's goal of protecting, sustaining, and restoring the health of people, communities, and ecosystems by conducting leading-edge research and developing a better understanding and characterization of environmental outcomes under Goal 4.	\$405,819.9	28%
Goal 4 Total	\$1,453,306.9	100%

Due to rounding, some numbers might add up to slightly less or more than 100%.

- ◆ **Global Change Research.** EPA's Global Change Research Program continues to assess the potential impacts of climate change and climate variability on the

United States and to evaluate alternative adaptation strategies. In support of the U.S. Climate Change Science Program, EPA completed two major assessments:

Preliminary Review of Adaptation Options for Climate-Sensitive Ecosystems and Resources and Analyses of the Effects of Global Change on Human Health and Welfare and Human Systems.

Challenges

- ◆ Weather, water temperatures, and the ability to accelerate reduction of nitrogen, phosphorous, and sediment pollution loads to the Chesapeake Bay between now and 2010 will determine EPA's success in meeting its long-range strategic target for acres of submerged aquatic vegetation. Based on FY 2007 monitoring results available in FY 2008, the Agency had achieved 35 percent of the

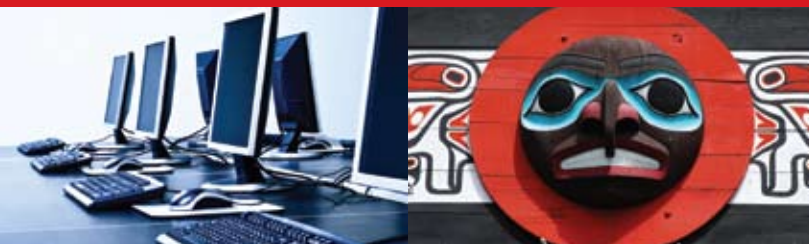
long-term goal of 185,000 acres of submerged aquatic vegetation, and it has set a challenging target of 45 percent by 2011. Monitoring results for FY 2008 will be available in March 2009.

- ◆ EPA's chemical risk assessment and management capabilities are being severely challenged to meet President Bush's commitment under the "Security and Prosperity Partnership for North

America," to assess the safety of 6,300 high- and moderate-volume chemicals and initiate risk management actions where needed by 2012. EPA has been successful in meeting its FY 2008 assessment targets. The Agency is expected to accelerate the pace of assessment in upcoming years to ensure that it meets Security and Prosperity Partnership commitments.

Goal 5: Compliance and Environmental Stewardship

Protect human health and the environment through ensuring compliance with environmental requirements by enforcing environmental statutes, preventing pollution, and promoting environmental stewardship. Encourage innovation and provide incentives for government, business, and the public that promote environmental stewardship and long term sustainable outcomes.



Key Achievements

- ◆ **Reducing, Treating, and Eliminating Pollutants.** In FY 2008, under EPA's environmental compliance programs, EPA negotiated commitments in enforcement settlements for an estimated 3.9 billion pounds of pollutants to be reduced, treated or eliminated in the first year after pollution controls are installed. This is 3.01 billion pounds more than the 890 million pounds estimated to be reduced in FY 2007.
- ◆ **Investments in Pollution Control Technology.** In FY 2008, in compliance with EPA requirements, regulated entities committed to invest a total of \$11.8 billion in pollution control and abatement equipment and technologies to improve their environmental performance or environmental management practices.



“In FY 2008, EPA concluded enforcement actions requiring polluters to spend at least \$11 billion on pollution controls, clean-up and environmental projects. These actions will keep at least an estimated 3 billion pounds of pollutants out of the environment each year. This year continues EPA's trend of record-setting results to protect the nation's air, water and land.”

—Granta Nakayama, Assistant Administrator for the Office of Enforcement and Compliance Assurance

- ◆ **Preventing Pollution and Conserving Energy.** During FY 2008, EPA made significant progress in preventing pollution at the source as businesses; institutions; and federal, state, and local governments participated in pollution prevention programs. By the end of FY 2008, pollution prevention program participants reduced 839 million pounds of hazardous materials and saved 21.4 billion gallons of water. In addition, final FY 2007 results became available in FY 2008 and show reductions of 1.5 million metric tons of carbon dioxide equivalent (MMTCO₂e) and a cost savings of \$187 million.
- ◆ **Environmentally Sound Computers.** EPA's Electronic Product Environmental Assessment Tool Program, which assists institutions purchasing electronics in selecting environmentally sound computer

products, helped conserve 3,292 billion British thermal units of electricity and save \$83.6 million in energy costs in FY 2007. During FY 2008, the program initiated efforts to develop similar voluntary consensus standards for televisions and other electronic products.

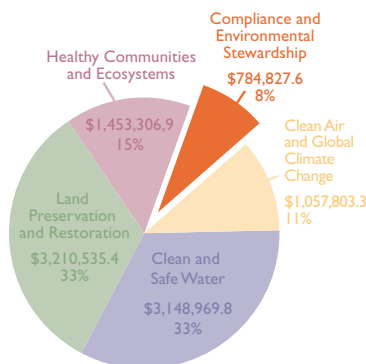
- ◆ **Advancing Sustainability.** EPA's People, Prosperity, and the Planet Program held its fourth annual student design competition for sustainability in 2008. Winning designs included technology to produce plastic from wastewater, a laboratory to produce biodiesel from a cafeteria's vegetable oil waste, and a hand-held water sanitizer for disinfecting drinking water in households of poor communities around the world. EPA supported these finalists with grant funding to bring the designs to market.

GOAL 5 AT A GLANCE

**FY 2008
Performance
Measures**

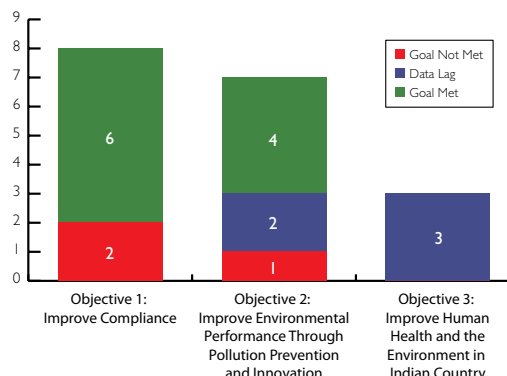
Met = 10
Not Met = 3
Data Available
After 11/17/08 = 5
(Total Measures = 18)

How Funds Were Used: Net Program Costs
(Dollars in Thousands)



Source: FY 2008 Statement of Net Cost by Goal

Goal 5 Performance Measures



Goal 5 FY 2008 Performance and Resources

Strategic Objective	FY 2008 Obligations (in thousands)	% of Goal 5 Funds
Objective 1—Improve Compliance: By 2011, maximize compliance to protect human health and the environment through enforcement and other compliance assurance activities by achieving a 5% increase in the pounds of pollution reduced, treated, or eliminated by regulated entities, including those in Indian Country.	\$526,596.0	67%
Objective 2—Improve Environmental Performance through Pollution Prevention and Innovation: Improve environmental protection and enhance natural resource conservation on the part of government, business, and the public through the adoption of pollution prevention and sustainable practices that include the design of products and manufacturing processes that generate less pollution, the reduction of regulatory barriers, and the adoption of results-based, innovative, and multimedia approaches.	\$119,226.7	15%
Objective 3—Build Tribal Capacity: Assist all federally recognized tribes in assessing the condition of their environment, help in building their capacity to implement environmental programs where needed to improve tribal health and environments, and implement programs in Indian Country where needed to address environmental issues.	\$79,244.1	10%
Objective 4—Enhance Science and Research: Strengthen the scientific evidence and research supporting environmental policies and decisions on compliance, pollution prevention, and environmental stewardship.	\$59,760.8	8%
Goal 5 Total	\$784,827.6	100%

Due to rounding, some numbers might add up to slightly less or more than 100%.

Challenges

◆ Tracking performance and results in Indian Country continues to present challenges. EPA is working with tribes to improve performance measures and to implement GAP Online, an electronic work plan development and reporting system. By enabling the Agency to standardize, centralize, and integrate regional data

and to assign accountability for program performance, the system will strengthen EPA's ability to monitor and evaluate performance results in Indian Country and improve environmental protection on tribal lands.

◆ Measuring the results of the Office of Research and Development's efforts to

encourage decision-makers to incorporate sustainability principles into human health and environmental decisions is a difficult challenge. EPA has developed new measurement tools to better gauge the annual and long-term success of its Science and Technology for Sustainability Research Program.

Financial Performance

Sound Financial Management: Good for the Environment, Good for the Nation

EPA continues to protect the environment with the support of strong financial management. The Agency's accomplishments demonstrate that EPA adheres to the highest standards for financial management.

For the 9th consecutive year, the Agency's Office of Inspector General (OIG) issued an unqualified or

"clean" opinion on EPA's financial statements. This means that the auditors can provide reasonable assurance that EPA's financial statements are presented fairly in all material respects and conform to generally accepted accounting principles for the federal government. In simple terms, a clean opinion means that the Agency's financial numbers are reliable.

EPA's Financial Statements for Fiscal Year 2008

The table below displays assets, liabilities, and net position as of September 30, 2008 and September 30, 2007. The "Net Cost of Operations" line shows EPA's gross cost to operate, minus exchange revenue

earned from its activities. Together, these two statements provide information about key components of EPA's financial condition—assets, liabilities, net position, and net cost of operations.

(in thousands)	FY 2007	FY 2008	Increase (Decrease)
Total Assets	\$17,554,689	\$17,106,998	(\$447,691)
Total Liabilities	\$1,755,298	\$1,664,042	(\$91,256)
Net Position	\$15,799,391	\$15,442,956	(\$356,435)
Net Cost of Operations	\$8,713,206	\$8,041,210	(\$671,996)

Assets—What EPA Owns and Manages

EPA's assets were worth \$17.1 billion at the end of FY 2008. More than 92 percent of EPA's assets fell into two categories: 1) its Fund balance with the Department of

the Treasury, the equivalent of the Agency's "checkbook" balance available to pay expenses, and 2) investments, which will be used to pay for future Superfund or

Accounting 101

Assets—What EPA owns and manages

Liabilities—Amounts EPA owes as a result of past transactions or events

Net position—The difference between assets and liabilities (similar to net worth)

Net cost of operations—The difference between the costs incurred by EPA programs and EPA's receipts

leaking underground storage tank cleanups. All of EPA's investments are backed by U.S. government securities.

Improving Management *and* Results

The President's Management Agenda

The President's Management Agenda challenges federal agencies to be "citizen-centered, results-oriented, and market-based" (www.whitehouse.gov/results). In FY 2008, EPA achieved successful "green" progress and status ratings every quarter for all five government-wide initiatives. EPA's scores demonstrate that the Agency is among the highest-performing entities in the federal government.

The Program Assessment Rating Tool

In FY 2008, EPA developed and implemented an action plan for Program Assessment Rating Tool (PART) measures that leveraged ongoing strategic and annual planning and reflected measure improvements. These measures will be incorporated into EPA's budget and other documents, including future Performance and Accountability Reports. Since all of EPA's programs have been assessed under the PART, there were no new assessments in FY 2008.

Initiative	Status	Progress
Human Capital: Fosters strong performance and results by improving human capital management, accountability, and linkage between employee performance and EPA goals and mission accomplishment.	● Green	● Green
Commercial Services Management: Having public-private competition enables the Agency to determine the most economical mode of delivering services while ensuring the highest quality of those services.	● Green	● Green
Expanded E-Government: Utilizes technology to better serve the United States and its people including electronic information, online transactions, and new information management capabilities.	● Green	● Green
Improved Financial Performance: Focuses on running environmental programs in a fiscally responsible manner so citizens' dollars are used wisely and their health and environment are protected.	● Green	● Green
Performance Improvement: Contributes to better EPA performance, measurement and management, increased accountability, more informed decision-making, and more transparent reporting of environmental and human health results to the public.	● Green	● Green
Eliminating Improper Payments : Focuses on identifying, preventing, and eliminating erroneous payments.	● Green	● Green

Distribution of PARTed Programs Across EPA's Strategic Goals



¹ The Improper Payments Information Act of 2002 requires the Agency to annually review all programs and activities that it administers and identify all such programs and activities susceptible to significant improper payments. Significant improper payments are annual payments in the program exceeding both 2.5 percent of the program payments and \$10 million.



EPA Holds Itself Accountable

Management Integrity

EPA strives to manage taxpayer dollars efficiently and effectively and to ensure the integrity of our programs and processes to deliver the best results to the American people. The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to conduct an annual evaluation of their internal controls over programs and financial systems and report the results to the President and Congress. As part of this effort, agencies are required to report on the effectiveness of internal controls over financial reporting.

In FY 2008, the Administrator issued an unqualified statement of assurance. During its FY 2008 evaluation, the Agency found no material weaknesses in the design or operation of internal controls over programmatic operations (FMFIA Section 2). A material weakness is a condition that could significantly impair or threaten fulfillment of a major Agency program, function, or activity and is significant enough to report to the President and Congress. Additionally, the evaluation found that the Agency's financial systems conform to government-wide financial systems requirements and substantially comply with requirements.

Management Controls

During FY 2008, EPA conducted its annual assessment on the effectiveness of internal controls over financial reporting, as required

by the Office of Management and Budget Revised Circular No. A-123. Through this process, EPA identified and documented 8 financial

management processes and tested 275 key controls. As of June 30, 2008, EPA found no material weaknesses.

EPA's Key Management Challenges for FY 2008: Reported by the Office of Inspector General

1. Threat and Risk Assessments
2. EPA's Organization and Infrastructure
3. Performance Measurement
4. Water and Wastewater Infrastructure
5. Meeting Homeland Security Requirements
6. Oversight of Delegation of States
7. Chesapeake Bay Program
8. Voluntary Programs – Update

For details see "Section IV, Other Accompanying Information," in the 2008 Performance and Accountability Report, EPA's Key Management Challenges for FY 2008 (www.epa.gov/ocfo/par/2008par/index.htm).

Fiscal Year 2008 Assurance Statement

The U.S. Environmental Protection Agency's (EPA's) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). EPA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, I can provide reasonable assurance that as of September 30, 2008, no material weaknesses were found in the design or operation of the Agency's internal controls.

In addition, EPA conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, I can provide reasonable assurance that as of June 30, 2008, no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Stephen L. Johnson
Administrator
November 12, 2008

Office of the Chief Financial Officer
Office of Planning, Analysis, and
Accountability (2724A)
United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

www.epa.gov/ocfo
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