



# Fiscal Year 2003 Annual Report

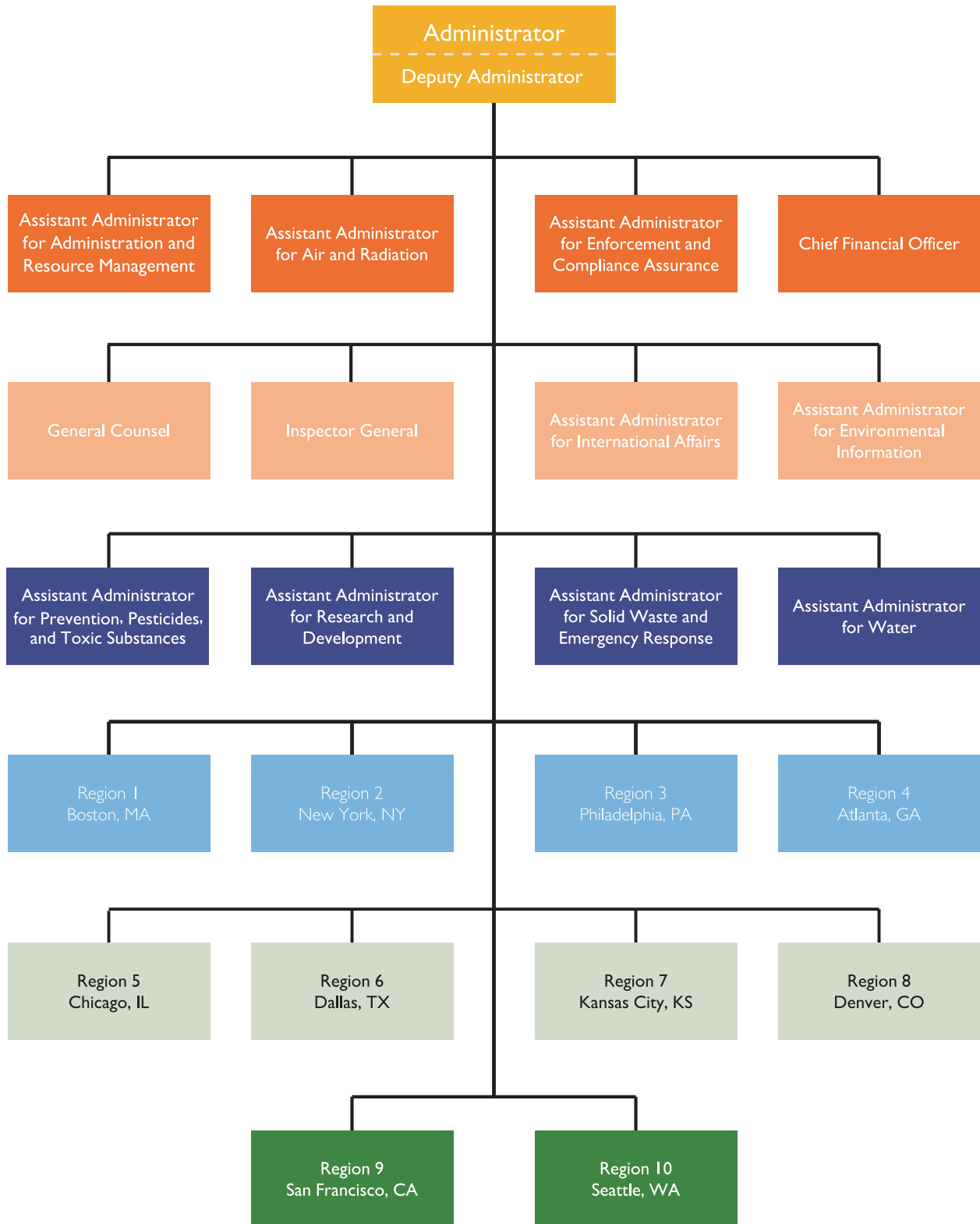
*U.S. Environmental Protection Agency*



FINANCIAL AND ENVIRONMENTAL PROGRESS

# U.S. Environmental Protection Agency

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



# Message from the Administrator



It gives me great pleasure to present the Environmental Protection Agency's Annual Report for FY 2003 as I begin my tenure as Administrator. Like the annual reports of other major organizations, EPA's incorporates a set of audited annual financial statements with a summary of the Agency's accomplishments over the past fiscal year. EPA's Annual Report is distinct, however, because it provides a public accounting of both the results of its efforts, in terms of a cleaner and healthier environment for the American people, and the good uses to which the Agency has put taxpayer resources. As the newest leader of the EPA community, I take pride in the environmental and managerial achievements described in this Annual Report and pledge to build on them in the future.

I hope all readers of this Report will take from it a sense of the hard work that EPA has done and continues to do on behalf of all Americans. At the same time, this Report emphasizes other significant messages, including the importance of EPA's collaboration with state, tribal, and local governments to bring environmental protection programs to every part of the nation. The Report addresses also the range of resources that support EPA efforts—not just public funding, but also scientific knowledge, environmental information, and skilled people applying their expertise to real-world issues relevant to communities everywhere. In addition, EPA's Annual Report helps fulfill our responsibility to inform citizens about environmental problems and solutions, especially solutions that all of us, as citizens, can help to promote.

EPA is fortunate in its dedication to a valuable mission: to protect human health and the environment. Thank you for your continuing interest in our work and your shared commitment to sound stewardship of our natural resources.

A handwritten signature in white ink that reads "Michael O. Leavitt". The signature is written in a cursive, flowing style.

Michael O. Leavitt  
Administrator



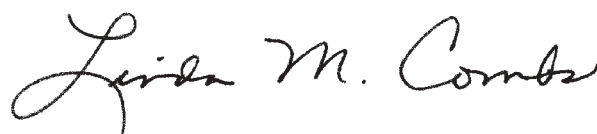
## Message from the Chief Financial Officer

I am pleased to provide EPA's Annual Report for FY 2003. At the 10-year mark following the enactment of the Government Performance and Results Act of 1993, we are proud of our accomplishments in fulfilling its mandate. At EPA, the cycle of planning, budgeting, program implementation, performance measurement, and annual reporting is producing valuable results. Working with our partners in state, tribal, and local governments, we manage the nation's environmental programs effectively and efficiently. Our Annual Report describes these partnerships, highlighting the environmental outcomes of our collaboration, and provides a public accounting of EPA's use of taxpayer resources in the form of audited financial statements. We hope all readers—members of the public as well as our partners and stakeholders in other federal agencies, Congress, OMB, industry, and the environmental community—will find this Annual Report useful and informative. We have endeavored to make it more timely, too, by working closely with our colleagues in EPA's Office of Inspector General to accelerate its preparation ahead of the government-wide schedule and publish it only 8 weeks after the close of the fiscal year.

Results are central to the President's Management Agenda, and EPA has made a number of advances this year in support of results-oriented, citizen-centered government. In June 2003, EPA became the third federal agency to achieve a "green" results score for Improved Financial Performance on the Executive Branch Management Scorecard. This score is based on success in several financial management efforts. We are especially proud of EPA's proven record of making timely and accurate financial information available to environmental program managers, who use this information—integrated with information about program results—to make decisions on a daily basis. This means we can give our assurance to the public that EPA strives to deliver the best results with the greatest efficiencies.

We always are interested in our readers' suggestions for improvements to the Annual Report, and we welcome your ideas for making the Annual Report for 2004 more informative and interesting. We invite you to send comments by postal or electronic mail to the addresses provided on the [inside back cover](#) of this Report.

Thank you for contributing to the nation's efforts to bring a clean environment and good health to all Americans.



Linda M. Combs  
Chief Financial Officer

# Table of Contents

## INTRODUCTION

Message from the Administrator .....	i
Message from the Chief Financial Officer .....	ii
Table of Contents .....	iii

## SECTION I - OVERVIEW AND ANALYSIS

Introduction .....	2
Performance Results .....	3
Improving Results .....	10
Financial Analysis .....	14
Sustained Progress in Addressing Management Issues .....	20
OIG Key Management Challenges Requiring Sustained Agency Attention .....	24

## SECTION II - PERFORMANCE RESULTS

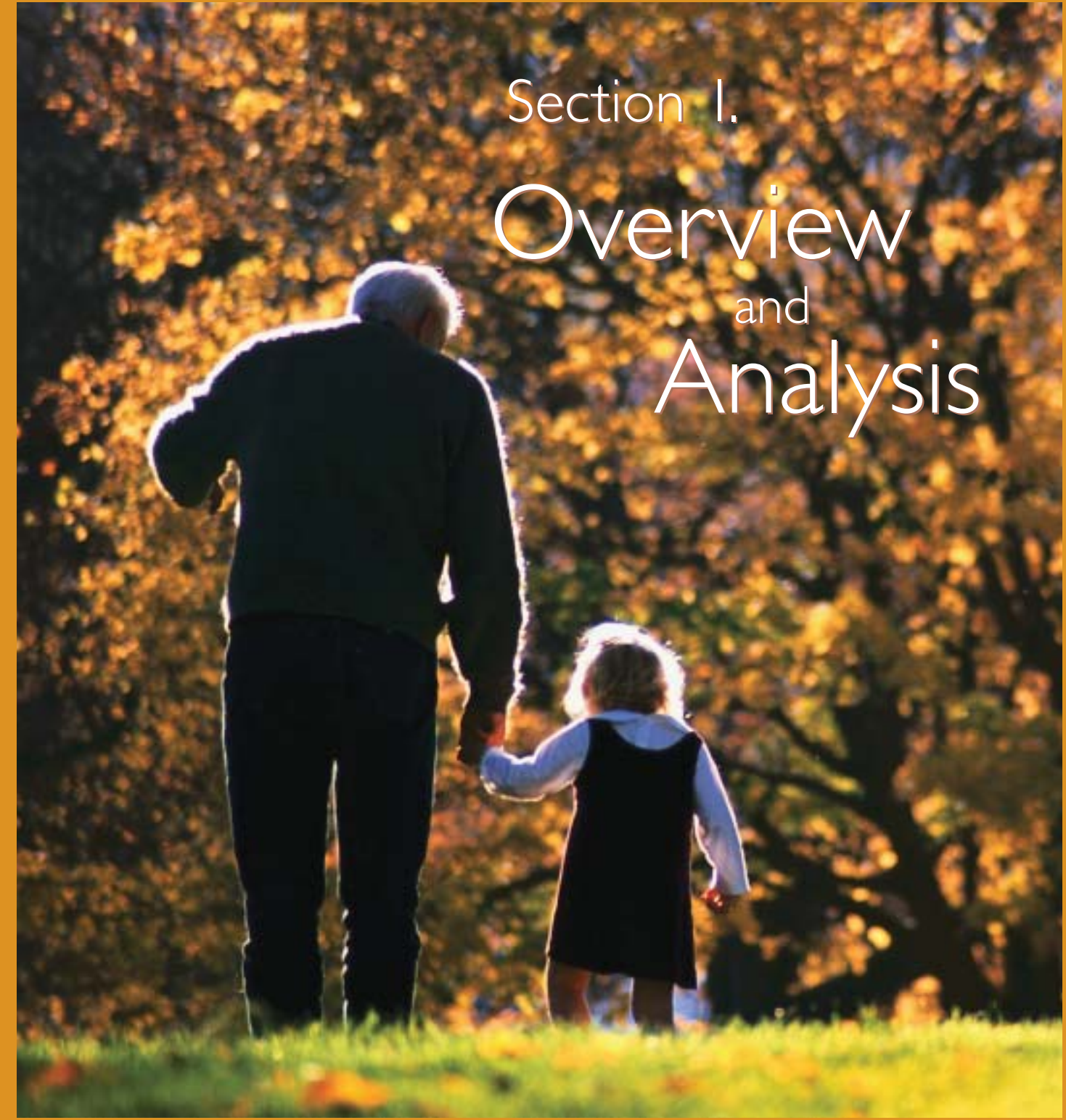
Goal 1—Clean Air and Global Climate Change .....	28
Goal 2—Clean and Safe Water .....	47
Goal 3—Land Preservation and Restoration .....	59
Goal 4—Healthy Communities and Ecosystems .....	72
Goal 5—Compliance and Environmental Stewardship .....	91
Chapter 6—Support for Environmental Results .....	109

## SECTION III - FY 2003 ANNUAL FINANCIAL STATEMENTS

Chief Financial Officer's Analysis .....	122
Principal Financial Statements .....	126
Summary of OIG's Audit Report .....	183

## APPENDICES

Appendix A—Program Evaluations .....	192
Appendix B—Acronyms and Abbreviations .....	214



Section I.  
Overview  
and  
Analysis

## CONTENTS

Performance Results .....	3
Improving Results .....	10
Financial Analysis .....	14
Sustained Progress In Addressing Management Issues .....	20
OIG Key Management Challenges Requiring Sustained Agency Attention .....	24

# Overview and Analysis

The U.S. Environmental Protection Agency (EPA) has a clear mission: to protect human health and the environment. Under this mission, the Agency is responsible for ensuring that the nation's air is safe to breathe, the water is clean and safe to drink, and the land is restored and protected. In FY 2000, under the Government Performance and Results Act (GPRA), EPA issued its second *Strategic Plan*, with 10 long-term strategic goals identifying the environmental results that the Agency would work to achieve and reflecting the sound financial and management practices it would employ. Since then, the Agency has been working to sharpen its focus on achieving measurable environmental results, and has revised its *Strategic Plan*, as well as EPA's supporting financial architecture.



With the release of EPA's revised 2003 *Strategic Plan* in September 2003, the Agency moved from 10 strategic goals—including both outcome-oriented goals, such as Clean Air, and functional or support goals, such as Effective Management—to five goals centered on environmental and human health results. By directing attention to fewer outcome-oriented goals, EPA hopes to develop effective strategies that achieve better environmental results and use taxpayer dollars more wisely and effectively. EPA regional offices, for example, working with their state and tribal partners, will be better able to conduct regional strategic planning activities and address regional or geographic priorities under the Agency's five national goals.<sup>1</sup>

With this Annual Report, the Agency begins framing its performance and results under its 2003 *Strategic Plan*. Discussion of FY 2003 performance in terms of the more outcome-oriented, five-goal structure enables the Agency to present a stronger focus on achieving mission results of protecting human health and the environment. EPA has crosswalked its FY 2003 Annual Performance Goals, established in the *FY 2003 Annual Plan* under the 10-goal architecture of EPA's 2000 *Strategic Plan*, to

the new five-goal framework of the 2003 *Strategic Plan*. The Agency also included a sixth chapter to discuss annual results for supporting programs.

The Agency is submitting this year's report on an accelerated schedule of November 21, 2003, sooner than the statutory deadline of January 31, 2004.

Operating under this new schedule will position the Agency to meet the statutory deadline of November 15, 2004, for FY 2004 reporting. A significant implication of the accelerated schedule is that final performance data for several key programs were not available in time for this report's release. As allowed by GPRA, performance data not available at the time of this document's publication will be reported in EPA's FY 2004 and future *Annual Reports*.

This *Annual Report* provides an assessment of the Agency's environmental, programmatic, and financial performance. Building on the previous year's results, EPA made progress during FY 2003 toward protecting human health and the environment by using a mix of



tools and approaches, and by working closely with its valued partners whose contributions were critical to many of the results achieved.

This report contains three sections. Section I, Overview and Analysis, provides a broad picture of EPA's environmental and fiscal performance during FY 2003.\* It also summarizes EPA's accomplishments in financial management and in addressing programmatic management challenges and audit management activities for FY 2003, as well as progress toward enhancing the Agency's capacity for achieving results. [Section II, Performance Results](#), describes in greater detail the results that EPA—working with its federal, state, tribal, and local government partners—achieved under each of the Agency's five new goals. It also presents

progress toward meeting the Annual Performance Goals established in EPA's *FY 2003 Annual Plan*. [Section III, FY 2003 Audited Financial Statements](#), summarizes EPA's financial activities and achievements and presents the Agency's annual financial statements, which have been independently audited by EPA's Inspector General.

### EPA CHANGED ITS STRATEGIC GOALS IN FY 2003

#### 2000 Strategic Plan

1. Clean Air
2. Clean & Safe Water
3. Safe Food
4. Preventing Pollution
5. Better Waste Management
6. Reduced Global & Cross Border Environmental Risks
7. Quality Environmental Information
8. Sound Science
9. A Credible Deterrent to Pollution
10. Effective Management

#### 2003 Strategic Plan

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

\* The Overview and Analysis also addresses requirements for a "Management's Discussion and Analysis" of the annual financial statements included in EPA's *FY2003 Annual Report*. Because the *FY2003 Annual Report* consolidates a number of specific reports, some required components of the "Management's Discussion and Analysis" are presented in greater detail elsewhere in this report. In particular, [EPA's mission statement and organization chart](#) appear at the front of the report. For a discussion of the Agency's performance goals and results, refer to [Section II](#). Financial statements, along with a discussion of systems, controls, and legal compliance, are presented in [Section III](#). Environmental Accomplishments

## Performance Results

Building on FY 2002 accomplishments, EPA and its partners made significant progress during FY 2003 toward protecting the nation's air, water, and land. This section describes key environmental and program results, summarizes the Agency's performance in meeting its FY 2003 annual performance goals, and discusses some of EPA's current performance issues and concerns.

### ENVIRONMENTAL ACCOMPLISHMENTS

**Clean Air and Global Climate Change.** In FY 2003, an additional 6.8 million people in the United States are now breathing healthier air. Work by EPA and its partners through FY 2003 led to decreased emissions of the six principal air pollutants for which EPA has established National Ambient Air Quality Standards under the Clean Air Act: carbon



## EPA'S NEW FY 2003 EMISSION STANDARDS FOR NON-ROAD DIESEL ENGINES WILL:

### *Annually Reduce:*

- 825,000 tons of nitrogen dioxide.
- 125,00 tons of particulate matter.

### *Annually Prevent More Than:*

- 9,600 premature deaths.
- 8,300 hospitalizations.
- 16,000 heart attacks.
- 5,700 children's asthma-related emergency room visits.
- 260,000 respiratory problems in children.
- Nearly a million work days lost due to illness.

monoxide, ground-level ozone, particulate matter, nitrogen dioxide, sulfur dioxide, and lead. For example, 92 percent of the geographic areas in the country that were not meeting the clean air standard for carbon monoxide are now measuring clean air. The same is true for 49 percent of those areas that were not previously meeting the 1-hour ozone standard and 81 percent of the areas that were not attaining the particulate matter (PM<sub>10</sub>) standard.

In FY 2003, EPA proposed new emission standards for non-road diesel engines used in construction, agricultural, and industrial operations. This proposal will reduce emission levels for particulate matter and nitrogen oxide by more than 90 percent, and eliminate 99 percent of the sulfur content in fuel used by these engines, resulting in significant health benefits.<sup>2</sup>

In addition to the six common air pollutants, the Clean Air Act identifies 188 toxic air pollutants to be regulated. In FY 2003, EPA issued rules regulating 29 major sources of toxic air pollutants. The Agency estimates that when fully implemented, these rules will prevent more than 140,000 tons of toxic air emissions each year.

**Clean and Safe Water.** In FY 2003, the nation maintained the quality of its drinking water, sustaining gains made in the past decade. EPA estimates that as a result of its support for state and tribal drinking water programs in FY 2003, the percentage of the population served by community water systems receiving drinking water that meets existing health-based standards remained high. The nation also increased its knowledge of the quality of fresh waters in new biennial reporting from states and tribes.

During FY 2003, for the first time, 13 states were able to identify specific water where all fish are safe to eat. This was due in part to increased monitoring of the health of the nation's surface waters. In calendar year 2002, 15 percent of river miles (representing 544,036 miles) and 33 percent of lake acres (representing 13,413,763 acres) were under one or more advisories not only for risks to the general population, but also to recreational and subsistence fishers, and sensitive sub-populations such as pregnant women, nursing mothers, and children. State and local agencies also reported that beaches were open 95 percent of the beach days (the number of days in a specific beach's recreational season) during calendar year 2002.

**Land Preservation and Restoration.** EPA continues to make substantial progress toward cleaning up contaminated lands and safely managing hazardous waste. In FY 2003, the Agency achieved its performance goal of completing the cleanup ("construction completes") of and reducing the risks posed to human health at 40 sites on the Superfund National Priorities List (NPL). Since the program's inception, the Agency has completed all remedial cleanup construction activities at 886 Superfund sites, or 58 percent of the sites on the NPL. This work, and that at non-NPL sites, has included providing alternative drinking water supplies to nearly 613,000 people to protect them from contaminated groundwater and surface water, and relocating more than 33,000 people in instances where contamination posed the most severe immediate risk.

In FY 2003, EPA met its targets of 197 and 158 for achieving intermediate environmental indicators for the Resource Conservation and Recovery Act's (RCRA's) Corrective Action Program. Adequate controls were put in place to prevent human exposures to hazardous waste at an additional 230 facilities, and migration of contaminated groundwater is under control at 175 facilities. As a result, actual or potential threats from releases of hazardous wastes have been reduced at nearly 73 percent of the 1,174 high priority RCRA corrective action facilities and migration of contaminated groundwater has been controlled at 61 percent of those facilities.

The Agency surpassed its annual performance goal for the number of hazardous waste management facilities operating with approved permits. These permits require that controls be put in place to prevent dangerous releases to air, soil, and groundwater at facilities. Based on preliminary results for FY 2003, 83.2 percent of the nation's management facilities have approved controls in place, or 6 percent more facilities than the Agency's FY 2003 annual goal.

### Healthy Communities and Ecosystems.

Throughout FY 2003, EPA achieved significant results toward preventing or reducing risks in communities from chemicals, microorganisms, and pesticides. For example, in FY 2003, EPA continued to make progress toward its goal of evaluating the potential risk of 20 chemicals to which children have a high likelihood of exposure.<sup>3</sup> EPA and other federal partner actions have also made significant progress toward the national goal of eliminating childhood lead poisoning by 2010. Specifically, the incidence of children 1 to 5 years of age with elevated blood lead levels has been reduced approximately by half in the last decade.<sup>4</sup> Newly released Centers for Disease Control data from 1999 and 2000 show the number of children younger than 6 years old with elevated blood lead levels has fallen to approximately 400,000, a decrease from an estimated 900,000 for the period 1991 through 1994. Through reviewing risks posed by older pesticides, EPA has eliminated or restricted many uses of organophosphate pesticides in and around the home, thus reducing exposure to children of chemicals that affect the functioning of the nervous system by 60 percent.<sup>5</sup>

## SUPERFUND: PROTECTING PEOPLE FROM ENVIRONMENTAL CONTAMINATION

Since its inception in 1980, EPA's Superfund Program has:

- Provided alternative drinking water supplies to nearly 613,000 people at NPL and non-NPL sites to protect them from contaminated ground and surface water.
- Treated or removed 951 million cubic yards of hazardous solid waste.
- Addressed (treated, contained, or disposed of) 379 billion gallons of hazardous liquid waste (including contaminated groundwater).
- Relocated more than 33,000 people at NPL and non-NPL sites in instances where contamination posed the most severe immediate threats.



In FY 2003, EPA also worked to build community capabilities to make sound environmental and human health decisions. Under its Brownfields Program, the Agency provided \$118.6 million in grants to states, tribes, local governments, and stakeholders to assess, clean up, and redevelop brownfield properties. Since 1995, EPA has assessed a total of 4,300 brownfield properties. Property assessment and cleanup completed under the Brownfields Program are the first steps towards reuse and redevelopment. The cleanup and redevelopment of these properties enables the leveraging of \$5.1 billion in public and private investments, as well as the leveraging of 25,000 jobs.<sup>6</sup>

EPA continues to make progress towards its goal of protecting and restoring 250,000 acres of estuarine habitat by 2008, with more



than 118,000 acres protected and/or restored in FY 2003.<sup>7</sup> EPA has also made progress in protecting and restoring ecosystems in the Gulf of Mexico, the Great Lakes, and Chesapeake Bay. A cumulative total of 6,662 acres of coastal and marine habitat has been restored or protected in the Gulf of Mexico, exceeding the target for FY 2003 and contributing toward a 10-year goal of 20,000 acres. Levels of the most critical, persistent pollutants around the Great Lakes (including mercury, polychlorinated biphenyls (PCBs), dioxin, benzo(a)pyrene, and hexachlorobenzene) continue to decrease, as

part of a downward trend in toxic substances in the Great Lakes over the last 15 years. By FY 2003, more than 89,500 acres of submerged aquatic vegetation (SAV) have been measured, which is an indicator of the health of the Chesapeake Bay. This represents a strong recovery of SAV in the middle bay, and significant progress towards the goal of 185,000 acres by 2010.<sup>8</sup>

During FY 2003, EPA made progress in addressing cross-border and global environmental issues as well. For example, the number of residents along the U.S. Mexico border who were protected against health risks, beach pollution, and damaged ecosystems as a result of improved water and wastewater sanitation systems has increased by 152,000 for a cumulative total of approximately 872,000 residents. Also, in cooperation with the New Independent States (NIS) of the former USSR, EPA and its partners have eliminated Russia's production of ozone-depleting substances and have helped prevent the deterioration of drinking water supplies for 700,000 people in the NIS.

Sound science must be the basis of standard-setting and guide EPA in identifying and addressing emerging issues, as well as updating and advancing its understanding of long-standing human health and environmental challenges. In FY 2003, EPA completed a draft report on the condition of the nation's estuaries that provides the first scientifically defensible baseline from which to measure trends in the health and status of these vital ecosystems.<sup>9</sup> In addition, in FY 2003 EPA reported on the performance and cost of control technologies to reduce emissions from coal-fired utility boilers, identified as one of the most significant contributors of mercury to the air. This information will support the development of regulations that will cost-effectively reduce human health and environmental risks from mercury.<sup>10</sup>

**Compliance and Environmental Stewardship.** In FY 2003, EPA prevented or eliminated the release of millions of pounds



of pollutants through programs that promote and monitor compliance with environmental laws, pollution prevention efforts, and environmental stewardship. EPA also finalized several enforcement actions that significantly advanced environmental and human health protection by reducing 633 million pounds of pollutants. Further, in FY 2003, 848 facilities disclosed and corrected violations of environmental regulations, due to EPA's compliance incentive policies.

In FY 2003, EPA's Green Chemistry Challenge Awards Program continued to make significant progress toward reducing the amount of toxic substances and waste released into the environment. From the program's creation in 1996 through the end of FY 2003, 326 million pounds and 7 million gallons of hazardous chemicals and solvents have been eliminated from the environment, including chlorofluorocarbons; volatile organic solvents; persistent, toxic, and bioaccumulative chemicals and solvents; and very corrosive, and toxic chemical substances. For example, in FY 2003 under the Agency's Hospitals for a Healthy Environment Program, 1,062 hospitals voluntarily eliminated mercury use and reduced hospital waste containing hazardous substances by 50 percent.

Based on the most recent available Toxics Release Inventory data, industry is releasing 42 percent less priority chemicals in hazardous waste than in 1991. There are 30 priority chemicals contained in hazardous waste that EPA's National Waste Minimization Partnership Program focuses on reducing or eliminating through waste minimization. They include 27 persistent, bioaccumulative, and toxic organics and cadmium, lead, and mercury.<sup>11</sup> The reduction represents substantial progress toward meeting EPA's longer-term goal of reducing priority chemical releases by 50 percent by FY 2008. Further, in FY 2003, EPA obtained final commitments from industry for the voluntary elimination of nearly 13,000 pounds of priority chemicals in wastes annually, through the Agency's Waste Minimization

Partnership Program. EPA has also obtained commitments for an additional 151,000 pounds of priority chemicals and 114 grams of dioxin annually, pending final approval.

### THE PRESIDENT'S MANAGEMENT AGENDA

EPA recognizes that managing its organization and its resources effectively is a critical part of achieving long-term environmental results. In FY 2003, the Agency made significant progress in implementing the President's Management Agenda (PMA) reforms for Strategic Management of Human Capital, Competitive Sourcing, Expanding E-Government, Improved Financial Performance, and Budget and Performance Integration.<sup>12</sup>

EPA also continued to strengthen its oversight of Agency grants, which comprise slightly less than half of EPA's budget, to ensure achievement of the highest fiduciary standards. In FY 2003, the Agency developed its first long-term Grants Management Plan, which provides the framework for more effective and efficient management, including improving competition and linking grant work plans to the Agency's mission results of protecting human health and the environment. Of particular note, EPA increased the percentage of grants awarded to nonprofit recipients subject to the Agency's grants competition policy by threefold in FY 2003—75.4 percent, as compared to 24 percent during FY 2002.

Effectively managing its information resources is important not only to EPA, but also to the Agency's federal, state, local, and tribal partners. EPA made significant progress during FY 2003 toward achieving its goal of an information exchange network that will



## EPA CONTINUES STEADY PROGRESS TOWARD PMA GOALS

(As of September 30, 2003)

INITIATIVE	STATUS	PROGRESS	HIGHLIGHTS
Human Capital	● Red	● Green	<ul style="list-style-type: none"> <li>—Made progress in aligning Agency human capital activities with Agency strategic planning and budgeting processes.</li> <li>—Completed draft of <i>Investing in Our People II, EPA's Strategy for Human Capital, 2003-2008</i>.</li> <li>—Included Human Capital Cross-Goal Strategy in <i>EPA's 2003 Strategic Plan</i>.</li> <li>—Pilot tested National Strategic Workforce Planning System.</li> <li>—Continued implementing EPA's comprehensive Workforce Development Strategy.</li> <li>—Developed draft human capital accountability plan.</li> </ul>
Competitive Sourcing	● Red	● Green	<ul style="list-style-type: none"> <li>—Created EPA Competitive Sourcing Council to set course for Agency effort.</li> <li>—Established Agency Competitive Sourcing Office to implement the initiative, reporting directly to the Agency's Competitive Sourcing Official.</li> <li>—Completed three competitions with other cost comparisons underway.</li> <li>—Received "green" progress scores for each quarter in FY 2003.</li> </ul>
Expanded E-Government	● Yellow	● Green	<ul style="list-style-type: none"> <li>—As federal agency lead, established the project management office and launched Regulations.gov, providing online access to federal rule-makings for public comment.</li> <li>—Active participant in 14 of 25 federal e-Gov projects. These 14 projects cover 3 of the 4 project categories.</li> <li>—Completed two significant components of EPA's Modernization Blueprint, which created the necessary infrastructure for the Agency's target architecture.</li> <li>—Secured and verified 94 percent of EPA's operational IT systems.</li> </ul>
Improved Financial Performance	● Green	● Green	<ul style="list-style-type: none"> <li>—Earned "green" status score, one of only three agencies to do so.</li> <li>—Achieved greater financial accountability by resolving all material weaknesses and maintained less than 1 percent erroneous payments rate.</li> <li>—Tripled grants awarded under competition policy from 24 percent in 2002 to 75.4 percent in 2003.</li> <li>—Developed new reporting tool to increase real-time access to financial and performance data to support day-to-day decision making.</li> </ul>
Budget and Performance Integration	● Yellow	● Green	<ul style="list-style-type: none"> <li>—Issued revised <i>2003 Strategic Plan</i> with five outcome-oriented goals focused on results and included social costs and benefits.</li> <li>—Developed new financial architecture to plan and track resources and performance data across the goals in the <i>2003 Strategic Plan</i>, and further integrate planning, budgeting, and accountability.</li> <li>—Received "green" progress scores for each quarter of FY 2003.</li> </ul>

make environmental information held at all levels of government accessible to all users. Through the exchange network program, EPA, the states, and tribes are migrating from old, inaccessible information systems to digital, high-quality, integrated air, water, and waste information systems. These new systems have “network portals” through which data can be exchanged over the Internet, among EPA, states, tribes, the regulated community, and the public. As a result of the progress made on the network this year, 49 states are now reporting electronically through EPA’s network portal, and the number of users (states, tribes, industry) of the portal increased by 113 percent (from 7,647 at the end of FY 2002 to 16,335 in FY 2003).

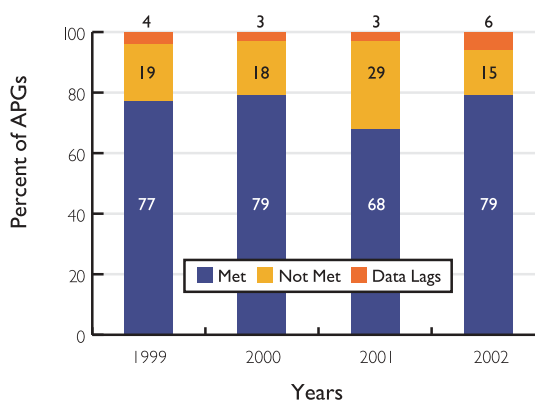
### SUMMARY OF PERFORMANCE DATA

In FY 2003, EPA met 73 percent of the annual performance goals (APGs) for which data are provided in this report. (EPA had committed to a total of 64 APGs in its *FY 2003 Annual Plan*; however, because data for 23 of these APGs will not be available until later in FY 2004 or beyond, they are not included in these tallies.) EPA also made significant progress toward the 11 APGs that were not achieved in FY 2003. Figure 1 provides an update of results for prior years; charts presenting EPA’s performance results for each of the Agency’s FY 2003 APGs are provided with each chapter in Section II.

### PERFORMANCE ISSUES AND CONCERNS

Despite the best efforts of EPA and its partners, the Agency was not able to meet all planned targets for FY 2003. EPA did not meet 11 of the 41 FY 2003 APGs for which performance data are currently available. However, the Agency does not expect the shortfall in meeting these APGs to compromise progress toward achieving its long-range goals and strategic objectives. The Agency is considering the various causes of these shortfalls as it adjusts APGs and program strategies

Figure 1: EPA’s Updated Performance Results for Prior Years



During FY 2003 final performance results data became available for a number of APGs from prior years: nine for FY 2002, seven for FY 2001, seven for FY 2000, and four for FY 1999 APGs. The information above includes these additional results. Delays in reporting cycles and targets set beyond the fiscal year continue to affect four FY 2002 APGs, two FY 2001 APGs, two FY 2000 APGs, and three FY 1999 APGs.

for FY 2004 and beyond. The performance data charts in Section II provide more complete information on missed targets. The remainder of this section describes several examples of performance goals EPA did not meet, and what the Agency is doing to meet the target in the future.

Under the Agency’s Clean Air and Global Climate Change Goal, EPA had anticipated that seven areas would be redesignated to attainment of the ozone standard in FY 2003, but due to delays in the redesignation process for many areas, the Agency fell short of its target and achieved only five. Many areas are awaiting the 8-hour designation decisions to develop clean air plans to meet attainment. In FY 2004, EPA will have information to determine how many areas are monitoring clean air under the 1-hour ozone standard. EPA and states continue to work together to ensure progress in meeting the present ozone standards.

Under the Agency’s Clean Water Goal, EPA missed its targets for issuing National Pollutant Discharge Elimination System (NPDES) permits for major point sources as well as pollutant loading reductions. NPDES permits help reduce or eliminate discharges into the nation’s waters of inadequately treated wastewater from municipal and



industrial facilities and of pollutants from urban stormwater, combined sewer overflows, and concentrated animal feeding operations. In FY 2003, permits issued covered 84 percent of the targeted 90 percent for major point sources. While EPA and states met the goal for issuing minor permits, the continuing challenge for issuing major permits is due to competing priorities and the increasing complexity of permitting in a watershed context. This challenge is being addressed by the Permitting for Environmental Results initiative, designed to address the permit backlog and focus resources on attaining the most significant environmental results. In FY 2003, 2,200 million pounds of industrial discharges of pollutants to the nation's waters were eliminated, which failed to meet the target of 2,500 million pounds. The pollutant loadings reduction target was not met due to a delay in issuing a key permit in FY 2003, which will be issued in FY 2004.



In FY 2003, EPA anticipated that the Great Lakes ecosystem components would improve, including progress on fish contaminants, beach closures, air toxics, and trophic status. Although EPA and state partners have made progress in removing contaminants from the Great Lakes ecosystem, concentrations of certain contaminants in Lake Erie and Lake Superior fish are no longer decreasing. Other significant challenges to the Great Lakes that EPA and partners are attempting to address include an apparent increase of phosphorus levels in Lake Erie in FY 2003 of 18.3 U<sub>g</sub>/l from a targeted 10 U<sub>g</sub>/l and continuing entry of non-native species (e.g. zebra mussels). EPA is developing positive working relationships with the environmental community to establish effective programs, coordinate authorities and resources, report on progress, and hold forums for information exchange and collective decision making. This will ensure the protection of the Great Lakes and the achievement of the objectives of the Great Lakes Water Quality Agreement.

## Improving Results

With the release of its revised *Strategic Plan* in FY 2003, the Agency accomplished an important and far-reaching milestone. The *Strategic Plan* contains five outcome-oriented strategic goals and supporting objectives and sub-objectives that focus on environmental results and reflect the work of the EPA regional offices, the states, and tribes. In FY 2003, the Agency also established a new financial architecture under the goal/objective framework of the new *Strategic Plan*.

In FY 2003, EPA improved its capacity for managing for results in other key ways as well. Agency program and regional offices worked with the Environmental Council of the States (ECOS) on strengthening the alignment between Agency and state planning, budgeting, and accountability processes. EPA also improved its ability to conduct and apply the results of program evaluations, track and measure performance, address environmental data issues, and anticipate future trends and issues.

## STRENGTHENING PARTNERSHIPS

Many of the Agency's FY 2003 performance results discussed in [Section II](#) would not have been accomplished without strong participation by and support from the Agency's federal, state, and tribal partners. Over the past 3 decades, EPA has delegated or authorized primary responsibility to states for implementing many day-to-day program activities, such as issuing permits, conducting compliance and enforcement programs, and monitoring environmental conditions. As in previous years, EPA continued to collaborate closely with states and tribes and is committed to strengthening vital partnerships with such organizations as ECOS and the Tribal Caucus. For example, to increase the role states and tribes play in the Agency's annual planning and budgeting, ECOS and tribal representatives attended EPA's FY 2005 Annual Planning Meeting and presented their respective recommendations for the Agency's FY 2005 budget priorities. Similarly, during FY 2003, EPA regional offices consulted with states and tribes in developing the regional strategies that will contribute to achieving national objectives in the *2003 Strategic Plan*.

In addition to soliciting state input and participation in its annual planning processes, EPA worked closely with ECOS and other partner organizations in FY 2003 in finalizing the *2003 Strategic Plan*. EPA requested and carefully considered all of the comments it received at each stage of developing the plan, from discussion on the strategic goals and objectives to comments on the full-text draft. For example, in FY 2003, ECOS and other stakeholders participated in a meeting to discuss the goals and desired environmental results the Agency wants to achieve in the coming years. EPA's regional offices also conducted outreach with states and tribes to obtain their views on their unique issues and problems, which were considered by the Agency in drafting the final document. Additional input was sought in two formal rounds of review of the draft strategic plan, in December 2002 and March 2003.

In FY 2003, EPA and ECOS convened a joint workgroup to identify and implement improvements to EPA's planning, budgeting, and accountability processes. The workgroup has focused on improvements in two primary areas: better alignment of EPA's planning and budgeting process with state processes, and refinement of the Performance Partnership Agreement process. The input from this joint workgroup has already lead to improvements in EPA processes, and has significantly enhanced the Agency's FY 2005 planning and budgeting process by fostering increased state involvement.



During FY 2003, EPA also collaborated with its partners in many programmatic areas. Agency support ranged from providing important environmental information to key decision makers, to designing and implementing environmental programs. For example, in FY 2003, EPA, the National Oceanic and Atmospheric Administration, the U.S. Geological Survey, and the Delaware River Basin Commission developed partnerships with 24 coastal states to monitor the health of their coastal resources. In addition, in April 2003, EPA announced the creation of the "Clean School Bus USA Program"—a new national partnership with industry, communities, and local governments designed to minimize air pollution caused by school

buses. The program encourages local efforts to eliminate unnecessary school bus idling, install effective emission control systems on new buses, and replace the oldest school buses in a fleet. Also, in FY 2003, EPA worked with the City of Chicago and several locomotive companies to implement a voluntary program to reduce locomotive idling emissions. This project examined both the actual emission reductions (estimated at 90 percent) for pollutants such as nitrogen oxides, particulate matter, hydrocarbons, and carbon monoxide, as well as the market potential of the locomotive idle reduction technology. EPA will use this information to develop guidance on how states can take credit for these programs as part of their air quality planning process.

In addition, tribes continued to work with EPA to develop their own regulatory infrastructure and implement their own regulatory programs. In FY 2003, the St. Regis Mohawk Tribe submitted its Tribal Air Implementation Plan to the Agency for review so the tribe could establish a minor source permit program; the Nez Perce Tribe developed, and is implementing, a smoke management plan to address and manage grass burning on their reservation; and the Navajo Nation and the Southern Ute Tribe are both developing permitting programs under the Clean Air Act to enable them to regulate major sources of air pollution on their reservations.

### USING PROGRAM EVALUATION

EPA uses program evaluations and analyses to inform management decisions, enhance organizational learning, promote effective strategies, and improve environmental results. In FY 2003, the Agency continued to build its capacity to conduct program evaluations in anticipation of the use of the Administration's Program Assessment Rating Tool (PART) to evaluate, for FY 2004 and 2005, 20 key programs that account for almost half of the Agency's budget. The PART is an evaluation and accountability tool that the Office of

Management and Budget (OMB) and federal agencies use to determine the strengths and weaknesses of federal programs, with a particular focus on program effectiveness.<sup>13</sup> In FY 2003, EPA used the results of these program assessments to set priorities and make funding decisions that were reflected in the Agency's FY 2005 budget request. EPA is continuing to prepare more focused and outcome-oriented performance measures, as identified in the PART assessments. For example, as a result of the PART assessments, the Agency has developed multi-year Performance Measurement Development Plans for air toxics risk reduction, wetlands, safe drinking water in tribal lands, surface water quality standards in the Mexico Border region, site cleanup, and land reuse.

To complement its outcome-based environmental performance measures, EPA also focused on developing efficiency measures for programs that have undergone PART assessments. In FY 2003, the Agency began developing efficiency measures to better assess how program results relate to the resources invested or time spent to achieve those results. For example, EPA developed an efficiency measure in its Enforcement Program to track the pounds of pollutants reduced against the time EPA staff spend in enforcement activities. Under the Pesticides Program, EPA will be tracking the average number of days that it takes to make registration decisions for conventional and new reduced-risk pesticide ingredients.

Other types of program evaluations were conducted as well. In FY 2003, EPA completed an evaluation of the partnership between EPA Region 8 and the National Park Service, which found that the preliminary goals of the partnership have been met. The report recommended that the partnership map its goals to performance measures and enlist broader institutional support for a scaled-up effort. In the human resources area, an evaluation found that the EPA Intern Program is effectively hiring a diverse group of high-potential employees. The evaluation provided findings and recommendations on all phases of



the program, including recruitment and hiring; activities during the 2-year development program (training, rotations, development); and retention after the program is complete.<sup>14</sup> Appendix A contains descriptions of program evaluations completed in FY 2003.

### IMPROVING ENVIRONMENTAL INDICATORS, PERFORMANCE MEASUREMENT, AND DATA QUALITY

In FY 2003, to help assess the current state of the environment and provide a baseline of environmental information for measuring future performance, EPA issued its first *Draft Report on the Environment*. The report describes what EPA does and does not know about the current state of the environment at the national level. The report also describes draft measures—or environmental indicators—that can be used to track the status of the environment and human health over time. This information and the Agency's continued efforts to refine it will be critical to EPA's strategic planning efforts. Information on key environmental indicators will inform priority setting and help EPA to focus its resources on the areas of greatest concern, manage its work more effectively to achieve measurable results, and report more clearly on progress in achieving environmental and human health goals to the American people.

Also in FY 2003, EPA continued to set annual performance goals and measures that are increasingly focused on environmental outcomes, instead of activity-based outputs. The Agency increased the percentage of



annual performance goals that are classified as environmental or intermediate outcomes to approximately 39 percent of the total in the FY 2004 Annual Performance Plan (published in FY 2003)—up from 35 percent in the previous year's plan. Likewise, the

percentage of annual performance measures classified as outcomes grew to approximately 51 percent, up from 40 percent the previous year.

Finally, during FY 2003 the Agency continued to improve its ability to ensure that the performance and financial data it collects and uses are reliable and complete. EPA worked to detect and correct errors in environmental data, standardize report

ing, and exchange and integrate electronic data and data quality information among its federal, state, and local data-sharing partners.<sup>15</sup> For more information on data quality for assessments of FY 2003 performance measures, visit <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm>.

### CONSIDERING FUTURE TRENDS AND LOOKING AHEAD TO FY 2004

EPA realizes that today's environmental issues are far more complex than those of 20 or 30 years ago, and that new areas of focus will challenge its ability to assess and measure its performance. The environmental problems the Agency faces today are difficult to define, and possible solutions are more difficult to identify than before. Population growth, and the resources that are consumed to sustain this growth, are altering the Earth in new

ways, and rapid scientific advances and technological developments pose new issues as well as important opportunities for human health and the environment.

In FY 2003, the Agency held its first competition to promote the development and use of futures analysis at EPA. Futures analysis represents an effort to think years ahead—to examine how to better accommodate emerging driving forces that are likely to transform how and what we do. The purpose of the competition is to build a knowledge base and skill level that will enable EPA and its partners to incorporate futures analysis into the Agency's annual, strategic, and long-term planning processes. This competition was initiated, in part, in response to numerous recommendations from the National Advisory Council for Environmental Policy and Technology, the EPA Scenario Project, and the Agency's senior-level Managing for Improved Results Steering Group, among others, to develop and improve environmental foresight capacity at EPA. Six Agency program offices and 7 regional offices, either by themselves or in teams, submitted 20 high-caliber proposals to compete for support in undertaking futures analysis projects. While the proposals addressed a wide range of ideas and issues that the Agency will face in the

future, the two selected for support will be identifying environmental impacts of and regulatory issues regarding hydrogen fuel cells, and analyzing the potential impacts of different land-use forms on agriculture.

In looking ahead to FY 2004, the Agency expects to improve further the use of performance information in its planning and budgeting activities. In FY 2004, the Agency will operate under the five-goal 2003 *Strategic Plan* and account for its resources at a finer level of detail, by programs and projects. The environmental indicator information contained in the *Draft Report on the Environment* will inform Agency planning and budgeting decisions, and PART will be used to assess the effectiveness of an additional 20 percent of the Agency's resources and programs in the development of EPA's FY 2006 budget. EPA will continue its work with its state partners on improving the alignment of state and EPA planning and budgeting processes, and EPA regions and states will finalize strategies in regional plans and use them as the basis for setting annual performance commitments to achieve Agency environmental goals and objectives. This streamlined approach is expected to reduce transaction costs for the EPA and states and to enhance performance.

## Financial Analysis

EPA is proud to be one of only three federal agencies to earn a status score of "green" for Improved Financial Performance on the President's Management Agenda. Agency efforts to achieve greater financial accountability included resolving all previously reported material weaknesses, maintaining a less than 1 percent erroneous payments rate, and improving access to timely cost accounting information for program management. The financial statements provided in Section III, a snapshot of EPA's financial position at the end of FY 2003, are another important aspect of

Figure 2: EPA Financial Trends

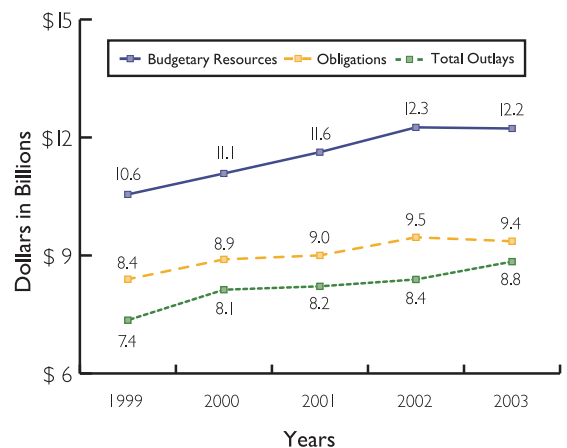
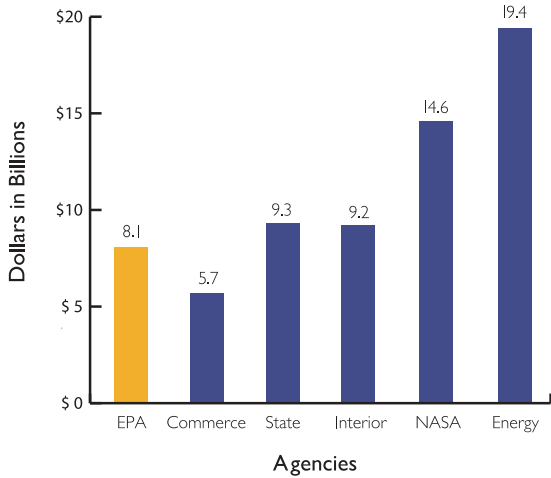


Figure 3: Government Net Outlays by Selected Agencies



Agency accountability. These financial statements are prepared in accordance with established federal accounting standards and are audited by EPA’s Inspector General. In addition to the financial statements, other views of how the Agency spends its resources are depicted in the following discussion.

**EPA RESOURCES: 1999 TO 2003**

Figure 2<sup>16</sup> depicts EPA’s aggregate budgetary resources (congressional appropriations and some Agency collections), obligations (authorized commitment of funds), and total outlays (cash payments) for each of the last 5 fiscal years. The Statement of Budgetary Resources in Section III provides more detail on the makeup of the Agency’s resources.

**EPA FY 2003 SPENDING**

As published in the Treasury Department’s annual Statement of Receipts and Outlays, EPA’s net outlays are relatively small compared to those of other federal agencies and the entire federal government. A comparison of EPA with selected cabinet-level departments is displayed in Figure 3.

FY 2003 obligations incurred in connection with EPA’s activities are presented by appropriation in Figure 4. Figures 5 and 6 present EPA’s costs (expenses for services rendered or activities performed) by funding source and by cost category.<sup>17</sup> The difference between the costs depicted in these graphs and the Statement of Net

Figure 4. FY 2003 Obligations by Appropriation

(Dollars in Thousands)

Appropriation	Obligations
State & Tribal Assistance Grants	\$3,902,081 (41.7%)
All Other	\$3,909,840 (41.8%)
Superfund	\$1,550,401 (16.5%)
<b>TOTAL</b>	<b>\$9,362,322 (100.0%)</b>

Figure 5: Costs by Funding Source

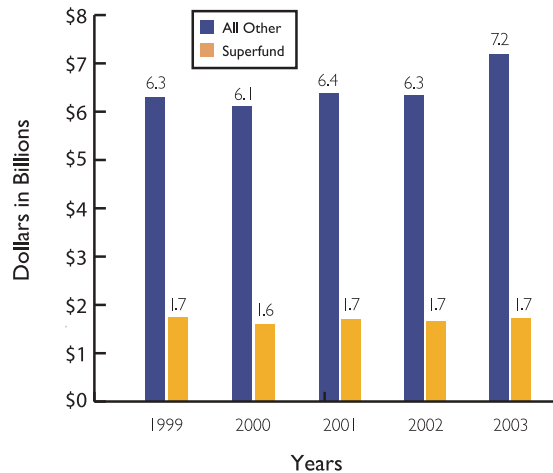


Figure 6: FY 2003 Cost Categories

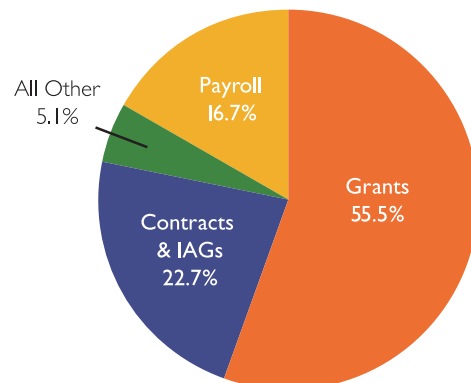
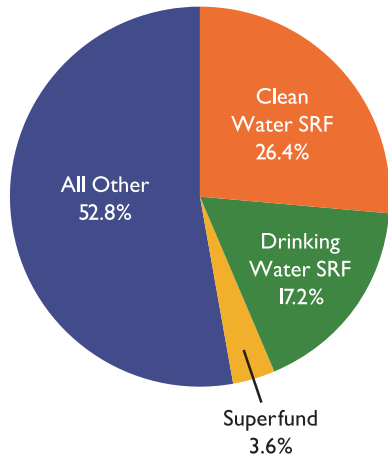




Figure 7: FY 2003 Major Grant Categories



Costs in Section III is that net costs reflect a reduction for any related offsetting income, such as Superfund cost recovery receipts.

Grant programs comprise more than 55 percent of EPA's costs. As depicted in Figure 7, nearly half of the Agency's grants are awarded under two state revolving funds that support the Agency's Clean and Safe Water Goal. Other major EPA environmental grant programs include assistance to states and tribes, consistent with EPA's authorizing statutes, and research grants to universities and nonprofit institutions.

**HOMELAND SECURITY SPENDING**

EPA's actions regarding homeland security are described in Goal Chapters 2, 3 and 4 in Section II of this report. During FY 2003, the Agency obligated a total of \$118 million<sup>18</sup> for homeland security activities—preparedness, response, mitigation, and recovery. Most of these resources have been devoted to **preparedness** (\$100.1 million), which addresses many potential kinds of terrorism incidents. **Response** covers the immediate actions taken in response to terrorist attacks. **Mitigation** is action taken to reduce the risk and potential damage caused by future events, and **recovery** constitutes actions to rebuild and otherwise return to normal

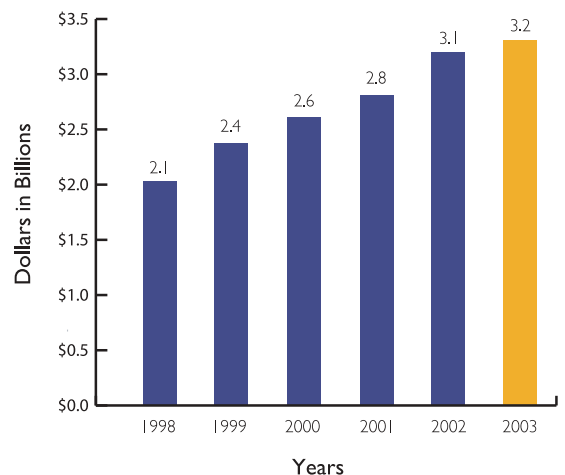
(refer to *Sustained Progress in Addressing Management Issues* available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion).

**SUPERFUND COST RECOVERY**

The Superfund Program was enacted under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 to address public health and environmental threats from abandoned toxic waste dumps and releases of hazardous substances. CERCLA also established the Hazardous Substance Response Trust Fund, now known as the Hazardous Substance Superfund (Trust Fund), to finance the remediation of abandoned hazardous waste sites and emergency responses to chemical spills and other incidents.

The Trust Fund was largely funded by excise taxes charged on crude oil and petroleum and on the sale or use of certain chemicals, and a corporate environmental tax levied on corporations having a taxable annual income in excess of \$2 million. The authority to tax expired on December 31, 1995. Consequently, Trust Fund revenues have declined over the years. Cost recoveries (see Figure 8), fines and penalties, interest, and transfers from the general fund currently

Figure 8: Cumulative Superfund Cost Recoveries, 1998-2003



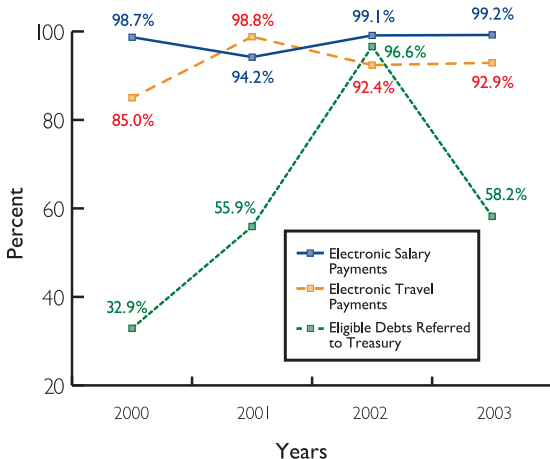
finance the Trust Fund. For FY 2003, Congress appropriated the Superfund Program \$1.3 billion, of which \$632 million came from the general fund.

Under CERCLA Section 122(b)(3), EPA may retain and use the proceeds received under settlement agreements to conduct response actions at Superfund sites. Funds received under these settlements are placed in interest-bearing, site-specific special accounts. Having the authority to combine both past and future cost settlement amounts has increased the amount of resources available in special accounts to fund EPA-lead site responses and to reimburse responsible parties for response work performed at sites pursuant to a settlement agreement with EPA. As of September 30, 2003, EPA had established 343 special accounts with \$1.1 billion in receipts. These accounts earned an additional \$175.6 million in interest.<sup>19</sup>

## FINANCIAL MANAGEMENT PERFORMANCE

Internally EPA continues to track finance office and Senior Resource Officials' (SROs') performance in key financial management areas. Semiannually, EPA measures finance office performance for processing payments, reconciling cash, and managing accounts receivable. Annually, the Agency

Figure 9: Financial Management Performance Measures



measures the SROs' performance for management of budgets, contracts, Superfund billings, and property. In FY 2003, the finance offices and SROs generally met or exceeded their performance goals for these measures. Where targets were missed, corrective actions to improve performance were implemented. Additionally, EPA reports to OMB a required set of monthly and quarterly financial indicators that measure Agency cash reconciliation, accounts receivable, and vendor payment performance.

More than 99 percent of EPA's vendor payments were made on time; interest penalties totaled less than a ½ percent of all vendor disbursements. Figure 9 depicts EPA's performance in several financial management areas. Although only 58.2 percent of eligible debts were referred to Treasury, almost 99.7 percent of eligible dollars were referred.

EPA made significant progress in FY 2003 in improving its financial performance by reviewing internal controls to assess the potential for making erroneous payments under the State Revolving Funds managed by the Water Program. EPA completed its review of the State Revolving Funds in October 2002, and continued monitoring of the funds during FY 2003. The review identified a very low incidence rate of erroneous payments; specifically, less than ¼ percent for both funds. The review will be expanded in FY 2004 to assess the potential for significant erroneous payments in all Agency funds and to comply with the Improper Payments Act requirements.

## INNOVATIVE ENVIRONMENTAL FINANCING: THE ADVANTAGE OF PUBLIC-PRIVATE PARTNERSHIPS

EPA leverages federal funds through several innovative environmental financing efforts that are mutually beneficial public-private partnerships, such as the Clean Water and Drinking Water State Revolving Funds, the Brownfields Program, and the Environmental Finance Program.

**State Revolving Funds (SRFs).** The Clean Water SRF (CWSRF) provides assistance for the implementation of wastewater and nonpoint-source pollution control and estuaries projects. The Drinking Water SRF (DWSRF) helps finance improvements to water systems to sustain their technical capacity to provide safe, affordable drinking water to consumers. The DWSRF also funds other state activities that support their drinking water programs (refer to [Section II, Goal 2](#), for more information on the SRFs).

EPA awards capitalization grants to states, which then make loans to municipalities and other entities for construction of infrastructure projects and implementation of other water quality activities. State matching funds and leveraged bond proceeds expand the capital available in the SRFs to address priority water quality and public health needs. Loan repayments and earnings ensure funding for these activities far into the future. The flexibility and revolving nature of the SRFs provide states with a powerful tool to apply needed funding toward their clean water and drinking water infrastructure needs. These top-priority needs are estimated in two EPA documents: the new *Clean Watersheds Needs Survey 2000 Report to Congress*<sup>20</sup> (reporting clean water needs at \$182.2 billion, an increase of \$26.6 billion from the last Survey) and the *Drinking Water Infrastructure Needs Survey Second Report to*

*Congress*<sup>21</sup> (reporting \$150.9 billion for drinking water).

As of early FY 2003, CWSRFs have converted nearly \$21 billion in federal capitalization grants into more than \$43.4 billion in assistance to municipalities and other entities for wastewater projects. In recent years, CWSRFs have directed approximately \$4 billion in annual loan assistance to wastewater projects. On average, \$115 million of these funds are used each year to manage polluted runoff, making the CWSRF an effective tool in addressing nonpoint source problems.<sup>22</sup>

The newer DWSRFs have converted \$5 billion in federal capitalization grants into more than \$8.1 billion available for drinking water assistance, of which \$6.4 billion cumulative has been provided. Assistance totaling \$1.3 billion was provided in FY 2003.<sup>23</sup> In addition to loans, \$796 million DWSRF grants have been set aside by states to fund a variety of programs and activities that enhance water system management and protect sources of drinking water.

**Brownfields Program.** Since 1995, the Brownfields Program has been one of EPA's most successful public-private partnerships, leveraging public and private investments and creating jobs in cleanup, construction, and redevelopment. Brownfields are abandoned, idle, or underused industrial and commercial properties where redevelopment or expansion is complicated by real or perceived contamination. The Small Business Liability Relief and Brownfields Revitalization Act, implemented in FY 2003, further promotes brownfields redevelopment by providing financial assistance for assessment and cleanup, reforming Superfund liability, and enhancing state response programs. In addition to the activities that have been carried out in the past, the new legislation has expanded EPA's ability to address sites contaminated with petroleum and permits EPA to establish grants for brownfields cleanups.



**Environmental Finance Program.** The Environmental Finance Program assists the public and private sectors in finding creative approaches to funding environmental programs, projects, and activities. The program seeks to lower costs, increase investment, and build capacity by creating strong partnerships with state and local governments and the private sector. It leverages its resources through support of three distinct, but related, components that provide financial outreach services to these partners: the federally chartered Environmental Financial Advisory Board (EFAB), the university-based Environmental Finance Center Network (EFCN), and the online data base, Environmental Financing Information Network (EFIN).<sup>24</sup> A good example of how these components work together to leverage results is represented by the EFIN document *Paying for Sustainable Environmental Systems: A Guidebook of Financial Tools*. EFAB and the EFCN, working with EPA staff, developed this working tool, which helps environmental practitioners in the public and private sectors find the appropriate methods to pay for environmental protection efforts. The *Guidebook* destination on the EFIN website is accessed, on average, more than 6,000 times a month. In addition, hundreds of hard copies and more than 5,000 CD-ROM copies of the *Guidebook* have been provided in response to specific requests.

### NEW FINANCIAL MANAGEMENT INITIATIVES

**Cost Accounting.** To assess how well EPA's financial systems and information meet the cost accounting requirements of program managers, the Agency reviewed the needs and capabilities in all offices. Based on the results of this effort, the Agency created additional coding structures within IFMS to capture and report cost information. These efforts contributed to the EPA achieving the President's Management Agenda criterion for integrated financial and performance management. EPA has shown that real-time use of financial and

performance data improves environmental performance and supports the Agency's goals for achieving cleaner air, water, and land.

Financial information is integral to program management, as managers review costs and outcomes and seek ways to deliver better environmental results with greater efficiency. For example, EPA offices can now track information technology expenses, including related maintenance, development, and security costs. EPA's Office of Prevention, Pesticides and Toxic Substances uses a separate feature of IFMS to obtain detailed information about resource use in certain program areas (e.g., asbestos and mercury). In numerous briefings for OMB, EPA program managers have demonstrated how they access integrated financial and performance information, generate reports, analyze data, and make day-to-day decisions based on their findings. Currently the Agency is assessing the viability of establishing links between Agency-wide cost systems and programmatic systems for several program offices.

**Brownfields Site Codes.** Under the new Brownfields Law, grants awarded in FY 2003 and beyond have new funding limitations. Legal financial maximum limits now apply to funding used at properties with petroleum-only contamination, health monitoring funding, institutional controls monitoring and enforcement funding, insurance funding, and revolving loan fund subgrant funding. In FY 2003, EPA established new site codes in its financial systems to track each of these activities and better control funding.





**Financial Replacement System (FinRS).**

FinRS will replace legacy systems that are inefficient by today's standards. It will improve integration among systems, as well as EPA's ability to perform core financial management functions, and provide additional functionality. EPA structured development of the FinRS suite of applications to deliver both short-term and long-term results.

With the FY 2004 implementation of the Payroll Time and Labor system, which fully supports the e-Payroll initiative, the Agency will realize substantial on-going cost savings. In addition, EPA will realize benefits from standardizing interfaces through use of an Enterprise Application Integration tool. The Agency will improve ad-hoc financial reporting by re-engineering the Financial Data Warehouse to include enhanced business activity monitoring capabilities (e.g., expanded integration with environmental indicators and administrative areas) and implementing BusinessObjects, a modern

web-based reporting software. Finally, the cornerstone of the FinRS suite of applications will include the implementation of a new Joint Financial Management Improvement Program (JFMIP) certified core financial system that complies with recently established federal financial management system requirements.

**FedTrip.** This year EPA implemented the on-line reservation booking engine known as FedTrip as the first component of government-wide e-Travel services. When all components are fully implemented, e-Travel service will offer end-to-end travel services from planning to voucher reimbursement. This effort is part of the expansion of electronic government, a key area in the President's Management Agenda.

## Sustained Progress in Addressing Management Issues

The Reports Consolidation Act of 2000<sup>25</sup> authorizes agencies to consolidate various management reports and submit them as part of their annual reports. This section provides a comprehensive discussion of EPA's progress in strengthening its management practices to achieve program results. It includes the strategies implemented and progress made in addressing management concerns identified under the Federal Managers Financial Integrity Act (FMFIA);<sup>26</sup> the Agency's efforts to carry out corrective actions on audits issued by EPA's Office of Inspector General (OIG); and the OIG's list of top management challenges facing the Agency.

### FISCAL YEAR 2003 ANNUAL ASSURANCE STATEMENT

I am pleased to give an unqualified statement of assurance that the Agency's programs and resources are protected from fraud, waste, and mismanagement, based on EPA's annual self-assessment of its internal management and financial control systems.



Marianne L. Horinko  
Acting Administrator  
October 23, 2003

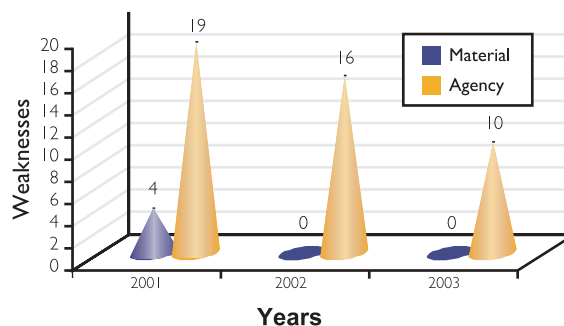
## FY 2003 INTEGRITY ACT REPORT

In FY 2003, for the 2nd year, EPA reported no material weaknesses under FMFIA and resolved almost one third of its less severe, internal Agency weaknesses tracked by the Administrator (see Figure 10). To identify management issues and monitor progress in addressing them, Agency senior leaders use a system of internal and independent reviews and program evaluations, audits by the General Accounting Office (GAO) and EPA's OIG, and performance measurement. These efforts ensure that program activities are effectively carried out in accordance with applicable laws and sound management policy, and provide reasonable assurance that Agency resources are protected against fraud, waste, abuse, and mismanagement. In FY 2003, the Office of Management and Budget (OMB) recognized EPA's success in correcting material weaknesses, which contributed to the Agency achievement of a "green" status score in Improved Financial Performance, a key initiative of the President's Management Agenda.<sup>27</sup>

In FY 2003, EPA addressed a wide range of major management challenges, thereby strengthening its ability to achieve environmental and human health results. EPA's advancements in establishing and implementing effective management controls in environmental programs include:

- Using a comprehensive, integrated strategy to address risks from all sources of air toxics—major, area, mobile, and indoor sources<sup>28</sup>. EPA is on target to complete all of its 10-year Maximum Achievable Control Technology (MACT) standards by February 27, 2004.<sup>29</sup>
- Improving water quality by reducing the backlog of National Pollutant Discharge Elimination System (NPDES) permits<sup>30</sup> and increasing the focus on water permit prioritization for environmental results.

Figure 10: 3-Year Trend of Material and Agency-Level Weaknesses



- Enhancing EPA's program to prevent risks to human health and/or the environment from land application of sewage sludge by increasing public involvement, expanding biosolids related research, and actively enforcing safe land-application.<sup>31</sup>

The Agency also addressed a number of management challenges in administrative and management program areas, which provide the infrastructure supporting EPA's efforts to achieve results. Following are examples of FY 2003 accomplishments toward continued improvement in effective management of resources:

- EPA is aggressively implementing a comprehensive approach to managing its grants awards, which make slightly less than half of the Agency's budget.<sup>32</sup> To improve oversight for the award and administration of assistance agreements, EPA established a competition policy that in FY 2003 more than tripled the percentage of competitive awards to nonprofit organizations covered by the policy. The Agency also established a new post-award monitoring policy that will significantly increase oversight and strengthen accountability for grants management.

- EPA strengthened its data management and information technology systems. During FY 2003 the Agency developed new management controls to ensure consistent quality management practices throughout EPA; launched a modernized RCRAInfo system<sup>33</sup> that reduces burden and provides better data; and enhanced its comprehensive information technology investment review process, which is integrated with EPA planning and budgeting.
- EPA completed a draft of its new *Strategy for Human Capital, Investing in Our People II, 2003 through 2008*, and included a human capital cross-goal strategy in the Agency's 2003 *Strategic Plan*. These efforts reflect progress in aligning workforce planning, recruitment, and staff development efforts with the Agency's environmental goals.

For more information, visit

<http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm>.

### FY 2003 MANAGEMENT'S REPORT ON AUDITS

The Inspector General Act of 1978, as amended,<sup>34</sup> requires federal agencies to report to Congress on the status of their progress in carrying out audit recommendations. Audit management serves as a tool in assessing the Agency's ability to meet its strategic objectives. EPA continues to strengthen its audit management practices and has improved its ability to address and complete corrective actions in a timely manner.

In FY 2003, EPA was responsible for addressing OIG recommendations and tracking follow-up activities on 211 audits. The Agency achieved final action on 115 audits, which include Program Evaluation/Program Performance Audits, Assistance Agreements Audits, Contracts

Audits, and Single Audits. Results achieved during FY 2003 for the Agency's audit management activities are summarized below:

**Final Corrective Action Taken.** EPA completed final corrective actions on 18 performance and 97 financial audits. Of the 97 financial audits, the OIG questioned costs of more than \$90.7 million. After careful review, the OIG and the Agency agreed to disallow approximately \$45.3 million of these questioned costs. In the performance audit arena, EPA management and the OIG did not identify funds that could be put to better use.

**Final Corrective Action Not Taken.** As of the end of FY 2003, 91 audits were without final action and have not been fully resolved (excluding those audits with management decisions under administrative appeal by the grantee).

**Final Corrective Action Not Taken Beyond 1 Year.** Of the 91 audits listed above, EPA officials had not completed final action on 26 audits within 1 year after the management decision. Because of the complexity of the issues, it often takes Agency management more than 1 year after management decisions are reached with the OIG to complete the agreed-upon corrective actions.

**Audits Awaiting Decision on Appeal.** EPA regulations allow grantees to appeal management decisions on financial assistance audits that seek monetary reimbursement from the recipient. In the case of an appeal, EPA must not take action to collect the account receivable until the Agency issues a decision on the appeal. In FY 2003, 61 audits were in administrative appeal.

For more information, visit

<http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm>.

DISALLOWED COSTS & FUNDS PUT TO BETTER USE				
October 1, 2002 - September 30, 2003				
Category	Disallowed Costs (Financial Audits)		Better Use (Performance Audits)	
	Number	Value	Number	Value
A. Audits with management decisions but without final action at the beginning of FY 2003.	91	\$ 149,435,120	25	\$0
B. Audits for which management decisions were made during FY 2003.	97	\$8,718,387	20	\$0
(i) Management decisions with disallowed costs. (14)				
(ii) Management decisions with no disallowed costs. (83)				
C. Total audits pending final action during FY 2003. {A + B}	188	\$ 158,153,507	45	\$0
D. Final action taken during FY 2003:	97	\$43,683,647	18	\$0
(i) Recoveries				
a) Offsets		\$8,806,994		
b) Collection		\$1,963,726		
c) Value of Property		\$0		
d) Other		\$1,240,050		
(ii) Write-Offs.		\$526,821		
(iii) Reinstated Through Grantee Appeal.		\$31,146,056		
(iv) Value of recommendations completed.				\$0
(v) Value of recommendations management decided should/could not be completed.				\$0
E. Audit reports needing final action at the end of FY 2003. {C - D}	91	\$ 114,469,860	27	\$0



# OIG Key Management Challenges Requiring Sustained Agency Attention

(Prepared by EPA's Office of the Inspector General)

EPA made progress in addressing the top 10 management challenges identified by the that OIG over the past 3 years. These efforts included issuing new standards and policies, providing training, and beginning the implementation of cross-cutting strategies in the Agency's 2003 *Strategic Plan*. Nonetheless, EPA has not taken all actions necessary to address the challenges and ensure that the actions taken have been effective. If EPA does not take sufficient actions, the challenges will continue to impede the Agency's ability to meet its goals. For example, despite the Agency issuing new standards and policies to improve its management of assistance agreements, the OIG continues to find instances where EPA is not adequately

overseeing these agreements. To address the issue, EPA needs to allocate sufficient resources, hold management and staff accountable for complying with policies, establish success measures, and monitor progress.

EPA's 10 management challenges identified by the OIG for FY 2001-FY 2003 are presented in the following table. Many of these issues are long-standing problems that existed for many years. The table shows the year in which the OIG noted the problems and describes the relationship to EPA's strategic goals and the President's Management Agenda. For more information, visit <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm>.

EPA'S TOP MANAGEMENT CHALLENGES REPORTED BY THE OFFICE OF INSPECTOR GENERAL	FY 2001 <sup>35</sup>	FY 2002 <sup>36</sup>	FY 2003 <sup>37</sup>	LINK TO EPA'S STRATEGIC GOAL	LINK TO PRESIDENT'S MANAGEMENT AGENDA
<b>Linking Mission and Management:</b> Developing more outcome-based targets.	●	●	●	Cross-Goal	Budget and Performance Integration
<b>Information Resources Management and Data Quality:</b> Improving the quality of data used.	●	●	●	Cross-Goal	Expanded E-Government
<b>Human Capital Management:</b> Implementing a strategy to develop staff.	●	●	●	Cross-Goal	Human Capital
<b>EPA's Use of Assistance Agreements to Accomplish Its Mission:</b> Improving management of the billions of dollars of grants awarded by EPA.	●	●	●	Cross-Goal	Improved Financial Performance

EPA'S TOP MANAGEMENT CHALLENGES REPORTED BY THE OFFICE OF INSPECTOR GENERAL	FY 2001 <sup>35</sup>	FY 2002 <sup>36</sup>	FY 2003 <sup>37</sup>	LINK TO EPA'S STRATEGIC GOAL	LINK TO PRESIDENT'S MANAGEMENT AGENDA
<b>Protecting Critical Infrastructure from Non-Traditional Attacks:</b> Protecting physical and cyber-based infrastructures, such as in water sector.	●	●	●	Cross-Goal	
<b>Challenges in Addressing Air Toxics Program Phase 1 &amp; Phase 2 Goals:</b> Reducing air toxic emissions by improving approach and measures.		●	●	Goal 1	
<b>EPA's Working Relationships with States:</b> Improving structure for working with States.	●	●	●	Cross-Goal	
<b>Information Security:</b> Protecting information systems by preventing intrusion and abuse.	●	●	●	Cross-Goal	Expanded E-Government
<b>Backlog of National Pollutant Discharge Elimination System Permits:</b> Addressing permit renewal backlog for water discharges.	●	●	●	Goal 2	
<b>Management of Biosolids:</b> Improving sewage sludge management to sufficiently protect the public.		●	●	Goal 2	

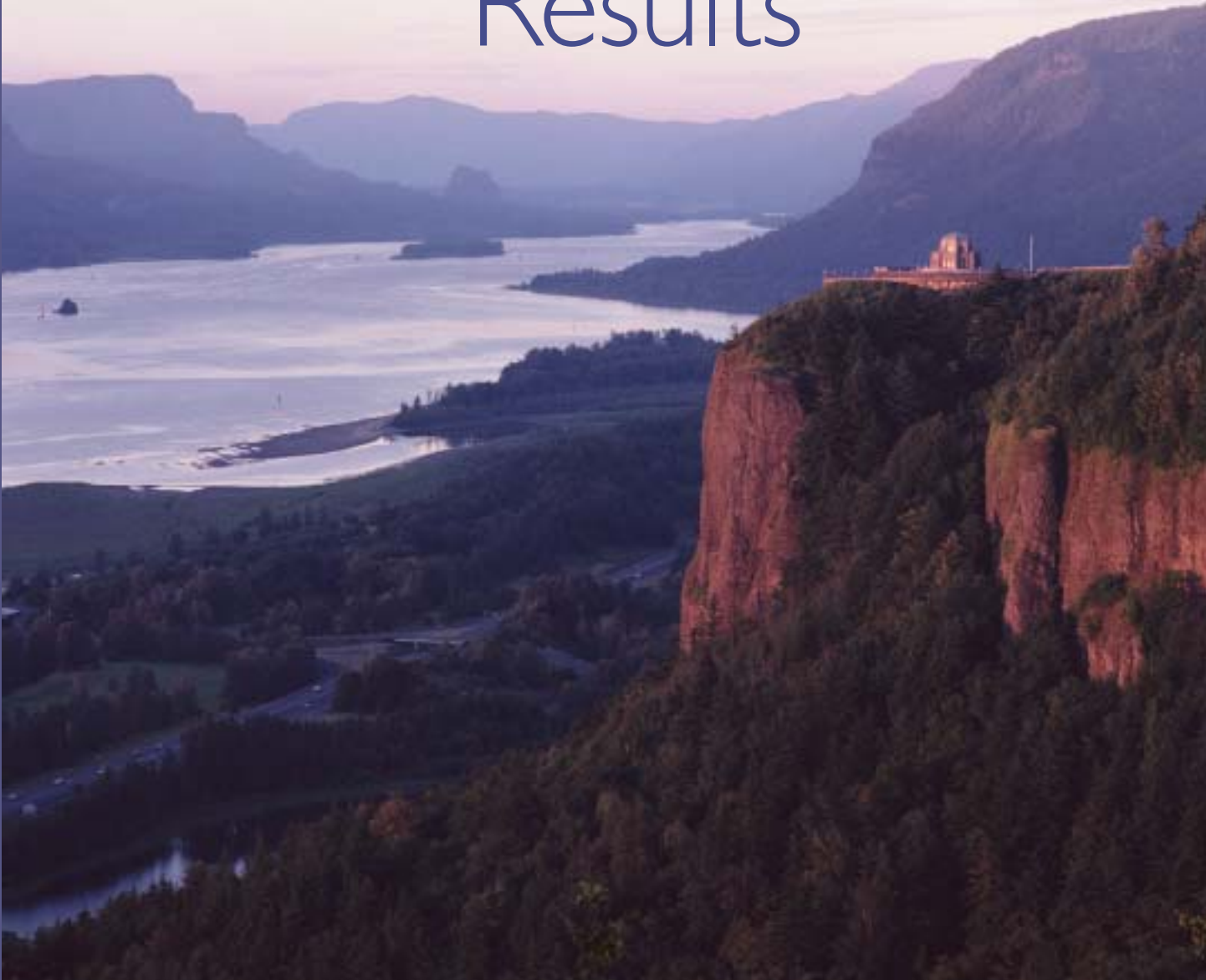
## NOTES

1. EPA's 2003 *Strategic Plan* available at <http://www.epa.gov/ocfopage>.
2. Information available at <http://www.epa.gov/otaq/equip-hd.htm>, <http://www.epa.gov/otaq/diesel.htm>, and <http://www.epa.gov/otaq/nonroad.htm>.
3. US EPA, Office of Pollution Prevention and Toxics, Voluntary Children's Chemicals Evaluation Program (VCCEP) Commitment Tracking System.
4. Centers for Disease Control, *National Center for Health Statistics, National Health and Nutrition Examination Survey: 1999-2002*. Available at <http://www.cdc.gov/nchs/nhanes.htm>.
5. Organophosphates are a class of widely used, older pesticides of concern for adverse effects.
6. Due to the grantee reporting cycle, the Brownfields Program can only report data on the first two quarters of FY 2003. Data are from the Brownfields Management System. More information at <http://www.epa.gov/brownfields/>.

7. The specific language for this strategic target reads as follows: “By 2008, working with National Estuary Program (NEP) partners, protect or restore an additional 250,000 acres of habitat within the study areas for the 28 estuaries that are part of the NEP.”
8. Information on the Submerged Aquatic Vegetation measure available at <http://www.chesapeakebay.net/status>.
9. Information about EPA’s National Coastal Assessment available at <http://www.epa.gov/emap/nca/index.html>.
10. *Performance and Cost of Mercury and Multipollutant Emission Control Technology Applications on Electric Utility Boilers* (EPA-600/R-03/110).
11. Additional information is available at <http://www.epa.gov/epaoswer/hazwaste/minimize/chemlist.htm>.
12. Additional information about the President’s Management Agenda can be found in Chapter 6 and at <http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf>.
13. EPA’s PART evaluation information available at <http://www.whitehouse.gov/omb/budget/fy2004/pma.html>.
14. Appendix A contains a complete list of program evaluations conducted in FY 2003.
15. For complete information on the quality of the data contained in the Performance Data Charts in Section II — Performance Results, please see EPA’s FY 2004 Final Annual Plan at the following website: <http://www.epa.gov/ocfopage/budget/budget.htm>. See also <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm>.
16. Section III, FY 2003 Statement of Budgetary Resources.
17. Section III, FY 2003 Statement of Net Costs.
18. US EPA, Office of the Chief Financial Officer, EPA’s FY 2003 Budget Automation System.
19. US Department of the Treasury, FY 2003 Superfund Trust Fund Financial Statements.
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30. US EPA, Office of Water, *National Pollutant Discharge Elimination System (NPDES)*, Backlog Reduction available at <http://cfpub.epa.gov/npdes/permitissuance/backlog.cfm>.
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33. Available at <http://www.epa.gov/epaoswer/hazwaste/data/index.htm#rcra-info>.
34. Inspector General Act of 1978, as amended, Public Law 95-452, October 12, 1978.
35. OIG Memorandum of December 17, 2001 to EPA Administrator, “EPA’s Key Management Challenges”.
36. OIG Memorandum of September 6, 2002 to EPA Administrator, “EPA’s Key Management Challenges”.
37. OIG Memorandum of May 22, 2003 to EPA Administrator, “EPA’s Key Management Challenges”.

## Section 2.

# Performance Results



## CONTENTS

Goal 1: Clean Air and Climate Change .....	28
Goal 2: Clean and Safe Water .....	47
Goal 3: Land Preservation and Restoration .....	59
Goal 4: Healthy Communities and Ecosystems .....	72
Goal 5: Compliance and Environmental Stewardship .....	91
Chapter 6: Support for Environmental Results .....	109





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.*

## Progress Toward the Strategic Goal and Objectives

EPA and its partners and stakeholders have made steady progress toward clean air during a period of economic growth. Since 1970, their combined efforts have reduced by 48 percent<sup>1</sup> the aggregate emissions of the six principal pollutants covered by National Ambient Air Quality Standards (NAAQS) set to protect human health and the environment. During the same period, the U.S. gross domestic product has increased by 164 percent; vehicle miles traveled, by 155 percent; energy consumption, by 42 percent; and population by 38 percent (see Figure 1-1).<sup>2</sup>

In reducing emissions, EPA has focused on programs that have broad nation-wide or global impact for protecting human health and the environment. Recent examples include:

- EPA's regulatory programs for highway and non-road mobile sources and fuels have contributed significantly to cleaner air. For example, in FY 2000, EPA issued the second round of automobile and light truck standards called for by the Clean Air Act (CAA). Tier 2 standards for automobiles and light trucks will reduce nitrogen oxide (NO<sub>x</sub>) emissions by 74 percent. And in FY 2001, EPA issued new engine and fuel standards that will make highway diesel trucks

and buses 90 percent cleaner than current models. When fully implemented, these standards will result in a daily reduction of about 30 premature deaths, 20 cases of chronic bronchitis, and 5,600 lost workdays.<sup>3</sup>

### SIX PRINCIPAL POLLUTANTS

Ozone (O<sub>3</sub>)  
Particulate Matter (PM)  
Carbon Monoxide (CO)  
Nitrogen Dioxide (NO<sub>2</sub>)  
Sulfur Dioxide (SO<sub>2</sub>)  
Lead (Pb)

- Agency rules for stationary sources, vehicles, fuels, and engines have reduced toxic air pollutants by close to 35 percent from a 1993 baseline of 6 million tons. EPA estimates that annual emissions of toxic air pollutants from stationary sources were nearly 1.5 million tons less in FY 2002 than in 1993 as a result of implementing Maximum Achievable Control Technology (MACT) standards, and 500,000 tons less than in 1993 as a result of implementing federal mobile source rules.<sup>4</sup>

- EPA's Acid Rain Program continues on course to meet its FY 2010 objective. The market-based program permanently caps nation-wide power plant emissions of sulfur dioxide (SO<sub>2</sub>) and limits the rate of NO<sub>x</sub> emissions. As a result of efforts by utilities covered under this program, SO<sub>2</sub> emissions continued to decline from 17.5 million tons in 1980 (baseline) to 10.2 million tons through 2002, while NO<sub>x</sub> emissions were reduced by 33 percent from 1990 emissions levels.<sup>5</sup>

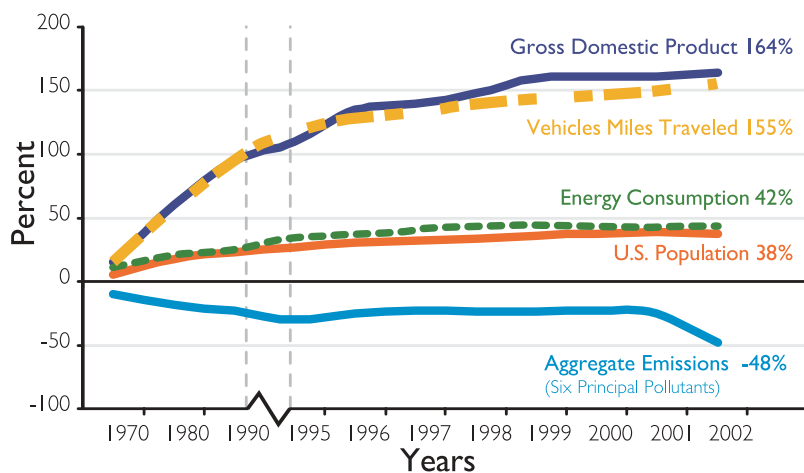
This progress toward cleaner air has been significant, not only because of the tons of pollution reduced or prevented, but also because the results have been achieved cost-effectively, with the monetized benefits outweighing the economic impacts. The extent of the public health benefits is particularly striking. On a daily basis, the results of programs established under the 1990 amendments to the CAA, in combination with the results of the 1977 amendments, have prevented an estimated 600 premature deaths, 2,000 chronic illnesses, and 75,000 lost workdays.<sup>6</sup> In a September 2003 report to the Congress, the Office of Management and Budget (OMB) reported the results of a review of the costs and benefits of 107 major federal rulemakings completed during the last decade. OMB found that the overall benefits of the rulemakings are four to five times their costs, and that “the majority of the quantifiable benefits are attributable to a handful of clean-air rules issued by EPA.”<sup>7</sup>

In spite of the successes of EPA and its partners, utility, industry, transportation, and other sources still emit more than 160 million tons of pollution into the air each year in the United States. About 146 million Americans live in counties where monitored air quality in 2002 was at times unhealthy because of high levels of at least one of the six principal

pollutants for which EPA has set NAAQS. The vast majority of areas that experienced unhealthy air did so because of one or both of two pollutants—tropospheric ozone and particulate matter (PM).<sup>8</sup>

EPA’s strategy to address the most persistent remaining challenges posed by air pollution in the 21st century includes a combination of regulatory, market-based, and voluntary programs. EPA will carry out those components of the strategy that address emissions from entire industries or from major source categories, such as power plants or motor vehicles, while state, tribal, and local partners will focus on more area-specific problems. In implementing the strategy, EPA will set priorities among activities based on health and environmental risk and will seek cost-effective, flexible solutions to reduce risks. Using information from peer-reviewed research, regulatory impact assessments, and program evaluations EPA determines program risk and sets priorities based on that risk. EPA addresses those areas such as PM, ozone, and toxics that have a high health risk first and then addresses the lower risk areas. In developing these solutions, EPA will use an active consultative process that allows the Agency to identify the solutions that best meet the collective needs of its partners and stakeholders.

Figure I-1: Comparison of Growth Areas and Emission Trends



The cornerstone of EPA’s strategy for cleaner air is President Bush’s multipollutant Clear Skies initiative.<sup>9</sup> The proposed legislation, re-introduced in Congress in February 2003, would create a mandatory program that is designed to reduce power plant emissions of SO<sub>2</sub>, NO<sub>x</sub>, and mercury by about 70 percent from emission levels during 2000.<sup>10</sup> EPA projects that

## AIR QUALITY INDEX

In a continuing effort to protect people's health, EPA now provides daily forecasts of particulate pollution in more than 100 cities. The Air Quality Index, or AQI, is a color-coded system designed to inform the public about daily air pollution levels in their communities. During the summer months, local broadcast meteorologists in nearly 300 U.S. cities use the AQI to provide daily ozone forecasts as part of their weather casts. The AQI has been expanded to include daily, year-round forecasts for particulate pollution. The expanded AQI forecasts give people the information they need to protect their health all year.

Air quality forecasts are available on local television stations, on state and local air quality agency websites, on USA Today's weather page and on The Weather Channel. Forecasts, health information, and maps showing real-time particle levels also are available on EPA's AIRNow website at [www.epa.gov/airnow](http://www.epa.gov/airnow).

Air Quality Index Levels of Health Concerns	Numerical Value	Meaning
Good	0-50	Air quality is considered satisfactory, and air pollution poses little or no risk.
Moderate	51-100	Air quality is acceptable; however, for some pollutants there may be a moderate health concern for a very small number of people who are unusually sensitive to air pollution.
Unhealthy for Sensitive Groups	101-150	Members of sensitive groups may experience health effects. The general public is not likely to be affected.
Unhealthy	151-200	Everyone may begin to experience health effects; members of sensitive groups may experience more serious health effects.
Very Unhealthy	201-300	Health alert: everyone may experience more serious health effects.
Hazardous	>300	Health warning of emergency conditions. The entire population is more likely to be affected.

by 2020, Americans would experience 14,100 fewer premature deaths, 8,800 fewer cases of chronic bronchitis, and 30,000 fewer hospital and emergency room visits for cardiovascular and respiratory symptoms. The monetized health benefits from Clear Skies would total about \$110 billion. Early human health benefits are expected to be significant, including \$54 billion in annual benefits by 2010, and 7,900 fewer premature deaths. Visibility benefits in national parks and wilderness areas are projected to be \$3 billion annually.<sup>11</sup>

EPA also implements strategies for improving indoor air quality, restoring the stratospheric ozone layer, and addressing global climate change. Indoor air can be more polluted than outdoor air in the largest and most industrialized cities. EPA develops and implements voluntary outreach and partnership programs that inform and educate the public about indoor air quality and actions that they can take to reduce potential health risks in homes, schools, and workplaces. In carrying out these programs, EPA places a high priority on reducing the exposure of a particularly vulnerable population—children with asthma—to indoor environmental triggers and secondhand smoke.<sup>12</sup>

Increased levels of ultraviolet (UV) radiation due to depletion of stratospheric ozone can lead to increased exposure to UV radiation and result in skin cancer, cataracts, and other illnesses. The United States have met all the requirements for addressing ozone depletion in the CAA and the Montreal Protocol on Substances That Deplete the Ozone Layer. Scientists believe that recovery of the ozone layer is under way, but that full recovery will not occur until the middle of this century at the earliest. EPA will continue its education and outreach efforts to encourage behavioral changes that will reduce UV-related health risks.

In February 2002, President Bush committed America to a global climate change strategy that will cut greenhouse gas intensity by 18 percent by 2012. EPA's voluntary climate programs reduce greenhouse gas intensity by working in partnership with businesses and other sectors through programs that deliver multiple benefits—from cleaner

air to lower energy bills—while improving overall scientific understanding of climate change and its potential consequences. Overall, EPA's climate protection programs are on track to prevent 185 million metric tons of carbon equivalent (MMTCE) annually by FY 2012, up from 65 MMTCE in FY 2001.

## FY 2003 Performance

Working with its state, local, and tribal partners, along with industry, small businesses, and other federal agencies, EPA made significant progress in FY 2003 toward achieving the annual goals for Clean Air and Global Climate Change.

### CLEAN AIR

While EPA implemented the market-based Acid Rain Program and federal regulations for stationary sources, mobile sources, and fuels, its state, tribal, and local partners carried out local programs to help achieve or maintain the NAAQS and reduce exposure to toxic air pollutants. In FY 2003, state and local efforts contributed to helping additional areas with a combined population of 6.8 million people meet the NAAQS. States also have prepared and submitted to EPA requests to formally designate another 16 areas as having met the NAAQS.

EPA's partners also identify and implement innovative ways to help achieve cleaner air faster. In FY 2003, 34 communities around the country pledged to reduce air pollution ahead of deadlines in the CAA, thereby bringing substantial and sustainable health and environmental improvements to their residents much sooner.

Also during FY 2003, EPA began certifying motor vehicles to meet the Tier 2 light-duty vehicle standards. The Tier 2 Program, a comprehensive regulatory

initiative established in 2000, treats vehicles and fuels as a system, combining requirements for much lower-emitting vehicles with requirements for much lower levels of sulfur in gasoline. The implementation of the standards is expected to significantly reduce emissions from new passenger cars and light trucks, including pickup trucks, vans, minivans, and sport-utility vehicles (SUVs). For the first time, light-duty trucks must meet the same emission standards as cars. Once the entire automotive fleet is in full compliance with Tier 2 standards (in 2030), tailpipe levels of NO<sub>x</sub> will be reduced by about 74 percent, and the sulfur content of gasoline will be reduced by about 90 percent from current levels. These reductions will result in cleaner air and greater public health protection, primarily by reducing tropospheric ozone and particulate matter.

EPA proposed standards for heavy-duty, non-road diesel sources in FY 2003, including construction, mining, industrial, agricultural, and airport equipment. The resultant reduction in pollution will provide important health benefits and emission reductions similar to those of the recent on-highway, heavy-duty diesel rule. Also in FY 2003, EPA began certifying heavy-duty engines that meet the 2004 engine standards. These engines—from all manufacturers—were certified early in response to the requirements of the Heavy-duty Engine Consent Decree, and are approximately 30 to 45 percent cleaner than previous engines of the same model.

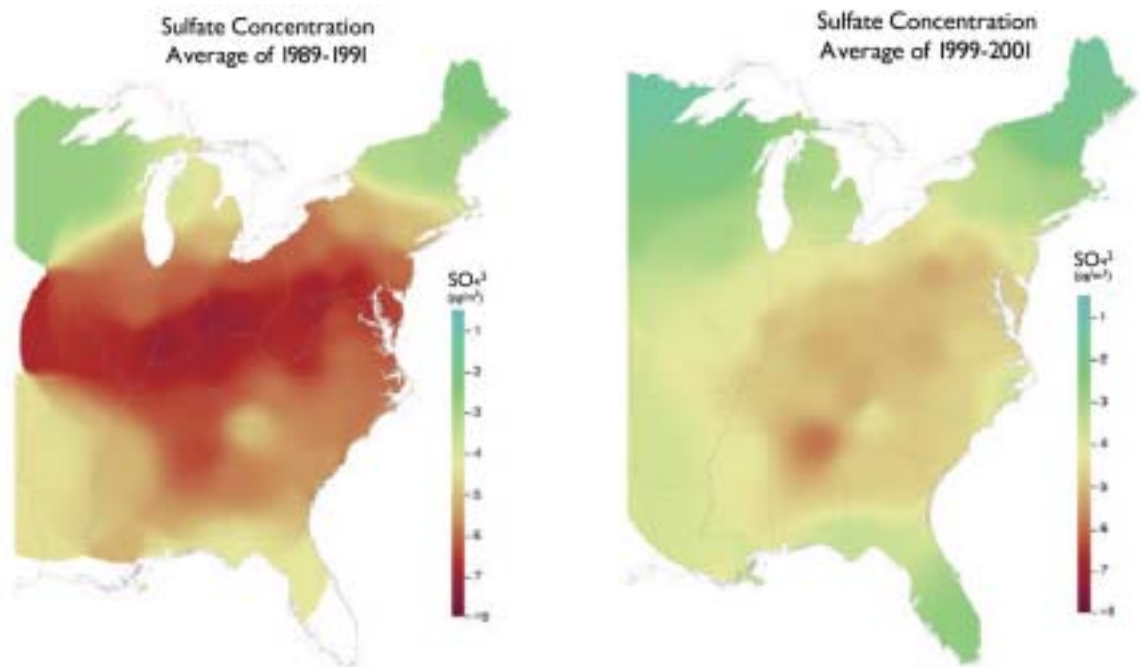


In addition, EPA completed emission standards for new marine diesel engines that will be installed in vessels flagged or registered in the United States. These standards are equivalent to the internationally negotiated emission limits for  $\text{NO}_x$  adopted by the International Maritime Organization<sup>13</sup> and will help to reduce the approximately 1 million tons of hydrocarbons,  $\text{NO}_x$ , and 30,000 tons of PM emitted from marine diesel engines in the United States every year.

In FY 2003, EPA's PM research program provided updated data on sources of PM emissions, the costs and performance of PM control technologies, and PM air quality models. When complete and fully analyzed, this information will help states, tribes, and others target the sources that are contributing to fine particulate ( $\text{PM}_{2.5}$ ) concentrations, and thus, meet the NAAQS. The data will also allow regulators and the regulated community to better estimate the costs of controlling  $\text{PM}_{2.5}$  emissions using alternative methods, leading to the most cost-effective PM control strategy for a given location.<sup>14</sup>

Results available in FY 2003 from long-term measurements and studies on acid deposition and surface water acidity provide demonstrable evidence of positive environmental outcomes attributable to emission reductions under the Acid Rain Program. A comparison of maps of average annual wet sulfate deposition for 1989-1991 and for 1999-2001 (see Figure 1-2) shows that reductions of up to 30 percent have occurred over a large area of the eastern United States. EPA's report *Response of Surface Water Chemistry to the Clean Air Act Amendments of 1990*, released in January 2003, concludes that measurable improvements in surface water chemistry (lower sulfate concentrations and decreases in acidity) have resulted from reductions in emissions and wet sulfate deposition under the Acid Rain Program. Results indicate that in three of five geographic areas studied, one-quarter to one-third of the lakes and streams previously affected by acid rain are no longer acidic, although they remain highly sensitive to future changes in deposition. In the other two areas, signs of recovery are not yet evident, suggesting that further reductions, such as

Figure 1-2: Trends in Sulfur: Average Yearly Sulfate Concentrations 1989-1991 vs. 1999-2001\*



\* Note: Data are presented for the eastern United States only because there are not enough CASTNet monitoring sites in the West to support this type of analysis. Map colors represent relative concentrations and do not imply ecological or human health status.

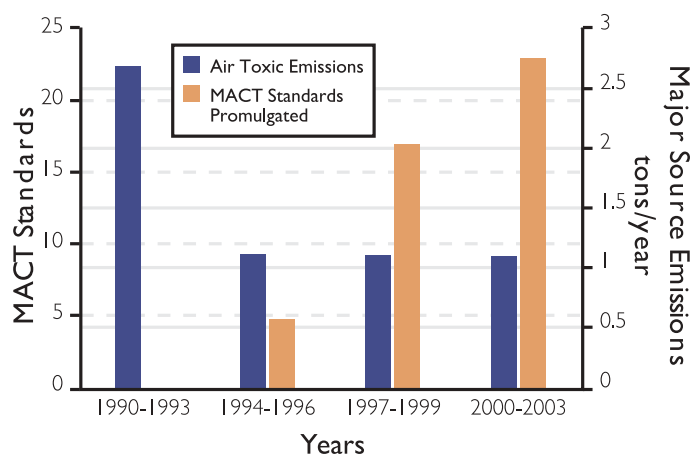
those proposed in the Clear Skies Act, are needed for ecosystem recovery.<sup>15</sup>

EPA has made significant progress in meeting statutory deadlines for its air toxics regulatory/residual risk program. The Agency is on target to complete all of its 10-year MACT standards by February 27, 2004<sup>16</sup> (refer to Sustained Progress in Addressing Management Issues available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion). When all the MACT standards are fully implemented, emissions of toxic air pollutants from large industrial facilities will decrease by 1.7 million tons per year, or 63 percent from 1993 baseline levels (see Figure 1-3). This reduction does not include the results of additional efforts by states and industry.

EPA has developed a comprehensive, integrated air toxics program that better meets long-term goals by addressing risks from all sources of toxic air pollutants—major, area, mobile, and indoor sources. The Agency continues to shift the emphasis of its air toxics program to a risk-based approach that addresses specific needs of the various categories of residual risk and their special handling in the CAA. EPA is evaluating ways to allow a facility to demonstrate whether the health risks it poses to the surrounding community are low enough to comply with the residual risk standards. The Agency also is continuing to analyze the risks presented by the remaining 2-year, 4-year, and 7-year MACT source categories.

To further reduce toxic air emissions and health risks, EPA has begun to focus increasingly on related community-specific problems, working with partners and stakeholders to identify and address the risk reductions that are most important to local citizens. *The National Air Toxics Assessment*, published by EPA in FY 2002, provides information on population exposure to guide efforts on community-based risk reduction activities.<sup>17</sup>

Figure 1-3: Maximum Achievable Control Technology (MACT) Issuance and Emission Reductions



EPA has been working with state and local agencies in a joint Air Toxics Monitoring Steering Committee to design a national network for monitoring toxic air emissions. The National Air Toxic Trend Site network, launched in early 2003, will help provide population exposure information for EPA and communities as they develop risk reduction strategies and programs. The Science Advisory Board has expressed clear support for the Agency's approach to the design, which includes pilot monitoring studies and analysis of existing monitoring data. EPA completed the initial data analysis and a 10-city air toxics monitoring pilot project in mid-2003,<sup>18</sup> and is using the data from this effort to help complete the design of a network by early calendar year 2004.

In FY 2003, EPA initiated the Clean School Bus USA Program—an outgrowth of EPA's Voluntary Diesel Retrofit Program. The program's goal is to reduce both children's exposure to diesel exhaust and the amount of air pollution created by diesel school buses. Toward this end, EPA ran a competitive nation-wide process to award \$5 million to school districts around the country. The Agency announced the selected areas in early FY 2004. School districts will use the funds to retrofit buses with improved emission controls; to fuel

## RESPONDING TO HURRICANE ISABEL

After a hurricane, failure to remove contaminated materials and to reduce moisture and humidity can present serious long-term health risks. Standing water and wet materials are a breeding ground for microorganisms, such as viruses, bacteria, and mold. They can cause disease, trigger allergic reactions, and continue to damage materials long after the flood. In the aftermath of Hurricane Isabel, EPA released a fact sheet discussing steps to lessen the effects of water damage on long-term indoor air quality in residential buildings.

EPA's fact sheet provided timely advice to the public on the following topics:

- Preparing for cleanup.
- Avoiding problems from microbial growth.
  - Removing standing water.
  - Drying out your home.
  - Removing wet materials.
- Avoiding problems from the use of cleaners and disinfectants.
- Avoiding carbon monoxide poisoning.
- Avoiding problems from airborne asbestos and lead dust.



buses with cleaner fuels; and to replace the oldest buses with new, less polluting buses. Since 2000, when EPA launched the Voluntary Diesel Retrofit Program addressing older vehicles on the road, more than 130,000 vehicles and engines have been retrofitted.

In FY 2003, EPA and the Advertising Council launched an aggressive nation-wide English and Spanish language media campaign to heighten awareness of asthma as a chronic disease afflicting about 20 million people, including 6.3 million children.<sup>19</sup> In 2000, there were nearly 2 million emergency room visits and nearly half a million hospitalizations of children and adults due to asthma, at a cost of almost \$2 billion and 14 million missed school days.<sup>20</sup> For the next 3 years, this public service campaign will continue to educate the public about indoor environmental triggers of asthma attacks, such as mold and secondhand smoke, and how to prevent them.

Children who are exposed to environmental tobacco smoke (ETS) are at an increased risk

for a number of adverse health outcomes, including lower respiratory tract infections, bronchitis, pneumonia, fluid in the middle ear, and sudden infant death syndrome (SIDS). ETS can also play a role in the development and exacerbation of asthma, particularly for children under 6 years old. Cotinine, which is a breakdown product of nicotine in blood, can be measured as a marker for exposure of children to ETS in their homes or in places where people are allowed to smoke, such as some restaurants. In 1999-2000, median (50th percentile) levels of cotinine measured in children were 56 percent lower than they were in 1988-1991. Cotinine values at the 90th percentile, representing the most highly exposed 10 percent of children, declined by 18 percent between 1988-1991 and 1999-2000.<sup>21</sup> In 2003, EPA, the Consumer Federation of America, and the American Medical Association launched the third wave of the My Mom's My Hero media campaign, designed to help protect the more than 5 million children ages 6 and under exposed to secondhand smoke in the home.<sup>22</sup>

The latest quadrennial assessment of the state of the protective stratospheric ozone layer indicates that restraints on production of ozone-destroying chemicals, such as chlorofluorocarbons, are having the intended effect. The concentration of the prime offender, chlorine, is at or near its peak in the stratosphere. An improved scientific understanding of stratospheric ozone indicates that the worst ozone loss has already occurred, with improvements predicted for the future. Sustained efforts by the United States and other parties to carry out the Montreal Protocol will restore the stratospheric ozone layer to pre-Antarctic hole levels by the middle of the 21st century.

EPA is making steady progress to reduce UV exposure, particularly among children, through the voluntary SunWise School Program. In FY 2003, EPA directly reached 388,000 students in 7,746 schools, an increase of 61 percent since 2002. Understanding the risks of UV radiation overexposure is important; major health problems linked to such increased exposure include skin cancer, premature aging of the skin, cataracts, and suppression of the immune system.

EPA has developed a multi-year plan to upgrade the Environmental Radiation Ambient Monitoring System (ERAMS). EPA has operated ERAMS for more than 30 years. The current system covers about 24 percent of the total U.S. population. EPA plans to upgrade ERAMS to a real-time system covering 70 percent of the U.S. population. In FY 2003, EPA purchased and deployed four prototype real-time radiation monitors as the first step of its multi-year plan. The prototypes are located in New York City; Washington, DC; Las Vegas; and Montgomery, Alabama.

## GLOBAL CLIMATE CHANGE

The core of EPA's climate protection efforts is voluntary partnership programs designed to capitalize on the opportunities that consumers, businesses, and organizations have for making sound investments in efficient equipment, better policies and practices, and sound transportation choices. A 2003 analysis of actions that EPA's partners have taken through the end of 2002<sup>23</sup> showed the following results:

- Prevented greenhouse gas emissions of 71 MMTCE—equivalent to eliminating emissions from more than 28 million cars.

## BEST WORKPLACES FOR COMMUTERS<sup>SM</sup>—A VOLUNTARY CLIMATE PROTECTIONS PARTNERSHIP PROGRAM

In FY 2003, more than 1,200 partner organizations representing 1.1 million employees nation-wide have become Best Workplaces for Commuters<sup>SM</sup>. EPA created Best Workplaces for Commuters<sup>SM</sup> (formerly known as the Commuter Choice Leadership Initiative) to encourage and provide incentives to employers to offer their employees outstanding commuting benefits that can help ease local traffic congestion, clean the air, and reduce greenhouse gas emissions, while reducing employee stress and helping employees save on fuel costs. These benefits also help employers attract and retain the best employees, solve parking challenges and allow employers to enjoy tax and cost savings. Best Workplaces for Commuters<sup>SM</sup> represent a broad range of business sectors and sizes, including small businesses and Fortune 1000 companies.

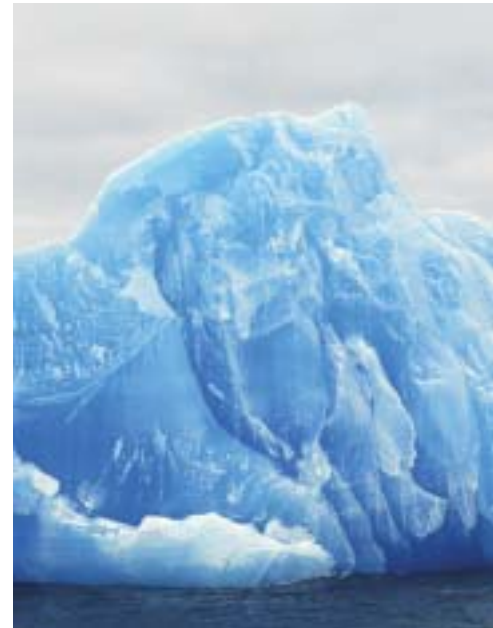
Since 2001, employers in the Best Workplaces for Commuters<sup>SM</sup> Program and their employees have been reducing miles driven by more than 3 million people per day, saving more than 35 million gallons of gasoline per year, and preventing the release of more than 150,000 tons of greenhouse gas emissions per year. For more information, see <http://www.bwc.gov>.





- Prevented NO<sub>x</sub> emissions of about 150,000 tons.
- Reduced energy consumption by more than 100 billion kilowatt hours, providing more than \$70 billion in savings to consumers and businesses on their energy bills.
- Offset more than 15,000 megawatts of peak power—the amount of energy required to power more than 15 million homes.
- Are forecasted to prevent greenhouse gas emissions by more than 100 MMTCE through 2012.

EPA's Clean Automotive Technology (CAT) Program supports the development of technology that satisfies stringent emission requirements and that achieves up to twice the fuel efficiency of personal vehicles, such as SUVs, pickups, and urban delivery vehicles, while simultaneously meeting the more demanding size, performance, durability, and power requirements of these vehicles. For a large SUV with a baseline



fuel economy of 17 miles per gallon (mpg), the resulting potential fuel economy levels would be 25.5-28.9 mpg in 2006 and up to 34 mpg by 2010. Expanding this technology to 50 percent of new light trucks by 2020 would generate annual fuel savings of 8 billion gallons, while tailpipe carbon emissions would fall by 20 MMTCE.

## Assessment of Impacts of FY 2003 Performance on FY 2004 Annual Plan

Based on the results of FY 2003 performance, some modifications will be made to the FY 2004 performance measure targets for the NAAQS. Specifically, one carbon monoxide and one SO<sub>2</sub> area planned for redesignation in FY 2003 will move to FY 2004. Two PM<sub>10</sub> areas and one 1-hour ozone area will also move from FY 2003 to FY 2004. Based on

Department of Energy (DOE) performance between 1998 and 2002, EPA is re-evaluating its goals for the Waste Isolation Pilot Plant Program and will revise the targets for 2004 and beyond based on updated projections from DOE. No other changes to FY 2004 annual performance goals are expected based on the results of FY 2003 performance.

# Annual Performance Goals (APG) and Measures

## GOAL 1: CLEAN AIR AND GLOBAL CLIMATE CHANGE

### SUMMARY OF RESULTS—GOAL 1

Number of Goals Met:	2
Number of Goals Not Met:	3
Number with Data Lag:	8

APG 1	Reduce Ozone and Ozone Precursors	Planned	Actual
FY 2003	Maintain healthy air quality for approximately 42 million people living in monitored areas attaining the ozone standard; certify 7 areas of the remaining 54 nonattainment areas have attained the 1-hour NAAQS for ozone, thus increasing the number of people living in areas with healthy air by 5.1 million. <b>Goal Not Met.</b>	42 M 7 areas 5.1 M	47.8 M 5 areas 5.8 M
	<i>Performance Measures</i>		
	—Cumulative percent increase in the number of people who live in areas with ambient 1-hour ozone concentrations below the level the NAAQS as compared to 1992.	19%	data available in 2004
	—Cumulative percent increase in the number of areas with ambient 1-hour ozone concentrations below the level of the NAAQS as compared to 1992.	31%	data available in 2004
	—Tons of VOCs reduced from mobile sources.	1.9 M	1.9 M
	—Tons of NO <sub>x</sub> reduced from mobile sources.	1.4 M	1.4 M
FY 2002	Same goal, different targets. <b>Goal Not Met.</b>	41.7 M 10 areas 2.5 M	41.7 M 1 area 326,000
	<i>Performance Measures</i>		
	—Tons of VOCs reduced from mobile sources.	1.8 M	1.8 M
	—Tons of NO <sub>x</sub> reduced from mobile sources.	1.3 M	1.3 M
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>	35.1 M 5 areas 1.9 M	38.2 M 3 areas 3.5 M
FY 2000	Maintain healthy air quality for 33.4 million people living in 43 areas attaining the ozone standard. <b>Goal Met.</b>	33.4 M	33.4 M

**FY 2003 Result:** EPA maintained healthy air quality for 41.7 million people living in areas designated as attaining the 1-hour ozone standard and certified that five of the remaining non-attainment areas have attained the 1-hour NAAQS for ozone, thereby increasing the number of people living in areas with healthy air by 5.8 million. In FY 2004, EPA will make attainment designations for areas for the 8-hour standards. Many areas are awaiting the 8-hour designation decisions to develop clean air plans to meet attainment. These same measures will also help areas meet the 1-hour standard. In the last quarter of 2004, EPA will have information to determine how many areas are monitoring clean air under the 1-hour ozone standard. Areas may monitor for clean air but not meet the procedural requirements for formal redesignation to attainment of 1-hour. Completion of the air quality monitoring data review, in 2004, will provide more information on percentage of people who live in areas and the number of areas that meet the 1-hour ozone standard and thus allow EPA to have a more complete picture of air quality.

APG 2 Reduce CO, SO <sub>2</sub> , NO <sub>2</sub> , Lead		Planned	Actual
FY 2003	Maintain healthy air quality for 53 million people living in monitored areas attaining the carbon monoxide (CO), sulfur dioxide (SO <sub>2</sub> ), nitrogen dioxide (NO <sub>2</sub> ), and lead standards; increase by 1.1 million the number of people living in areas with healthy air quality that have newly attained the standard. <b>Goal Not Met.</b>	53.0 M 1.1 M	53.7 M .74 M
FY 2002	Same goal, different targets. <b>Goal Met.</b>	36.7 M 16.0 M	36.7 M 16.5 M
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>	31.1 M 13.2 M	36.3 M 0.4 M
FY 2000	Same goal, different targets. <b>Goal Met.</b>	27.7 M 1.1 M	27.7 M 3.41 M
<p><b>FY 2003 Result:</b> EPA maintained healthy air quality for 53 million people living in monitored areas attaining the CO, SO<sub>2</sub>, NO<sub>2</sub>, and lead standards and certified that 4 of the 35 remaining non-attainment areas have attained the NAAQS. EPA increased the number of people living in areas with healthy air by 740,000 but missed the target of 1.1 million. This occurred because one area each for CO and SO<sub>2</sub> did not meet the requirements for attainment in FY 2003 and thus delayed the redesignation to attainment request to the last quarter of 2004. EPA is working with these areas to ensure that these requests are complete and submitted to EPA in a timely way in FY 2004.</p>			

APG 3 Reduce Particulate Matter		Planned	Actual
FY 2003	Maintain healthy air quality for 6.1 million people living in monitored areas attaining the particulate matter (PM) standards; increase by 81 thousand the number of people living in areas with healthy air quality that have newly attained the standard. <b>Goal Met.</b>	6.1 M 81,000	6.2 M 228,000
<i>Performance Measures</i>			
	—Cumulative percent increase in the number of people who live in areas with ambient PM <sub>10</sub> concentrations below the level of the NAAQS as compared to 1992.	10%	data available in 2004
	—Cumulative percent increase in the number of areas with ambient PM <sub>10</sub> concentrations below the level of the NAAQS as compared to 1992.	45%	data available in 2004
	—Areas redesignated to attainment.	8 areas	3 areas
	—Tons of PM <sub>10</sub> reduced from mobile sources.	25,000	25,000
	—Tons of NO <sub>x</sub> reduced from mobile sources.	18,000	18,000
FY 2002	Same goal, different targets. <b>Goal Not Met.</b>	3.4 M 3.7 M	3.4 M 2.7 M
<i>Performance Measures</i>			
	—Areas redesignated to attainment.	6 areas	4 areas
	—Tons of PM <sub>10</sub> reduced from mobile sources.	23,000	23,000
	—Tons of NO <sub>x</sub> reduced from mobile sources.	17,250	17,250

APG 3	Reduce Particulate Matter <i>(continued)</i>	Planned	Actual
FY 2001	Same goal, different targets. <b>Goal Met.</b>	1.276 M 60,000	<b>1.189 M</b> <b>2,249 M</b>
FY 2000	Same goal, different targets. <b>Goal Met.</b>	1.2 M 60,000	<b>1.2 M</b> <b>75,800</b>
<p><b>FY 2003 Result:</b> EPA maintained healthy air quality for 6.1 million people living in areas designated as attaining the PM10 standard and certified that 3 of the 59 remaining non-attainment areas have attained the NAAQS thereby increasing the number of people living in areas with healthy air by 228,000. In the last quarter of 2004, EPA will have information to determine how many areas are monitoring clean air under the PM standard. Areas may monitor for clean air but not meet the procedural requirements for formal redesignation to attainment. Completion of the air quality monitoring data review, in 2004, will provide more information on percentage of people who live in areas and the number of areas that meet the PM standard and thus allow EPA to have a more complete picture of air quality.</p>			

APG 4	Reduce SO <sub>2</sub> Emissions	Planned	Actual
FY 2003	Maintain or increase annual SO <sub>2</sub> emission reduction of approximately 5 million tons from the 1980 baseline. Keep annual emissions below level authorized by allowance holdings and make progress toward achievement of Year 2010 SO <sub>2</sub> emissions cap for utilities. <b>Data Lag.</b>	5 M	<b>data available in 2004</b>
FY 2002	Same goal. <b>Goal Met.</b>	5 M	<b>7 M</b>
FY 2001	Same goal. <b>Goal Met.</b>	5 M	<b>6.7 M</b>
FY 2000	Five million tons of SO <sub>2</sub> emissions from utility sources will be reduced from the 1980 baseline. <b>Goal Met.</b>	5 M	<b>6.3 M</b>
<p><b>FY 2003 Result:</b> End of year 2003 data will be available in the last quarter of 2004 to verify that annual emissions reduction of approximately 5 million tons from utility sources were maintained or increased during 2003.</p> <p><b>FY 2002 Result Available in FY 2003:</b> SO<sub>2</sub> emissions were reduced by 35% from the 1990 level of 15.9 million tons, and approximately 40% from the 1980 level of 17.5 million tons, approaching the 50% reduction goal from 1980 level by 2010. Unit-level SO<sub>2</sub> emissions data for all sources covered by the Acid Rain Program are available on EPA's website at <a href="http://www.epa.gov/airmarkets">www.epa.gov/airmarkets</a>.</p>			

APG 5	Reduce Nitrogen Oxide (NO <sub>x</sub> ) Emissions	Planned	Actual
FY 2003	Two million tons of NO <sub>x</sub> from coal-fired utility sources will be reduced from levels that would have been emitted without implementation of Title IV of the Clean Air Act Amendments. <b>Data Lag.</b>	2 M	<b>data available in 2004</b>
FY 2002	Same goal. <b>Goal Met.</b>	2 M	<b>3.5 M</b>
FY 2001	Same goal. <b>Goal Met.</b>	2 M	<b>3.4 M*</b>



APG 5 Reduce Nitrogen Oxide (NO <sub>x</sub> ) Emissions <i>(continued)</i>		Planned	Actual
FY 2000	Two million tons of NO <sub>x</sub> emissions from coal-fired utility sources will be reduced from the levels before implementation of Title IV of the Clean Air Act Amendments. <b>Goal Met.</b>	2 M	2.0 M
<p><b>FY 2003 Result:</b> End of year 2003 data will be available in Summer 2004 to verify that the Agency has achieved the annual emission reduction goal.</p> <p><b>FY 2002 Result Available in FY 2003:</b> EPA achieved its goal of reducing annual NO<sub>x</sub> emissions from coal-fired utility sources by 3.5 million tons from the modeled projection of NO<sub>x</sub> emissions that would have been emitted in 2000 without implementation of Title IV of the Clean Air Act Amendments. NO<sub>x</sub> emissions have been reduced from 1990 levels by 27% from NO<sub>x</sub> program affected sources and by 33% for all acid rain affected sources. Reductions since 1999 are due in part to implementation of the Ozone Transport Commission NO<sub>x</sub> Budget Trading Program and in anticipation of the NO<sub>x</sub> SIP call.</p> <p>* <b>NOTE:</b> Based on reviews of prior year estimates, EPA revised its FY 2001 emission reductions to 3.4 million tons.</p>			

APG 6 Increase Tribal Air Capacity		Planned	Actual
FY 2003	Increase the number of tribes monitoring air quality for ozone and/or PM from 37 to 42 and increase the percentage of tribes monitoring clean air for ozone from 62% to 64% and PM from 68% to 71%. <b>Goal Not Met.</b>	42 tribes* 64 % 71%	39 tribes 66% 68%
<p>FY 2003 Result: EPA is currently working with 39 tribes on monitoring for clean air. The tribes work with state and local air managers to jointly solve local air quality problems. In FY 2003, 15 tribes monitored their air sheds for ozone, 10 of which recorded clean air. Thirty seven tribes monitored for PM, 25 of which recorded clean air. The Agency will continue to work with tribes to increase the number of tribes that monitor for air quality.</p> <p>*NOTE: Based on a review of tribal information, the targeted number of tribes was revised to 41.</p>			

APG 7 Reduce Air Toxic Emissions		Planned	Actual
FY 2003	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by an additional 1% of the updated 1993 baseline of 6.0 million tons for a cumulative reduction of 35%. <b>Data Lag.</b>	5%	data available in 2009
FY 2002	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by 5% from 2001 (for a cumulative reduction of 40% from the 1993 level of 4.3 million tons per year.) <b>Data Lag.</b>	5%	data available in 2006
FY 2001	Air toxics emissions nationwide from stationary and mobile sources combined will be reduced by 5% from 2000 (for a cumulative reduction of 35% from the 1993 level of 4.3 million tons per year). <b>Data Lag.</b>	5%	data available in 2006

APG 7 Reduce Air Toxic Emissions (continued)		Planned	Actual
FY 2000	Air toxic emissions nationwide from both stationary and mobile sources combined will be reduced by 3% from 1999 (for a cumulative reduction of 30% from the 1993 levels of 4.3 million tons). <a href="#">Data Lag.</a>	3%	data available in 2006
FY 1999	Reduce air toxic emissions by 12% in FY 1999, resulting in cumulative reduction of 25% from 1993 levels. <a href="#">Data Lag.</a>	12%	data available in 2004*
<p><b>FY 2003 Result:</b> The National Toxics Inventory (NTI) is scheduled to be completed every 3 years. The Agency is currently working on the updated NTI and expects to have FY 2003 results in the last quarter of 2009 and FY 2000, 2001, and 2002 results in the last quarter of FY 2006.</p> <p>* <b>NOTE:</b> The Agency is currently working on the updated NTI and expects to have the results in early calendar year 2004 which will provide data for FY 1999.</p>			

APG 8 Healthier Indoor Air in Schools		Planned	Actual
FY 2003	1,050,000 students, faculty and staff will experience improved indoor air quality (IAQ) in their schools. <a href="#">Data Lag.</a>	1.05 M	data available in 2004
FY 2002	1,228,500 students, faculty and staff will experience improved indoor air quality in their schools. <a href="#">Goal Met.</a>	1.2 M	1.2 M
FY 2001	Same goal, different targets. <a href="#">Goal Met.</a>	1.9 M	1.9 M
FY 2000	Same goal, different targets. <a href="#">Goal Met.</a>	2.5 M	2.6 M
<p><b>FY 2003 Result:</b> EPA gathers information on the number of schools and school systems/districts that receive Tools for Schools (TfS) kits and makes assumptions about adoption rates at each school. Based on preliminary data, the Agency expects 2000 schools with an average of approximately 525 students/staff per school will adopt an indoor air quality management plans. EPA is currently reviewing this preliminary data and expects to have final FY 2003 results in late 2004.</p> <p><b>FY 2002 Result Available in FY 2003:</b> Based on information gathered on the number of schools and school systems/districts that receive TfS kits, EPA met the goal of approximately an additional 1.2 million students, faculty, staff experienced improved indoor air quality.</p>			

APG 9 Healthier Residential Indoor Air		Planned	Actual
FY 2003	834,400 additional people will be living in healthier residential indoor environments. <a href="#">Data Lag.</a>	834,400	data available in 2004
FY 2002	834,400 additional people will be living in healthier residential indoor environments. <a href="#">Goal Met.</a>	834,400	834,400
FY 2001	Same goal, different targets. <a href="#">Goal Met.</a>	890,000	890,000
FY 2000	Same goal. <a href="#">Goal Met.</a>	890,000	1.03 M
<p><b>FY 2003 Result:</b> EPA gathers information from an annual National Association of Home Builders Survey, the number of sales of radon fans, estimates of the annual number of kids not exposed to ETS, and estimates of the number of people made aware of EPA's outreach efforts via direct outreach, grant awards, public service announcements, and partnerships efforts. EPA is currently analyzing the results of this data and expects to have final FY 2003 results in late 2004.</p> <p><b>FY 2002 Result Available in FY 2003:</b> Based on information gathered from homebuilders and manufacturers and outreach efforts, EPA met the goal of 834,400 additional people living in healthier residential indoor air environments.</p>			

APG 10 Reduce Greenhouse Gas Emissions		Planned	Actual
FY 2003	<p>Greenhouse gas (GHG) emissions will be reduced from projected levels by approximately 72.2 million metric tons of carbon equivalent (MMTCE) per year through EPA partnerships with businesses, schools, state and local governments, and other organizations. <a href="#">Data Lag.</a></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—Annual GHG Reductions—All EPA Programs. 72.2 M</li> <li>—GHG Reductions from EPA’s Buildings Sector Programs (ENERGY STAR). 19.2 M</li> <li>—GHG Reductions from EPA’s Industrial Efficiency/Waste Management Programs. 6.7 M</li> <li>—GHG Reductions from EPA’s Industrial Methane Outreach Programs. 17.0 M</li> <li>—GHG Reductions from EPA’s Industrial HFC/PFC Programs. 24.9 M</li> <li>—GHG Reductions from EPA’s Transportation Programs. 2.4 M</li> <li>—GHG Reductions from EPA’s State and Local Programs. 2.0 M</li> </ul>		data available in 2004
FY 2002	<p>GHG emissions will be reduced from projected levels by approximately 65.8 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations thereby offsetting growth in GHG above 1990 levels by about 20%. <a href="#">Goal Met.</a></p>	65.8 M	71 M
FY 2001	<p>GHG emissions will be reduced from projected levels by approximately 66 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations thereby offsetting growth in GHG above 1990 levels by about 20%. <a href="#">Goal Met.</a></p>	66 M	65 M
FY 2000	<p>GHG emissions will be reduced from projected levels by more than 58 MMTCE per year through EPA partnerships with businesses, schools, state and local governments, and other organizations thereby offsetting growth in GHG emissions above 1990 levels by about 20%. <a href="#">Goal Met.</a></p>	58 M	59.3 M
<p><b>FY 2003 Result:</b> Final data for this performance goal will be available in mid-2004. Data collected by EPA’s voluntary programs include partner reports on facility-specific improvements (e.g. space upgraded, kilowatt-hours reduced), national market data on shipments of efficient products, and engineering measurements of equipment power levels and usage patterns. The information collected is then converted to GHG emissions reduced.</p> <p><b>FY 2002 Result Available in FY 2003:</b> EPA’s Climate Change programs reduced GHG emissions by 71 MMTCE in 2002 which is the equivalent of eliminating emissions from more than 28 million cars.</p>			

APG II	Reduce Energy Consumption	Planned	Actual
FY 2003	Reduce energy consumption from projected levels by more than 95 billion kilowatt-hours (kWh), contributing to over \$6.5 billion (B) in energy savings to consumers and businesses. <a href="#">Data Lag.</a>	95 B	<a href="#">data available in 2004</a>
FY 2002	Reduce energy consumption from projected levels by more than 85 billion kilowatt-hours, contributing to over \$10 billion in energy savings to consumers and businesses. <a href="#">Goal Met.</a>	85 B	100 B
FY 2001	Same goal, different targets. <a href="#">Goal Met.</a>	75 B	84 B
FY 2000	Same goal, different targets. <a href="#">Goal Met.</a>	60 B	74 B

**FY 2003 Result:** Final data for this performance goal will be available in mid-2004. Data collected by EPA's voluntary programs include partner reports on facility specific improvements (e.g. space upgraded, kWh reduced), national market data on shipments of efficient products, and engineering measurements of equipment power levels and usage patterns. The information collected is then converted to energy and related cost savings.

**FY 2002 Result Available in FY 2003:** Through the end of 2002, EPA's Climate Change Programs reduced energy use by 100 billion kWh hours. EPA estimates that from investments made due to EPA's technology deployment programs, businesses and consumers across the country will realize energy bill savings of more than \$70 billion through 2012 (net of investment in energy-efficient technologies).

APG I2	Restrict Domestic Consumption of Class II HCFCs	Planned	Actual
FY 2003	Restrict domestic consumption of class II hydrochlorofluorocarbons (HCFCs) below 9,906 ozone depletion potential-weighted metric tons (ODP MTs) and restrict domestic exempted production and import of newly produced class I chlorofluorocarbons (CFCs) and halons below 10,000 ODP MTs. <a href="#">Data Lag.</a>	<9,906 <10,000	<a href="#">data available in 2004</a>
FY 2002	Restrict domestic consumption of class II HCFCs below 15,240 ozone depletion potential-weighted metric tons and restrict domestic exempted production and import of newly produced class I CFCs and halons below 60,000 ODP MTs. <a href="#">Data Lag.</a>	<15,240 <60,000	<a href="#">data available in 2004*</a>
FY 2001	Same goal. <a href="#">Goal Met.</a>	<15,240 <60,000	12,807 3,062
FY 2000	Same goal. <a href="#">Goal Met.</a>	<15,240 <60,000	13,180 462

**FY 2003 Result:** Data for this performance goal will be available in the last quarter of 2004 to verify restriction of domestic consumption of HCFCs. Progress on restricting domestic exempted consumption of Class I CFCs and halons is tracked by monitoring industry reports of compliance with EPA's CAA phase out regulations and U.S. obligations under the Montreal Protocol. Data are provided by U.S. companies producing, importing, and exporting Ozone Depleting Substances.

\* **NOTE:** FY 2002 data will be available in the last quarter of 2004 to verify restriction of domestic consumption of HCFCs.



APG B	Ensure WIPP Safety	Planned	Actual
FY 2003	Certify that 12,000 55-gallon drums of radioactive waste (containing approximately 36,000 curies) shipped by the Department of Energy (DOE) to the Waste Isolation Pilot Plant are permanently disposed of safely and according to EPA standards. <b>Goal Met.</b>	12,000	36,041
FY 2002	Same goal, different targets. <b>Goal Met.</b>	6,000	22,800
<p><b>FY 2003 Result:</b> EPA substantially exceeded the goal of ensuring the safe characterization and disposal of drums of transuranic waste because the DOE increased their shipment rate to reduce the risk associated with temporarily storing transuranic radioactive waste above ground. Based on DOE performance between 1998 (beginning) and 2002, EPA is re-evaluating its goals for the WIPP program and will revise the targets for 2004 and beyond based on updated projections from DOE.</p>			

## FY 2002 Annual Performance Goals

(No Longer Reported for FY 2003)

- Provide data on the health effects and exposure to particulate matter (PM) and provide methods for assessing the exposure and toxicity of PM in healthy and potentially susceptible subpopulations to strengthen the scientific basis for reassessment of the NAAQS for PM.
- Provide assistance to at least 60 developing countries to facilitate emissions reductions and toward achieving the requirements of the Montreal Protocol.
- Produce a report on trends in acid deposition and the acidity of lakes and streams to assess progress toward reducing the impacts of acid rain.

## NOTES

1. US EPA, *Latest Findings on National Air Quality: 2002 Status and Trends Report*, 454/K-03-001 (August 2003), available at <http://www.epa.gov/airtrends/>.
2. Ibid.
3. US EPA, *Tier 2 / Gasoline Sulfur Final Rulemaking*, EPA-420-R-99-023 (February 10, 2000). US EPA, Regulatory Impact Analysis, “Chapter VII: Benefit-Cost Analysis,” EPA 420-R-99-023 (December 22, 1999), available at <http://www.epa.gov/otaq/regs/ld-hwy/tier-2/frm/ria/chvii.pdf>. See also US EPA, *Heavy-Duty Engine and Vehicle Standards and Highway Diesel Fuel Sulfur Control Requirements* (December 21, 2000) and US EPA, Regulatory Impact Analysis, “Chapter VII: Benefit-Cost Analysis,” EPA-420-R-00-026 (December 2000), available at <http://www.epa.gov/otaq/regs/hd2007/frm/ria-vii.pdf>. Based on current rates of fleet turnover, all vehicles will meet the new standards by about 2030.
4. US EPA, *Latest Findings on National Air Quality: 2002 Status and Trends Report*, 454/K-03-001 (August 2003), available at <http://www.epa.gov/airtrends/>.
5. Ibid.
6. US EPA, Office of Air and Radiation, Office of Policy, Planning and Evaluation, *The Benefits and Costs of the Clean Air Act: 1970 to 1990 EPA Report Congress*, EPA-410-R-97-002 (October 1997). See also US EPA, Office of Air and Radiation, Office of Policy, *The Benefits and Costs of the Clean Air Act: 1990 to 2010; EPA Report to Congress*, EPA-410-R-99-001 (November 1999).
7. Office of Management and Budget, *Final 2003 Report to Congress on the Costs and Benefits of Federal Regulations and Unfunded Mandates on State, Local and Tribal Entities* (September 2003).
8. Ibid. Also, ozone is a naturally occurring gas that is found in two layers in the atmosphere. In the layer surrounding the Earth’s surface, the troposphere ground-level or bad ozone is an air pollutant that is the key ingredient to urban smog. The troposphere extends up to the stratosphere, which is where good ozone protects life on Earth by absorbing some of the sun’s UV rays. Stratospheric ozone is most concentrated between 6 and 30 miles above the Earth’s surface.
9. The White House Office of the Press Secretary, “President Announces Clear Skies & Global Climate Change Initiatives” (February 14, 2002), available at <http://www.whitehouse.gov/news/releases/2002/02/20020214-5.html>.
10. Senate and House of Representatives, Clear Skies Legislation Act of 2002, S. 2815 (July 29, 2002) and H.R. 5266 (July 26, 2002), available at <http://www.epa.gov/clearskies/bill.pdf>.
11. US EPA, Human Health and Environmental Benefits Achieved by the Clear Skies Initiative (July 1, 2003), available at [http://www.epa.gov/clearskies/03technical\\_package\\_sectionb.pdf](http://www.epa.gov/clearskies/03technical_package_sectionb.pdf), p.B3. US EPA, *Technical Addendum: Methodologies for the Benefit Analysis of the Clear Skies Initiative* (July 2003), available at [http://www.epa.gov/air/clearskies/tech\\_addendum.pdf](http://www.epa.gov/air/clearskies/tech_addendum.pdf). Additional information about Clear Skies, including legislative language and region-specific information about air quality and health benefits is available at <http://www.epa.gov/air/clearskies>.
12. Institute of Medicine, *Clearing the Air: Asthma and Indoor Air Exposures* (Washington, DC: The National Academy Press, 2000). Available at <http://books.nap.edu/books/0309064961/html/R1.html>.
13. US EPA, *Emission Standards Adopted for New Marine Diesel Engines*, 420-F-03-001, January 2003. Available at <http://www.epa.gov/otaq/regs/nonroad/marine/ci/f03001.pdf>.
14. Fine Particulate Matter Control: A review of the Cost and Performance of Conventional and Emerging Technology”, EPA# 600R-03/098. Plane Integrated Open-Path Fourier Transform Infrared Spectrometry Long Term Hog Farm Lagoon Cover Performance”, submitted to Applied Engineering in Agriculture in the 4th quarter (not yet in print). Source Sampling Fine Particulate Matter: A Kraft Process Recovery Boiler at a Pulp and Paper Facility, EPA #600R-03/099; Source Sampling Fine Particulate Matter: A Kraft Process Hogged Fuel Boiler at a Pulp and Paper Facility, EPA#600R-03/100; Source Sampling Fine Particulate Matter: Smelt Dissolving Tank Vent at a Pulp and Paper Facility, EPA #600R-03/101.
15. More information available at <http://www.epa.gov/ord/htm/CAAA-2002-report-2col-rev-4.pdf>.
16. US EPA, *National Emission Standards for Hazardous Air Pollutants* available at <http://www.epa.gov/ttn/oarpg/t3pfpr.html>.

17. US EPA, *National Air Toxics Assessment* (May 31, 2000), <http://www.epa.gov/ttn/atw/nata>. Scientific Peer Review of the National-Scale Assessment available at <http://www.epa.gov/ttn/atw/nata/peer.html>.
18. Technology Transfer Website available at <http://www.epa.gov/ttn/amtic/>.
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20. Ibid.
21. *America's Children and the Environment: Measures of Contaminants, Body Burdens, and Illnesses*. Second Edition, February 2003. Available at [http://www.epa.gov/envirohealth/children/ace\\_2003.pdf](http://www.epa.gov/envirohealth/children/ace_2003.pdf) and [http://www.epa.gov/envirohealth/children/body\\_burden/b5.htm](http://www.epa.gov/envirohealth/children/body_burden/b5.htm).
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23. US EPA, Climate Protection Partnerships Division, *Change for the Better: Energy Star and Other Voluntary Programs*, in progress.



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.*

### Progress Toward the Strategic Goal and Objectives

Over the nearly 30 years since enactment of the Clean Water and Safe Drinking Water Acts, EPA, states, tribes, and localities have worked together to make remarkable progress in improving the quality of surface waters and drinking water. EPA believes that it has sustained that progress in FY 2003. However, despite measurable improvements in the quality of water, serious water pollution and drinking water problems remain.

EPA and its partners protect human health by reducing exposure to contaminants in drinking water, in fish and shellfish, and in recreational waters. Although final FY 2003 drinking water data will not be available until January 2004, EPA expects that the gains made over the past decade will be maintained. Data reported by states to EPA to date show that the percentage of the population served by community water systems that meet all health-based drinking water standards increased from 79 percent in 1993 to 94 percent in 2002.

Due to improvements in the geo-referencing capabilities of the National Listing of Fish and Wildlife Advisories (NLFWA), for the first time, 13 states were able to identify specific waters where all fish are safe to eat<sup>1</sup>. State and local agencies also reported that beaches were open 95 percent of the beach days (the number of days in a specific beach's recreational season) during calendar year 2002. Voluntary reporting of beach monitoring information and public notification also increased to protect the public from bacterial

contamination. In FY 2002, 227 agencies reported on 2,823 beaches, a substantial increase from the 159 agencies that reported on 1,021 beaches in 1997.<sup>2</sup>

EPA and states continue to use a watershed approach to protect and improve water quality nation-wide, including coastal waters. In FY 2002, more comprehensive state reporting enabled the Agency to report on 1,980 of the nation's 2,262 watersheds, an increase of 90 watersheds since the 2000 reporting cycle. State data reported in FY 2002 indicate that 453 watersheds had between 80 percent and 100 percent of their assessed waters meeting water quality standards, fewer than the 510 watersheds in like condition reported by states in FY 2001<sup>3</sup>.

EPA believes that the reported degree of attainment of water quality standards within a watershed is subject to a range of variables and that the circumstances of each watershed are different. For example, states and tribes have adopted new water quality standards since FY 2000 for pollutants, such as mercury, and monitoring for these newly covered pollutants may result in additional waters not attaining standards. States are also implementing the





FY 2003 EPA guidance addressing assessment/reporting methodologies. Compliance with this new guidance may have resulted in different conclusions concerning attainment of standards, even where old and new data are comparable. Additionally, some state monitoring resources may have declined since FY 2000, leading a state to focus its more recent monitoring efforts on waters known to be impaired, thus reducing the

percentage of waters in a watershed known to be attaining standards. In some watersheds, the new data may represent increased pollution loadings, resulting in additional waters not attaining standards. These factors along with others may affect the results. EPA is more closely assessing the situation in each watershed to better understand the FY 2002 monitoring data.

## FY 2003 Performance

Providing drinking water that meets safe standards often requires an investment in the construction or maintenance of infrastructure. The Drinking Water State Revolving Fund (DWSRF) provides water systems with low-interest loans to make infrastructure improvements.

In FY 2003, the DWSRF program achieved its performance targets by completing a cumulative total of more than 3,000 infrastructure assistance agreements from states to water systems, while systems completed more than 1,600 infrastructure improvement projects.<sup>4</sup>

In combination with maintaining a core program approach, drinking water protection increasingly relies on multiple barriers of protection, including preventing contamination in source waters. In FY 2003, EPA worked extensively with states and national organizations to produce a joint framework for a national vision of source water protection. The framework includes prevention program accountability and tracking measures that will help both to manage the program and evaluate results. Although FY 2003 data will not be available until January 2004, states continued working

to complete high-quality baseline source water assessments for 54,000 community water systems nation-wide by identifying actual and potential sources of contamination and determining the susceptibility of drinking water sources to contamination.

EPA and states have begun to use these assessments to drive risk management protection activities at the local level. To further protect underground sources of drinking water, EPA and its state partners continued to implement the underground injection control program to ensure that waste fluids are disposed of safely.

In FY 2003, EPA

and its state partners continued to return Class I, II, and III underground injection control wells to compliance and to implement new regulations controlling certain types of Class V wells.

The core water programs work together in stages to achieve the dual goals of protecting human health and improving water quality on a watershed basis. For every water body, the building blocks necessary to



achieve water quality goals are the same: setting appropriate standards, monitoring, assessment, planning, implementation, and re-evaluation through more monitoring. During FY 2003, EPA reviewed and approved new or revised water quality standards for 28 states and promulgated federal standards for another state. By the end of FY 2003, a total of 23 tribes had EPA-approved water quality standards. Although the target of 30 tribes was not met, there was an improvement over last year. During the year, EPA assisted states and tribes in strengthening the scientific basis of watershed-based water quality standards by continuing to support state and tribal biological and nutrient criteria development. These criteria enable states and tribes to adopt better water quality standards that more fully protect aquatic life and protect their waters from excess nutrient levels, one of the four leading causes of water quality impairments.

To restore the nation's impaired surface waters, EPA is working with states to develop Total Maximum Daily Loads (TMDLs), which set pollutant limits for the impaired water segment. During FY 2003, 2,376 TMDLs were developed by states and 172 by EPA, bringing total TMDL output to 9,252 since 1999. While the Agency's FY 2003 performance is short of its originally projected goal of 3,400 TMDLs (state and EPA-developed), this represents an adequate pace of TMDL completion, reflecting actual state schedules for TMDL production.<sup>5</sup>

The National Pollutant Discharge Elimination System (NPDES) is a key mechanism to protect and restore watersheds by controlling pollutant discharges from point sources. For FY 2003, EPA and the states met the target of 84 percent of minor point sources covered by current permits. In FY 2003, EPA and states reached 84 percent of major source permittees with current permits, which continues to fall short of meeting the Agency's goal of 90 percent.<sup>6</sup> The principal reason for the continuing challenge of permit issuance is that states

continue to face competing state priorities and the increasing complexity of permitting in a watershed context. Recognizing this ongoing challenge, in FY 2003, EPA developed and piloted the Permitting for Environmental Results initiative to address the permit backlog and focus resources on attaining the most significant environmental results (refer to *Sustained Progress in Addressing Management Issues* available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion). This effort will enable the states and EPA to achieve an environmental focus in permit issuance and develop efficiencies to meet the goals in light of limited resources. Also in FY 2003, NPDES permits implementing effluent guidelines prevented the discharge of approximately 235 million pounds of pollutants into the nation's waters, which represents a cumulative total of 2.2 billion pounds since 1999, but does not meet the commitment of 2.5 billion pounds<sup>7</sup>. This is due to a delay in issuing a key permit.

Water quality improvements frequently rely upon direct investment in maintaining or expanding infrastructure. Clean Water State Revolving Funds provide low-interest loans to help finance wastewater treatment facilities and other water quality projects. More than 10,000 projects have now been initiated since the program began in 1987, exceeding the FY 2003 cumulative target of 9,540. Through this program, funding in the amount of \$115 million was also provided to help manage nonpoint-source pollution.<sup>8</sup>

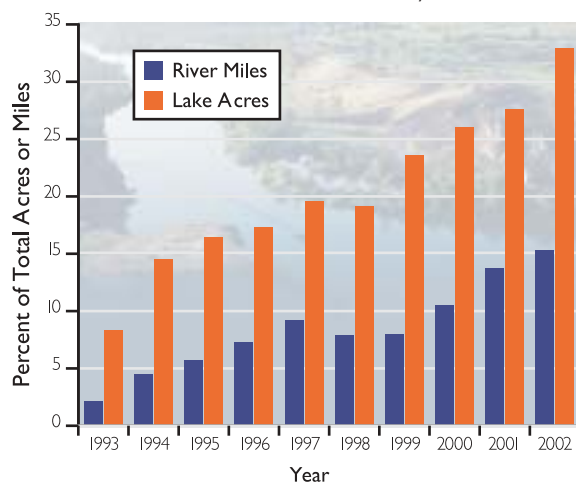
In FY 2003, EPA established new wastewater regulations to protect surface water from animal waste generated by the 15,000 concentrated animal feeding operations in the nation. As a result, the amount of phosphorus released into



America's environment is expected to be reduced by about 50 million pounds annually, while nitrogen releases are expected to be reduced by more than 100 million pounds per year. This represents a 25 percent reduction over current levels for phosphorus and nitrogen. In addition, EPA expects that more than 2 billion pounds of sediments and about 1 million pounds of metals per year will be prevented from being discharged to the nation's waters. Other expected benefits of the new rules include fewer fish kills, fewer contaminated drinking wells, and reduced disease among livestock.<sup>9</sup>

EPA has taken the lead in encouraging states to establish State Water Quality Monitoring Councils, so that all monitoring groups in the state can more effectively plan and share their monitoring data. A number of water quality databases are being linked to the new Watershed Assessment, Tracking and Environmental Results System (WATERS) to allow the public to map water quality information for specific geographic areas. This will facilitate comparison and understanding of differences among state standards, monitoring activities, and assessment results; assist in management decisions on the local, state, and national levels; and give the public a more complete picture of the quality of the nation's waters.

Figure 2-1. Percentage of Lake Acres and River Miles Under Advisory, 1993-2002



Water quality trading is a market-based approach, based on voluntary partnerships at the local level, to achieve greater efficiencies to improve water quality within watersheds. Trading allows one source to meet its regulatory obligation by using pollutant reductions created by another source that has lower pollution control costs. Trading may only take place when a source reduces pollution beyond levels required by federal or state regulations. In FY 2003, EPA further promoted the use of trading by issuing the Water Quality Trading Policy.<sup>10</sup> The policy strengthens and broadens EPA's support for water quality trading by encouraging states and tribes to adopt trading programs, providing guidance for successful trading programs, and recommending how trading can be accomplished under the Clean Water Act and current implementing regulations. Currently 10 pilot projects are under way that will demonstrate how trading can work, explore different opportunities to implement trading, and demonstrate the environmental and economic results of trading and applied research for multiple markets for environmental benefit.

Some toxic contaminants that enter the water can move up the food chain and build to levels that make fish unsafe to eat. EPA provides guidance to states and tribes on monitoring and fish sampling and technical training to help them assess fish safety.<sup>11</sup> EPA recommends that states use a risk-based approach in issuing their advisories. In May 2003, 45 states reported that they now use EPA's risk-based guidance or methodologies to develop fish consumption advisories, which is a sharp increase from the level of state involvement (15) in 1999. In calendar year 2002, 15 percent of river miles and 33 percent of lake acres were under one or more advisories not only for risks to the general population but also to recreational and subsistence fishers and specific vulnerable sub-populations, such as pregnant women, nursing mothers, and children (see Figure 2-1 for information on advisories from 1993-2000).

EPA's BEACH Program supports public health and environmental protection for beach-goers and provides the public with information about the quality of their beach water. During 2003, EPA developed eBeaches to provide state and local governments a fast, easy, and secure tool to transmit information about beach water quality. Information submitted to EPA via eBeaches will then be posted on EPA's BeachWatch website, thus improving public access to information about beach conditions and health risks associated with swimming in polluted waters.



Research activities played an important role in assisting EPA to achieve objectives under this Goal in FY 2003. For example, EPA published information that illustrates approaches and requirements for two major issues related to impaired water bodies:

(1) the primary factors that contribute to the likelihood of impairment; and (2) the causes of impairment. This information will assist states in deciding which water bodies to identify as impaired and in establishing approximately 42,000 TMDLs.<sup>12</sup> EPA's drinking water research program provided information that it needs to make scientifically sound decisions on unregulated drinking water contaminants of potential public health concern. Specifically, EPA developed improved methods for detecting the occurrence in drinking water of several pathogens on the Contaminant Candidate List and assessments of the risks associated with exposure to three waterborne pathogens of public health concern (Calicivirus, Mycobacterium avium complex, and Coxsackievirus).<sup>13</sup>

## Assessment of Impacts of FY 2003 Performance on FY 2004 Annual Plan

The assessment of the reliability of the data underlying two measures may have an impact on the FY 2004 annual plan. The first measure is the percentage of population served by community drinking water systems that meet health-based standards. EPA and the states face a significant challenge in ensuring that the data in the Safe Drinking Water Information System (SDWIS) are accurate, timely, reliable, and complete. The Agency is currently conducting an analysis, and engaging in discussions with states, to more accurately quantify the impact of data quality problems on the estimate of the national population served by drinking water systems in compliance with health-based drinking water standards. Ongoing EPA and state efforts to improve data quality in the SDWIS already have resulted in significant improvements in data accuracy and completeness. Even as these improvements are made, SDWIS serves as the

best source of national information on compliance with SDWA requirements and is a critical database for program management, the development of drinking water regulations, trends analyses, and public information.

The second measure is the number of assessed watersheds that meet water quality standards. The current compilation of surface water quality data submitted by states as required by the Clean Water Act section 305(b), which includes improved data analysis, shows that while the number of watersheds with adequate monitoring information increased, fewer watersheds than previously reported meet water quality standards. There are a variety of possible reasons for this result. Based on current assessments, EPA has revised its target to 600 watersheds meeting water quality standards in at least 80 percent of the assessed water segments by FY 2008.



SUMMARY OF RESULTS—GOAL 2

Number of Goals Met: 5  
 Number of Goals Not Met: 1  
 Number with Data Lag: 5

# Annual Performance Goals (APG) and Measures

## GOAL 2: CLEAN AND SAFE WATER

APG 14	Source Water Protection	Planned	Actual
FY 2003	39,000 community water systems (representing 75% of the nation's service population) will have completed source water assessments and 2,600 of these (representing 10% of the nation's service population) will be implementing source water protection programs. <a href="#">Data Lag.</a>	10% 2,600	<a href="#">data available in 2004</a>
<p><b>FY 2003 Result:</b> Agency results will be available in January 2004. The data EPA uses is new information collected from states as part of a pilot effort; data are expected by the end of November 2003. The Agency will need the intervening time to consolidate and evaluate the quality of the data.</p>			

APG 15	Safe Drinking Water	Planned	Actual
FY 2003	85% of the population served by community water systems will receive drinking water meeting health-based standards promulgated in 1998. <a href="#">Data Lag.</a>	85%	<a href="#">data available in 2004</a>
FY 2002	Same goal. <a href="#">Data Lag.</a>	85%	<a href="#">data available in 2004*</a>
<p><b>FY 2003 Result:</b> Agency results for FY 2003 will be available in January 2004. States have a 3 month (one quarter) lag in reporting end-of-fiscal-year data (i.e., by December) which the Agency compiles and evaluates in roughly 1 additional month.</p> <p>* <b>NOTE:</b> Data for FY 2002 will not be available until EPA updates the data system to accept state reported data for the more recently promulgated rules accounted for in this measure (in January 2004).</p>			

APG 16	Safe Drinking Water	Planned	Actual
FY 2003	92% of the population served by community water systems will receive drinking water meeting all health-based standards, up from 83% in 1994. <a href="#">Data Lag.</a>	92%	<a href="#">data available in 2004</a>
FY 2002	Same goal, different targets. <a href="#">Goal Met.</a>	91%	94%*
FY 2001	Same goal, different targets. <a href="#">Goal Met.</a>		
	<p><b>Performance Measures</b></p> <p>—Population served by community drinking water systems with no violations during the year of any federally enforceable health-based standards that were in place by 1994.</p>	91%	91%

APG 16	Safe Drinking Water (continued)	Planned	Actual
FY 2001 (continued)	Population served by non-community, non-transient drinking water systems with no violations during the year of any federally enforceable health-based standards that were in place by 1994.	96%	92%
FY 2000	Same goal. <b>Goal Met.</b>	91%	91%
<p><b>FY 2003 Result:</b> Agency results for FY 2003 will be available in January 2004. States have a 3 month (one quarter) lag in reporting end-of-fiscal-year data (i.e., by December) which the Agency compiles and evaluates in roughly 1 additional month.</p> <p>* <b>NOTE:</b> EPA corrected the percent of population served by community water systems reported by states to have received drinking water meeting all health based standards in FY 2002 from 91% to 94%. This correction was based on the reporting of a violation in a single large metropolitan water system that did not actually occur in the FY 2002 reporting period. The revised number has subsequently been reported in EPA's Draft Report on the Environment.</p>			

APG 17	River/Lake Assessments for Fish Consumption	Planned	Actual
FY 2003	Reduce consumption of contaminated fish by increasing the information available to states, tribes, local governments, citizens, and decision-makers. <b>Goal Met.</b>		
	<i>Performance Measures</i>		
	—Lake acres assessed for the need for fish advisories and compilation of state-issued fish consumption advisory methodologies (cumulative).	29%	33%
	—River miles assessed for the need for fish consumption advisories and compilation of state-issued fish consumption advisory methodologies (cumulative).	15%	15%
<p><b>FY 2003 Result:</b> Each year, states continue to increase the monitoring and assessments of their waters and make determinations on the need for fish consumption advice. Voluntarily, states submit this information to EPA. All 50 states, territories, and 3 tribes provide advisory information to EPA's National Listing of Fish and Wildlife Advisories (NLFWA) database. States are also increasingly using risk-based methodologies in determining the need for fish consumption advisories. In calendar year 2002, 45 states reported using risk-based methodologies, an increase from the 15 states that reported using these methodologies in 1999. EPA provides scientific and technical information to enhance state capacity, and develops and disseminates outreach materials for health care professionals in several languages. EPA also sponsored a national forum for state, tribal, and federal agencies on risk assessments and risk communications.</p>			

APG 18	Increase Information on Beaches	Planned	Actual
FY 2003	Reduce human exposure to contaminated recreation waters by increasing the information available to the public and decision-makers. <b>Goal Met.</b>		
	<i>Performance Measures</i>		
	—Beaches for which monitoring and closure data are available to the public at <a href="http://www.epa.gov/OST/beaches/">http://www.epa.gov/OST/beaches/</a> (cumulative).	2,550	2,823
FY 2002	Same goal, different target. <b>Goal Met.</b>	2,354	2,445

APG 18	Increase Information on Beaches <i>(continued)</i>	Planned	Actual
FY 2001	Same goal, different target. <b>Goal Met.</b>	2,200	2,200
FY 2000	Same goal, different target. <b>Goal Met.</b>		
	<b>Performance Measures</b>		
	—Cumulative number of beaches for which monitoring and closure data are available at "beaches" web-page.	1,800	1,981
	—Number of digitized maps on the web-page.	150	150
<p><b>FY 2003 Result:</b> Grants authorized by the Beaches Environmental Assessment and Coastal Health Act of 2000 (BEACHES Act, PL 106-284), which are awarded to eligible Great Lakes and coastal states, increased funding for monitoring of coastal waters and public notification of closings or advisories. The public's exposure to contaminated recreational waters in FY 2003 was reduced as a result of the use of monitoring and closure data on 2,823 beaches by 227 state agencies. By 2008, better water quality standards and more information should further improve the public's ability to make informed decisions on beaches to visit.</p>			

APG 19	Clean Water State Revolving Fund: Annual Assistance	Planned	Actual
FY 2003	900 projects funded by the Clean Water State Revolving Fund (CWSRF) will initiate operations, including 515 projects providing secondary treatment, advanced treatment, Combined Sewer Overflow (CSO) correction (treatment), and/or storm water (SW) treatment. Cumulatively, 9,540 CWSRF funded projects will have initiated operations since program inception. <b>Goal Met.</b>	9,540	10,085
FY 2002	Same goal, different targets. <b>Goal Met.</b>	7,900	8,642
FY 2001	Same goal, different targets. <b>Goal Met.</b>	7,200	7,452
FY 2000	Another 2 million people will receive the benefits of secondary treatment of wastewater, for a total of 181 million people. <b>Goal Met.</b>	2 M	2 M
<p><b>FY 2003 Result:</b> In FY 2003, 1,443 projects were initiated to reach the cumulative target of 10,085 projects. These projects facilitated pollution control by providing secondary treatment, advanced treatment, combined sewer overflow correction (treatment), and/or stormwater treatment.</p>			

APG 20	State/Tribal Water Quality Standards	Planned	Actual
FY 2003	Assure that states and tribes have effective, up-to-date water quality standards programs adopted in accordance with the Water Quality Standards (WQSs) regulation and the WQSs program priorities. <b>Goal Met.</b>		
	<b>Performance Measures:</b>		
	—States with new or revised WQSs that EPA has reviewed and approved or disapproved and promulgated federal replacement standards.	20	28
	—Tribes with water quality standards adopted and approved (cumulative).	30	23

APG 20	State/Tribal Water Quality Standards	(continued)	Planned	Actual
FY 2002	Same goal, different targets. <b>Goal Met.</b>		20 states 27 tribes	25 states 22 tribes
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>		30 states 27 tribes	21 states 19 tribes
FY 2000	Same goal, different targets. <b>Goal Not Met.</b>		15 states 22 tribes	35 states 16 tribes
<p><b>FY 2003 Result:</b> WQs established under the Clean Water Act establish specific environmental goals for the nation's waters. Having current, protective WQs in place is an essential element of the national water program's water quality protection efforts. States continue to do significant work in this area. During FY 2003, EPA reviewed and approved new or revised water quality standards for 28 States and promulgated federal standards for another state. By the end of FY 2003, a total of 23 tribes had EPA-approved water quality standards. The tribal target was not met primarily because a Supreme Court decision resulted in EPA revising its tribal program authorization process, which delayed approval of new tribal standards. EPA met the performance goal overall based on the states' standards, which apply to a far larger share of the nation's rivers, lakes, and streams than do the tribal standards.</p>				

APG 21	Watershed Protection		Planned	Actual
FY 2003	By FY 2003, water quality will improve on a watershed basis such that 600 of the nation's 2,262 watersheds will have greater than 80% of assessed waters meeting all water quality standards (WQs), up from 500 watersheds in 1998. <b>Data Lag.</b>		600	data available in 2005
FY 2002	Same goal, different targets. <b>Goal Not Met.</b>		600	453
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>		550	510
FY 2000	Environmental improvement projects will be underway in 350 high priority watersheds as a result of implementing activities under the Clean Water Action Plan (CWAP). <b>Goal Not Met.</b>		350	324
<p><b>FY 2003 Result:</b> This measure relies on states' biennial reporting under Clean Water Act Section 305(b), and is not intended to be reported until the FY 2005 reporting cycle.</p> <p><b>FY 2002 Result Available in FY 2003:</b> FY 2002 results are reported in FY 2003 because time is needed to collect and analyze data from states' water quality assessments under 305(b) (see above). The target was not met for a variety of reasons, but among the most critical was better, more representative monitoring and assessment by many states that have established new integrated methodologies in accordance with EPA guidance. EPA's and states' abilities to achieve the expected results have been complicated by the incorporation of new WQs for mercury and additional pollutants, and the difficulties in using applicable prior data under new assessment procedures in EPA guidance.</p>				



APG 22	NPDES Permit Requirements	Planned	Actual
FY 2003	<p>Current national pollutant discharge elimination system (NPDES) permits reduce or eliminate discharges into the nation's waters of (1) inadequately treated discharges from municipal and industrial facilities; and (2) pollutants from urban storm water, combined sewer overflow (CSO), and concentrated animal feeding operations (CAFOs). <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—Major point sources are covered by current permits, <span style="float: right;">90%</span></li> <li>—Minor point sources are covered by current permits. <span style="float: right;">84%</span></li> <li>—Loading reductions (pounds per year) of toxic, non-conventional, and conventional pollutants from NPDES permitted facilities (POTWs, Industries, SIUs, CAFOs, SW, CSOs). <span style="float: right;">2,500 M</span></li> </ul>	90%	84%
FY 2002	<p>Same goal, different targets. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—Major point sources are covered by current permits. <span style="float: right;">90%</span></li> <li>—Minor point sources are covered by current permits. <span style="float: right;">73%</span></li> </ul>	90%	83%
FY 2001	<p>Same goal, different targets. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—Major point sources are covered by current permits. <span style="float: right;">89%</span></li> <li>—Minor point sources are covered by current permits. <span style="float: right;">66%</span></li> </ul>	89%	75%
<p><b>FY 2003 Result:</b> While EPA and states met the goal for issuing minor permits, the continuing challenge of issuing major permits is due to competing priorities and the increasing complexity of permitting in a watershed context. This challenge is being addressed by the Permitting for Environmental Results initiative, designed to address the permit backlog and focus resources on attaining the most significant environmental results. The pollutant loading reductions measure was not met because there was a delay in issuing a key permit in FY 2003. This permit will be issued in 2004.</p>			

APG 23	Wastewater Treatment Facility Compliance	Planned	Actual
FY 2003	Enhance public health and environmental protection by securing the nation's critical wastewater infrastructure through support for homeland security preparedness, including vulnerability assessments, emergency operations planning, and system operator training. <b>Goal Met.</b>		
	<i>Performance Measures</i>		
	—Percent of the population served by, and the number of large and medium-sized (10,001 and larger) Publicly Owned Treatment Works (POTWs) that have taken action for homeland security preparedness.	65% 5,000	65% 5,000
<p><b>FY 2003 Result:</b> In FY 2003, 5,000 large and medium-sized POTWs took a variety of actions for homeland security preparedness, including work by state operator training centers and a series of EPA-funded training seminars and workshops. Training activities targeted the nation's largest wastewater utilities (serving 10,001 population or more.) EPA grantees, who provided the training, reported the numbers of utilities trained. EPA then used the Clean Watersheds Needs Survey and the Permits Compliance System databases to determine and report the population served by each utility.</p>			

APG 24	Homeland Security	Planned	Actual
FY 2003	Enhance public health protection by securing the Nation's critical water infrastructures through support for counter-terrorism preparedness. <b>Data Lag.</b>		
	<i>Performance Measures</i>		
	—Percent of the population and the number of community water systems—serving 100,000 or more people—that have certified the completion of the preparation or revision of their emergency response plan.	100%/463	data available in 2004
<p><b>FY 2003 Result:</b> As stated in Public Health Security and Bioterrorism Preparedness and Response Act of 2002, large community water systems must certify the completion of their emergency response plan (ERP) within six months after submitting their vulnerability assessment to EPA. Since 464 of 466 large CWSs have submitted vulnerability assessments, EPA expects that these 464 systems will submit the certification of their ERPs within the mandated 6 month period.</p>			

## Prior Year Annual Performance Goals Without Corresponding FY 2003 Goals

(Actual Performance Data Available in FY 2003 and Beyond)

FY 1999	By 2003: Deliver support tools, such as watershed models, enabling resource planners to select consistent, appropriate watershed management solutions and alternative, less costly wet-weather flow control technologies. <b>Goal Met.</b>	Target year is FY 2003	FY 2003
<p><b>FY 1999 Result Available in FY 2003:</b> EPA developed support tools to enable resource planners to select consistent and appropriate watershed management solutions, and alternative, less costly wet-weather flow technologies. Specifically, EPA released beta software to link the urban Stormwater Management Model (SWMM) to a Geographic Information System, and additional software linking SWMM to the Office of Water's Better Assessment Science Integrating Point and Nonpoint Sources (BASINS) model, the primary EPA model supporting Total Maximum Daily Load calculations.</p>			

## NOTES

1. National Listing of Fish and Wildlife Advisories. Factsheet available at <http://www.epa.gov/waterscience/fish/advisories/factsheet.pdf>. NLFWA available at <http://map1.epa.gov/>.
2. National Health Protection Survey of Beaches Information Management System available at <http://www.epa.gov/waterscience/beaches/>; <http://www.epa.gov/waterscience/beaches/grants/2003/index.html>. Data for calendar year 2002 is reported for FY 2003.
3. Watershed Assessment Tracking Environmental Results System (WATERS). US EPA, Office of Water, Watershed Assessment, Tracking and Environmental Results (WATERS) Washington, DC: US EPA). Available at <http://www.epa.gov/waters>.
4. The EPA Office of Ground Water and Drinking Water's Drinking Water National Information Management System (DWNIMS) is accessible only on the Internet at <http://www.epa.gov/safewater/dwsrf/dwnims.html>.
5. For national-level information on TMDLs completed to date, see the *National Section 303(d) List Fact Sheet*, with information compiled by state and by region, on the EPA Total Maximum Daily Loads web page at [http://oaspub.epa.gov/waters/national\\_rept.control](http://oaspub.epa.gov/waters/national_rept.control). Annual TMDL production numbers are available through EPA's Assessment and Watershed Protection Division.
6. Permit Compliance System (PCS). US EPA, Office of Enforcement and Compliance Assurance, Permit Compliance System (database).
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## Goal 3:

# Land Preservation and Restoration

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

## Progress Toward the Strategic Goal and Objectives

EPA and its state, tribal, and local partners have made significant progress toward achieving the goal of preserving and restoring land. To protect land, the Agency and its partners use a hierarchy of approaches for managing wastes effectively, including reducing waste at its source, recycling waste, and regulating to prevent spills and releases of harmful materials. The Agency also works with its partners and the regulated community to clean up land that has already been contaminated by wastes and restore it to productive use.

### PRESERVING LAND

As authorized by the Resource Conservation and Recovery Act (RCRA), EPA and its partners are on track to achieve the objective of mitigating the 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. Data for 2000, the latest year for which information is available, indicate that the nation recycled 30 percent of its municipal solid waste (MSW), an annual increase of about 2 percent. MSW generation for 2000 remained similar to prior years' generation at 4.5 pounds per person per day.<sup>1</sup> Through various voluntary mechanisms, including the Agency's



Resource Conservation Challenge (RCC),<sup>2</sup> EPA continues working with businesses, manufacturers, and government agencies to reduce waste and to encourage additional recycling and the purchase of goods made from recycled materials. (Additional information regarding the RCC is presented in Goal 5).

Under the RCRA hazardous waste treatment, storage, and disposal facility permitting program, EPA works effectively in partnership with state, local, and tribal governments and other stakeholders. Based on preliminary results for FY 2003, EPA, in cooperation with its partners, has already met its 80 percent objective for FY 2005—83.2 percent of the approximately 2,750 hazardous waste management facilities have permits or other approved controls in place to prevent dangerous releases to air, soil, and groundwater.<sup>3</sup> This accomplishment resulted mainly through the efforts of the states that are authorized to run the hazardous waste permitting program, although some permitting responsibility still resides with the EPA regions. Having already met its FY 2005 goal of 80 percent, EPA has set a more challenging goal of having 95 percent of facilities under approved controls by the end of FY 2008.



In addition, through the end of March 2003, the Underground Storage Tank (UST) Program, in partnership with the states, has ensured that more than 212,000 facilities<sup>4</sup> (81 percent) of the 262,719 active facilities<sup>5</sup> are in compliance with spill, overfill, and corrosion protection requirements, substantially reducing the threat of a release to the environment and the associated human health and environmental exposure. EPA continues to work with the states to reduce the number of releases that exceed state-set health and environmental standards.

### RESTORING LAND

Through Superfund, EPA and its partners, including other federal agencies, states, local and tribal governments, as well as potentially responsible parties (PRPs), continue to make strides in restoring land and reducing risks to human health and the environment posed by dangerous contaminants in the air, soil, and water.<sup>6</sup> Through August 2003, the Agency's emergency response program or PRPs under EPA's oversight initiated 380 emergency or time-critical removal actions.<sup>7</sup> Since 1980, EPA has initiated more than 7,800 removals of hazardous substances at more than 5,500 sites<sup>8</sup> that pose immediate public health and environmental threats. To date,

the Agency and its partners have also made final assessment decisions at 38,586 sites—an important indication of progress being made to reduce the risks from contaminated sites and to minimize the length of time for actual or potential human health or environmental exposures.

Remedial cleanup construction activities have been completed at 886 sites—58 percent of the sites on the Superfund National Priorities List (NPL) since 1980. Protective controls are in place at 82 percent of NPL sites where humans may be exposed to hazardous substances. For the 65 percent of NPL sites with contaminated groundwater, protective controls are in place to control its further migration.<sup>9</sup> This progress has allowed EPA to substantially reduce the actual public

### SUPERFUND: PROTECTING PEOPLE FROM ENVIRONMENTAL CONTAMINATION

Since its inception in 1980, EPA's Superfund program has:

- Provided alternative drinking water supplies to nearly 613,000 people at NPL and non-NPL sites to protect them from contaminated ground and surface water.
- Treated or removed 951 million cubic yards of hazardous solid waste.
- Addressed (treated, contained, or disposed of) 379 billion gallons of hazardous liquid waste (including contaminated groundwater).
- Relocated more than 33,000 people at NPL and non-NPL sites in instances where contamination posed the most severe immediate threats.

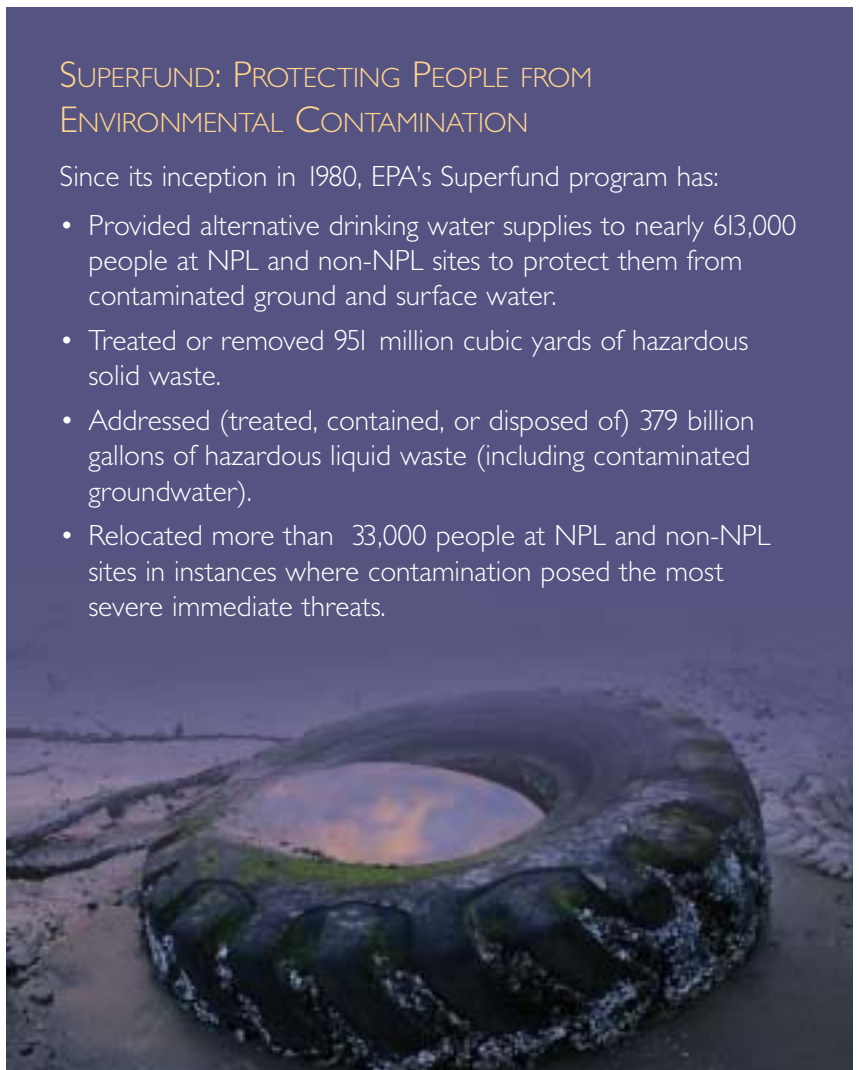
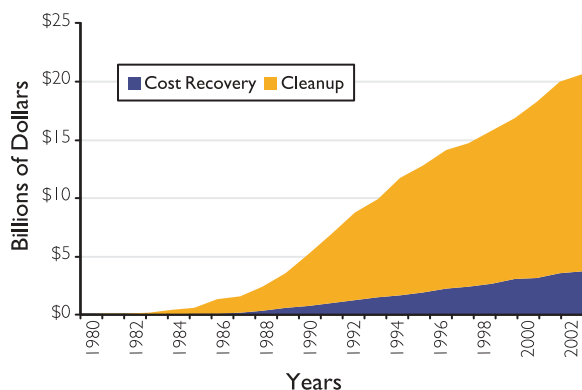


Figure 3-1: Over \$22 Billion in PRP Commitments for Cleanup and Cost Recovery since 1980



health and/or environmental threats posed by potential or actual exposure to hazardous substances at Superfund sites.

An important element of managing the Superfund program is to ensure that PRPs clean up contaminated sites or pay their fair share of cleanup costs, thereby leveraging Superfund Trust Fund resources and reducing the cleanup burden paid by taxpayers. Through FY 2003, EPA has achieved total private party commitments for cleanup and cost recovery valued at more than \$22 billion (more than \$18.1 billion in response settlements, and approximately \$3.9 billion in cost recovery settlements), resulting in more than \$8 in private party commitments for cleanup and cost recovery for every \$1 spent on Superfund enforcement.<sup>10</sup> (See Figure 3-1 for PRP commitments.)

Superfund's Base Realignment and Closure<sup>11</sup> (BRAC) Program has also helped to accelerate cleanup at 107 military installations to date. EPA's technical and legal advice from dedicated senior-level project managers, who participate on the base closure teams, and joint EPA/state decision making have led to faster regulatory reviews, accelerating cleanups by an estimated 443 project years. As part of the Agency's agreement with the Department of Defense, a

project manager may be assigned to work full-time on these sites in order to provide expedited oversight and/or review of documents, which has hastened cleanup by an average of 4 years per base closure, and achieved an estimated cost savings of approximately \$356 million for the life of EPA's involvement in the BRAC Program. This has resulted in more than 253,000 BRAC acres being made available for lease or transfer.

EPA is on target to achieve its FY 2005 intermediate environmental indicator cleanup goals for the RCRA Corrective Action Program. Those goals are to have adequate controls in place for pathways of human exposure at 95 percent of 1,714 facilities, and adequate controls in place for controlling migration of contaminated groundwater at 70 percent of these facilities. Through FY 2003, adequate controls are in place to prevent human exposure to hazardous substances at 73 percent (1,246) of the 1,714 high-priority RCRA facilities where the potential for human exposure exists, and migration of contaminated groundwater is under control at 61 percent (1,049) of the 1,714 high-priority RCRA facilities.<sup>12</sup> This progress reflects strong partnerships among the regions and states, and has resulted in a substantial reduction in human exposures.

EPA and its partners have also made substantial progress toward protecting human health and the environment by performing, supporting, and overseeing cleanup at facilities that have experienced releases from underground storage tanks (USTs). Since 1987, the UST Program has initiated or completed cleanup action at more than 400,000<sup>13</sup> UST facilities that will have met a health- or environmental-based standard after cleanup is completed.

## FY 2003 Performance

### PRESERVING LAND

Under its goal of preserving land and the effort to manage wastes effectively and prevent spills and releases of harmful materials, the Agency and its partners have ensured that more than 100 additional hazardous waste management facilities nation-wide have permits or other controls in place.<sup>14</sup> In 2003, EPA also moved to a new system of mutual performance agreements to confirm state and regional commitments and projections toward FY 2004 RCRA permitting goals and to describe the method to achieve those goals.

EPA does not expect to meet its FY 2003 target of having 85 percent of UST facilities in compliance with the spill, overflow, and corrosion protection requirements (the mid-year compliance rate was 81 percent), nor does it expect to meet its target of 80 percent for facility compliance with the leak-detection requirements (the mid-year compliance rate was 72 percent). Although the Agency has been working with the states to improve their reporting of both compliance measures, the compliance rates for both measures have been steady or declining. State inspectors are currently reviewing whether UST facilities are in compliance with these requirements.

### RESTORING LAND

In FY 2003, the Agency also focused on increasing its readiness to respond to accidental or intentional releases of harmful substances, particularly its ability to respond to simultaneous events and to communicate effectively and securely with other federal, state and local responders. During FY 2003, EPA completed baseline core emergency response evaluations in each region, for the Environmental Response Team (ERT), and at EPA headquarters against a defined set of criteria for assessing core emergency response capabilities.<sup>15</sup> The average score was 823 (out of a possible 1,000 points). In future years,



EPA will conduct annual reviews of its emergency response readiness to assess progress toward annual targets.

Major accomplishments in FY 2003 for EPA's Superfund emergency response program included participating in several large-scale cleanups, including providing support to the U.S. Postal Service in designing and carrying out extensive cleanup plans for anthrax decontamination at the Brentwood mail sorting and distribution center in Washington DC, and the collection, tracking and testing of the potentially hazardous debris from the Space Shuttle Columbia disaster for environmental contamination. EPA worked closely with state environmental agencies, the National Aeronautics and Space Administration (NASA), and the U.S. Forest Service during the latter effort. As a result of EPA's demonstrated leadership and expertise, the Agency was asked to continue as the lead for the collection of the remainder of the shuttle debris, even after it was determined that the debris posed no imminent human health or environmental threat.

In addition to conducting emergency response actions at sites posing immediate threats, EPA recorded a net increase of 917 final assessment decisions<sup>16</sup> in FY 2003 at sites that may pose a threat, significantly exceeding its target of 475 decisions. The dramatic increase in final assessment decisions was due, in part, to the Comprehensive Environmental Response, Compensation, and Liability

Information System (CERCLIS) enhancements, which provide a more detailed level of tracking, and to EPA's issuance of additional guidance, which clarifies when final assessment decisions can be made on existing sites.

In FY 2003, EPA met its target for completing construction at an additional 40 NPL sites, 3 of which were carried out in conjunction with the Agency's partners at federal facilities. While the cumulative total of federal facilities that have completed construction is now 40, hundreds of federal facilities nation-wide (e.g., abandoned mines, nuclear weapons production plants, fuel distribution areas, and landfills) remain contaminated with hazardous waste, unexploded ordnance, radioactive waste, fuels, and various other toxic contaminants. The size and complexity of Superfund cleanups at federal facilities, which require varied remedies and take considerable time to address, will continue to be a future challenge for the Agency.

In FY 2003, PRPs continued to make substantial contributions toward Superfund cleanup by initiating more than 87 percent of new long-term clean-up actions at non-federal facility Superfund sites, exceeding the 70 percent target. EPA also secured private party commitments for clean up and cost recovery that exceeded \$1.1 billion. Of this amount, PRPs agreed to conduct more than \$904 million in future clean-up work and to reimburse EPA for more than \$225 million in past costs.<sup>17</sup>

EPA also measures its ability to eliminate human health and environmental risks at NPL sites and high-priority RCRA treatment, storage and disposal facilities that require corrective action. In FY 2003, in a manner similar to that historically used for the RCRA Corrective Action Program, EPA started setting targets for two new environmental indicators at appropriate Superfund sites, signifying whether adequate controls are in place at these sites to prevent any

unacceptable human exposures or migration of contaminated groundwater. The determination made (under control, not under control, or insufficient data) is based on the most recent data available to site project managers. This characteristic of the underlying data makes these measures dynamic, and the determination for a site may change during any given year, based on new data that reflect a better understanding of site conditions. The FY 2003 target for each indicator was 10.

In FY 2003, EPA recorded a net increase of 28 NPL sites where current actual or potential human exposures are under control, and a net increase of 54 sites where migration of contaminated groundwater is under control. Cumulatively, 82 percent (1,227 out of 1,494) of eligible NPL sites now have human exposures under control and 65 percent (826 out of 1,275) of eligible sites have groundwater migration controlled.<sup>18</sup>

In FY 2003, EPA met its environmental indicator goals for the RCRA Corrective Action Program. An additional 230 out of a total of 1,714 high-priority facilities controlled human exposures to acceptable levels, and an additional 175 of the 1,714 facilities controlled migration of contaminated groundwater.<sup>19</sup> During FY 2003, EPA and the states initiated several activities that contributed to these accomplishments, including holding specialized technical training for corrective action project managers; using a specialized team to work with and accelerate progress at a number of federally-owned sites; and giving special recognition to RCRA partners.

During FY 2003, EPA continued to work with tribal waste program managers to develop waste program expertise in tribes and address the most pressing needs in Indian Country. EPA provided \$760,000 as





part of an interagency grant program totaling about \$1.8 million for closing municipal solid waste open dumps in Indian Country. Cumulatively, since 1999, the Interagency Workgroup has provided 85 tribes more than \$8.9 million that has resulted in the cleanup of 27 open dumps and other activities to prevent future dumping of wastes in Indian Country. EPA also provided \$432,000 in tribal grants for RCRA hazardous waste activities and developed an initial inventory of RCRA hazardous waste facilities in Indian Country. The inventory identified 10 treatment, storage and disposal facilities and nearly 100 large-quantity generator facilities in Indian Country. Cumulatively, since 1999, the Hazardous Waste Management Grant Program for Tribes has provided more than 25 tribes approximately \$3 million for household hazardous waste collection, used oil management systems, public education, and hazardous waste identification projects.

In FY 2003, EPA completed a draft FY 2002 report to Congress on the Superfund Innovative Technology Evaluation (SITE) Program. The SITE report describes results of full-scale demonstrations of innovative remediation processes on priority contaminated sites, including MTBE and oil contamination, and contaminated sediments and groundwater. Federal agencies, states, and local governments use these results in clean-up decisions to remediate sites more effectively and less expensively. The report details the costs of innovative technologies tested under the SITE Program and compares these costs to those of conventional technologies. This information about ongoing and completed demonstration projects stimulates applications of new technology through resulting performance and cost savings in clean-up projects and an improved market for technology developers.

## Assessment of Impacts of FY 2003 Performance on FY 2004 Annual Plan

The target for final site assessment decisions under Superfund for FY 2004 has been increased from 475 to 500 to account for an additional 25 “Other Clean-up Activity” sites, such as Sites Deferred to States that were not previously accounted for as final site assessment decisions. For the most part, 917 final assessment decisions (FADs) account for a one-time effort in FY 2003 to capture an existing universe of NPL-eligible sites being addressed under other authorities, primarily state clean-up programs. Prior to FY 2003, these sites were not captured as FADs, even though Superfund assessment work was complete. Beginning in FY 2004, EPA expects that these types of FADs will occur at an additional 25 sites per year, bringing the total number of expected FADs to 500 per year.

EPA has also developed a new FY 2004 measure for the Superfund enforcement

program based on the Agency’s “Enforcement First” policy. The measure specifies that EPA will reach a settlement or take an enforcement action by the time of the start of remedial action at 90 percent of those Superfund sites having known non-federal, viable, liable parties (and where the remedial actions start during the fiscal year). This measure will describe more accurately the accomplishments of the Superfund enforcement program because the measure is no longer dependent upon the number of remedial actions started using trust fund resources.

Finally, EPA has also developed a new FY 2004 measure that reflects the number of confirmed UST releases nationally. States already report information for this measure and a baseline already exists.



# Annual Performance Goals (APG) and Measures

## GOAL 3: LAND PRESERVATION AND RESTORATION

### SUMMARY OF RESULTS—GOAL 3

Number of Goals Met:	5
Number of Goals Not Met:	1
Number with Data Lag:	3

APG 25	Municipal Solid Waste Source Reduction	Planned	Actual
FY 2003	Divert an additional 1% (for a cumulative total of 32% or 74 million tons) of municipal solid waste from land filling and combustion, and maintain per capita generation of Resource Conservation and Recovery Act (RCRA) municipal solid waste at 4.5 pounds per day. <a href="#">Data Lag.</a>	74 M 4.5 lbs	<a href="#">data available Dec. 2005</a>
FY 2002	Same goal, different target. <a href="#">Data Lag.</a>	69 M 4.5 lbs	<a href="#">data available Dec. 2004*</a>
FY 2001	Same goal, different target. <a href="#">Data Lag.</a>	67 M 4.3 lbs	<a href="#">data available Dec. 2003*</a>
FY 2000	Same goal, different target. <a href="#">Goal Met.</a>	64 M 4.3 lbs	69.9 M 4.5 lbs
<p><b>FY 2003 Result:</b> FY 2003 results for this goal will be available in early 2006. Data for 2000, the latest year for which information is available, indicate that the nation recycled 30% of its municipal solid waste (MSW), an annual increase of about 2%. MSW generation for 2000 continued stable at 4.5 pounds per person per day.</p> <p>* <b>NOTE:</b> Data availability dates are updated for FYs 2001 and 2002.</p>			

APG 26	Facility Standards and Compliance	Planned	Actual
FY 2003	Increase the number of waste and petroleum facilities with acceptable or approved controls in place to prevent releases to the environment. <a href="#">Data Lag.</a>		
	<i>Performance Measures</i>		
	—Percent of RCRA hazardous waste management facilities with permits or other approved controls.	77.2%	83.2%
	—Increase in UST facilities in significant operational compliance with leak detection requirements.	3%	<a href="#">data available Dec. 2003</a>
	—Increase in UST facilities in significant operational compliance with spill, overfill and corrosion protection regulations.	3%	<a href="#">data available Dec. 2003</a>

APG 26	Facility Standards and Compliance <i>(continued)</i>	Planned	Actual
FY 2002	75.8% of the hazardous waste management facilities will have approved controls in place to prevent dangerous releases to air, soil, and groundwater, representing an average increase of 39 additional facilities per year. <b>Goal Met.</b>	75.8%	79.0%
FY 2001	Same goal, different targets. <b>Goal Met.</b>	68%	74%
FY 2000	Same goal, different targets. <b>Goal Met.</b>	67%	67%
<p><b>FY 2003 Result:</b> Although EPA met the target for one of the three performance measures in this goal, final data for the remaining two measures are not expected until December 2003. For the first measure, EPA met the target for FY 2003 by having 83.2% of approximately 2,750 hazardous waste management facilities with permits or other approved controls in place to prevent dangerous releases to air, soil, and groundwater. For the remaining measures, EPA does not expect to increase the UST facilities in significant operational compliance with leak detection requirements by 3% to 80% or with spill, overfill and corrosion protection requirements by 3% to 85% in FY 2003. At mid-year, the compliance rates for leak detection requirements and spill, overfill and corrosion protection requirements were 72% and 81%, respectively. Although the Agency has been working with the states to improve their reporting of both measures, the compliance rates for both have been steady or declining. There is some variability in reporting by states because some states have more stringent requirements, while other states have targeted non-compliant UST facilities so the facilities that are inspected are not representative of all facilities in the state.</p>			

APG 27	Assess Contaminated Land	Planned	Actual
FY 2003	Assess waste sites. <b>Goal Met.</b>		
	<i>Performance Measures</i>		
	— Number of Superfund final site assessment decisions.	475	917
	— Number of Superfund removal response actions initiated.	275	380
<p><b>FY 2003 Result:</b> EPA significantly exceeded its target of 475 site assessment decisions by completing 917. The large number of final assessment decisions was due, in part, to CERCLIS system enhancements, that provide a more detailed level of tracking, and to EPA's issuance of additional guidance, which clarifies when final assessment decisions can be made on existing sites. It also represents a one-time effort in FY 2003 to capture an existing universe of NPL-eligible sites being addressed under other authorities, primarily state cleanup programs. EPA also substantially exceeded its target for Superfund removal action starts, primarily due to the large number (110) of removals initiated by potentially responsible parties (PRPs) voluntarily for which no enforcement instrument was in place. Such removals are difficult to predict and are not taken into consideration in developing planning estimates.</p>			

APG 28	Clean Up and Re-use Contaminated Land	Planned	Actual
FY 2003	Clean up and reduce risk at waste sites. <b>Data Lag.</b>		
	<i>Performance Measures</i>		
	— Number of Superfund construction completions.	40	40
	— Number of Superfund hazardous waste sites with human exposures controlled.	10	28
	— Number of Superfund hazardous waste sites with groundwater migration controlled.	10	54

APG 28	Clean Up and Re-use Contaminated Land <i>(continued)</i>	Planned	Actual
FY 2003 (continued)	<b>Performance Measures (continued)</b> —Number of high priority RCRA facilities with human exposures to toxins controlled.	197	230
	—Number of high priority RCRA facilities with toxic releases to groundwater controlled.	158	175
	—Number of leaking underground storage tank cleanups completed.	21,000	data available Dec. 2003
FY 2002	<b>(Superfund Cleanup)</b> EPA and its partners will complete 40 Superfund cleanups (construction completions). Forty-seven construction completions were completed in FY 2001. <b>Goal Met.</b>	40	42
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>	75	47
FY 2000	Same goal, different targets. <b>Goal Met.</b>	85	87
FY 2002	<b>(RCRA Corrective Actions)</b> 172 (for a cumulative total of 995 or 58%) of high priority RCRA facilities will have human exposures (HE) controlled and 172 (for a cumulative total of 882 or 51%) of high priority RCRA facilities will have groundwater releases (GWR) controlled. <b>Goal Met.</b>	172 HE 172 GWR	205 HE 171 GWR
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>	172 HE 172 GWR	179 HE 154 GWR
FY 2000	Same goal, different targets. <b>Goal Met.</b>	172 HE 172 GWR	191 HE 168 GWR
FY 2002	<b>(Leaking Underground Storage Tank Cleanups)</b> EPA and its partners will complete 22,000 Leaking Underground Storage Tank (LUST) cleanups for a cumulative total of approximately 290,000 cleanups since 1987. <b>Goal Not Met.</b>	22,000	15,769
FY 2001	Same goal, different targets. <b>Goal Not Met.</b>	21,000	19,074
FY 2000	Same goal, different targets. <b>Goal Met.</b>	21,000	20,834

**FY 2003 Result:** In FY 2003, EPA met the majority of its performance measures for cleaning up and reducing risk at waste sites. Data for one performance measure (relating to leaking underground storage tank (UST) cleanups) will not be available until December 2003. EPA met the target for completing construction at an additional 40 National Priority List (NPL) sites for a cumulative total of 886 sites over the life of the Superfund program. Of the 40 sites, 3 were carried out in conjunction with the Agency's partners at federal facilities. Also, EPA significantly exceeded its targets by recording an additional 28 NPL sites where current actual or potential human exposures are under control, and an additional 54 sites where migration of contaminated groundwater is under control. These targets were exceeded because FY 2003 is the first year that targets have been set for these two new environmental indicators at appropriate Superfund sites. Cumulatively, 82% (1,227 out of 1,494) of eligible NPL sites now have human exposures under control and 65% (826 out of 1,275) of eligible sites have groundwater migration controlled. In the RCRA corrective action program, EPA and its partners recorded an additional 230 high-priority RCRA facilities with human exposure to toxins under control, and an additional 175 facilities with groundwater migration under control, thereby exceeding the targets for both of these environmental indicators. Cumulatively, 1,248 high-priority RCRA facilities have human exposures controlled and 1,051 facilities have groundwater migration controlled. According to the FY 2003 mid-year activity report for the UST program, more than half of the cleanups expected by year end had been completed by EPA and its partners (12,369).

APG 29	Superfund Potentially Responsible Party Participation	Planned	Actual
FY 2003	Maximize all aspects of potentially responsible party (PRP) participation which includes maintaining PRP work at 70% of the new remedial construction starts at non-Federal Facility Superfund sites, and emphasize fairness in the settlement process. <b>Goal Met.</b>	70%	87%
FY 2002	Same goal. <b>Goal Met.</b>	70%	71%
FY 2001	Same goal. <b>Goal Not Met.</b>	70%	67.3%
	<b>Performance Measures</b>		
	—Ensure fairness by making orphan share offers at 100% of all eligible settlement negotiations for response work.	100%	100%
	—Provide finality for small contributors by entering into de minimis settlements and report the number of settlers.	18	15
FY 2000	Same goal. <b>Goal Not Met.</b>	70% 100% (orphan) 20 (de minimis)	68% 100% 18
<p><b>FY 2003 Result:</b> In FY 2003, PRPs continue to make substantial contributions toward Superfund cleanup by initiating more than 87% of new long-term cleanup actions at non-federal facility Superfund sites, exceeding the 70% target. The PRP participation percentage is determined by two factors, the number of PRP-lead remedial action starts and the number of Fund-lead starts. Shifts in both of these factors influenced this year's increased percentage—the 87% participation rate resulted from the combination of having additional PRP-lead starts and fewer Fund-lead than in previous years. EPA also secured private party commitments for cleanup and cost recovery that exceeded \$1.1 billion. This amount includes \$125 million for an innovative settlement with ASARCO (a metals smelting and refining company), providing funds to partially fulfill ASARCO's obligations under numerous prior federal and state consent decrees and administrative orders for work at CERCLA and non-CERCLA sites, work conducted for or by other non-EPA federal agencies, and work conducted or overseen by state agencies. Of the \$1.1 billion, PRPs agreed to conduct more than \$895 million in future cleanup work and to reimburse EPA for more than \$226 million in past costs.</p>			

APG 30	Superfund Cost Recovery	Planned	Actual
FY 2003	Ensure trust fund stewardship by getting PRPs to initiate or fund the work and recover costs from PRPs when EPA expends trust fund monies. Address cost recovery at all NPL and non-NPL sites with a statute of limitations on total past costs equal to or greater than \$200,000. <b>Goal Met.</b>	100%	100%
FY 2002	Same goal. <b>Goal Met.</b>	100%	100%
FY 2001	Same goal. <b>Goal Not Met.</b>	100%	97.8%
FY 2000	Same goal. <b>Goal Not Met.</b>	100%	98.5%
<p><b>FY 2003 Result:</b> In FY 2003, EPA continued to ensure trust fund stewardship by recovering costs from PRPs when EPA expends trust fund monies. Using enforcement, settlement or compromise/write-off, EPA achieved its goal of addressing 100% of the pending cost recovery cases with outstanding unaddressed past costs greater than \$200,000 and pending statute of limitations (SOL) concerns. EPA addressed 216 cost recovery actions at 201 NPL and non-NPL sites, of which 87 had total past costs greater than or equal to \$200,000 and potential SOL concerns, meeting the target for this activity.</p>			

APG 31	Prevent and Prepare for Accidental or Intentional Releases	Planned	Actual
FY 2003	<p>Improve homeland security response readiness and continue assessment of critical facility vulnerability. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—Develop baseline data for response readiness, incorporation of Homeland Security into community contingency plans, and critical facilities requiring vulnerability assessments.</li> <li>—Number of oil facilities in compliance with spill prevention, control and countermeasure provisions of oil pollution prevention regulations.</li> </ul>	<p>Baseline data</p> <p>600</p>	<p>823 (Baseline)</p> <p>525</p>
<p><b>FY 2003 Results:</b> In FY 2003, EPA did not meet its overall goal to improve the Agency's emergency readiness for response to accidental or intentional releases of harmful substances. During the year, EPA achieved its goal of establishing baseline data for response readiness, a significant accomplishment. EPA completed evaluations of core emergency response capabilities in each region, for the Environmental Response Team (ERT), and at EPA headquarters to determine a baseline from which to assess future improvements in those capabilities. Each entity was evaluated using a defined set of criteria, where the highest possible score is 1,000 points. The average score from these evaluations was 823, so this score will be used as the baseline for subsequent annual reviews of the Agency's emergency response readiness. EPA did not meet its target for the Agency's Spill Prevention, Control, and Countermeasures (SPCC) Program, which involves working with several hundred thousand oil storage facilities to prevent the discharge of all kinds of oil into the waters of the United States. In July 2002, EPA issued a final rule amending the Oil Pollution Prevention regulation that included requirements for SPCC plans, which are prepared by owners or operators of certain oil storage facilities and describes the facility's spill prevention and control measures. Several lawsuits were filed in November 2002 challenging various aspects of the rule, which resulted in a decision by EPA in April 2003 to extend by 18 months the deadlines by which facilities must amend (or, for new facilities, prepare) and implement their SPCC plans. As a result of the prevailing uncertainty, there were 75 fewer SPCC inspections nationally than anticipated.</p>			

APG 32	Oil Spill Response	Planned	Actual
FY 2003	<p>Respond to or monitor 300 significant oil spills in the inland zone. <b>Goal Met.</b></p>	300	322
<p><b>FY 2003 Result:</b> Although many oil spills are contained and cleaned up by the party responsible for the spill, some spills require assistance from local and state agencies, and occasionally, the federal government. Under the National Contingency Plan, EPA is the lead federal response agency for oil spills occurring in inland waters. In FY 2003, EPA exceeded its goal by responding to or monitoring 322 oil spills in the inland zone.</p>			

APG 33	Scientifically Defensible Decisions for Site Clean-up	Planned	Actual
FY 2003	<p>To ensure cost-effective and technically sound site clean-up, deliver state-of-the-science reports and methods to EPA and other stakeholders for risk management of fuel oxygenates; organic and inorganic contamination of sediments, ground water and/or soils; and oil spills. <b>Goal Met.</b></p> <p><i>Performance Measure:</i></p> <ul style="list-style-type: none"> <li>—Complete draft of the FY 2002 Annual Superfund Innovation Technology Evaluation (SITE) Report to Congress.</li> </ul>	1	1



APG 33 Scientifically Defensible Decisions for Site Clean-up <i>(continued)</i>		Planned	Actual
FY 2002	<p>Provide at least 6 innovative approaches that reduce human health and ecosystem exposures from dense non-aqueous phase liquids (DNAPLs) and methyl-tertiary butyl ether in soils and groundwater, and from oil and persistent organics in aquatic systems. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <p>—Deliver the Annual Superfund Innovation Technology Evaluation (SITE) Program Report to Congress detailing 4-6 innovative approaches, their cost savings and future direction; reports summarizing pilot scale evaluation of in situ remedies for solvents.</p>		
FY 2001	<p>Provide technical information to support scientifically defensible and cost-effective decisions for cleanup of complex sites, hard-to-treat wastes, mining, oil spills near shorelines, and Brownfields to reduce risk to human health and the environment. <b>Goal Not Met.</b></p> <p><b>Performance Measures</b></p> <p>—Deliver the Annual SITE Program Report to Congress.</p>		0
FY 2000	<p>Enhance scientifically defensible decisions for site cleanup by providing targeted research and technical support. <b>Goal Not Met.</b></p> <p><b>Performance Measures</b></p> <p>—Report of natural attenuation case studies of MTBE.</p> <p>—Deliver the SITE report to Congress.</p> <p>—Report of key research on methods, models and factors relating to risk evaluation of dermal route of exposure.</p> <p>—Review 20 soil contaminants and develop screening levels.</p>	 9/30/00 9/30/00 9/30/00	0 1/30/01 12/31/00 9/30/00
<p><b>FY 2003 Result:</b> EPA prepared state-of-the-science reports and methods for risk management of fuel oxygenates; organic and inorganic contamination of sediments, ground water and/or soils; and oil spills. The completed draft of the FY 2002 SITE Program Annual Report to Congress details the cost of innovative technologies tested under the SITE Program and provides a comparison of these costs to those of conventional technologies. This information assists decision makers in choosing technologies based on cost and performance.</p>			

## FY 2002 Annual Performance Goals

(No Longer Reported for FY 2003)

- Within 18 months after final listing on the NPL, EPA will make a final offer for an interagency agreement that is consistent with Agency policy and guidance at 100% of Federal facility Superfund sites.

## NOTES

1. US EPA, June 2002. *Characterization of Municipal Solid Waste in the United States—2000 Update*. Washington, DC: Government Printing Office. Available at <http://www.epa.gov/epaoswer/non-hw/muncpl/msw99.htm>. Last updated October 29, 2002.
2. US EPA, Office of Solid Waste. Available at <http://www.epa.gov/epaoswer/osw/conserves/index.htm>. Last updated August 20, 2003.
3. US EPA, *Resource Conservation and Recovery Act Information System (RCRAInfo)*. Available at <http://www.epa.gov/epaoswer/hazwaste/permit/charts/charts.pdf>. Last updated July 1, 2003.
4. US EPA, Office of Underground Storage Tanks, *FY 2003 Semi-Annual (Mid-Year) Activity Report*, June 19, 2003. Available at [http://www.epa.gov/oust/cat/ca\\_031\\_2.pdf](http://www.epa.gov/oust/cat/ca_031_2.pdf).
5. While this number is not in the *FY 2002 End-of-Year Activity Report* for the Office of Underground Storage Tanks (note 2 above), it is derived from data primarily found in that report and is based on the following calculations: There were 696,205 active tanks as of March 31, 2003. A facility number can be derived from the tank number by dividing 696,205 by 2.65, which is the average number of tanks per facility. Thus, there were 262,719 facilities at the end of March 2003. Then, the number of facilities can be multiplied by the compliance rate of 81 percent, which results in the estimate of 213,000 facilities in compliance with spill, overflow, and corrosion protection requirements.
6. US EPA, Superfund Information Systems, CERCLIS database.
7. Ibid.
8. Ibid.
9. Ibid.
10. Ibid.
11. US EPA Federal Facilities Restoration and Reuse web page topics available at: <http://cfpub.epa.gov/fdr/>.
12. US EPA, RCRAInfo database, Corrective Action, Facility Information. Available at <http://www.epa.gov/epaoswer/hazwaste/ca/facility.htm>. Facility information is updated monthly at <http://www.epa.gov/epaoswer/hazwaste/ca/facility/stofcra.htm>.
13. US EPA, Office of Underground Storage Tanks, *FY 2003 Semi-annual (Mid-Year) Activity Report*, June 19, 2003. Available at [http://www.epa.gov/oust/cat/ca\\_031\\_2.pdf](http://www.epa.gov/oust/cat/ca_031_2.pdf).
14. US EPA, *Resource Conservation and Recovery Act Information System (RCRAInfo)*. Available at <http://www.epa.gov/epaoswer/hazwaste/permit/charts/charts.pdf>. Last updated July 1, 2003.
15. The FY 2003 OSWER Core Emergency Response baseline will be reported in the *FY 2003 Core Emergency Response National Report*, which is expected to be issued during the first quarter of FY 2004.
16. US EPA, Superfund Information Systems, CERCLIS database.
17. Ibid.
18. Ibid.
19. US EPA, RCRAInfo database, Corrective Action, Facility Information. Available at <http://www.epa.gov/epaoswer/hazwaste/ca/facility.htm>. Facility information is updated monthly at <http://www.epa.gov/epaoswer/hazwaste/ca/facility/stofcra.htm>.



Goal 4:

# Healthy Communities and Ecosystems

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

## Progress Toward the Strategic Goal and Objectives

EPA is on track to meet its strategic goal of protecting, sustaining, and restoring the health of people, communities, and ecosystems. Significant progress was made in FY 2003 toward meeting each of the objectives supporting this goal by bringing together a variety of programs, tools, approaches, and resources; creating strong partnerships with federal, state, tribal, and local government agencies; and enlisting the support of many stakeholders.

A key component of this goal is protecting human health and the environment by identifying, assessing, and reducing the potential risks presented by the thousands of chemicals on which our society and economy have come to depend. These include the pesticides we use to meet national and global demands for food, the industrial and commercial chemicals found throughout our homes and workplaces, and in the products we use.

EPA works to prevent or reduce risks from chemicals, microorganisms, and pesticides by identifying and assessing potential risks, and then developing strategies to address them. For example in FY 2003, EPA continued to make progress toward its goal of evaluating the potential risk of 20 chemicals to which children have a high likelihood of exposure.<sup>1</sup> EPA and other federal partner actions have also made significant progress toward the



national goal of eliminating childhood lead poisoning by 2010. Specifically, the incidence of children 1 to 5 years old with elevated blood lead levels has been reduced approximately by half during the last decade.<sup>2</sup> Recently released Centers for Disease Control and Prevention data for 1999 and 2000 show the number of children younger than 6 years old with elevated blood lead levels has fallen to approximately 400,000, down from an estimated 900,000 for the period 1991 through 1994.

EPA has reduced children's exposures to organophosphates (OPs) by approximately 60 percent by eliminating many uses of OP insecticides in and around the home.<sup>3</sup> These risk reduction programs, along with routine reviews of new industrial chemicals and pesticides, and ongoing work to integrate emerging scientific developments into Agency assessments,<sup>4</sup> are contributing to steady progress in identifying potential human and ecological hazards and risks.<sup>5</sup>

Sharing information and building a community's capability to make decisions that positively affect the environment are at the heart of the community-centered work under this Goal. EPA's efforts to share information and build community capacity offer the public the tools needed in considering the many aspects of planned development or re-development. For example, EPA's

Brownfields Program provides states, tribes, local governments, and other stakeholders with the tools and financial assistance they need to assess, clean up, and promote the redevelopment of brownfield properties. Since 1995, EPA has assessed a total of 4,300 brownfield properties. Property assessment and cleanup completed under the Brownfields Program are the first steps towards reuse and redevelopment. The cleanup and redevelopment of these properties enables the leveraging of \$5.1 billion in public and private investments, as well as the leveraging of 25,000 jobs.<sup>6</sup>

EPA is also building capacity in international communities to make effective environmental decisions. Since 1999, the number of residents along the Mexican border who were protected against health risks, beach pollution, and damaged ecosystems as a result of improved water and wastewater sanitation systems has increased from 50,000 to a cumulative total of approximately 872,000 residents. This represents a continued upward trend over the past several years. Also, in cooperation with the New Independent States (NIS) of the former USSR, EPA and its partners have eliminated Russia's production of ozone-depleting substances; have helped prevent the deterioration of drinking water supplies for 700,000 people in the NIS; and have established, within the Russian government, an environmental revolving account, which in FY 2003 has a portfolio of 7 projects and \$90 million.

EPA's ecosystem protection programs encompass a wide range of approaches that address specific at-risk regional areas, along with larger categories of threatened systems, such as estuaries and wetlands. Locally generated pollution, combined with pollution carried by rivers and streams and through air deposition, can collect in these closed and semi-closed ecosystems, degrading them over time. EPA continues to make progress toward its 2008 goal of protecting and restoring 250,000 acres of estuarine habitat with more than 118,000 acres protected and/or restored in FY 2003.<sup>7</sup>

EPA has also made progress in ecosystems in the Gulf of Mexico, the Great Lakes, and Chesapeake Bay. A total of 6,662 acres of coastal and marine habitat has been restored or protected in the Gulf of Mexico, exceeding the target for FY 2003 and contributing toward a 10-year goal of 20,000 acres. Levels of the most critical, persistent pollutants around the Great Lakes (including mercury, polychlorinated biphenyls (PCB), dioxin, benzo(a)pyrene, and hexachlorobenzene) continue to decrease, as part of a downward trend in toxic substances in the Great Lakes over the last 15 years. In Chesapeake Bay, more than 89,500 acres of submerged aquatic vegetation (SAV), an important habitat for aquatic life and an indicator of the health of the bay, have been measured. This represents a strong recovery of SAV in the middle bay, and significant progress toward the goal of restoring 185,000 acres by 2010.<sup>8</sup>



All of EPA's activities rely on the latest scientific information. Sound science must be the basis of standard-setting and guide the Agency in identifying and addressing emerging issues, as well as updating and advancing EPA's understanding of long-standing human health and environmental challenges. As an example, in FY 2003, EPA completed a draft report on the condition of the nation's estuaries that will provide the first scientifically defensible baseline from which to measure trends in the health and status of these vital ecosystems.<sup>9</sup> This assessment of ecological condition over time will provide evidence of whether the Clean Water Act and its amendments, as well as national, regional, and state policies and programs, have been effective in improving the quality of U.S. estuaries. In addition, in FY 2003 EPA reported on the performance and cost of



technologies for reducing emissions from coal-fired utility boilers, which are among the most significant contributors of mercury to the air. This information will support the

development of regulations that will cost-effectively reduce human health and environmental risks from mercury.<sup>10</sup>

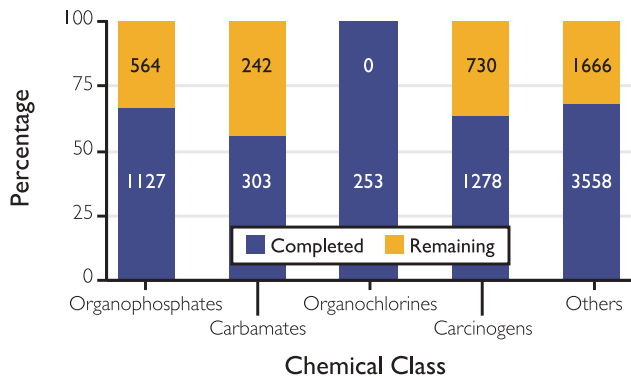
## FY 2003 Performance

In FY 2003, EPA reviewed and registered 19 new active ingredients qualifying as reduced risk pesticides, including 5 conventional reduced risk pesticides (1 of which is an organophosphate alternative) and 14 biopesticides. Additionally, EPA registered 425 new uses, including 3 organophosphate alternatives and 1 methyl bromide alternative. The increased availability of lower-risk pesticides, combined with public demand for safe food, encourages pesticide users to shift to reduced-risk alternatives. Pesticides considered "reduced risk"<sup>11</sup> constituted an estimated 3.6 percent of all agricultural pesticide acre treatments in 1998. Continued implementation of improvements in Section 18 processing through a pilot within the pesticides program will help improve program performance by providing faster responses to problematic pest outbreaks. Another major accomplishment in FY 2003 was the implementation of EPA's Office of Pesticide Programs Information Network, which tracks

regulatory data and studies submitted by registrants (pesticide manufacturers and producers) in support of a registration application for a pesticide, among other functions. This system integrates 19 legacy systems, decreases data entry, and improves access to critical documents and EPA's analysis of information.

When pesticides do not meet health and environmental standards, EPA determines what changes are needed, including canceling or limiting use, under the tolerance reassessment and reregistration programs. In FY 2003, the Agency reassessed a cumulative 68 percent of the tolerances requiring reassessment under the Food Quality Protection Act (FQPA). (See Figure 4-1.) These FY 2003 accomplishments included 66.3 percent of organophosphates and carcinogens, which are among those that present the highest risk. Additionally, the Agency issued 12 Reregistration Eligibility Decisions (REDs), a cumulative 75 percent of the 612 active ingredient cases requiring reregistration under the Federal Insecticide, Fungicide, and Rodenticide Act. EPA is on track to meet its 2006 statutory deadline for completing tolerance reassessments. EPA is also on schedule to meet its goal of protecting human health and reducing dietary risks to children.

Figure 4-1. Tolerance Reassessment Status (as of July 2003)



The graph shows the status of EPA's tolerance reassessment program by chemical class. As of July 2003, EPA had reassessed 6,519 tolerances (68 percent out of a total of 9,721).



commerce available on the high production volume (HPV) chemicals website kept pace with the large volume of data from industry participants.<sup>12</sup> At the end of September 2003, screening level human health and environmental effects data on 1,633 chemicals were made available to the public. EPA's Acute Exposure Guidelines Levels (AEGL) Program provides information to first responders on the adverse effects of chemical exposures at emergency or accident sites. In FY 2003, the values for 13 chemicals were finalized. The final AEGL values include nerve agents and mustard gas, and are being used for emergency planning by the military and state agencies as the military begins to destroy stockpiled chemical warfare agents.

To reduce the risks of industrial chemicals, EPA took regulatory action, provided training and technical assistance, and worked in partnership with all stakeholders. EPA and the Agency for Toxic Substances and Disease Registry collaborated in issuing guidance to homeowners who may have vermiculite attic insulation, informing them about best practices for reducing exposure.<sup>13</sup> EPA took regulatory action to restrict the return to the U.S. marketplace of 88 perfluorooctyl sulfonate (PFOS)<sup>14</sup> chemicals that had been voluntarily phased out by the U.S. producer. EPA had received data indicating that PFOS is a PBT chemical, meaning that it is persistent in the environment, bioaccumulative in fish (an unexpected finding), and toxic. Data also showed that PFOS had been found in low concentrations in the blood of the general population and in wildlife around the world. Because the EPA regulations apply to key chemicals essential to produce PFOS, EPA's action effectively restricts the manufacture of all PFOS chemicals in the United States.

EPA continues to make progress in the U.S.-Mexico Border Region. In FY 2003, an additional 152,000 residents along the Mexican border received protection from health risks, beach pollution, and damaged ecosystems as a result of improved water and

### AEGL 13 FINAL CHEMICALS

- Hydrogen Cyanide
- Phosgene
- 1,1,1,2-Tetrafluoroethane (HFC 134a)—replacement for fully halogenated chlorofluorocarbons
- 1,1-Dichloro-1-fluoroethane (HCFC 141b)—replacement for fully halogenated chlorofluorocarbons
- Propylene glycol dinitrate
- Nerve Agent GA (Tabun)
- Nerve Agent GB (Sarin)
- Nerve Agent GD (Soman)
- Nerve Agent GF
- Nerve Agent VX
- Sulfur mustard
- Diborane
- Methyl Isocyanate

wastewater sanitation systems. On April 4, 2003, the representatives of the U.S. EPA, the Secretariat of Environment and Natural Resources,<sup>15</sup> 10 border states, and 26 U.S. tribes met to recognize the completion of the Border 2012: U.S.-Mexico Environmental Program. This marks the beginning of a 10-year joint effort to work with municipalities, non-governmental organizations, educational institutions, and border residents to improve public health and the environment along the U.S.-Mexico Border.<sup>16</sup> EPA continues to evaluate environmental health needs and to facilitate the construction of environmental infrastructure with the Border Environment Cooperation Commission (BECC) and the North American Development Bank.<sup>17</sup>

In FY 2003, EPA's Brownfields Program awarded more than \$69 million in

brownfields grants including 115 Assessment Grants, 28 Revolving Loan Fund Grants, 10 Job Training Grants, and 50 newly authorized Cleanup Grants. These grants allow local governments, nonprofits, states, tribes, and other eligible entities to assess, clean up, and promote the redevelopment of brownfields properties, leveraging jobs and investments in communities. In FY 2003, EPA's Brownfields Program also distributed \$49.6 million among all 50 states, 30 tribes, the District of Columbia, and the Virgin Islands. This is the first year that funding was distributed under the authorities of the Small Business Liability Relief and Brownfields Revitalization Act.<sup>18</sup> This funding will enable states and tribes to develop or enhance their response programs' infrastructure and capabilities. For some recipients, the funding will provide an opportunity to create new response programs to address contaminated properties. States and tribes also can use the new funding to capitalize a revolving fund for cleanup, purchase environmental insurance, or develop other insurance mechanisms to provide financing for clean-up activities. The funds can also be used to establish or maintain the statutorily required public record and to oversee cleanups.<sup>19</sup>

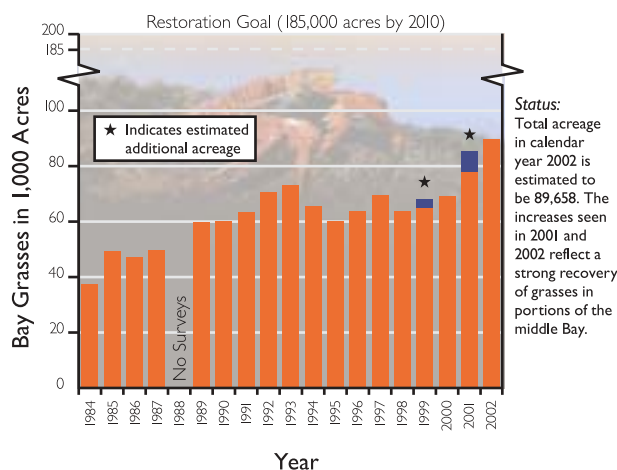
Levels of the most critical, persistent pollutants around the Great Lakes continued to decrease in 2002, according to information reported in FY 2003. Success in reducing these pollutants has been due to a combination of

stronger regulations and voluntary actions. Although EPA and state partners have made progress in removing contaminants from the Great Lakes ecosystem,<sup>20</sup> concentrations of certain contaminants in Lake Erie and Lake Superior fish are no longer decreasing. Some contaminants, such as polybrominated diphenyl ethers—used as flame retardants in products such as textiles, polyurethane foam, and plastics—have been detected in Great Lakes fish at increasing concentrations.<sup>21</sup> Other significant challenges to the Great Lakes that EPA and partners are attempting to address include an apparent increase of phosphorus levels in Lake Erie and continuing entry of non-native species. To address these challenges, EPA is promoting: chemical integrity by reducing toxic substances; physical integrity for the health of diverse communities of plants, fish, and other aquatic life and wildlife; and biological integrity to restore and maintain self-sustaining populations of predominantly native fish and aquatic life, wildlife, and plants. In addition, EPA is developing positive working relationships with the environmental community to establish effective programs, coordinate authorities and resources, report on progress, and hold forums for information exchange and collective decision making. These steps will ensure the protection of the Great Lakes and the achievement of the objectives of the Great Lakes Water Quality Agreement.

EPA's measure of SAV represents the cumulative number of acres of habitat, important for sustaining aquatic life in Chesapeake Bay, measured during the year. (See Figure 4-2.) By the end of FY 2003, more than 89,500 acres of SAV have been measured, exceeding the target of 86,000 acres. EPA also exceeded its commitment to restore riparian forest buffers, which play an important role in providing habitat and reducing pollutant loads from nonpoint sources to local waterways and the Bay.<sup>22</sup>

In FY 2003, EPA protected and restored more than 118,000 acres of estuarine habitat. The actual number of acres protected and

Figure 4-2. Healthy Bay Grasses



restored exceeded the National Estuary Program's goal of 86,000 habitat acres due to a number of factors, including unanticipated changes in federal funding levels for habitat protection and restoration at the state and local levels, growth in community interest and involvement in protection and restoration, and the enhanced capacity of EPA and its partners to collect and report on data depicting protection and restoration achievements. EPA assisted Gulf states in implementing actions to restore beneficial uses in 97 coastal river and estuary segments in FY 2003, exceeding the yearly target of 14 segments, to achieve 20 percent restored quality in impaired segments in 12 priority areas of the Gulf. A total of 6,662 acres of coastal and marine habitats were restored or protected in the Gulf of Mexico, exceeding the FY 2003 target of 2,400 acres.

Also in FY 2003, EPA released for peer review a draft of the first full assessment of the nation's estuaries with regard to water quality, sediment quality, and aquatic living resources. This is the second in a series of coastal condition reports, but represents the first set of completely consistent monitoring data for coastal systems across the United States.<sup>23</sup> The first report, released in 2001, reflected available monitoring data from 1990 through 1996 and had little or no information for New England, the West Coast, Alaska, Hawaii, or Puerto Rico. The draft report completed in FY 2003 characterizes conditions from 1999 through 2000 for all of the coastal resources of the lower 48 states (21 coastal states) and Puerto Rico, and describes surveys completed for Alaska and Hawaii (for which results are not yet available). Overall U.S. condition was rated as fair, a slight numeric improvement from the same "fair" baseline condition that

existed in the early 1990s.<sup>24</sup> For this report, EPA and its partners (all 23 coastal states and Puerto Rico) collected estuarine and coastal data at approximately 1,500 stations along the coasts of the United States (excluding the Great Lakes). An additional installment is planned for FY 2005.

In June 2003, the Agency released the Toxics Release Inventory (TRI) annual public data release report that contains information on toxic chemical releases and other waste management activities by certain covered industries as well as by federal facilities reporting in calendar year 2001. The TRI data, in conjunction with other information, can be used as a starting point in evaluating exposures from these toxic chemicals, and assist communities in making informed decisions about protecting their environment. In FY 2003, EPA reduced TRI reporting burden on industry, while improving TRI data quality by continuing to promote and distribute its new software data collection tool, "TRI Made-Easy (TRI-ME)". As of August 29, 2003, 19,539 of the 21,196 facilities that have reported for Reporting Year 2002 used TRI-ME to complete their submissions. TRI-ME allowed 26 percent of the facilities to use EPA's Central Data Exchange (CDX) to submit forms and certification statements via the Internet, compared to 7 percent last year—a trend expected to continue.<sup>25</sup> The Agency expects to further increase the percentage of TRI reporting forms that are submitted in electronic format, thereby increasing the quality of the data and allowing for an earlier public release of the data. Through electronic tools, such as the TRI Explorer, EPA encourages more user-friendly access to important facility data, which informs environmental decision making.<sup>26</sup> More information on TRI can be found in Goal 5.

## Assessment of Impacts of FY 2003 Performance on FY 2004 Annual Plan

There are no changes to FY 2004 APGs based on results of FY 2003 performance.

SUMMARY OF RESULTS—GOAL 4

Number of Goals Met: 8  
 Number of Goals Not Met: 3  
 Number with Data Lag: 5

# Annual Performance Goals (APG) and Measures

## GOAL 4: HEALTHY COMMUNITIES AND ECOSYSTEMS

APG 34	Review Pesticide Active Ingredients	Planned	Actual
FY 2003	Assure that pesticides' active ingredients registered prior to 1984 and the products that contain them are reviewed to assure adequate protection for human health and the environment. Also consider the unique exposure scenarios such as subsistence lifestyles of Native Americans in regulatory decisions. <b>Goal Not Met.</b>		
	<i>Performance Measures</i>		
	—Product Reregistration.	350 actions	306
	—Reregistration Eligibility Decision (RED) (cumulative).	76%	75%
	—Tolerance Reassessment.	68%	68%
	—Tolerance reassessments for top 20 foods eaten by children.	75%	65.6%
FY 2002	Same goal, different target. <b>Goal Not Met.</b>		
	<i>Performance Measures</i>		
	—Product Reregistration.	750	314
	—Reregistration Eligibility Decision (cumulative).	76.4%	72.7%
FY 2002	By the end of 2002 EPA will reassess a cumulative 66% of the 9,721 pesticide tolerances required to be reassessed over 10 years. This includes 67% of the 893 tolerances having the greatest potential impact on dietary risks to children. <b>Goal Met.</b>	66% 67%	66.9% 65.6%
FY 2001	Same goal, different target. <b>Goal Not Met.</b>	40% 46%	40% 44%
FY 2000	EPA will reassess 20% of the existing 9,721 tolerances to ensure that they meet the statutory standard of "reasonable certainty of no harm." <b>Goal Not Met.</b>	1,250	121

**FY 2003 Result:** The Agency did not meet its FY 2003 requirements for product reregistration or REDs. Product reregistrations are based on the REDs completed in previous years, of which EPA did not meet the target, therefore affecting product reregistration targets. For FY 2003, 12 REDs were completed. The Agency is on track to complete all 612 REDs by August 2006, and all product reregistrations by 2008. Eighty-seven percent of the tolerance reassessments for the top 20 foods eaten by children were completed, which substantially met its target. Children's tolerances are a small subset of the broader category of tolerances.

The Agency met its FY 2003 goal for the broader category of tolerance reassessment and is on track to meet its statutory target and deadline for reassessing 9,721 pesticide tolerances by August 2006. Meeting these goals will help ensure that human health and the environment are protected from harmful effects of pesticides, and that food is safe for consumption. The relationship of REDs to product registration is that one RED can result in any number of product registrations (from one to many). Fewer REDs completed will result in fewer future product registrations. Product reregistrations are generally completed 2 years after the RED is done.

APG 35	Agricultural Partnership	Planned	Actual
FY 2003	<p>Reduce public and ecosystem risk from pesticides. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of incidents and mortalities to terrestrial and aquatic wildlife caused by the 15 pesticides responsible for the greatest mortality to such wildlife.</p>	20%	9%
FY 2002	<p>Implementation of 10-15 additional model agricultural partnership projects that demonstrate and facilitate the adoption of farm management decisions and practices that provide growers with a "reasonable transition" away from the highest risk pesticides. <b>Goal Met.</b></p>	10-15	12
<p><b>FY 2003 Result:</b> Data being reported in FY 2003 covers the average for 3 years (1999-2001). Avian mortalities have increased by 30.9% from the 1995 baseline. This is primarily due to increased kills resulting from West Nile Virus, and not pesticide use. As a result, the Agency reports that the goal is not met for the Bird Kills. For Fish Kills, the change from the baseline is -58.3%, which indicates that EPA has greatly exceeded its goal, however this change is greatly due to circumstances other than pesticide use, including less reporting by states and a change in the FIFRA 6(a)2 rule which allows for aggregate reporting which cannot be entered in the database and therefore is not counted.</p>			

APG 36	Decrease Risk from Agricultural Pesticides	Planned	Actual
FY 2003	<p>Decrease adverse risk from agricultural uses from 1995 levels and assure that new pesticides that enter the market are safe for humans and the environment through ensuring that all registration actions are timely and comply with standards mandated by law. <b>Data Lag.</b></p> <p><i>Performance Measures</i></p> <p>—Register safer chemicals and biopesticides (cumulative).</p> <p>—New Chemicals.</p> <p>—New Uses.</p> <p>—Percentage of acre treatments with reduced risk pesticides.</p> <p>—Occurrences of residues on a core of 19 foods eaten by children relative to occurrence levels for those foods reported in 1994-1996.</p>	118 67 350 8.1% 20	124 72 425 data available in 2004
FY 2002	<p>Same goal, different target. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Register safer chemicals and biopesticides (cumulative).</p>	105	107
FY 2002	<p>Detections of residues of carcinogenic and cholinesterase inhibiting neurotoxic pesticides on foods eaten by children will have decreased by 15% (cumulative) from their average 1994 to 1996 levels. <b>Goal Met.</b></p>	15%	20%



APG 36	Decrease Risk from Agricultural Pesticides <i>(continued)</i>	Planned	Actual
FY 2002	At least 1% of acre-treatments will use applications of reduced risk pesticides. <b>Goal Met.</b>	1%	7.5%
FY 2001	Same goal, different target. <b>Goal Not Met.</b>  <b>Performance Measures</b> — Register safer chemicals and biopesticides (cumulative).	96	92
FY 2000	Decrease adverse risk from agricultural uses from 1995 levels and assure that new pesticides are safe by such actions as registering 6 new chemicals, 2,200 amendments, 600 me-toos, 200 new uses, 45 inerts, 375 special registrations, 225 tolerances and 13 reduced risk chemicals/biopesticides. <b>Goal Met.</b>	6 2,200 600 200 45 375 225 13	6 3,069 1,106 427 95 458 452 16
<p><b>FY 2003 Result:</b> Data will be available for two of the five measures in FY 2004. EPA exceeded its targets for the three measures for which final results data are available. For example, EPA exceeded its FY 2003 targets for registering safer chemicals and biopesticides. Cumulatively (since 1996), EPA has registered 124 reduced risk pesticides (19 in FY 2003) and 72 new conventional pesticides (11 in FY 2003), which help to ensure that growers have an adequate number of pest control options available to them. In FY 2003, EPA completed 425 new use actions.</p> <p><b>FY 2002 Result Available in FY 2003:</b> Data reported in FY 2003, for the FY 2002 reporting period, exceeded the target for decreasing the residues of carcinogenic and cholinesterase inhibiting neurotoxic pesticides on foods eaten by children from 15% to 20% (cumulative) from their average 1994 to 1996 levels.</p>			

APG 37	Lead Certification and Training of Lead Abatement	Planned	Actual
FY 2003	Reduce lead exposure in housing units and in the deleading of bridges and structures. <b>Goal Met.</b>  <b>Performance Measures</b> — Certified nationally (federally-administered and state-administered program).	5,000	5,561
FY 2002	Implement certification and training of lead abatement professionals. <b>Goal Met.</b>  <b>Performance Measures</b> — Certified nationally (federally-administered and state-administered program).	4,000	4,574
<p><b>FY 2003 Result:</b> In FY 2003, 5,561 people were certified in lead paint abatement techniques by state and federally administered programs. There is continued response by lead-based paint abatement professionals to the Agency's and states' efforts to train and certify proficiency in this area.</p>			

APG 38 Process and Disseminate TRI Information		Planned	Actual
FY 2003	Expanded information on releases and waste management of lead and lead compounds will be reported by 8,000 facilities in TRI in Reporting Year 2001 and increased usage of TRI-ME will result in total burden reduction of 25% for Reporting Year 2002. <b>Goal Met.</b>	8,000 25%	<b>8,561</b> <b>25%</b>
FY 2002	EPA will reduce reporting burden, improve data quality, lower program costs, and speed data publication by increasing the amount of Toxics Release Inventory (TRI) electronic reporting from 70% to 85%. <b>Goal Met.</b>	85%	<b>92%</b>
FY 2001	Process all submitted facility chemical release reports; publish annual summary of TRI data; provide improved information to the public about TRI chemicals; and maximize public access to TRI information. <b>Goal Met.</b>  <b>Performance Measures</b> —TRI Public Data Release. —Chemical submissions and revisions processed.	1 report 10,000	<b>1 report</b> <b>120,000</b>
FY 2000	Same goal as FY 2001, different targets. <b>Goal Met.</b>  <b>Performance Measures</b> —TRI public data release. —Form R's processed. —TRIS database complete and report issued.	1 10,000 Feb. 2001	<b>1</b> <b>19,000</b> <b>Apr. 2001</b>
<p><b>FY 2003 Result:</b> In FY 2003, EPA published a total of 95,513 reports from approximately 24,986 facilities. Of these reports, 8,561 were for lead and lead compounds. This represents the first reports for lead and lead compounds as persistent, bioaccumulative and toxic (PBT) chemicals which has a lower reporting threshold than non-PBT chemicals. Lead and lead compounds are part of the original list of chemicals under the Emergency Planning and Community Right-to-Know Act of 1986.</p> <p>As a result of the FY 2003 accomplishment, the public will have greater access to information about lead and lead compounds' releases into the environment. Facilities took advantage of the new, paperless, electronic signature certification features of TRI-ME to submit forms and certifications via the Internet through the Central Data Exchange (CDX). This represents an improvement over FY 2002 when facilities submitting via CDX had to print, sign, and mail a hard copy certification statement, and continues to make the reporting process significantly easier, faster, and more accurate.</p>			

APG 39	New Chemicals and Microorganisms Review	Planned	Actual
FY 2003	Of the approximately 1,800 applications for new chemicals and microorganisms submitted by industry, ensure those marketed are safe for humans and the environment. Increase proportion of commercial chemicals that have undergone pre-manufacture notice review to signify they are properly managed and may be potential green alternatives to existing chemicals. <b>Goal Met.</b>	1,800	1,633*
FY 2002	Same goal. <b>Goal Met.</b>	1,800	1,943
FY 2001	Same goal. <b>Goal Met.</b>	1,800	1,770*
FY 2000	Same goal. <b>Goal Met.</b>	1,800	1,838
<p><b>FY 2003 Result:</b> EPA reviewed 1,633 Section 5 notices received during FY 2003 (735 of these Section 5 notices were valid Pre-Manufacturing Notices (PMNs)). At the end of FY 2003, 22.4 % of all chemicals in commerce had been assessed for risks. Many of these chemicals also may be "green" alternatives to existing chemicals in commerce. "Green" chemicals reduce the impact on human health and the environment.</p> <p><b>* NOTE:</b> While the actual number of chemicals for which PMNs were reviewed is lower than the target, the target was set to reflect EPA's commitment to comply with statutorily-mandated 90-day reviews of all PMNs submitted in 2001 and 2003, which it did. Under the Toxic Substances Control Act, EPA does not control the pace at which companies submit PMNs for review, but it does control the pace at which it completes such reviews. Accordingly, the Agency has determined this performance goal to have been met.</p>			

APG 40	Chemical Right to Know Initiative	Planned	Actual
FY 2003	Provide information and analytical tools to the public for accessing the risk posed by toxic chemicals. <b>Data Lag.</b>  <i>Performance Measures</i> —Make existing screening level health and environmental effects information and plans to develop needed data publicly available for high production volume (HPV) chemicals sponsored in the US HPV Challenge.	1,200	data available in 2004
FY 2002	Same goal. <b>Goal Met.</b>	10% data (280 chemicals)	843 chemicals
FY 2001	EPA will make publicly available data from test plans submitted by industry or chemicals already in commerce. <b>Goal Met.</b>  <i>Performance Measures</i> —Through chemical testing program, obtain test data for high production volume chemicals on master testing list.	800	724 chemicals*
<p><b>FY 2003 Result:</b> The FY 2003 target was set to reflect EPA's commitment to make publicly available all test data that it received from companies in calendar year 2003. Therefore, there is a data lag for reporting until January 2004. Under the HPV Challenge, EPA does not control the pace at which companies submit their test data, but it does control the pace at which such data are made public. Accordingly, EPA expects to meet this performance goal since as of August 2003, 1,068 chemicals have data available and an end of year surge is expected.</p> <p><b>* NOTE:</b> While the actual number of chemicals for which test data were obtained was lower than the target, the target was set to reflect EPA's commitment to make publically available all test data that it received from companies in 2001, which it did. Under the HPV Challenge voluntary program, EPA does not control the pace at which companies submit their test data, but it does control the pace at which such data are made public. Accordingly, the Agency determined this performance goal to have been met.</p>			

APG 41	Revitalized Brownfields Properties	Planned	Actual
FY 2003	<p>Leverage of general \$0.9 billion through revitalization efforts. <a href="#">Data Lag.</a></p> <p><i>Performance Measures</i></p> <p>—Amount of cleanup and redevelopment funds leveraged at Brownfields sites. \$0.9 B</p> <p>—Number of Brownfield properties assessed. 1,000</p>		<p>data available in 2004</p>
FY 2002	EPA will provide additional site assessment funding to 38 new communities, and to 38 existing communities, resulting in a cumulative total of 3,100 properties assessed, the generation of 19,300 jobs, and the leveraging of \$4.0 billion in cleanup and redevelopment funds since 1995. <a href="#">Goal Met.</a>	3,100 19,300 \$4.0 B	3,807 21,737 \$4.8 B
FY 2001	Same goal, different targets. <a href="#">Goal Met.</a>	2,500 12,000 \$3.1 B	2,754 (properties) 17,307 (jobs) \$3.7 B
FY 2000	Same goal, different targets. <a href="#">Goal Met.</a>	1,900 4,900 \$1.7 B	2,024 (properties) 7,446 (jobs) \$2.8 B
<p><b>FY 2003 Result:</b> Two quarters of performance data were available at the time of report publication. Complete FY 2003 performance data will be available in April 2004 as a result of the grantee reporting cycle.</p> <p>Based on second quarter data, EPA believes the Brownfields Program is on track to meet its performance goals of assessing 1,000 brownfields properties and leveraging of \$0.9 billion in cleanup and redevelopment funding. At mid-year, 369 brownfields properties had been assessed and \$0.2 billion in cleanup and redevelopment funding had been leveraged. The program expects a surge in the second half of FY 2003. Since 1995, a total of more than 4,300 properties have been assessed and Brownfields activities have resulted in the leveraging of over \$5.1 billion in cleanup and redevelopment funding.</p>			

APG 42	Brownfield Site Assessment Grants	Planned	Actual
FY 2003	<p>Create jobs through revitalization efforts. <a href="#">Data Lag.</a></p> <p><i>Performance Measures</i></p> <p>—Number of jobs generated from Brownfields activities. 2,000</p> <p>—Percentage of Brownfields job training. 65%</p>		<p>data available in 2004</p>
<p><b>FY 2003 Result:</b> Two quarters of performance data were available at the time of report publication. Complete FY 2003 performance data will be available in April 2004 as a result of the grantee reporting cycle. Based on second quarter data, EPA believes the Brownfields Program is on track to meet its performance goals of leveraging 2,000 jobs and achieving a 65% placement rate for Brownfields Job Training Program participants. At mid-year, 1,070 jobs had been leveraged and 62% of Brownfields Job Training Program participants had been placed. Since 1995, Brownfields activities have resulted in the leveraging of 25,000 jobs. (See APG 41 for trend information due to prior year performance measures being presented in the Revitalized Brownfields Properties goal.)</p>			

APG 43	U.S.-Mexico Border Water/Wastewater Infrastructure	Planned	Actual
FY 2003	<p>Increase the number of residents in the Mexico border area who are protected from health risks, beach pollution, and damaged ecosystems from nonexistent and failing water and wastewater treatment infrastructure by providing improved water and wastewater service. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of additional people in Mexico border area protected from health risks because of adequate water and wastewater sanitation systems funded through Border Environmental Infrastructure Fund.</p>	900,000	872,000
FY 2002	<p>Same goal, different target. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of additional people in Mexico border area protected from health risks because of adequate water and wastewater sanitation systems funded through Border Environmental Infrastructure Fund.</p>	790,000	720,000
FY 2001	<p>Same goal, different targets. <b>Goal Met.</b></p>	600,000	576,405
FY 2000	<p>Five additional water/wastewater projects along the Mexican border will be certified for design-construction for a cumulative total of 30 projects. <b>Goal Met.</b></p>	5	10
<p><b>FY 2003 Result:</b> In FY 2003, an additional 152,000 people in the Mexico border area were protected from health risks because of adequate water and wastewater sanitation systems funded through the Border Environmental Infrastructure Fund. To date 872,000 people, or 96.9% of the target of 900,000 people, have realized this benefit. This effort requires considerable coordination among six Mexican and four U.S. states, municipalities with varying capacity, as well as two international organizations that certify the projects and issue subgrants for individual projects.</p>			

APG 44	Protecting and Enhancing Estuaries	Planned	Actual
FY 2003	<p>Restore and protect estuaries through the implementation of Comprehensive Conservation and Management Plans (CCMPs). <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Acres of habitat restored and protected nationwide as part of the National Estuary Program (annual).</p>	86,000	118,171
FY 2002	<p>Same goal, different targets. <b>Goal Met.</b></p>	50,000	137,710
FY 2001	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Acres of habitat preserved, restored and/or created nationwide as part of the National Estuary Program (cumulative).</p>	50,000	70,000
<p><b>FY 2003 Result:</b> EPA's National Estuary Program exceeded this year's goal of recovering and protecting 86,000 acres of habitat due to several factors including growth in community interest and involvement in protection and restoration as well as the enhanced capacity of EPA and its partners to collect and report on data depicting protection and restoration achievements.</p>			



APG 45	Great Lakes: Ecosystem Assessment	Planned	Actual
FY 2003	<p>Great Lakes ecosystem components will improve, including progress on fish contaminants, beach closures, air toxics, and trophic status. <a href="#">Data Lag.</a></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Long-term concentration trends of toxics (PCBs) in Great Lakes top predator fish.</li> <li>—Long-term concentration trends of toxic chemicals in the air.</li> <li>—Total phosphorus concentrations (long-term, Ug/l) in the Lake Erie Central Basin.</li> </ul>	<p>5%</p> <p>7%</p> <p>10</p>	<p>data available in FY 2004</p> <p>18.4</p>
FY 2002	<p>Same goal, different targets. <a href="#">Goal Not Met.</a></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Long-term concentration trends of toxics (PCBs) in Great Lakes top predator fish.</li> <li>—Long-term concentration trends of toxic chemicals in the air.</li> <li>—Total phosphorus concentrations (long-term, Ug/l) in the Lake Erie Central Basin.</li> </ul>	<p>declining</p> <p>declining</p> <p>improving</p>	<p>declining</p> <p>declining</p> <p>mixed</p>
FY 2001	<p>Great Lakes ecosystem components will improve, including progress on fish contaminants, beach closures, air toxics, and trophic status. <a href="#">Goal Met.</a></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Concentration trends of toxics (PCBs) in Great Lakes top predator fish.</li> <li>—Concentration trends of toxic chemicals in the air.</li> <li>—Trophic status and phosphorous concentrations in the Great Lakes.</li> </ul>	<p>declining</p> <p>declining</p> <p>improving</p>	<p>uncertain</p> <p>declining</p> <p>improving</p>
FY 2000	<p>Measurable improvements in Great Lakes ecosystem components. <a href="#">Goal Met.</a></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Indicator indices.</li> <li>—Model predictions for toxics reductions.</li> </ul>	<p>9</p> <p>5</p>	<p>10</p> <p>5</p>
<p><b>FY 2003 Result:</b> The data for the measures regarding toxics concentrations in fish and air will not be available until the second quarter of FY 2004. The Lake Erie phosphorus problem is linked to the increased "dead zone," the subject of an ongoing EPA-led study. EPA expects the final report will be ready by the end of calendar year 2004. Causes and management implications are still being determined; however, invasive species, especially zebra and quagga mussels, appear to be a factor. For further information on Great Lakes indicators see <a href="http://www.epa.gov/glnpo/glindicators/">www.epa.gov/glnpo/glindicators/</a>. EPA scientists are meeting in mid-November to begin to develop strategies for managing the Lake Erie phosphorous issues.</p>			

APG 46 Chesapeake Bay Habitat		Planned	Actual
FY 2003	<p>Improve habitat in the Chesapeake Bay. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Acres of submerged aquatic vegetation (SAV) present in the Chesapeake Bay (cumulative).</p>	86,000	89,659
<p><b>FY 2003 Results:</b> EPA exceeded its target due to management actions to reduce nutrient loads, coupled with reduced runoff due to dry weather. Current efforts to develop state standards for water clarity are expected to result in increased efforts to reduce nutrient and sediment pollution and achievement of the long-term goal of 185,000 acres of submerged aquatic vegetation (SAV). In 1984, 38,000 acres were measured as a baseline. The increase in the number of acres measured, 89,659 acres in FY 2003, is an indication that water quality is being improved.</p>			

APG 47 Gulf of Mexico		Planned	Actual
FY 2003	<p>Assist the Gulf States in implementing watershed restoration actions in 14 priority impaired coastal river and estuary segments. <b>Goal Met.</b></p>	14	95
<p><b>FY 2003 Result:</b> In FY 2003, EPA assisted Gulf States in implementing restoration actions to improve water quality in 97 coastal river and estuary segments listed as impaired under section 303(d) of the Clean Water Act. This result is due to the increasing effectiveness of interagency coordination and focus on correcting water quality impairments that impede economic sustainability of coastal communities. The reason for exceeding this year's target by such a large amount is due to the choices made the states receiving EPA grants to undertake Gulf of Mexico restoration work. The grantees selected for FY 2003 concentrated their efforts on 11 estuaries that resulted in improving 97 segments. It was not well understood when the target was established that the grantees would end up selecting this amount of work.</p>			

APG 48 Enhanced Institutional Capabilities		Planned	Actual
FY 2003	<p>Enhance environmental management and institutional capabilities in priority countries. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>— Assist in the development or implementation of improved environmental laws or regulations in priority countries.</p> <p>— Increase the transfer of environmental best practices among the United States and its partner countries and build the capacity of developing countries to collect, analyze, or disseminate environmental data.</p> <p>— Increase the capacity of programs in Africa or Latin America to address safe drinking water quality issues.</p>	1 country	1 country
		3 countries	3 countries
		1 country	1 country

APG 48	Enhanced Institutional Capabilities <i>(continued)</i>	Planned	Actual
FY 2002	Same goal, different targets. <b>Goal Met.</b>		
	<b>Performance Measures</b>		
	—Assist in the development or implementation of improved environmental laws or regulations in priority countries.	2 countries	2 countries
	—Increase the transfer of environmental best practices among the United States and its partner countries and build the capacity of developing countries to collect, analyze, or disseminate environmental data.	3 countries	3 countries
	—Increase the capacity of programs in Africa or Latin America to address safe drinking water quality issues.	3 countries	3 countries
FY 2001	Same goal, different targets. <b>Goal Met.</b>		
	<b>Performance Measures</b>		
	—Number of countries or localities (3) that have adopted new or strengthened environmental laws and policies.	3	3
	—Number of organizations (3) that have increased environmental planning, analysis, and enforcement capabilities.	3	3
	—Number of organizations (3) that have increased capabilities to generate and analyze environmental data and other information.	3	3
	—Number of organizations (3) that have increased public outreach and participation.	3	4
	—Number of targeted sectors (3) that have adopted cleaner production practices.	3	2
	—Number of cities (3) that have reduced mobile-source based ambient air pollution concentrations.	3	3
FY 2000	Deliver 30 international training modules; implement 6 technical assistance/technology dissemination projects; implement 5 cooperative policy development projects; and disseminate information products on U.S. environmental technologies and techniques to 2,500 foreign customers. <b>Goal Met.</b>	30	12
		6	6
		5	5
		2,500	3,100
<p><b>FY 2003 Result:</b> FY 2003 efforts included providing Chemicals Information and Exchange Network training to all 7 Central American countries which resulted in more than 100 chemicals managers being trained in accessing chemical information via the Internet, and in networking with regional and global counterparts. EPA also helped introduce energy-efficient building codes in approximately half of the 89 regions in Russia, which reduces CO<sub>2</sub>-equivalent emissions and conventional air pollutants and leads to cost savings to the Russian economy of approximately \$50 million per year. The Water for Africa program activities resulted in increased health awareness, increased community empowerment, and increased institutional capacity.</p>			

APG 49 Protecting and Enhancing Estuaries		Planned	Actual
FY 2003	<p>Provide the public with a reliable and statistically valid baseline for the condition of nation's estuaries against which to measure the success of ecosystem protection and risk management practices. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Report on the condition of nation's estuaries based on a statistically valid sampling design so that data is comparable across the nation.</p>	I report	I report
<p><b>FY 2003 Result:</b> EPA developed a reliable and statistically valid baseline for the condition of the nation's estuaries against which to measure the success of ecosystem protection and risk management practices. EPA completed a draft of the second National Coastal Condition Report, a comprehensive and consistent assessment of the ecological condition of the estuarine resources of the United States and Puerto Rico (excepting Alaska and Hawaii). The report uses five indicators to assess overall condition for five regions of the country and for the United States overall. Overall, the U.S. condition was rated as fair, a slight improvement from the baseline condition that existed in the early 1990s. This approach allows comparison to conditions described in an earlier report (covering 1990 to 1996), and this comparison permits a measure of the success of ecosystem protection and risk management practices. The report will be available for public comment in November 2003.</p>			

## Prior Year Annual Performance Goals Without Corresponding FY 2003 Goals

(Actual Performance Data Available in FY 2003 and Beyond)

FY 2000	Administer federal programs and oversee state implementation of programs for lead-based paint abatement certification and training in 50 states, to reduce exposure to lead-based paint and ensure significant decreases in children's blood levels by 2005.	Target year is FY 2005
FY 1999	Complete the building of a lead-based paint abatement certification and training in 50 states, to ensure significant decreases in children's blood levels by 2005 through year is reduced exposure to lead-based paint.	Target year is FY 2005
FY 1999	Develop an verify innovative methods and models for assessing the susceptibilities of population to environmental agents, aimed at enhancing risk assessment and management strategies and guidelines.	Target year is FY 2008

## FY 2002 Annual Performance Goals

(No Longer Reported for FY 2003)

- Provide information and analytical tools to the public for accessing the risk posed by toxic chemicals.
- Ensure that EPA's policies, programs and activities address disproportionately exposed and under-represented population issues so that no segment suffers disproportionately from adverse health and environmental effects.

## NOTES

1. US EPA, Office of Pollution Prevention and Toxics, Voluntary Children's Chemicals Evaluation Program (VCCEP) Commitment Tracking System.
2. Centers for Disease Control, National Center for Health Statistics, National Health and Nutrition Examination Survey: 1999-2002. Available at <http://www.cdc.gov/nchs/nhanes.htm>.
3. Organophosphates are a class of widely used, older pesticides of concern for their adverse effects on the functioning of the nervous system.
4. Examples of emerging scientific development include decontamination techniques for Homeland Security Operations, targeted risk profiles for sensitive populations (tribes, children), special ecological cases (endangered species), and chemicals of concern (endocrine disruptors).
5. US EPA, Office of Science Coordination and Policy, Endocrine Disruptor Screening and Testing Program. Available at <http://www.epa.gov/scipoly/oscp/endo/>.
6. Due to the grantee reporting cycle, the Brownfields Program can only report on the first two quarters of FY 2003. Data are from the Brownfields Management System (BMS). For more information, visit <http://www.epa.gov/brownfields/>.
7. The specific language for this strategic target reads as follows: "By 2008, working with National Estuary Program (NEP) partners, protect or restore an additional 250,000 acres of habitat within the study areas for the 28 estuaries that are part of the NEP."
8. Information on the submerged aquatic vegetation measure is available at <http://www.chesapeakebay.net/status.cfm?sid=88&subjectarea=>.
9. For more information about EPA's National Coastal Assessment, please visit <http://www.epa.gov/emap/nca/index.html>.
10. *Performance and Cost of Mercury and Multipollutant Emission Control Technology Applications on Electric Utility Boilers* (EPA-600/R-03/110).
11. Reduced-risk or "safer" pesticides are those that meet certain criteria and are registered through the Reduced-Risk Initiative and biopesticides PRN 97-3 of Sept. 4, 1997, entitled Guidelines for Expedited Review of Conventional Pesticides under the Reduced-Risk Initiative and for Biological Pesticides, available at [http://www.epa.gov/PR\\_Notices/](http://www.epa.gov/PR_Notices/).
12. US EPA, Office of Pollution Prevention and Toxics, High Production Volume Challenge Program, HPV Commitment Tracking System. Available at <http://www.epa.gov/chemrtk/viewsrch.htm>.
13. US EPA, Office of Pollution Prevention and Toxics and U.S. Health and Human Services Agency for Toxic Substances and Disease Registry. *Current Best Practice for Vermiculite Attic Insulation*. EPA 747-F-03-001. May 2003. Washington D.C.
14. Perfluorooctyl sulfonate had been widely used in soil and stain repellency and other applications. Two final rules issued in the U.S. Federal Register: (1) 67 FR 11008, FRL-6823-6, March 11, 2002, and (2) 67 FR 72854, FRL-7279-1, December 9, 2002.
15. Mexico's equivalent to the U.S. Environmental Protection Agency.
16. US EPA, Border 2012: U.S.-Mexico Environmental Program, EPA 160/D-02/001. Washington, DC: EPA September 2002. More information on the Border 2012 program available at <http://www.epa.gov/usmexicoborder/>.
17. The United States and Mexico established the BECC and the North American Development Bank in 1993 to help develop and finance environmental infrastructure projects within 100 km of either side of the U.S.-Mexico border. The BECC works with the border states and local communities to develop and certify projects, and the bank arranges financing for these projects.
18. Public Law 107-118, "Small Business Liability Relief and Brownfields Revitalization Act," 2002.
19. The Brownfields Program can only report data on the first two quarters of FY 2003, due to the grantee reporting cycle. Data are from the Brownfields Management System (BMS) More information available at <http://www.epa.gov/brownfields/>.
20. In 2002, 180,000 cubic yards of contaminated sediment containing more than 430 tons of toxic chemicals were remediated.
21. Environment Canada and US EPA, 2002 Great Lakes Binational Toxics Strategy Annual Progress Report, March 2003. Information available at <http://binational.net/bns/2002/index.html>.



22. Additional information available at <http://www.chesapeakebay.net/status.cfm?sid=83&subjectarea=>.
23. More information about EPA's National Coastal assessment available at <http://www.epa.gov/emap/nca/index.html>.
24. Five primary indicators are used to rate coastal conditions in this report: coastal wetland loss, eutrophic condition, sediment contamination, benthic index, and fish tissue contaminants. The five indicators were assigned a score of good, fair, or poor for each coastal area of the United States. The indicator scores were then averaged to create an indicator score for the overall condition of each coastal region. The national score was determined as a weighted average based on the areal extent of estuaries in each region. In 2000, the national score was 2.6 on a scale from 1 (poor) to 5 (good), while the score in the early 1990s was 2.4 percent.
25. See [http://www.epa.gov/enviro/html/toxic\\_releases.html](http://www.epa.gov/enviro/html/toxic_releases.html).
26. See <http://www.epa.gov/triexplorer/>.



Goal 5:

# Compliance and Environmental Stewardship

*Improve environmental performance through compliance with environmental requirements, preventing pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation and providing incentives for governments, businesses, and the public that promote environmental stewardship.*

## Progress Toward the Strategic Goal and Objectives

A vital part of EPA's mission is to improve the environment and protect human health by ensuring compliance with our nation's environmental laws, preventing pollution at its source, fostering innovative solutions to environmental problems, and advancing an ethic of environmental stewardship among businesses, governments, and the public. EPA is making substantial progress toward attaining its environmental objectives under this goal for FY 2008 through the use of integrated strategies of compliance assistance and incentives, monitoring and data analysis, innovative approaches, and civil and criminal enforcement.

EPA employs "a smart enforcement" framework to achieve the best possible environmental results. Smart enforcement is the use of the most appropriate enforcement or compliance tools to address the most significant problems to achieve the greatest impact for environmental protection.<sup>1</sup> Working in partnership with state and tribal governments, local communities, and other federal agencies, EPA identifies and addresses the most significant environmental and public health problems and strategically targets its resources to achieve the highest possible levels of performance in its pollutant reductions. Through enforcement settlements, the Agency cumulatively reduced nearly 1.6 billion pounds of pollutants in FY 2001-2003.<sup>2</sup>

### INTEGRATING COMPLIANCE AND STEWARDSHIP FOR IMPROVED RESULTS

- Nearly 1.6 billion pounds of pollutants reduced since 2001.
- 6,269 facilities voluntarily self-disclosed and corrected violations through audits since 2000.
- 6.9 billion pounds of TRI wastes prevented since 1995.
- 1.1 mmBTU of energy conserved, 908 tons of hazardous materials reduced, and 10,823 tons materials recycled, and reused by Performance Track members collectively since 2000.

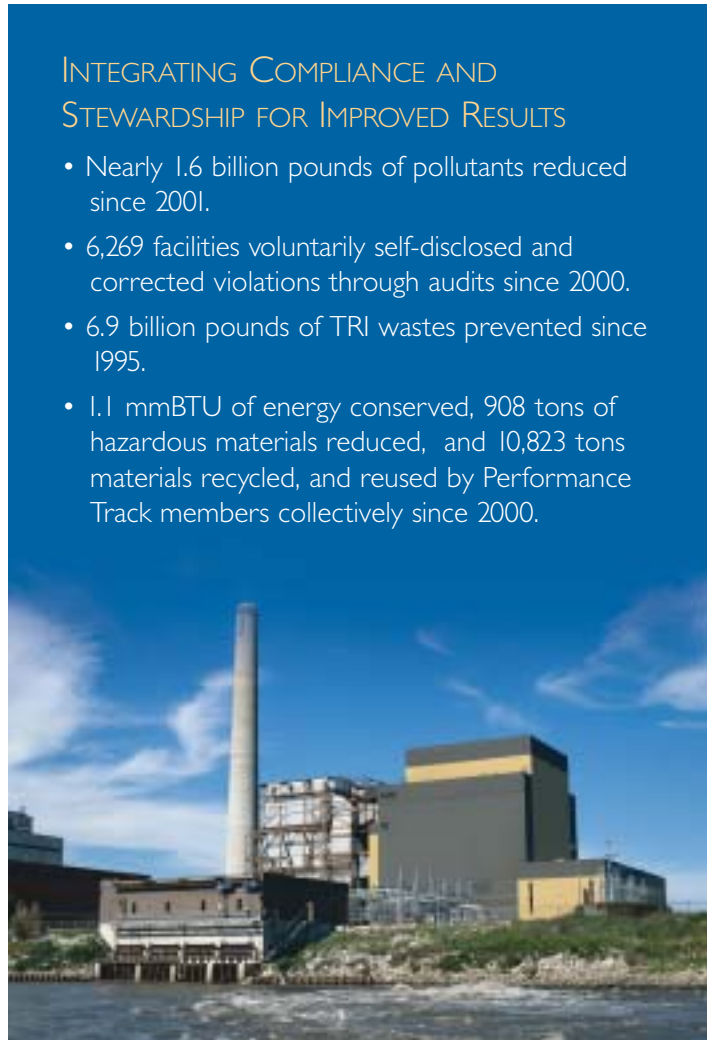
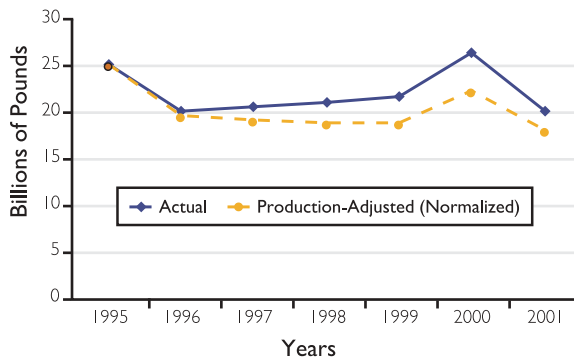


Figure 5-1. TRI Total Waste Trend, FY 1995-2001: 1995 Core Chemicals, Original Industries



Source: Toxics Release Inventory (TRI) Explorer maintained by the U.S. EPA Office of Environmental Information. Data accessed at <http://www.epa.gov/triexplorer> on August 14, 2003.

Substantial progress has also been made toward this goal's objective to improve environmental protection and enhance natural resource conservation by reducing pollution at the source. Since 1995, wastes reported by manufacturers to EPA's Toxic Release Inventory (TRI) have declined by 27.3 percent.<sup>3</sup> (See Figure 5-1.)

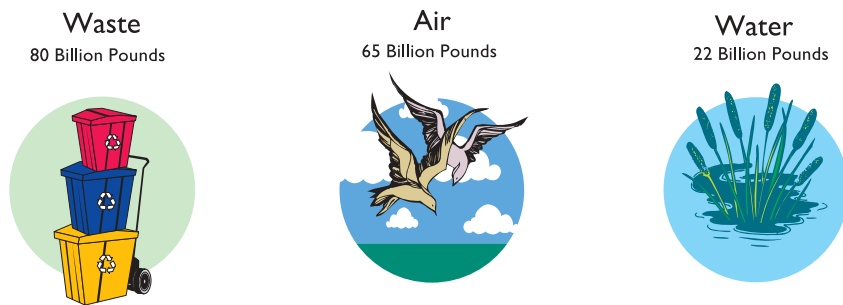
In FY 2003, the National Pollution Prevention Roundtable released a report that showed that states operating under EPA pollution prevention grants have prevented more than 167 billion pounds of pollution,

conserved more than 215 million kilowatt hours (kWh) of energy and 4.1 billion gallons of water, and saved industry more than \$666 million for the period from 1990 to 2000.<sup>4</sup> (See Figure 5-2.)

The Resource Conservation Challenge (RCC) is a national program designed to find a flexible, yet more protective way to conserve valuable natural resources through pollution prevention, waste reduction, and energy recovery. EPA is working with business and industry groups, governments at all levels, tribes, and non-governmental organizations to reduce waste generation, increase recycling, and recover energy through voluntary partnerships, outreach, and demonstrations. During 2003, RCC Program efforts began to focus on targeted waste commodities such as priority chemicals; paper; electronics; debris from the construction and demolition sector; and products used and waste produced by hospitals, schools, and industrial waste generators.

EPA has also significantly reduced priority chemicals in hazardous wastes by approximately 42 percent compared to 1991 releases.<sup>5</sup> Through EPA's Waste Minimization Partnership Program, voluntary partners have pledged to eliminate an additional 70,000

Figure 5-2. An Ounce of Pollution Prevention is Worth Over 167 Billion Pounds of Cure: A Decade of Pollution Prevention Results, 1990-2000



**Resources Conserved:**

- 215 million kWh of energy
- 4.1 billion gallons of water
- \$666 million in cost savings

Source: National Pollution Prevention Roundtable. *An Ounce of Pollution Prevention Is Worth Over 167 Billion Pounds of Cure: A Decade of Pollution Prevention Results 1990-2000*. National Pollution Prevention Roundtable: Washington, DC, 2003. Information available at <http://www.p2.org/p2results/PressRelease.cfm>.

pounds of priority chemicals during FY 2003, and an average of approximately 40,000 pounds of waste minimization priority chemicals in wastes annually through FY 2005.<sup>6</sup>

Working under the leadership of a newly created National Center for Environmental Innovation and benefitting from a cross-Agency innovation strategy, EPA continued to invest in innovative approaches to achieve better environmental results. In FY 2003, EPA's most comprehensive program for rewarding and recognizing environmental leadership—the National Environmental Performance Track Program—added 62 new members, bringing the total membership to 309 facilities. The latest program results showed that members collectively conserved 1.1 megamillion British Thermal Units (mmBTU) of energy, reduced use of hazardous materials by 908 tons, and increased use of recycled and reused materials by 10,823 tons during calendar year 2001.<sup>7</sup>

EPA also partnered with 10 states to develop new approaches and promote adoption of those approaches that have proven successful. For example, EPA continued working with Massachusetts to promote its highly successful Environmental Results Program (ERP) for improving environmental performance in small business sectors. ERP uses self-certification

procedures, compliance assistance, and performance measures to improve accountability and track results. Massachusetts estimates that its work with dry cleaners resulted in reduced emissions of perchloroethylene by more than 22 tons between 1997 and 1999, an amount that would equal the emissions from about 60 major hazardous air pollution sources.<sup>8</sup> Similarly, printers in Massachusetts reduced emissions of volatile organic compounds by 4 tons between 1998 and 2000.<sup>9</sup> Based on ERP's success, other states are now moving to create similar programs.

EPA is also making progress toward its objective to protect human health and the environment in Indian Country by exploring additional ways to build tribal capacity in environmental management. As part of that effort, EPA received authorization for 1 year to enter into cooperative agreements with tribes to help build tribal capacity in implementing environmental programs while also assisting EPA staff with environmental inspections, ordinances, and monitoring. In FY 2003, EPA staff worked with the tribes through tribal cooperative agreements to conduct joint inspections, develop and implement smoke ordinances to protect local air quality, and address pollution from underground storage tanks.

## FY 2003 Performance

### MAXIMIZING RESULTS THROUGH SMART ENFORCEMENT

EPA's enforcement and compliance assurance program focuses on reducing pollution and achieving other results that protect human health and the environment. In addition to the prevention or reduction of emissions or discharges by an estimated 600 million pounds of pollutants to be reduced, 63 percent of concluded enforcement settlements required an action that resulted in pollutant reductions and/or changes in facility management or information practices.<sup>10</sup>

In addition to pollutant reductions, the Agency exceeded its FY 2003 performance targets in conducting 18,880 inspections, and 344 civil and 471 criminal investigations.<sup>11</sup> EPA and 14 states concluded a major Clean Air Act settlement with grain industry giant Archer, Daniels, Midland (ADM), covering 52 of its plants in 16 states. This joint federal and state enforcement action requires ADM to implement, over 10 years, sweeping environmental improvements at its plants nation-wide and is anticipated to result in an estimated annual reduction of 63,000 tons of



air pollution. These air pollution reductions include a decrease in nitrogen oxides, carbon monoxide, particulate matter, sulfur dioxide, volatile organic compounds (VOCs), and hazardous air pollutants (HAPs).<sup>12</sup>

Compliance assistance provided through EPA's Compliance Assistance Centers and Compliance Assistance Clearinghouse is an integral part of smart enforcement strategies. In FY 2003, EPA provided a wide range of new compliance assistance information tools and services for regulated facilities, industry sectors, trade associations, environmental assistance providers, and the public to help increase understanding of environmental requirements, improve facility practices, and reduce facility emissions. The Clearinghouse launched Centers for three new sectors—the construction and auto salvage industries and U.S.-Mexico Border compliance. In FY 2003, survey respondents who use the Centers stated that 87 percent had improved their understanding of environmental requirements, 75 percent reported that they had taken an action as a result of the Centers; and 81 percent of those respondents indicated that they had realized an environmental benefit as a result of the actions taken. In addition, EPA-supported Compliance Assistance Centers reached more than 869,000 entities.<sup>13</sup>

The Agency promotes facility self-policing and improvement through incentives, such as EPA's Audit Policy, by encouraging identification and correction of violations, and by requiring facilities to implement environmental management systems as part of enforcement settlements. In FY 2003, more than 509 companies used the EPA Audit Policy to report and resolve violations at 848 facilities. For example, more than 350 facilities in 250 municipalities

across New England are participating in the Department of Public Works (DPW) Audit Initiative to improve their environmental performance. Facilities are reporting and correcting violations involving improper handling, disposal, and storage of hazardous waste and petroleum products; inadequate emergency procedures; unpermitted discharge of wastewater to ponds, streams, and wetlands; and improper use of floor drains to contain wastes. Because these violations are corrected sooner than they

otherwise would be, a significant environmental benefit is achieved. This voluntary program was developed in partnership with the New England Chapter of the American Public Works Association and was offered to DPWs in New England following a number of significant enforcement actions against municipal highway garages.<sup>14</sup>



### PREVENTING POLLUTION AND CONSERVING RESOURCES

EPA uses the Toxic Release Inventory (TRI) as one method to measure national progress in preventing pollution. The TRI tracks toxic chemical releases and the generation of hazardous wastes by major industrial facilities. The 2001 TRI data report released in 2003 shows large reductions in both wastes generated and releases to the environment. For example, in 2001, U.S. manufacturers reduced total waste reported to TRI by 18.5 percent, or 4.2 billion pounds (compared to 2000 levels), when normalized to account for changes in production. Additionally, manufacturers reduced their actual environmental releases of toxic chemicals by 14.4 percent, or 600 million pounds, from 2000 levels. This represents the largest aggregate annual reduction since the number of chemicals required to be reported to TRI was doubled in 1995,



and significant progress in the collaborative effort of industry and EPA.<sup>15</sup> More information on TRI can be found in Goal 4.

EPA's Design for the Environment (DfE), Hospitals for a Healthy Environment (H2E), and Green Chemistry Challenge Award programs promote the adoption of less polluting practices through pollution prevention outreach. DfE's Formulator Initiative partners with manufacturers of industrial and institutional detergents, cleaners, and other products. As a result of DfE partnership with 6 product manufacturers, more than 15 new eco-friendly formulations entered the marketplace in FY 2003. Since 1997, the Formulator Initiative has involved partnerships with 19 companies and has recognized more than 30 eco-friendly products.<sup>16</sup> Annual benefits (assuming 2.6 million loads using 2-ounce detergent doses for a 50-pound institutional washer) from the use of just 1 DfE-recognized laundry detergent include eliminating more than 300,000 pounds of toxic chemicals and conserving more than 100 million gallons of laundry water and the energy that would have been needed to heat the water.<sup>17</sup>

Nearly 1,900 hospitals and healthcare facilities across the country are participating in EPA's H2E, an innovative program

designed to voluntarily eliminate mercury use and reduce hospital waste by 50 percent.<sup>18</sup> In 2003, several major healthcare networks joined the ranks of H2E, including the Veterans Health Administration with 162 healthcare facilities; the Catholic Healthcare Association, with a membership of more than 700 facilities; and Columbia/HCA, with more than 200 facilities.<sup>19</sup> H2E does not compromise necessary medical uses of mercury.

The Green Chemistry Challenge Award Program uses Presidential recognition as an incentive for chemical designers to prevent pollution and conserve water and energy use.<sup>20</sup> During FY 2003, Green Chemistry Challenge Award-winning technologies prevented more than 126 million pounds of hazardous chemicals and solvents from being used or released and saved 55 million gallons of water. Since its inception (FY 1996) through FY 2003, the program has cumulatively eliminated more than 326 million pounds of hazardous chemicals and solvents.<sup>21</sup>

EPA promotes the adoption of effective technologies that protect the public and the environment from high-risk pollutants. In FY 2003, EPA verified the performance of environmental technologies to help industry, states, and consumers choose more effective technologies. Through the Environmental

## DESIGN FOR THE ENVIRONMENT

Bactain is the first and only marine sector holding tank treatment product to be awarded the "Design for the Environment" endorsement by the United States Environmental Protection Agency.

Owners and crew of vessels who treat their holding tanks with Bactain will be participants in an important national effort to protect our country's aquatic life, seashores, and coastlines and help safeguard human health and the environment.

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Complete Holding Tank Control  
works for the environment too!



Technology Verification (ETV) Program, in FY 2003 EPA tested the performance characteristics of 40 environmental technologies to provide credible information to technology purchasers, permittees, vendors, and developers, with an intent to speed the implementation and adoption of innovative technologies that will prevent or reduce pollution. Vendors can use the peer-reviewed data on technology performance to sell their products, while purchasers and permittees can use this information to guide their purchasing decisions. In addition, the program verified three diesel retrofit technologies for consideration as pollution



control technologies in EPA's voluntary diesel retrofit program, which encourages owners to install pollution-reducing devices on their vehicles and use cleaner-burning diesel fuel to reduce the release of harmful emissions.<sup>22</sup>

### INNOVATIVE APPROACHES

In FY 2003, EPA invested in innovative approaches aimed at improving the efficiency and effectiveness of environmental programs and enhancing environmental performance among businesses, communities, and other organizations that manage environmental responsibilities. EPA focused much of its attention on supporting innovation in individual states. Under the Joint Agreement on Regulatory Innovation, EPA worked with states on a number of innovative projects that address state environmental priorities. For example, EPA and Michigan collaborated on a novel approach for reducing storm water contamination to local water bodies. As a result, 48 Michigan municipalities began managing municipal storm water several years before Agency regulations would have applied. The innovative watershed permitting approach allowed for targeting storm water management practices among municipalities,

within watersheds, to achieve the greatest impacts on water quality. The early and coordinated implementation of the storm water management practices are expected to have substantially reduced nutrient and sediment pollution, and also to have alleviated problems caused by the increased volume and velocity of flow associated with wet weather.<sup>23</sup> In the Rouge River watershed alone, where 25 municipalities are participating in the pilot program, dissolved oxygen readings indicate non-attainment has dropped from 61 percent to 4 percent, and frog and toad survey results have demonstrated ecological improvements.<sup>24</sup>

Some projects have been pursued because of their potential for revealing ways to improve environmental protection on a national scale. EPA and Arizona have worked with Intel Corporation in Arizona on an innovative air permit that caps overall emissions and eliminates the need for multiple air permits. As part of the agreement, Intel committed to make specific environmental improvements. FY 2003 results show a 981 ton reduction in solid waste, and 375 ton and 911 ton increases in the amounts of nonhazardous and hazardous wastes recycled, respectively. Likewise, a project with Crompton Corporation in West Virginia that is testing a more cost-effective approach for controlling hazardous air pollutants continued to rack up environmental benefits in FY 2003. Air emissions and wastewater sludge were reduced by 211,000 pounds and 680,000 pounds, respectively, while 430,000 pounds of methanol were reused.<sup>25</sup>

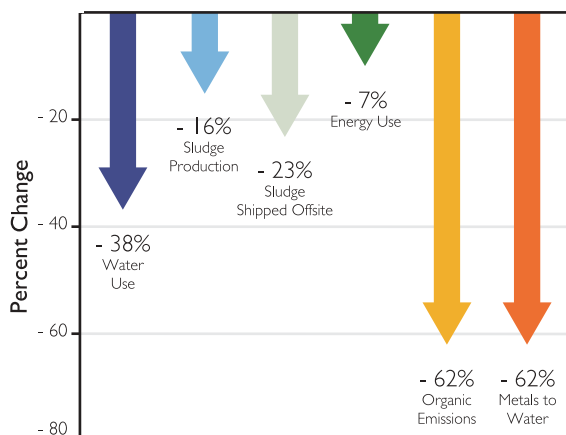
EPA also fostered environmental stewardship through innovative programs with business and industry. Performance Track<sup>26</sup> recognizes and rewards facilities that demonstrate strong environmental performance. Sixty-two new members joined the program in FY 2003, and achievements of all 309 participating facilities are noted at the beginning of this chapter. As membership has grown, EPA has continued developing additional incentives that will encourage more facilities to seek membership by demonstrating strong environmental performance.

EPA works with a variety of organizations to improve the environmental performance of small businesses. In FY 2003, EPA worked with Maine, Rhode Island, Delaware, Maryland, Tennessee, New Jersey, Florida, and the District of Columbia to set up ERP programs for priority small business sectors, and with Vermont, New Hampshire, Michigan, and New Jersey to initiate planning. EPA supported organizations that provide environmental assistance to more than 1 million small businesses a year, and maintained its toll-free hotline to provide small businesses, trade associations, and others convenient, confidential assistance.<sup>27</sup>

In FY 2003, EPA also expanded its Sector Strategies Program,<sup>28</sup> establishing sector points-of-contact to address performance improvement barriers and stewardship opportunities. The 12 sectors in the program represent approximately 22 percent of the U.S. manufacturing gross domestic product, 700,000 facilities, and more than \$8.55 billion spent annually on pollution control.<sup>29</sup> Figure 5-3 shows energy and water conservation, and reductions in waste generation, water effluent, and air emissions achieved by the metal finishing sector through this partnership approach.<sup>30</sup>

In FY 2003, EPA continued its support of improved compliance and stewardship by fostering consideration of alternative approaches, such as voluntary programs, innovative compliance tools, and flexible, market-based solutions. EPA also made progress toward creating an Ecological Benefits Strategic Plan that will provide a unified framework to better apply existing ecological and economic methods and data to valuing the ecological impacts of policies and regulations, and will establish a research agenda to fully account for ecological goods and services in

Figure 5-3. Metal Finishing Strategic Goals Program Progress 2003



Percentage reductions by participating SGP facilities from 1992 baseline; reductions normalized by \$ of sales using most current available data.

economic analysis. The information from these efforts will help decision makers identify priorities and efficiently use the scarce societal resources available to achieve desired environmental goals and objectives.

The Agency also continued research in FY 2003 on environmental health issues in an effort to improve risk assessment data used in economic analyses and aid in the evaluation and design of environmental programs. EPA released its report on indicators of children's environmental health, which documents national measures of contaminants, body burdens, and illnesses to children. This report serves as an important benchmark that EPA will use to guide its future actions and measure progress.<sup>31</sup>

In FY 2003, under the Indian General Assistance Program, EPA provided \$57.1 million in grants to tribal governments and intertribal consortia for developing the capacity to administer environmental protection programs and conduct assessments of the conditions of their lands.

## Assessment of Impacts of FY 2003 Performance on FY 2004 Annual Plan

There are no changes to FY 2004 APGs based on results of FY 2003 performance.

SUMMARY OF RESULTS—GOAL 5

Number of Goals Met: 7  
 Number of Goals Not Met: 1  
 Number with Data Lag: 2

# Annual Performance Goals (APG) and Measures

## GOAL 5: COMPLIANCE AND ENVIRONMENTAL STEWARDSHIP

APG 50	Regulated Communities	Planned	Actual
FY 2003	<p>Increase the regulated community’s compliance with environmental requirements through their expanded use of compliance assistance. The Agency will continue to support small business compliance assistance centers and develop compliance assistance tools such as sector notebooks and compliance guides. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Facilities, states, technical assistance providers or other entities reached through targeted compliance assistance.</p>	475,000	721,000
<p><b>FY 2003 Result:</b> EPA’s targeted compliance assistance program continues to increase the regulated community’s understanding of compliance with environmental requirements and improve facility environmental management practices by providing web-based compliance assistance. The increase in results reflects the EPA’s regional offices use of a more integrated, strategic, and performance based approach to incorporating compliance assistance into their strategies for addressing environmental problems. EPA has also provided compliance assistance measurement training to emphasize the measurement of activities and outcomes.</p>			

APG 51	Compliance Incentives	Planned	Actual
FY 2003	<p>Increase opportunities through new targeted sector initiatives for industries to voluntarily self-disclose and correct violations on a corporate-wide basis. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Facilities voluntarily self-disclose and correct violations with reduced or no penalty as a result of EPA self-disclosure policies.</p>	500	848
FY 2002	<p>Same Goal. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Facilities voluntarily self-disclose and correct violations with reduced or no penalty as a result of EPA self-disclosure policies.</p>	500	1,467
FY 2001	<p>Same Goal. <b>Goal Met.</b></p>	500	1,754
FY 2000	<p>Increase entities self-policing and self-correction of environmental problems through use of EPA incentive policies: small business, small community and audit policies over FY 1997 levels. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of facilities that self-disclose potential violations.</p>	346	2,200

## APG 51 Compliance Incentives (continued)

**FY 2003 Result:** EPA's incentive programs continue to encourage regulated entities to review their operations, and disclose and correct violations of environmental requirements with reduced or waived penalties. On-going tailored compliance incentive programs include the following sectors: Bakers, Colleges and Universities, Wood Treathers, Grain Processing, Prisons, and Stormwater/Commercial Development. This approach has worked very well, in FY 2003, 848 facilities self-disclosed and corrected violations, exceeding the target of 500 self audits.

APG 52	Inspections/Investigations	Planned	Actual
FY 2003	EPA will conduct inspections, criminal investigations, and civil investigations targeted to areas that pose risks to human health or the environment, display patterns of non-compliance, or include disproportionately exposed populations. <b>Goal Met.</b>  <i>Performance Measures</i> —Number of EPA inspections conducted. —Number of criminal investigations. —Number of civil investigations.	14,000 400 180	18,880 471 344
FY 2002	Same goal, different targets. <b>Goal Met.</b>  <i>Performance Measures</i> —Number of EPA inspections conducted. —Number of criminal investigations. —Number of civil investigations.	15,500 400 200	17,668 484* 541
FY 2001	Same goal, different targets. <b>Goal Met.</b>  <i>Performance Measures</i> —Number of Inspections. —Number of criminal investigations. —Number of civil investigations.	17,000 450 250	17,812 482 368
FY 2000	Same goal, different targets. <b>Goal Not Met.</b>  <i>Performance Measures</i> —Number of EPA inspections. —Number of civil investigations. —Number of criminal investigations. —Percent of inspections and investigations (civil and criminal) conducted at priority areas.	13,500 150 500 50%	20,123 660 477 15%

**FY 2003 Result:** The Agency significantly exceeded FY 2003 performance targets for environmental compliance inspections, criminal investigations, and civil investigations. This is due, in part, to improved analysis of environmental data, providing better targeting information for inspections and investigations. This increase also reflects work done to address unique regional priorities such as local watershed issues. EPA achieved its target of 180 civil investigations, performing 344 investigations. The number of investigations conducted in a given year depends on a wide variety of factors that are difficult to predict, including facility compliance with applicable environmental regulations, identification of a specific environmental problem, observed environmental problems, or repeated complaints regarding a specific facility or facilities. It represents a rough prediction based upon past experience in reporting and conducting investigations. As a result of increasing EPA compliance inspections and investigations, the Agency provides an effective deterrent against violations of environmental laws.

\* **NOTE:** Historically, the target for criminal investigations has applied only to investigations of environmental crimes. In FY 2002, the Agency incorrectly added 190 homeland security investigations to the number of environmental crimes investigations for a total of 674 criminal investigations. The total number of criminal investigations for FY 2002 should have been only 484, which represents the number of environmental crimes investigations initiated.



APG 53	Non-Compliance Reduction	Planned	Actual
FY 2003	<p>EPA will direct enforcement actions to maximize compliance and address environmental and human health problems. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—75% of concluded enforcement actions require physical action that result in pollutant reductions and/or changes in facility management or information practices.</li> <li>—Millions of pounds of pollutants required to be reduced through enforcement actions settled this fiscal year.</li> <li>—Develop and use valid compliance rates or other indicators of compliance for selected populations.</li> </ul>	75%	63%
		300 M	600 M
		5 populations	5 populations
FY 2002	<p>EPA will direct enforcement actions to maximize compliance and address environmental and human health problems; 75% of concluded enforcement actions will require environmental or human health improvements such as pollutant reductions and/or changes in practices at facilities. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—75% of concluded enforcement actions require physical action that result in pollutant reductions and/or changes in facility management or information practices.</li> <li>—Millions of pounds of pollutants required to be reduced through enforcement actions settled this fiscal year.</li> <li>—Develop and use valid compliance rates or other indicators of compliance for selected populations.</li> <li>—Reduce by 2 percentage points overall the level of significant noncompliance Recidivism among CAA, CWA, and RCRA programs from FY 2001 levels.</li> <li>—Increase by 2% over FY 2001 levels the proportion of significant noncomplier facilities under CAA, CWA, and RCRA which returned to compliance in less than 2 years.</li> <li>—Produce report on the number of civil and criminal enforcement actions initiated and concluded.</li> </ul>	75%	77%
		300 M	261 M
		5 populations	5 populations
		2%	1.6%
		2%	-3.8%
		1	1
FY 2001	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—75% of concluded enforcement actions require pollutant reductions and/or changes in facility management or information practices.</li> <li>—Estimated pounds of pollutants reduced.</li> <li>—Increase or maintain existing compliance rates or other indicators of compliance for populations with established baselines, or develop additional rates for newly selected populations.</li> <li>—Reduce by 2 percentage points overall the level of significant non-compliance recidivism among the CAA, CWA, and RCRA programs from FY 2000 levels.</li> </ul>	75%	79%*
		350 M	660 M
		5 populations	6 populations
		2%	2.4%

APG 53	Non-Compliance Reduction <i>(continued)</i>	Planned	Actual
FY 2001 <i>(continued)</i>	<ul style="list-style-type: none"> <li>—Increase by 2% over FY 2000 levels the proportion of significant non-complier facilities under CAA, CWA, and RCRA which returned to compliance in less than 2 years.</li> <li>—Produce a report on the number of civil and criminal enforcement actions initiated and concluded.</li> </ul>	2%	1.33%
FY 2000	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Percent of actions which require pollutant reductions.</li> <li>—Estimated pounds of pollutants reduced (aggregate).</li> <li>—Establish statistically valid noncompliance rates or other indicators for selected environmental problems.</li> <li>—Establish a baseline to measure percentage of significant violators with reoccurring significant violations within 2 years of returning to compliance.</li> <li>—Establish a baseline to measure average length of time for significant violators to return to compliance or enter enforceable plans/agreements.</li> <li>—Produce report on the number of civil and criminal enforcement actions initiated and concluded.</li> </ul>	35%	13.6
		300 M	714 M
		5	5
		1	1
		1	1
		1	1
<p><b>FY 2003 Result:</b> EPA went well beyond the FY 2003 target of 300 million pounds of pollutants reduced. This occasionally happens because it is impossible to exactly predict the numbers of enforcement cases which will be filed or the numbers of cases which will settle in a year. EPA establishes its annual targets by studying previous performance. In FY 2003, several cases with enormous anticipated pollutant reductions were settled: the Joe Ivie hog farm case is estimated to prevent 98 million pounds of oil and grease from being released into the water; the Archer Daniels Midland case will reduce an estimated 126 million pounds of air pollutants a year; and a settlement with ALCOA is anticipated to reduce the company's emissions of sulfur dioxide and nitrogen oxides to the air by more than 136 million pounds per year. The percentage of concluded enforcement actions requiring a pollutant reduction and/or change in facility management practices was lower than the target of 75%. This missed target occurred due to a reporting problem. While there was an increase in the percentage of concluded enforcement actions that were able to quantify pounds of pollutants reduced, there was also a reduction in the reporting of non-physical complying actions (non-physical actions include items such as record keeping, reporting, and auditing). Because of this reduction in reporting certain types of actions, the overall percentage went down. EPA plans to address this problem by ensuring more accurate reporting in FY 2004. However, the overall level of pounds of pollutants reduced was more than double the pounds of pollutants target, which indicates that the overall environmental benefit was achieved despite falling short of the target for enforcement actions requiring pollutant reductions or change in facility management practices. In FY 2003, EPA calculated statistically valid compliance rates for self-reported Clean Water Act data for five populations: (1) Biological Oxygen Demand (BOD), (2) Total Suspended Solids (TSS) for municipal wastewater treatment facilities, (3) zinc (4) lead for iron and steel facilities, and (5) ammonia-N for petroleum refineries.</p>			
<p><b>FY 2002 Performance Measure Result Available in FY 2003:</b> Recidivism rates measure the number of facilities that return to significant non-compliance with Clean Water, Clean Air, and Resource Conservation and Recovery Acts, with 2 years of having corrected their previous compliance problems. EPA did not meet its goal of reducing by 2% the number of facilities returning to significant non-compliance with 2 years. A +1.6 percentage point increase in the noncompliance recidivism rate indicates a 1.6% increase in the number of regulated facilities that went back into significant non-compliance with 2 years. This represents a missed target in that the target was a decrease of 2%. Facilities with violations under RCRA and CWA showed an increase in their recidivism rates, accounting for this overall increase. In FY 2002, EPA did not meet its goal to increase the proportion of facilities that return to compliance with environmental regulations within 2 years of having been in significant non-compliance. The average return to compliance within 2 years for significant noncompliers (SNCs) decreased by 3.8%, falling short of the 2% target increase; this indicates that a higher number of facilities required more than 2 years to resolve their compliance problems. This was largely due to a significant drop in the percentage of RCRA SNCs returning to compliance within 2 years. However, it should be noted that data quality improvement efforts for RCRA data in 2002 contributed heavily to this effect; EPA removed a number of facilities that were incorrectly categorized as SNCs from the database used to record recidivism rate results. This decreased the size of the universe of SNC facilities and increased the percentage. This data quality effort should bring about less variability and greater accuracy in future years.</p>			
<p>* <b>NOTE:</b> FY 2001 Result has been updated to reflect information received after the FY 2001 Annual Report was published.</p>			

APG 54 Quality Assurance		Planned	Actual
FY 2003	<p>Identify noncompliance and focus enforcement and compliance assurance on human health and environmental problems, by maintaining and improving quality and accuracy of data. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Operate 14 information systems housing national enforcement and compliance assurance data with a minimum of 95% operational efficiency.</li> <li>—Complete the detailed design and software development system lifecycle Phase II stage of Phase II of ICIS (modernization of the Permit Compliance System (PCS)) by September 2003.</li> </ul>	95%	95%
FY 2002	<p>Maintain and improve quality and accuracy of EPA's enforcement and compliance data to identify noncompliance and focus on human health and environmental problems. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Operate 14 information systems housing national enforcement and compliance assurance data with a minimum of 95% operational efficiency.</li> <li>—Have Phase I of the ICIS fully operational in March 2002.</li> </ul>	95%	95%
FY 2001	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Continue operation and maintenance/user support of 14 information systems housing national enforcement and compliance assurance data with a minimum of 95% operational efficiency.</li> <li>—Complete Phase I of ICIS development (programming) and begin design of Phase II.</li> <li>—Complete Quality Management Plan (QMP) project for additional data systems.</li> <li>—Complete detailed design (development of screens, prototypes) including a pilot NPDES permitting desk model for Permit Compliance System (PCS) system modernization.</li> <li>—Conduct four data analyses of environmental problems in Indian Country using the American Indian Lands Environmental Support Project (AILESP) and the baseline assessment survey.</li> </ul>	95%	95%
<p><b>FY 2003 Result:</b> In FY 2003, the Agency continued its efforts in the phased implementation of the Integrated Compliance Information System (ICIS) by completing a detailed design document for ICIS Phase II: the Agency's modernization of the Permit Compliance System, which serves the permitting, enforcement, and compliance program needs of the Clean Water Act, National Pollutant Discharge Elimination System (CWA NPDES) program. The Agency also maintained 95% operational efficiency for the enforcement and compliance data systems. Such efficiency allows EPA users and the public to obtain data more efficiently and with less time lags and enables the Agency to perform integrated data analysis across a number of environmental statutes.</p>			

APG 55 Capacity Building		Planned	Actual
FY 2003	<p>Improve capacity of states, localities and tribes to conduct enforcement and compliance assurance programs. EPA will provide training as well as assistance with state and tribal inspections to build capacity. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Conduct EPA-assisted inspections to help build state program capacity.</p>	250	1,027
FY 2002	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of EPA training classes/seminars delivered to states, localities and tribes to build capacity.</p> <p>—Conduct EPA-assisted inspections to help build state program capacity.</p> <p>—Provide tribal governments with 50 computer-based training (CBT) modules.</p> <p>—Total number of state and local students trained.</p> <p>—Train tribal personnel.</p>	200 400 50 4,900 95	319 1,081 116 6,631 808
FY 2001	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of EPA training classes/seminars delivered to states, localities and tribes to build capacity.</p> <p>—Conduct EPA-assisted inspections to build capacity.</p> <p>—The National Enforcement Training Institute will provide tribal governments with 50 CBT modules.</p> <p>—Total number of state and local students trained.</p> <p>—The National Enforcement Training Institute will train tribal personnel.</p>	220 150 50 4,900 105	128 895 235 4,727 428
FY 2000	<p>Same goal, different targets. <b>Goal Met.</b></p> <p><i>Performance Measures</i></p> <p>—Number of EPA-assisted inspections to build capacity.</p> <p>—Number of EPA training classes/seminars delivered to states/localities and tribes to build capacity.</p>	100 200	713 154
<p><b>FY 2003 Result:</b> EPA builds capacity with the state and tribal partners by conducting EPA-assisted inspections and by providing training to partner inspectors. Through EPA-assisted inspections, the states gain a better understanding of environmental requirements and inspection techniques, which improves the consistency of enforcement and compliance work. The number of EPA's assisted inspections for FY 2003 was consistent with FY 2002's result. Capacity building activities assist EPA in meeting annual performance targets each year due to the delegation of many of the statutory requirements to state and tribal entities.</p>			

APG 56	Reducing Persistent Bioaccumulative Toxics (PBTs) in Hazardous Waste Streams	Planned	Actual
FY 2003	Reduce waste minimization priority list chemicals in hazardous waste streams by 43% to 86 million pounds by expanding the use of state and industry partnerships and regional pilots. <a href="#">Data Lag.</a>		
	<b>Performance Measures</b> —Percentage reduction in generation of priority list chemicals from 1991 levels.	3%	data available in 2004
FY 2003 Result: Data will be available by December 2004.			

APG 57	Toxics Release Inventory (TRI) Pollutants Released	Planned	Actual
FY 2003	The quantity of TRI pollutants released, disposed of, treated or combusted for energy recovery in 2002 (normalized for changes in industrial production) will be reduced by 200 million pounds, or 2%, from 2002. <a href="#">Data Lag.</a>	-200 M	data available in FY 2005
FY 2002	The quantity of TRI pollutants released, disposed of, treated or combusted for energy recovery in 2002 (normalized for changes in industrial production) will be reduced by 200 million pounds, or 2%, from 2001. <a href="#">Data Lag.</a>	-200 M	data available in 2004
FY 2001	The quantity of TRI pollutants released, disposed of, treated or combusted for energy recovery in 2001 (normalized for changes in industrial production) will be reduced by 200 million pounds, or 6.3%, from 2000. <a href="#">Goal Met.</a>	-200 M	-464 M
FY 2000	The quantity of TRI pollutants released, disposed of, treated or combusted for energy recovery, (normalized for changes in industrial production) will be reduced by 200 million pounds, or 2%, from 1999 reporting levels. <a href="#">Goal Met.</a>	-200 M	-405 M
<p><b>FY 2003 Result:</b> Data will be available in September 2005 due to a 2-year lag in the reporting cycle for TRI data. (Facilities report to EPA 6 months after the end of the reporting year; EPA processing and quality assurance require an additional 9-12 months prior to public release).</p> <p><b>FY 2001 Result Available in FY 2003:</b> For FY 2001, EPA exceeded its target of a reduction of 200 million pounds of TRI non-recycled wastes: production-adjusted (normalized) waste amounts were reduced by over 464 million pounds from 2000 levels (6.3% reduction) in part due to correction of reporting anomalies experienced in FY 2000, and in part due to greater than expected source reduction success by industry.</p>			



APG 58	Tribal Environmental Baseline/Environmental Priority	Planned	Actual
FY 2003	In 2003, the American Indian Environmental Office (AIEO) will evaluate non-Federal sources of environmental data pertaining to conditions in Indian Country to enrich the Tribal Baseline Assessment Project. <b>Goal Met.</b>	20	20
FY 2002	Baseline environmental information will be collected for 38% of tribes (covering 50% of Indian Country). <b>Goal Met.</b>  <b>Performance Measures</b> —Environmental assessments for tribes (cumulative).	217 tribes	331 tribes
FY 2001	Same goal, different targets. <b>Goal Met.</b>	193	207
FY 2000	16% of tribal environmental baseline information will be collected and 12 additional tribes (cumulative total of 57) will have tribal/EPA environmental agreements or identified environmental priorities. <b>Goal Not Met.</b>	16% 12	16% 4
<p><b>FY 2003 Result:</b> Under federal environmental statutes, EPA is responsible for ensuring human health and environmental protection in Indian Country. By the end of FY 2003, EPA met its goal for assessing 20 non-Federal sources of environmental data to integrate existing data, develop partnerships, improve communication, and establish tribal environmental priorities in a coordinated, multi-media, and interagency way.</p>			

APG 59	New Technologies	Planned	Actual
FY 2003	Develop 10 testing protocols and complete 40 technology verifications for a cumulative Environmental Technology Verification (ETV) program total of 230 to aid industry, states, and consumers in choosing effective technologies to protect the public and environment from high risk pollutants. <b>Goal Met.</b>	10 40	10 40
FY 2002	Formalize generic testing protocols for technology performance verification, and provide additional performance verifications of pollution prevention, control and monitoring technologies in all environmental media. <b>Goal Met.</b>  <b>Performance Measures</b> —Complete 20 stakeholder approved and peer-reviewed test protocols in all environmental technology categories under Environmental Technology Verification (ETV), and provide them to testing organizations world-wide.	20	20
FY 2001	Develop, evaluate, and deliver technologies and approaches that eliminate, minimize, or control high risk pollutants from multiple sectors. Emphasis will be placed on preventive approaches for industries and communities having difficulty meeting control/emission/effluent standards. <b>Goal Not Met.</b>  <b>Performance Measures</b> —Deliver a Report to Congress on the status and effectiveness of the ETV Program during its first 5 years.	1	0

APG 59	New Technologies <i>(continued)</i>	Planned	Actual
FY 2000	<p>Complete development of one or more computer-based tools which simulate product, process, or system design changes, and complete proof-of-process structure for one or more generic technologies (applicable to more than one environmental problem) to prevent or reduce pollution in chemicals and industrial processes. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Complete development of PARIS II Software tool to design environmentally benign solvents, and development and integration of Waste Reduction (WAR) Algorithm into commercially available chemical process simulator.</li> <li>—Complete Beta testing of a decision support tool for life-cycle analyses of municipal waste management options.</li> </ul>	9/30/00	9/30/00
<p><b>FY 2003 Result:</b> EPA met the new technologies goal to develop 10 testing protocols and complete 40 technology verifications to protect the public and the environment from high risk pollutants. EPA completed 10 stakeholder-approved and peer-reviewed testing protocols for commercial-ready environmental technologies in the following areas: air pollution control, drinking water, air monitoring, source water protection and wet weather flows, and pollution prevention technologies. In addition, EPA also completed 40 verifications of commercial-ready air pollution control, drinking water treatment, air, water, and soil/surface monitoring, water quality protection, greenhouse gas reduction, and pollution prevention environmental technologies. These protocols and verifications cumulatively provide environmental technology purchasers, permittees, and vendors information on 230 environmental technologies that enhance understanding of a wide variety of environmental technologies and improve decision making regarding future environmental technology purchases.</p>			

## FY 2002 Annual Performance Goals

(No Longer Reported for FY 2003)

- Ensure compliance with legal requirements for proper handling of hazardous waste imports and exports.
- Promote the use of Environmental Management Systems (EMS) to address known compliance and performance problems.
- Improve public access to compliance and enforcement documents and data through multimedia data integration projects and other studies, analyses and communication/outreach activities.
- Improve P2 tools for the industrial sector and other sectors by providing updated/new methods and approaches to help users simulate product, process or system redesign and evaluate resulting pollution levels, impacts and costs.
- EPA will provide direct investigative, forensic, and technical support to the Office of Homeland Defense, FBI, and/or other federal, state, and local law enforcement agencies to help protect and prevent, or respond to, terrorist-related environmental, biological, or chemical incidents.

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## Chapter 6:

# Support for Environmental Results

EPA's priority for strengthening its management practices is integral to accomplishing the Agency's environmental and human health goals. EPA is acknowledged as a leader among federal agencies in linking resources to performance and using this information in day-to-day decision making. Similarly, Agency efforts to improve the quality and availability of environmental and human health data have strengthened program management and priority setting at federal, state, and local levels, and have enhanced information sharing and understanding of the state of the environment by the public. Agency-wide human capital initiatives, such as inclusion of a human capital cross-cutting strategy in the Agency's 2003 *Strategic Plan*, provided the beginning framework for aligning workforce planning, recruitment, and staff development efforts to meet new challenges and achieve the environmental and health results that the public expects. In FY 2003, EPA made considerable progress in managing for results and in achieving the President's Management Agenda<sup>1</sup> (PMA) reforms.

### HIGHLIGHTING EXCELLENCE IN GOVERNMENT

In FY 2003, EPA was recognized for its leadership in the development of federal e-Rulemaking, the Central Data Exchange, and for achievements in Enterprise Architecture by:

- *Federal Executive Leadership Council 2003 Showcase of Excellence Awards.*
- *Grace Hopper Government Technology Leadership Award* from GSA's Federal Technology Service and Government Executive Magazine.
- *e-Gov Government Solutions Center 2003 Pioneer Award and Trailblazer Award.*
- *Excellence in Enterprise Architecture* from Federal Computer Week, e-Gov, FEAC Institute and the Enterprise Architecture Program Advisory Board.

In July 2003, EPA received a "Green" status score for Financial Performance under the PMA by OMB. In fact, EPA was one of only three agencies to receive this award.

In March 2003, EPA received GSA's *National Design Award for Sustainability* for its operations at Research Triangle Park. The EPA facility serves as a model for environmental design by incorporating sustainability in its design, construction, and operation.

EPA's OIG received the President's Council on Integrity and Efficiency *Award for Excellence in Government*. This award recognizes specific achievements and innovations to promote improvements in the efficiency and effectiveness of federal government performance.

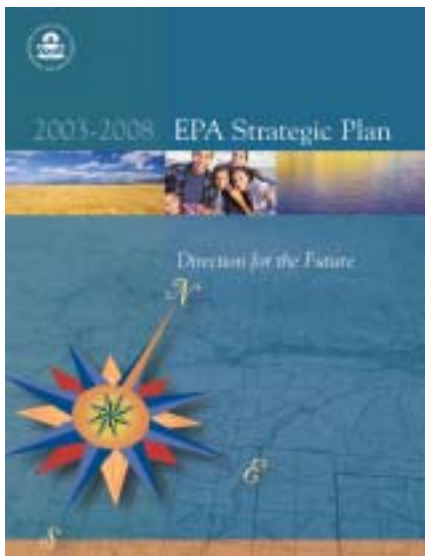




# Strengthening Results-Based Management

## IMPROVING MEASUREMENT OF PERFORMANCE AND PROGRESS

EPA continues to make progress in managing for results by integrating performance and financial information and improving performance measurement to support more effective program management and Agency decision making. In FY 2003, EPA issued a new, streamlined 2003-2008 *Strategic Plan*<sup>2</sup> that sharpened the Agency's focus on achieving



measurable environmental results. The Agency's five new outcome-oriented strategic goals and supporting objectives and sub-objectives emphasize environmental results and reflect the work of states, tribes, and other environmental partners. EPA also worked to develop Regional Plans that will include regional strategies—informed

by state priorities—to accomplish the Agency's national strategic goals. And EPA continued to work closely with the Environmental Council of the States to strengthen the alignment of Agency and state planning, budgeting, and accountability processes to support each other's priorities, obtain better results, and reduce the transaction costs of planning and reporting.

EPA also developed fewer, more outcome-oriented annual performance goals that better measure progress toward environmental and human health results. Agency efforts in FY 2003 increased the percentage of the Agency's annual goals and measures that focus on environmental outcomes.<sup>3</sup> In addition, EPA increased reliance on performance and results data as key decision factors in

formulating the Agency's FY 2005 budget request. To complement the Agency's outcome-based performance measures, EPA also began developing efficiency measures to better assess how program results relate to the resources invested or time spent to achieve those results.

EPA's Environmental Indicators Initiative seeks to develop better indicators and baselines for measuring and tracking the state of the environment and to identify and fill data gaps for more effectively managing the Agency's environmental programs. In FY 2003, EPA published the *Draft Report on the Environment 2003*,<sup>4</sup> presenting EPA's first-ever national picture of the U.S. environment. The report describes what EPA does and does not know about the current state of the environment at the national level, highlights the progress the United States has made in protecting its resources, and describes the measures that can be used to track the status of human health and the environment.

## LINKING RESOURCES WITH RESULTS

EPA's sustained focus on improving how it manages for results and uses financial and performance information in its daily program management and decision making has resulted in government-wide recognition under the PMA. In FY 2003, the Office of Management and Budget (OMB) recognized EPA as one of three government agencies to earn a "green" status score for Financial Performance, signaling sound financial management practices, evidenced by unqualified (or clean) audit opinions of EPA's financial statements and demonstrated use by program managers of financial and performance information in day-to-day decision making.<sup>5</sup> OMB also has acknowledged EPA's significant accomplishments in Budget and Performance Integration by providing the Agency with progress scores of "green" for each quarter of FY 2003, while noting that EPA must develop efficiency

measures and demonstrate outcome results for its programs evaluated by the PART and improve PART ratings.<sup>6</sup>

In FY 2003, EPA aligned its performance-based budget with its five new strategic goals to ensure sound fiscal and program management by creating a direct link between the achievement of environmental results and the resources used to achieve them. EPA also enhanced its planning, budgeting, and accounting capabilities by developing a new financial architecture that allows the Agency to track resources across its five new goals at a finer level of detail (e.g., resources used to accomplish a specific aspect of a program). In addition, the Agency completed Phase One of its development of ORBIT, which is its financial, administrative, and operations reporting tool. By providing real-time access to information in four key areas (finance, budget, payroll, and grants) ORBIT will enhance the capability of EPA's programs to monitor Agency operating activities, conduct trend analysis, and develop and improve program management strategies. By modernizing its financial architecture, EPA intends to increase its capacity for linking resources to results (refer to *Sustained Progress in Addressing Management Issues* available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion).

To optimize the use of its resources, EPA also continues to improve its oversight for the award and administration of assistance agreements. In FY 2003, EPA developed its first long-term Grants Management Plan,<sup>7</sup> which will streamline the management of grants, improve competition in the award of grants, strengthen grant oversight, and link grant work plans to environmental outcomes. The plan also includes specific performance targets to measure progress (see sidebar at right).<sup>\*</sup> EPA also

### PERFORMANCE TARGETS AND CURRENT RESULTS UNDER EPA'S GRANTS MANAGEMENT PLAN

Performance Measures	Planned Targets	Actual Results
Percentage of grants managed by certified project officer.	100%	99.7%
Percentage of new grants to non-profit recipients subject to the competition order that are competed.	30%	75.4%
Percentage of active recipients who receive advanced monitoring.*	10%	8.7%
Percentage of eligible grants closed out.	99% in 2001	95.7% in 2001
	90% in 2002	80.6% in 2002

\* These performance measures are tracked on a calendar year basis.

Note: Closeout numbers are not available until 180 days after the end of the fiscal year.

<sup>\*</sup> In response to the General Accounting Office's report, entitled *Grants Management: EPA Needs to Strengthen Efforts to Address Persistent Challenges*, the Agency agreed to report on its accomplishments in meeting the goals and objectives of the Grants Management Plan, beginning with EPA's FY 2003 Annual Report.

expanded its training programs to focus on the core competencies of its project officers and grants specialists. Of particular note, EPA increased the percentage of grants awarded to non-profit recipients subject to the Agency's grants competition policy by

threefold in FY 2003—to 75.4 percent, as compared to 24 percent during FY 2002<sup>8</sup> (refer to *Sustained Progress in Addressing Management Issues* available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion).

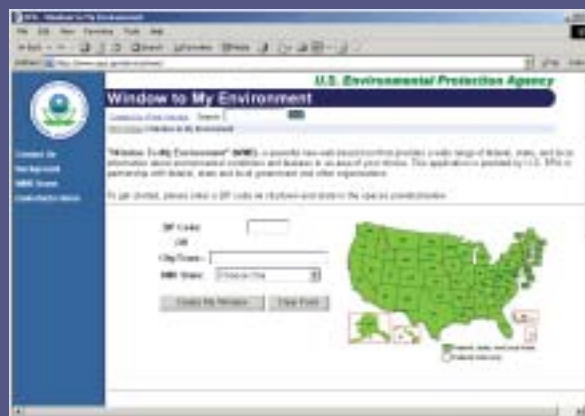
## Improving Access to and the Security of Environmental Information

EPA's work in electronic government and information security also supports the achievement of environmental results by improving federal, state, and public access to quality environmental information. Working with its partners in FY 2003, EPA provided enhanced analytical tools, expanded efforts to integrate environmental information, implemented new requirements for information

investment accountability, and strengthened information security to address new challenges to effective management of information resources (refer to *Sustained Progress in Addressing Management Issues* available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion). These efforts supported the PMA's electronic government (e-Gov) initiative to improve

### WHERE YOU LIVE: EPA EXPANDS ACCESS TO LOCAL ENVIRONMENTAL INFORMATION

In FY 2003, EPA, in partnership with federal, state, and local government, and other organizations, expanded availability of *Window To My Environment* (WME) to communities nation-wide. WME, available from EPA's Internet homepage (<http://www.epa.gov/enviro/wme/>), provides information by town or zip code on conditions affecting air, land, and water as well as local environmental protection efforts.



Below are other databases of local environmental information that are available through EPA's *Where You Live* Internet page: <http://www.epa.gov/epahome/whereyoulive.htm>.

- **Surf Your Watershed:** Environmental conditions and activities in U.S. watersheds.
- **UV Index:** Daily forecast of the expected intensity of ultraviolet radiation from the sun.
- **AIRNOW:** Provides ozone maps to learn more about air quality and air pollution.
- **EnviroJustice Mapper:** EPA permitted facilities and their surrounding communities.
- **Toxic Release Inventory:** Toxic chemicals that are being used, manufactured, treated, transported, or released into the environment.

services to citizens through better external and internal use of information technology.

EPA actively participates in 14 of the 25 projects from 3 of the 4 categories included in the PMA e-Gov initiative.<sup>9</sup> In FY 2003, EPA's work as the lead federal agency for e-Rulemaking culminated in the launching of Regulations.gov,<sup>10</sup> which provides the public on-line access to regulatory documents and the opportunity to comment on federal rule-makings. In FY 2003, EPA also expanded state access to the Environmental Information Exchange Network,<sup>11</sup> a unified network that integrates access to high-quality and integrated air, water, and waste information systems. Currently, 49 states are reporting data electronically through EPA's network portal, reducing their reporting burden while increasing the timeliness and accuracy of their reported data.

The Agency's ability to achieve these innovative successes in e-Gov was supported by its overall progress toward ensuring careful investment in information technology and continuous monitoring of information

security. In FY 2003, EPA successfully implemented an information technology capital planning process that ensures the wise investment of information technology dollars and effective and efficient, "behind-the-scenes" Agency operations. EPA had 100 percent of its Capital Planning Investment Control business cases approved by OMB as part of the FY 2004 budget development. In addition, EPA successfully implemented a comprehensive strategy for addressing evolving challenges in information security and providing timely, effective information access in response to environmental and homeland security emergencies. The Agency's system-wide actions to correct security weaknesses and prevent incidents included meeting all OMB security criteria; in-depth testing and analyses of security plans; and regular risk assessment, testing, and monitoring. EPA has established security as a primary criterion in ongoing efforts to ensure that the Agency has the technology necessary to provide efficient service and effective information-sharing capabilities.

## Revamping Human Capital Strategy to Meet New Challenges

EPA's success depends on its ability to develop and sustain a diverse, highly skilled, results-oriented workforce that seeks creative solutions to environmental problems and is committed to excellence. By aligning its human capital planning activities with its strategic planning and budgeting processes, the Agency has made significant progress toward developing a workforce with the right mix of technical expertise, experience, and leadership capabilities to achieve its goals (see Figure 6-1). In FY 2003, EPA began drafting a revised *Investing in Our People II, EPA's Strategy for Human Capital: 2003-2008*,<sup>12</sup> to strengthen human capital strategies already in place. EPA's draft human capital strategy updates the 2000 version, and is

Figure 6-1. EPA's Workforce—Major Occupations (as of 9/20/03)

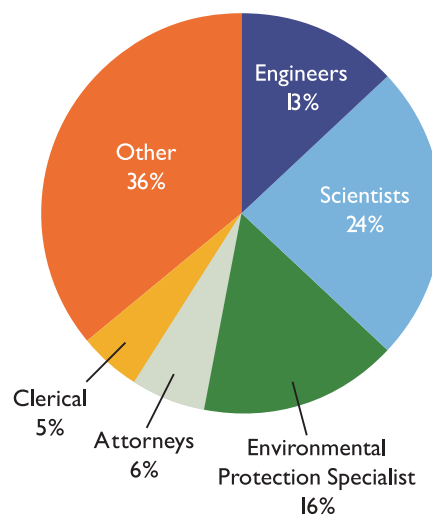
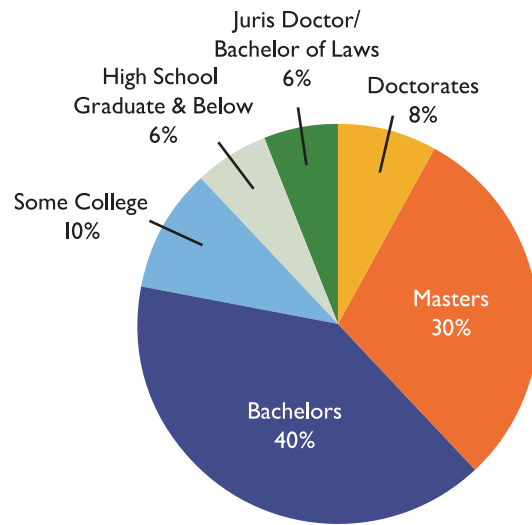




Figure 6-2. EPA Has a Highly Educated Workforce (current as of 9/20/03)



aligned with the Agency's 2003 *Strategic Plan*, which includes a human capital cross-goal strategy (refer to *Sustained Progress in Addressing Management Issues* available at <http://www.epa.gov/ocfo/finstatement/2003ar/2003ar.htm> for further discussion).

In FY 2003, the Agency pilot-tested its National Strategic Workforce Planning System (NSWPS), which will enable managers to inventory the skills and competencies of EPA's workforce, project the skills and competencies required for the future, and identify and close any gaps between the two (See Figure 6-2). Agency-wide deployment of the NSWPS will begin in January 2004, and final implementation is targeted for the fall of 2004.

The NSWPS supports the implementation of EPA's Workforce Development Strategy (WDS), a comprehensive approach for addressing the workforce development needs of all Agency employees, from administrative personnel to executive leadership. In FY 2003, EPA continued deploying its Senior Executive Service (SES) Candidate Development Program, a rigorous, 18-month program consisting of rotations, leadership training, and close mentorship. Of the 51 candidates selected to participate in this program, EPA has placed 4 candidates into SES positions, and 7 more have completed their training and

await certification by the Office of Personnel Management (OPM). The Agency also hired 39 interns, as part of the sixth EPA Intern Program class. Since its inception in 1998, the Intern Program has facilitated the hiring of 191 highly qualified and diverse interns to add to EPA's ranks of potential future leaders.

EPA has initiated a series of program evaluations to assess the effectiveness of its WDS programs, and will enhance its programs as recommended by these evaluations. The FY 2003 evaluation of EPA's Intern Program found that the program is effective in recruiting and growing a diverse group of high-potential employees. The evaluation provided findings and recommendations on all phases of the program, including recruitment and hiring; activities during the 2-year development program (training, rotations, development); and retention after the program is complete. In addition, EPA also initiated an evaluation of the SES Candidate Development Program in FY 2003. These evaluations will serve as a "test bed" for an evaluation methodology that will be applied to other EPA human capital initiatives.





## Using Competition to Ensure Efficient Use of Agency Resources

Appropriately aligning resources, people and dollars, to achieve its environmental and health goals is essential to EPA's success. Competitive sourcing is a tool to assess resource placement within the Agency and to test the cost effectiveness of continued government performance of activities identified as "commercial" against performance by the private sector. Through competition the Agency can be assured that its resources are being used to achieve maximum performance in the most cost-effective manner.

During FY 2003, EPA took significant steps to ensure strategic use of competitive sourcing to strengthen the Agency's ability to achieve desired environmental results in the most effective manner. By aligning competitive sourcing with strategic planning and budgeting, as well as human capital planning, the EPA has positioned itself for success. In acknowledgment of the critical link between the Agency's human capital strategy and competitive sourcing decisions, the same Agency

official is designated the Human Capital Officer and Competitive Sourcing Official. To determine where public-private competitions offer the greatest potential for benefit, the EPA established a cross-Agency senior management-level group as its decision making body. EPA also established a Competitive Sourcing Office to implement the program. Through competitive sourcing EPA expects to advance its *Strategic Plan* by improving the quality of services provided by the Agency and making resources available for investment in priority areas.

Over the last year, EPA completed three competitions, which demonstrated the cost effectiveness of continued government performance of certain risk assessment activities in the Office of Pollution Prevention and Toxic Substances. Over the next 5 years, actual performance of the Agency will be measured against desired performance standards to ensure continued effectiveness of the services provided.

## Assessing Management and Program Operations

EPA's Office of the Inspector General (OIG) supported the Agency by assessing the effectiveness of program management and results, developing recommendations for improvement, and ensuring Agency resources are used as intended. OIG's audits, evaluations and investigations are intended to examine systemic issues and recommend ways for strengthening the Agency's environmental protection efforts. The following examples are illustrative of the OIG's achievements in helping EPA operate more efficiently and effectively:<sup>13</sup>

- An OIG report on how EPA communicated with the public on the

risks posed by air quality following the collapse of the World Trade Center recommended ways that the Agency can improve its emergency response capabilities, risk assessment and characterization, and risk communication.

- Working jointly with the Nuclear Regulatory Commission, OIG found that a major government contractor billed government contracts in excess of actual costs incurred. This resulted in a settlement agreement of \$391 million for EPA and the 17 other federal agencies overcharged.

- As a result of an OIG audit of EPA oversight of federally delegated programs in the state of Louisiana, an effort is underway to strengthen communication, mutual goal-setting and accountability of several states' roles in programs such as National Pollutant Discharge Elimination System, Resources Conservation and Recovery Act, and Title V Air Permit Program.

### OIG PROFILE OF PERFORMANCE

• Questioned Costs/Savings (millions)	\$ 38.4
• Fines, Recoveries, and Settlements (millions)	\$ 372.6
• Criminal, Civil, Administrative Actions	83
• Environmental Program Action Improvements & Risks Reduced	56
• Management Operational Action Improvements	138
• Recommendations (Environmental & Management)	312

Note: The terms Questioned Costs and Savings (i.e. funds put to better use) are terms used by the President's Council on Integrity and Efficiency. See <http://ignet.gov/randp/fy01apr.pdf> for a description of these terms. Fines, recoveries, and settlements are amounts imposed by a court, legal or administrative procedure.

## Assessment of Impacts of FY 2003 Performance on FY 2004 Annual Plan

There are no changes to FY 2004 APGs based on results of FY 2003 performance.

# Annual Performance Goals (APG) and Measures

## CHAPTER 6: SUPPORT FOR ENVIRONMENTAL RESULTS

### SUMMARY OF RESULTS—SUPPORT FOR ENVIRONMENTAL RESULTS

Number of Goals Met:	3
Number of Goals Not Met:	2
Number with Data Lag:	0

APG 60	Information Exchange Network	Planned	Actual
FY 2003	<p>Decision makers have access to the environmental data that EPA collects and manages to make sound environmental decisions while minimizing the reporting burden on data providers. <b>Goal Not Met.</b></p> <p><i>Performance Measures</i></p> <ul style="list-style-type: none"> <li>—States using the Central Data Exchange (CDX) to send data to EPA. 46 <b>49</b></li> <li>—In preparation for increasing the exchange of information through CDX, implement four data standards in 13 major systems and develop four additional standards in 2003. 8 <b>7</b></li> </ul>		
FY 2002	The Central Data Exchange, a key component of the environmental information exchange network, will become fully operational and 15 states will be using it to send data to EPA thereby improving data consistency with participating states. <b>Goal Met.</b>	15	45
<p><b>FY 2003 Result:</b> To improve data access used in decision making while reducing barriers to sharing information, EPA continued to build the Environmental Information Exchange Network in collaboration with states, tribes, and industry. Forty-nine states have registered to submit data through CDX, a component of the Network. In FY 2003 the total number of registered users (states, tribes, industry) increased by 113% (from 7,647 at the end of FY 2002 to 16,335 in FY 2003). In FY 2003, EPA met its target of developing 4 additional standards, but only implemented 3 of the 4 data standards in 13 major systems, missing its FY 2003 target.</p>			

APG 61	Audit and Advisory Services	Planned	Actual
FY 2003	<p>Improve environmental quality and human health by identifying 80 environmental recommendations, risks, and best practices; contributing to the reduction of 20 environmental risks, and 60 actions influencing positive environmental or health impacts. <b>Goal Met.</b></p>	80 20 60	312 92 185
FY 2002	Same goal, different targets. <b>Goal Met.</b>	50 15 15	100 18 16
FY 2001	Office of Audit provides independent audits, evaluations, and advisory services, responsive to customers and clients, leading to improved economy, efficiency and effectiveness in Agency business practices and attainment of its environment goals. <b>Goal Met.</b>		

APG 61	Audit and Advisory Services (continued)	Planned	Actual
FY 2001 (continued)	<p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Potential monetary value of recommendations, questioned costs, savings and recoveries.</li> <li>—Examples of Office of Inspector General (OIG) recommendations/advice or actions taken to improve the economy, efficiency, and effectiveness of business practices and environmental programs.</li> <li>—Overall customer and stakeholder satisfaction with audit products and services (timeliness, relevancy, usefulness, and responsiveness).</li> </ul>	40 M  55  77%	\$672 M  80  80%
FY 2000	Same Goal as FY2001, different targets. <b>Goal Met.</b>	64 M 63 recommendations 75% satisfaction	\$55.3 M 78  76%
<p><b>FY 2003 Result:</b> The OIG exceeded the targets for this goal by including measures of results in promoting economy and efficiency and preventing and detecting fraud, waste, and abuse in EPA programs and operations in addition to measures of environmental recommendations and improvement. The OIG issued its first Multi-Year Plan for improved environmental outcomes by linking audits, evaluations, and investigations within EPA media and operational lines to produce recommendations that address long standing, or systemic program problems. During FY 2003, the OIG reported \$41 million in potential return from savings, questioned costs, recoveries, and fines (over eight times the annual appropriation for the OIG). In addition, the OIG conducted investigations resulting in 83 criminal, civil, or administrative actions preventing the loss of resources.</p>			
APG 62	Information Security	Planned	Actual
FY 2003	<p><b>OMB reports that all EPA information systems meet/exceed established standards for security. Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Percent compliance with 13 criteria used by OMB to assess Agency security programs reported annually to OMB under the Government Information Security Reform Act.</li> <li>—Percent of intrusion detection monitoring sensors installed and operational.</li> </ul>	75  75	75  100
FY 2002	<p>Complete risk assessments on the Agency's critical infrastructure systems, critical financial systems, and mission critical environmental systems. <b>Goal Met.</b></p> <p><b>Performance Measures</b></p> <ul style="list-style-type: none"> <li>—Critical infrastructure systems risk assessment findings will be formally documented and transmitted to systems owners and managers in a formal Risk Assessment document.</li> <li>—Critical financial systems risk assessment findings will be formally documented and transmitted to systems owners and managers in a formal Risk Assessment document.</li> <li>—Mission critical environmental systems risk assessment findings will be formally documented and transmitted to system owners and managers in a formal Risk Assessment document.</li> </ul>	12  13  5	12  13  5
<p><b>FY 2003 Result:</b> EPA's continued progress in improving information security included meeting all OMB criteria, such as assessing risk, testing and evaluating controls, and establishing contingency plans. EPA also achieved 100% operation of intrusion detection monitoring sensors. The sensors deterred 2.7 million attempts to breach EPA's perimeter defenses against outside attacks.</p>			

APG 63	GPRA Implementation	Planned	Actual
FY 2003	Strengthen EPA's management services in support of the Agency's mission while addressing the challenges included in the President's Management Agenda. <b>Goal Not Met.</b> <i>Performance Measures</i> —Offices using workforce planning model which identifies skills and competencies needed by the Agency for strategic recruitment, retention, and development. —Percentage of total eligible service contracting dollars obligated as performance-based in FY 2003. —Agency audited financial statements are timely, and receive an unqualified opinion.	5 30 1	5 19 1
FY 2002	EPA strengthens goal-based decision making by developing and issuing timely planning and resource management products that meet customer needs. <b>Goal Met.</b> <i>Performance Measures</i> —Agency's audited financial statements and Annual Report are submitted on time. —Agency's audited financial statements receive an unqualified opinion and provide information that is useful and relevant to the Agency and external parties.	3/01/02 1	2/27/02 1
FY 2001	Same goal. <b>Goal Met.</b>	3/01/01 (timelines) 1 (opinion)	3/01/01 (timelines) 1 (opinion)
FY 2000	100% of EPA's Government Performance Results Act (GPRA) implementation components (planning, budgeting, financial management, accountability, and program analysis) are completed on time and meet customer needs. <b>Goal Not Met.</b>	100%	85%
<p><b>FY 2003 Result:</b> The Workforce Planning Model was used in five of the Agency's offices to assess the skills of the current workforce in order to plan for the future. The Agency increased its percentage of total eligible service contracting dollars obligated as performance-based awards from 17% in FY 2002 to 19% in FY 2003. While the target of 30% was not achieved, EPA will issue a policy in FY 2004 that all new contracts will be performance-based unless there is justification for another type of contract. The policy will support EPA meeting OMB's goal of 50% performance-based contracts in FY 2005. In addition, EPA's FY 2003 financial statements received a clean audit opinion from the Office of the Inspector General (OIG).</p>			

APG 64	Data Quality	Planned	Actual
FY 2003	The public will have access to a wide range of federal, state, and local environmental conditions and features in an area of their choice. <b>Goal Met.</b> <i>Performance Measures</i> —Window-to-My-Environment nationally deployed and provides citizens across the country with Federal, state, and local environmental information specific to an area of their choice.	Nationally Deployed	Nationally Deployed



APG 64	Data Quality (continued)	Planned	Actual
FY 2002	100% of the publicly available facility data from EPA's national systems accessible on the EPA Website will be part of the Integrated Error Correction Process, reducing data error. Goal Met.	100%	100%
<b>FY 2003 Result:</b> An estimated 60,000 users visit Window-to-My-Environment each month. In FY 2003, EPA completed national deployment of Window-to-My-Environment, which is now available to communities nationwide.			

## FY 2002 Annual Performance Goals

(No Longer Reported for FY 2003)

- EPA continues improving how it measures progress in achieving its strategic objectives and annual goals by increasing external performance goals and measures characterized as outcomes by 2% in the FY 2003 Annual Performance Plan and Congressional Justification compared to FY 2002.
- EPA will ensure personnel are relocated to new space as scheduled.
- EPA will ensure that all new and ongoing construction projects are progressing and completed as scheduled.
- EPA will initiate a demonstration fuel cell at Ft. Meade Laboratory.

### NOTES

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4. US EPA *Draft Report on the Environment*, 2003. EPA-260-R-02-006, June 2003. Available at <http://www.epa.gov/indicators/roe/index.htm>.
5. Ibid.
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11. *Environmental Information Exchange Network*. Available at <http://www.exchangenetwork.net>.
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Section 3.

# Annual Financial Statements



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## CONTENTS

Chief Financial Officer's Analysis .....	122
Principal Financial Statements .....	126
Summary of OIG's Audit Report .....	183

# Chief Financial Officer's Analysis of EPA's Fiscal Year 2003 and 2002 Financial Statements

## Summary of Auditor's Report and Opinions

The Environmental Protection Agency (EPA) prepared the following Fiscal Year (FY) 2003 Financial Statements: Statement of Financial Position (Balance Sheet), Statement of Changes in Net Position, Statement of Net Cost, Statement of Budgetary Resources, Statement of Financing, and Statement of Custodial Activity. In addition, we prepared a Statement of Net Cost by Goal for each of the Agency's 10 Strategic Goals.

The Office of Inspector General (OIG) stated: "In our opinion, the consolidating financial statements present fairly, in all material respects, the consolidated and individual assets, liabilities, net position, net cost, net cost by goal, changes in net position, budgetary resources, reconciliation of net cost to budgetary obligations, and custodial activity of the U.S. Environmental Protection Agency and its subsidiary funds, the Superfund Trust Fund and all other Appropriated Funds, as of and for the years ended September 30, 2003 and 2002, in accordance with accounting principles generally accepted in the United States of America."

## Report on Internal Controls

The OIG Audit Report on the EPA's Fiscal 2003 and 2002 Financial Statements did not identify any material weaknesses.<sup>1</sup> However, the report cited eight reportable conditions. These reportable conditions are summarized below, along with a short statement of the Agency's position with respect to each of those items.

### Documentation and Approval of Standard Vouchers.

The OIG noted that the Agency did not always adequately document standard vouchers for transfer requests from Treasury to EPA Trust Fund accounts (Superfund and Leaking Underground Storage Tank funds) prior to the transactions being entered into the Integrated Financial

Management System (IFMS). The OIG indicated that establishing written procedures to calculate the monthly transfer process would reduce the potential for errors. The Office of the Chief Financial Officer (OCFO) will issue procedures in support of this process.

### Improvement Needed in EPA's Interagency Agreement Invoice Approval Process.

The OIG noted that EPA project officers did not always fulfill their oversight duties related to reviewing and approving Interagency Agreement (IAG) invoices. EPA agrees that improvement is needed. The Grants Administration Division will provide more in-depth training for project

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<sup>1</sup> A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level the risk, that misstatement of amounts would be material in relation to the financial statements being audited and would not be detected within a timely period by employees in the normal course of performing their assigned functions.

officers on IAG core competencies and emphasize the importance of collecting and reviewing invoice documentation to substantiate costs.

#### Improvement Needed in Reconciling State Superfund Contracts Unearned Revenue.

The OIG recommended that EPA reconcile the unearned revenue from State Superfund Contracts (SSC) to the general ledger balance. EPA agrees to analyze and reconcile SSC expenditures annually.

#### EPA Did Not Promptly Record Marketable Securities Received in Fiscal Year 2003.

The OIG noted two instances where marketable securities received in FY 2003 in the settlement of debts were not promptly recorded. The OCFO will issue policy and procedures to standardize the process for recording marketable securities within the Agency.

#### Automated Application Processing Controls for the Integrated Financial Management System Could Not be Assessed.

The OIG was unable to assess automated application processes and controls for the IFMS. The OIG made no recommendations in this area. The OCFO has a planned target date of 2006 for replacing IFMS. A commercial-off-the-shelf package will be delivered with applicable documentation.

#### Integrated Financial Management System (IFMS) Suspense File Needs to be Reconciled to the General Ledger.

The OIG recommends that the OCFO establish and test a formal reconciliation process that includes total dollars and record counts for the data processed from the IFMS suspense file to the general ledger accounts. OCFO agrees with the OIG's recommendation. An automated reconciliation is currently in the testing and validation phase. Further, a policy is in place that establishes the policies and procedures for reconciling the IFMS suspense file to the general ledger.

#### Further Improvements Needed in Managing EPA's Accounts Receivable.

The OIG noted two issues that impact EPA's accounting for accounts receivable: (1) untimely recording of receivables by some Financial Management Offices (FMO) due to late submission of supporting documentation from the Department of Justice, Regional Counsel, or the program offices, and (2) one region's improper allowance for doubtful accounts calculation, which was subsequently properly adjusted. The OCFO will develop necessary policies and procedures to ensure legal documents are promptly forwarded. OCFO has implemented procedures to: (1) verify that year-end or period-end transactions are processed, and (2) review the allowance for doubtful accounts and update percentages based on collection experience from prior years. The OCFO will continue to work with the FMOs to ensure that these policies and procedures are understood and properly followed.

#### Internal Controls for Correcting Errors in the Integrated Financial Management System Need Improvement.

The OIG recommends that the Agency use a standardized approach when making systemic corrections. The OCFO believes that existing Agency policy documents the procedures for processing financial transactions. However, the OCFO is currently in the process of updating related Standard Operating Procedures to insure that future transactions are processed using the standard accounting protocol.

## Compliance with Laws and Regulations

### NONCOMPLIANCE ISSUES WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

The OIG identified no substantial non-compliance issues with FFMIA, however, four other noncompliances were noted.

**EPA Continues to Make Efforts to Improve Its Cost Accounting Processes.** The OIG recommends that the OCFO continue to improve Agency financial and cost accounting systems, and educate users on the types of information available from within those systems. Further, the OIG would like the Agency to reconsider the use of the Program Results Code as a cost accounting output.

EPA has a cost information assessment under way, designed to further educate users on the benefit of cost information. The assessment is designed to elicit from Agency managers additional cost information needs and assist them in identifying types of information currently available in OCFO systems. OCFO will continue to work with Agency managers and staff to identify their cost information needs and incorporate those requirements into the Agency's accounting processes, where practical.

The Agency's cost accounting output will continue to be the subobjective. Having the Agency output as a subobjective does not preclude the Agency from accounting for discrete programs or projects below the subobjective level. The revised accounting structure for the new strategic plan will allow the Agency to do just that. For example, the Agency currently accounts for projects below the subobjective level in the Superfund Program. Phase II of the cost information assessment will identify other projects and activities that may be at a level lower than subobjective or even below the Program/Project level. If practical to do so, the Agency will establish procedures to collect cost information in the Agency's accounting system.

**EPA Continues to Experience Difficulties in Reconciling Intragovernmental Transactions.** The OIG referenced government-wide difficulties in reconciling intragovernmental transactions. The OIG did not make any specific recommendations at this time; however, the OIG did encourage EPA to continue its efforts in reconciling the Agency's intragovernmental transactions to comply with Federal reporting requirements. The OCFO will continue its efforts to reconcile intragovernmental transactions and meet the Federal reporting requirements.

**EPA Needs to Revise and Resubmit Federal Financial Management Improvement Act Remediation Plan.** The OIG reported that the EPA had failed to implement the personnel certification program for granting access to non-Federal personnel (e.g., contractors) as provided in its 1999 Remediation Plan.

EPA's 1999 Remediation Plan has been updated and submitted to the OMB. The updated plan shows (1) that the Office of Administration and Resources Management is the party responsible for establishing a security certification process for non-federal workers, and (2) the estimated milestones for issuing the security certification policy is July 2004 for contractor personnel, and July 2005 for grantee personnel. The revised Remediation Plan was included in the FY 2004 - FY 2009 Financial Management Five Year Plan and provided to the Office of Management and Budget in October 2003.

The OCFO has also taken steps to ensure that a certification process for contractors using EPA's IFMS is in place. This certification process is outlined in OCFO Policy Announcement No. 98-08.

The audit report also stated that EPA's Memorandums of Understanding (MOUs) with other financial or mixed systems that interface with IFMS do not stipulate clear



baseline security requirements for screening contractor personnel with access to financial data. EPA believes that IFMS MOUs clearly reference the Interconnection Security Agreement which requires compliance with IFMS' Security Plan. Under the Security Plan, background screening is required for contractor personnel. Further, OCFO has surveyed its interfacing system owners (i.e., EPAYS, IDOTS, and CPS) and found that contractor personnel do not have access to them.

#### EPA Not in Compliance Regarding Preparation and Reconciliation of SF 224.

The OIG reported that EPA continues to experience difficulties in completing the

required SF 224 "Statement of Transactions" and reconciling transactions on the Statement of Differences (FMS 6652) as required by Agency policy and Treasury's Financial Manual. The OCFO disagrees with the OIG's assessment that the entire Agency is not in compliance with Treasury's regulations since the majority of the FMOs comply with the regulations. The OCFO has advised the OIG that only one accounting point continues to adjust amounts via the SF 224. Also, the OCFO has provided the OIG with an analysis indicating that any suspense differences between IFMS and the SF 224 are insignificant.

## Progress in Correcting Previously Identified Problems

OCFO management believes that audit follow-up is an integral part of good management and that corrective actions are essential to improving the effectiveness and efficiency of government operations. To resolve long-standing audit recommendations, the OCFO formed an Audit Follow-Up Council in July 2000 to review progress on audit findings, discuss approaches to resolving audit issues, and provide coordination and support across the OCFO on audit related matters.

As a result of the Council's efforts, the Agency has resolved several long-standing issues. During the audit of the FY 2002 financial statements, the OIG noted substantial progress in completing a number of corrective actions from prior years. For FY 2003, the Agency and the OIG are currently working to resolve several remaining issue areas from prior financial statement audits. Those areas are as follows:

**Automated Application Processing Controls for IFMS.** The OIG continues to acknowledge that the Agency plans to replace IFMS with a new automated accounting system. Until the new system is installed, the OIG will continue to mention this area as a reportable condition. EPA is on track to replace IFMS with a planned target date of 2006.

**Financial System Security Plans.** The OIG believes that the Agency has established a personnel security policy for access to IFMS. However, it is not clear what is required of non-Federal personnel for access to other financial and mixed-financial systems. The OIG recommended that EPA revise the 1999 FFMA Remediation Plan, establish a milestone for completion, and submit the revised Plan to OMB. The OCFO has updated the EPA Remediation Plan and has submitted it to the OMB. The milestones for issuing the policy are July 2004 for contractor personnel and July 2005 for grantee personnel.

# Principal Financial Statements

## Contents

### FINANCIAL STATEMENTS

1. Consolidating Balance Sheet
2. Consolidating Statement of Net Cost
3. Consolidated Statement of Net Cost by Goal
4. Consolidating Statement of Changes in Net Position
5. Combined Statement of Budgetary Resources
6. Consolidating Statement of Financing
7. Consolidated Statement of Custodial Activity

### NOTES TO FINANCIAL STATEMENTS

- Note 1. Summary of Significant Accounting Policies  
Note 2. Fund Balance with Treasury  
Note 3. Cash  
Note 4. Investments  
Note 5. Accounts Receivable  
Note 6. Other Assets  
Note 7. Loans Receivable, Net—Non-Federal  
Note 8. Accounts Payable and Accrued Liabilities  
Note 9. General Plant, Property and Equipment  
Note 10. Debt  
Note 11. Custodial Liability  
Note 12. Other Liabilities  
Note 13. Leases  
Note 14. Pensions and Other Actuarial Benefits  
Note 15. Cashout Advances, Superfund  
Note 16. Unexpended Appropriations, All Other Funds  
Note 17. Amounts Held by Treasury  
Note 18. Commitments and Contingencies  
Note 19. Exchange Revenues, Statement of Net Cost  
Note 20. Environmental Cleanup Costs  
Note 21. Superfund State Credits  
Note 22. Superfund Preauthorized Mixed Funding Agreements  
Note 23. Income and Expenses from Other Appropriations  
Note 24. Custodial Revenues and Accounts Receivable  
Note 25. Statement of Budgetary Resources  
Note 26. Recoveries and Permanently Not Available, Statement of Budgetary Resources  
Note 27. Unobligated Balances Available

- Note 28. Offsetting Receipts  
Note 29. Statement of Financing  
Note 30. Costs Not Assigned to Goals  
Note 31. Transfers-In and Out, Statement of Changes in Net Position  
Note 32. Imputed Financing  
Note 33. Payroll and Benefits Payable  
Note 34. Other Adjustments, Statement of Changes in Net Position  
Note 35. Nonexchange Revenue, Statement of Changes in Net Position  
Note 36. Hazardous Substance (Superfund) Trust Fund Balances

### SUPPLEMENTAL INFORMATION REQUESTED BY OMB

#### *Required Supplemental Information*

1. Deferred Maintenance (Unaudited)  
Intragovernmental Assets (Unaudited)  
Intragovernmental Liabilities (Unaudited)  
Intragovernmental Revenues and Costs (Unaudited)
2. Supplemental Statement of Budgetary Resources (Unaudited)
3. Working Capital Fund Supplemental Balance Sheet (Unaudited)
4. Working Capital Fund Supplemental Statement of Net Cost (Unaudited)
5. Working Capital Fund Supplemental Statement of Changes in Net Position (Unaudited)
6. Working Capital Fund Supplemental Statement of Budgetary Resources (Unaudited)
7. Working Capital Fund Supplemental Statement of Financing (Unaudited)

#### *Required Supplemental Stewardship Information*

Annual Stewardship Information (Unaudited)

I.

## Environmental Protection Agency Consolidating Balance Sheet

As of September 30, 2003 and 2002

(Dollars in Thousands)

	Superfund Trust Fund FY 2003	Superfund Trust Fund FY 2002	All Others FY 2003	All Others FY 2002	Combined Totals FY 2003
<b>ASSETS</b>					
Intragovernmental					
Fund Balance With Treasury (Note 2)	\$ 26,448	\$ 32,229	\$ 11,758,357	\$ 11,688,934	\$ 11,784,805
Investments (Notes 4 and 17)	2,516,147	3,309,975	2,114,684	1,952,052	4,630,831
Accounts Receivable, Net (Note 5)	34,665	33,309	119,941	72,298	154,606
Other (Note 6)	<u>7,414</u>	<u>4,520</u>	<u>3,827</u>	<u>4,578</u>	<u>11,241</u>
Total Intragovernmental	\$ 2,584,674	\$ 3,380,033	\$ 13,996,809	\$ 13,717,862	\$ 16,581,483
Cash and Other Monetary Assets (Note 3)	0	0	10	10	10
Accounts Receivable, Net (Note 5)	428,486	411,437	65,296	49,398	493,782
Loans Receivable, Net—Non-Federal (Note 7)	0	0	53,506	64,646	53,506
Property, Plant and Equipment, Net (Note 9)	45,855	38,746	579,471	551,336	625,326
Other (Note 6)	<u>680</u>	<u>780</u>	<u>3,502</u>	<u>4,937</u>	<u>4,182</u>
<b>Total Assets</b>	<b><u>\$ 3,059,695</u></b>	<b><u>\$ 3,830,996</u></b>	<b><u>\$ 14,698,594</u></b>	<b><u>\$ 14,388,189</u></b>	<b><u>\$ 17,758,289</u></b>
<b>LIABILITIES</b>					
Intragovernmental					
Accounts Payable and Accrued Liabilities (Note 8)	\$ 145,631	\$ 116,239	\$ 70,156	\$ 43,983	\$ 215,787
Debt Due to Treasury (Note 10)	0	0	21,189	24,290	21,189
Custodial Liability (Note 11)	0	0	78,776	69,706	78,776
Other (Note 12)	<u>30,600</u>	<u>23,727</u>	<u>21,611</u>	<u>26,381</u>	<u>52,211</u>
Total Intragovernmental	\$ 176,231	\$ 139,966	\$ 191,732	\$ 164,360	\$ 367,963
Accounts Payable and Accrued Liabilities (Note 8)	165,550	145,805	722,784	511,236	888,334
Pensions and Other Actuarial Liabilities (Note 14)	7,937	7,698	36,159	31,759	44,096
Environmental Cleanup Costs (Note 20)	0	0	8,880	13,309	8,880
Cashout Advances, Superfund (Note 15)	279,092	337,139	0	0	279,092
Commitments and Contingencies (Note 18)	0	0	18	20	18
Payroll and Benefits Payable (Note 33)	31,039	39,136	142,791	177,432	173,830
Other (Notes 12 and 13)	<u>49,809</u>	<u>45,515</u>	<u>53,105</u>	<u>47,479</u>	<u>102,914</u>
<b>Total Liabilities</b>	<b><u>\$ 709,658</u></b>	<b><u>\$ 715,259</u></b>	<b><u>\$ 1,155,469</u></b>	<b><u>\$ 945,595</u></b>	<b><u>\$ 1,865,127</u></b>
<b>NET POSITION</b>					
Unexpended Appropriations (Note 16)	\$ 0	\$ 0	\$ 10,768,236	\$ 10,923,889	\$ 10,768,236
Cumulative Results of Operations (Notes 17 and 36)	<u>2,350,037</u>	<u>3,115,737</u>	<u>2,774,889</u>	<u>2,518,705</u>	<u>5,124,926</u>
Total Net Position	<u>2,350,037</u>	<u>3,115,737</u>	<u>13,543,125</u>	<u>13,442,594</u>	<u>15,893,162</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 3,059,695</u></b>	<b><u>\$ 3,830,996</u></b>	<b><u>\$ 14,698,594</u></b>	<b><u>\$ 14,388,189</u></b>	<b><u>\$ 17,758,289</u></b>

The accompanying notes are an integral part of these statements.

I.  
Environmental Protection Agency  
**Consolidating Balance Sheet** (continued)  
As of September 30, 2003 and 2002  
(Dollars in Thousands)

	Combined Totals FY 2002	Intra-agency Elimination FY 2003	Intra-agency Elimination FY 2002	Consolidated Totals FY 2003	Consolidated Totals FY 2002
<b>ASSETS</b>					
Intragovernmental					
Fund Balance With Treasury (Note 2)	\$ 11,721,163	\$ 0	\$ 0	\$ 11,784,805	\$ 11,721,163
Investments (Notes 4 and 17)	5,262,027	0	0	4,630,831	5,262,027
Accounts Receivable, Net (Note 5)	105,607	(89,789)	(47,412)	64,817	58,195
Other (Note 6)	9,098	(7,269)	(4,447)	3,972	4,651
<b>Total Intragovernmental</b>	<b>\$ 17,097,895</b>	<b>\$ (97,058)</b>	<b>\$ (51,859)</b>	<b>\$ 16,484,425</b>	<b>\$ 17,046,036</b>
Cash and Other Monetary Assets (Note 3)	10	0	0	10	10
Accounts Receivable, Net (Note 5)	460,835	0	0	493,782	460,835
Loans Receivable, Net—Non-Federal (Note 7)	64,646	0	0	53,506	64,646
Property, Plant and Equipment, Net (Note 9)	590,082	0	0	625,326	590,082
Other (Note 6)	5,717	0	0	4,182	5,717
<b>Total Assets</b>	<b>\$ 18,219,185</b>	<b>\$ (97,058)</b>	<b>\$ (51,859)</b>	<b>\$ 17,661,231</b>	<b>\$ 18,167,326</b>
<b>LIABILITIES</b>					
Intragovernmental					
Accounts Payable and Accrued Liabilities (Note 8)	\$ 160,222	\$ (89,789)	\$ (47,480)	\$ 125,998	\$ 112,742
Debt Due to Treasury (Note 10)	24,290	0	0	21,189	24,290
Custodial Liability (Note 11)	69,706	0	0	78,776	69,706
Other (Note 12)	50,108	(7,269)	(4,379)	44,942	45,729
<b>Total Intragovernmental</b>	<b>\$ 304,326</b>	<b>\$ (97,058)</b>	<b>\$ (51,859)</b>	<b>\$ 270,905</b>	<b>\$ 252,467</b>
Accounts Payable and Accrued Liabilities (Note 8)	657,041	0	0	888,334	657,041
Pensions and Other Actuarial Liabilities (Note 14)	39,457	0	0	44,096	39,457
Environmental Cleanup Costs (Note 20)	13,309	0	0	8,880	13,309
Cashout Advances, Superfund (Note 15)	337,139	0	0	279,092	337,139
Commitments and Contingencies (Note 18)	20	0	0	18	20
Payroll and Benefits Payable (Note 33)	216,568	0	0	173,830	216,568
Other (Notes 12 and 13)	92,994	0	0	102,914	92,994
<b>Total Liabilities</b>	<b>\$ 1,660,854</b>	<b>\$ (97,058)</b>	<b>\$ (51,859)</b>	<b>\$ 1,768,069</b>	<b>\$ 1,608,995</b>
<b>NET POSITION</b>					
Unexpended Appropriations (Note 16)	\$ 10,923,889	\$ 0	\$ 0	\$ 10,768,236	\$ 10,923,889
Cumulative Results of Operations (Notes 17 and 36)	5,634,442	0	0	5,124,926	5,634,442
<b>Total Net Position</b>	<b>16,558,331</b>	<b>0</b>	<b>0</b>	<b>15,893,162</b>	<b>16,558,331</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 18,219,185</b>	<b>\$ (97,058)</b>	<b>\$ (51,859)</b>	<b>\$ 17,661,231</b>	<b>\$ 18,167,326</b>

The accompanying notes are an integral part of these statements.

## 2.

Environmental Protection Agency  
**Consolidating Statement of Net Cost**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	Superfund Trust Fund FY 2003	Superfund Trust Fund FY 2002	All Others FY 2003	All Others FY 2002	Combined Totals FY 2003
<b>COSTS</b>					
Intragovernmental	\$ 341,817	\$ 348,980	\$ 816,624	\$ 782,110	\$ 1,158,441
With the Public	1,246,427	1,209,338	6,427,497	5,678,789	7,673,924
Expenses from Other Appropriations (Note 23)	<u>75,597</u>	<u>114,297</u>	<u>(75,597)</u>	<u>(114,297)</u>	<u>0</u>
Total Costs	\$ 1,663,841	\$ 1,672,615	\$ 7,168,524	\$ 6,346,602	\$ 8,832,365
Less:					
Earned Revenues, Federal (Note 19)	16,682	22,932	124,233	104,318	140,915
Earned Revenues, Non-Federal (Note 19)	<u>394,295</u>	<u>477,768</u>	<u>31,304</u>	<u>24,927</u>	<u>425,599</u>
Total Earned Revenues (Note 19)	\$ <u>410,977</u>	\$ <u>500,700</u>	\$ <u>155,537</u>	\$ <u>129,245</u>	\$ <u>566,514</u>
<b>NET COST OF OPERATIONS</b>	\$ <u><b>1,252,864</b></u>	\$ <u><b>1,171,915</b></u>	\$ <u><b>7,012,987</b></u>	\$ <u><b>6,217,357</b></u>	\$ <u><b>8,265,851</b></u>

## 2.

Environmental Protection Agency  
**Consolidating Statement of Net Cost**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	Combined Totals FY 2002	Intra-agency Eliminations FY 2003	Intra-agency Eliminations FY 2002	Consolidated Totals FY 2003	Consolidated Totals FY 2002
<b>COSTS</b>					
Intragovernmental	\$ 1,131,090	\$ (20,240)	\$ (20,795)	\$ 1,138,201	\$ 1,110,295
With the Public	6,888,127	0	0	7,673,924	6,888,127
Expenses from Other Appropriations (Note 23)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Costs	\$ 8,019,217	\$ (20,240)	\$ (20,795)	\$ 8,812,125	\$ 7,998,422
Less:					
Earned Revenues, Federal (Note 19)	127,250	(20,240)	(20,795)	120,675	106,455
Earned Revenues, Non-Federal (Note 19)	<u>502,695</u>	<u>0</u>	<u>0</u>	<u>425,599</u>	<u>502,695</u>
Total Earned Revenues (Note 19)	\$ <u>629,945</u>	\$ <u>(20,240)</u>	\$ <u>(20,795)</u>	\$ <u>546,274</u>	\$ <u>609,150</u>
<b>NET COST OF OPERATIONS</b>	\$ <u><b>7,389,272</b></u>	\$ <u><b>0</b></u>	\$ <u><b>0</b></u>	\$ <u><b>8,265,851</b></u>	\$ <u><b>7,389,272</b></u>



3.

Environmental Protection Agency  
**Consolidated Statement of Net Cost by Goal**  
 For the Year Ended September 30, 2003  
 (Dollars in Thousands)

	Clean Air	Clean and Safe Water	Safe Food	Prevent Pollution	Better Waste Management	Global Risks
<b>COSTS</b>						
Intragovernmental	\$ 84,961	\$ 139,303	\$ 31,028	\$ 54,492	\$ 409,312	\$ 35,643
With the Public	<u>532,480</u>	<u>3,817,701</u>	<u>97,848</u>	<u>281,634</u>	<u>1,581,550</u>	<u>219,692</u>
Total Costs	\$ 617,441	\$ 3,957,004	\$ 128,876	\$ 336,126	\$ 1,990,862	\$ 255,335
<i>Less:</i>						
Earned Revenue, Federal	3,234	5,394	37	1,197	80,029	3,911
Earned Revenue, Non-Federal	<u>71</u>	<u>1,876</u>	<u>20,729</u>	<u>300</u>	<u>396,738</u>	<u>1,652</u>
Total Earned Revenue	\$ 3,305	7,270	\$ 20,766	1,497	\$ 476,767	\$ 5,563
Management Cost Allocation	<u>55,231</u>	<u>83,892</u>	<u>24,379</u>	<u>36,784</u>	<u>136,240</u>	<u>15,031</u>
<b>NET COST OF OPERATIONS</b>	<b>\$ <u>669,367</u></b>	<b>\$ <u>4,033,626</u></b>	<b>\$ <u>132,489</u></b>	<b>\$ <u>371,413</u></b>	<b>\$ <u>1,650,335</u></b>	<b>\$ <u>264,803</u></b>

3.

Environmental Protection Agency  
**Consolidated Statement of Net Cost by Goal**  
 For the Year Ended September 30, 2002  
 (Dollars in Thousands)

	Clean Air	Clean and Safe Water	Safe Food	Prevent Pollution	Better Waste Management	Global Risks
<b>COSTS</b>						
Intragovernmental	\$ 101,347	\$ 183,063	\$ 37,022	\$ 55,734	\$ 440,640	\$ 36,020
With the Public	<u>487,461</u>	<u>3,264,051</u>	<u>91,795</u>	<u>253,462</u>	<u>1,488,511</u>	<u>206,938</u>
Total Costs	\$ 588,808	\$ 3,447,114	\$ 128,817	\$ 309,196	\$ 1,929,151	\$ 242,958
<i>Less:</i>						
Earned Revenue, Federal	266	3,744	109	1,497	92,691	4,081
Earned Revenue, Non-Federal	<u>25</u>	<u>2,290</u>	<u>14,960</u>	<u>1,193</u>	<u>473,739</u>	<u>586</u>
Total Earned Revenue	\$ 291	6,034	\$ 15,069	2,690	\$ 566,430	\$ 4,667
Management Cost Allocation	<u>59,337</u>	<u>87,575</u>	<u>26,585</u>	<u>37,863</u>	<u>143,513</u>	<u>16,636</u>
<b>NET COST OF OPERATIONS</b>	<b>\$ <u>647,854</u></b>	<b>\$ <u>3,528,655</u></b>	<b>\$ <u>140,333</u></b>	<b>\$ <u>344,369</u></b>	<b>\$ <u>1,506,234</u></b>	<b>\$ <u>254,927</u></b>

## 3.

Environmental Protection Agency  
**Consolidated Statement of Net Cost by Goal**

For the Year Ended September 30, 2003

(Dollars in Thousands)

	Environ. Information	Sound Science	Credible Deterrent	Effective Management	Not Assigned to Goals*	Consolidated Total
<b>COSTS</b>						
Intragovernmental	\$ 174,224	\$ 51,118	\$ 93,695	\$ 40,751	\$ 23,674	\$ 1,138,201
With the Public	<u>191,351</u>	<u>293,552</u>	<u>325,968</u>	<u>343,036</u>	<u>(10,888)</u>	<u>7,673,924</u>
Total Costs	\$ 365,575	\$ 344,670	\$ 419,663	\$ 383,787	\$ 12,786	\$ 8,812,125
Less:						
Earned Revenue, Federal	126,261	1,198	272	(100,428)	(430)	120,675
Earned Revenue, Non-Federal	<u>121</u>	<u>364</u>	<u>1,220</u>	<u>1,367</u>	<u>1,161</u>	<u>425,599</u>
Total Earned Revenue	\$ 126,382	1,562	\$ 1,492	(99,061)	\$ 731	\$ 546,274
Management Cost Allocation	<u>26,018</u>	<u>28,766</u>	<u>76,507</u>	<u>(482,848)</u>	<u>0</u>	<u>0</u>
<b>NET COST OF OPERATIONS</b>	<u>\$ 265,211</u>	<u>\$ 371,874</u>	<u>\$ 494,678</u>	<u>\$ 0</u>	<u>\$ 12,055</u>	<u>\$ 8,265,851</u>

## 3.

Environmental Protection Agency  
**Consolidated Statement of Net Cost by Goal**

For the Year Ended September 30, 2002

(Dollars in Thousands)

	Environ. Information	Sound Science	Credible Deterrent	Effective Management	Not Assigned to Goals*	Consolidated Total
<b>COSTS</b>						
Intragovernmental	\$ 60,624	\$ 62,030	\$ 106,374	\$ 23,393	\$ 4,048	\$ 1,110,295
With the Public	<u>193,241</u>	<u>263,592</u>	<u>281,171</u>	<u>366,798</u>	<u>(8,893)</u>	<u>6,888,127</u>
Total Costs	\$ 253,865	\$ 325,622	\$ 387,545	\$ 390,191	\$ (4,845)	\$ 7,998,422
Less:						
Earned Revenue, Federal	130,237	800	234	(125,025)	(2,179)	106,455
Earned Revenue, Non-Federal	<u>154</u>	<u>84</u>	<u>914</u>	<u>3,300</u>	<u>5,450</u>	<u>502,695</u>
Total Earned Revenue	\$ 130,391	884	\$ 1,148	(121,725)	\$ 3,271	\$ 609,150
Management Cost Allocation	<u>28,089</u>	<u>30,408</u>	<u>81,910</u>	<u>(511,916)</u>	<u>0</u>	<u>0</u>
<b>NET COST OF OPERATIONS</b>	<u>\$ 151,563</u>	<u>\$ 355,146</u>	<u>\$ 468,307</u>	<u>\$ 0</u>	<u>\$ (8,116)</u>	<u>\$ 7,389,272</u>

\* See Note 30.

The accompanying notes are an integral part of these statements.

## 4.

Environmental Protection Agency  
**Consolidating Statement of Changes in Net Position**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	Cumulative Results of Operations Superfund Trust Fund FY 2003	Cumulative Results of Operations Superfund Trust Fund FY 2002	Cumulative Results of Operations All Others FY 2003	Cumulative Results of Operations All Others FY 2002	Cumulative Results of Operations Consolidated Totals FY 2003*
Net Position—Beginning of Period	\$ 3,115,737	\$ 3,477,720	\$ 2,518,705	\$ 2,335,136	\$ 5,634,442
Prior Period Adjustments	0	0	0	0	0
Beginning Balances, as Adjusted	\$ 3,115,737	\$ 3,477,720	\$ 2,518,705	\$ 2,335,136	\$ 5,634,442
Budgetary Financing Sources:					
Appropriations Received	0	0	0	0	0
Appropriations Transferred In/Out (Note 31)	0	0	0	0	0
Other Adjustments (Note 34)	0	0	0	0	0
Appropriations Used	0	0	7,496,463	6,784,295	7,496,463
Nonexchange Revenue (Note 35)	(49,692)	108,038	260,515	260,111	210,823
Transfers In/Out (Note 31)	(191,131)	(103,448)	111,614	63,672	(79,517)
Trust Fund Appropriations	632,307	676,292	(632,307)	(676,292)	0
Income from Other Appropriations (Note 23)	75,597	114,297	(75,597)	(114,297)	0
Total Budgetary Financing Sources	\$ 467,081	\$ 795,179	\$ 7,160,688	\$ 6,317,489	\$ 7,627,769
Other Financing Sources:					
Transfers In/Out (Note 31)	84	47	287	398	371
Imputed Financing Sources (Note 32)	19,999	14,706	108,196	83,039	128,195
Total Other Financing Sources	\$ 20,083	\$ 14,753	\$ 108,483	\$ 83,437	\$ 128,566
Net Cost of Operations	(1,252,864)	(1,171,915)	(7,012,987)	(6,217,357)	(8,265,851)
Net Position—End of Period	\$ <u>2,350,037</u>	\$ <u>3,115,737</u>	\$ <u>2,774,889</u>	\$ <u>2,518,705</u>	\$ <u>5,124,926</u>

\* This statement does not have any intra-agency eliminations for FY 2003 or 2002.

## 4.

Environmental Protection Agency  
**Consolidating Statement of Changes in Net Position**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	Cumulative Results of Operations Totals FY 2002*	Unexpended Appropriations All Others	Unexpended Appropriations All Others FY 2002	Consolidated Totals FY 2003*	Consolidated Totals FY 2002*
Net Position—Beginning of Period	\$ 5,812,856	\$ 10,923,889	\$ 10,358,961	\$ 16,558,331	\$ 16,171,817
Prior Period Adjustments	0	0	0	0	0
Beginning Balances, as Adjusted	\$ 5,812,856	\$ 10,923,889	\$ 10,358,961	\$ 16,558,331	\$ 16,171,817
Budgetary Financing Sources:					
Appropriations Received	0	7,408,126	7,356,085	7,408,126	7,356,085
Appropriations Transferred In/Out (Note 31)	0	4,550	28,598	4,550	28,598
Other Adjustments (Note 34)	0	(71,866)	(35,460)	(71,866)	(35,460)
Appropriations Used	6,784,295	(7,496,463)	(6,784,295)	0	0
Nonexchange Revenue (Note 35)	368,149	0	0	210,823	368,149
Transfers In/Out (Note 31)	(39,776)	0	0	(79,517)	(39,776)
Trust Fund Appropriations	0	0	0	0	0
Income from Other Appropriations (Note 23)	0	0	0	0	0
Total Budgetary Financing Sources	\$ 7,112,668	\$ (155,653)	\$ 564,928	\$ 7,472,116	\$ 7,677,596
Other Financing Sources:					
Transfers In/Out (Note 31)	445	0	0	371	445
Imputed Financing Sources (Note 32)	97,745	0	0	128,195	97,745
Total Other Financing Sources	\$ 98,190	\$ 0	\$ 0	\$ 128,566	\$ 98,190
Net Cost of Operations	(7,389,272)	0	0	(8,265,851)	(7,389,272)
Net Position—End of Period	\$ <u>5,634,442</u>	\$ <u>10,768,236</u>	\$ <u>10,923,889</u>	\$ <u>15,893,162</u>	\$ <u>16,558,331</u>

\* This statement does not have any intra-agency eliminations for FY 2003 or 2002.

## 5.

## Environmental Protection Agency Combined Statement of Budgetary Resources

For the Years Ended September 30, 2003 and 2002

(Dollars in Thousands)

	Superfund Trust Fund FY 2003	Superfund Trust Fund FY 2002	All Others FY 2003
<b>BUDGETARY RESOURCES</b>			
Budgetary Authority:			
Appropriations Received	\$ 0	\$ 0	\$ 7,424,350
Borrowing Authority	0	0	0
Net Transfers	1,286,342	1,329,490	76,863
Other	0	0	0
Unobligated Balances:			
Beginning of Period	750,994	714,321	2,045,248
Net Transfers, Actual	0	0	0
Anticipated Transfers Balance	0	0	0
Spending Authority from Offsetting Collections:			
Earned and Collected	211,066	193,835	273,703
Receivable from Federal Sources	(1,728)	3,523	5,074
Change in Unfilled Customer Orders			
Advance Received	(41,608)	(22,548)	(20,362)
Without Advance from Federal Sources	5,259	1,749	(28,473)
Anticipated for Rest of Year	0	0	0
Transfers from Trust Funds	(9,642)	0	96,135
Total Spending Authority from Collections	\$ 163,347	\$ 176,559	\$ 326,077
Recoveries of Prior Year Obligations (Note 26)	124,797	230,628	114,437
Permanently Not Available (Note 26)	(8,274)	(2,000)	(76,182)
<b>Total Budgetary Resources (Note 25)</b>	<b>\$ 2,317,206</b>	<b>\$ 2,448,998</b>	<b>\$ 9,910,793</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
Obligations Incurred:			
Direct	\$ 1,373,144	\$ 1,548,650	\$ 7,539,595
Reimbursable	177,257	149,354	272,326
Total Obligations Incurred (Note 25)	\$ 1,550,401	\$ 1,698,004	\$ 7,811,921
Unobligated Balances:			
Apportioned (Note 27)	766,786	726,589	2,011,471
Exempt from Apportionment	0	0	0
Unobligated Balances Not Available (Note 27)	19	24,405	87,401
<b>Total Status of Budgetary Resources</b>	<b>\$ 2,317,206</b>	<b>\$ 2,448,998</b>	<b>\$ 9,910,793</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>			
Obligations Incurred, Net	\$ 1,262,257	\$ 1,290,817	\$ 7,371,407
Obligated Balances, Net—Beginning of Period	2,021,759	2,108,696	9,608,652
Accounts Receivable	1,965	3,694	118,037
Unfilled Customer Orders from Federal Sources	71,707	66,448	224,874
Undelivered Orders, Unpaid	(1,612,994)	(1,831,268)	(9,077,583)
Accounts Payable	(299,181)	(260,633)	(847,544)
Total Outlays (Note 25)	<b>\$ 1,445,513</b>	<b>\$ 1,377,754</b>	<b>\$ 7,397,843</b>
Disbursements	\$ 1,605,329	\$ 1,549,041	\$ 7,706,933
Collections	(159,816)	(171,287)	(309,090)
Less: Offsetting Receipts (Note 28)	(146,502)	(248,252)	(643,956)
<b>Net Outlays</b>	<b>\$ 1,299,011</b>	<b>\$ 1,129,502</b>	<b>\$ 6,753,887</b>

The accompanying notes are an integral part of these statements.



## 5.

## Environmental Protection Agency Combined Statement of Budgetary Resources

For the Years Ended September 30, 2003 and 2002

(Dollars in Thousands)

	All Others FY 2002	Combined Totals FY 2003	Combined Totals FY 2002
<b>BUDGETARY RESOURCES</b>			
Budgetary Authority:			
Appropriations Received	\$ 7,371,085	\$ 7,424,350	\$ 7,371,085
Borrowing Authority	0	0	0
Net Transfers	101,010	1,363,205	1,430,500
Other	0	0	0
Unobligated Balances:			
Beginning of Period	1,911,304	2,796,242	2,625,625
Net Transfers, Actual	500	0	500
Anticipated Transfers Balance	0	0	0
Spending Authority from Offsetting Collections:			
Earned and Collected	262,102	484,769	455,937
Receivable from Federal Sources	1,410	3,346	4,933
Change in Unfilled Customer Orders			0
Advance Received	2,133	(61,970)	(20,415)
Without Advance from Federal Sources	62,549	(23,214)	64,298
Anticipated for Rest of Year	0	0	0
Transfers from Trust Funds	48,671	86,493	48,671
Total Spending Authority from Collections	\$ 376,865	\$ 489,424	\$ 553,424
Recoveries of Prior Year Obligations (Note 26)	89,440	239,234	320,068
Permanently Not Available (Note 26)	(42,292)	(84,456)	(44,292)
<b>Total Budgetary Resources (Note 25)</b>	<b>\$ 9,807,912</b>	<b>\$ 12,227,999</b>	<b>\$ 12,256,910</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
Obligations Incurred:			
Direct	\$ 7,514,054	\$ 8,912,739	\$ 9,062,704
Reimbursable	248,610	449,583	397,964
Total Obligations Incurred (Note 25)	\$ 7,762,664	\$ 9,362,322	\$ 9,460,668
Unobligated Balances:			
Apportioned (Note 27)	1,917,637	2,778,257	2,644,226
Exempt from Apportionment	0	0	0
Unobligated Balances Not Available (Note 27)	127,611	87,420	152,016
<b>Total Status of Budgetary Resources</b>	<b>\$ 9,807,912</b>	<b>\$ 12,227,999</b>	<b>\$ 12,256,910</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>			
Obligations Incurred, Net	\$ 7,296,359	\$ 8,633,664	\$ 8,587,176
Obligated Balances, Net—Beginning of Period	9,324,855	11,630,411	11,433,551
Accounts Receivable	72,577	120,002	76,271
Unfilled Customer Orders from Federal Sources	253,348	296,581	319,796
Undelivered Orders, Unpaid	(9,277,925)	(10,690,577)	(11,109,193)
Accounts Payable	(656,652)	(1,146,725)	(917,285)
<b>Total Outlays (Note 25)</b>	<b>\$ 7,012,562</b>	<b>\$ 8,843,356</b>	<b>\$ 8,390,316</b>
Disbursements	\$ 7,323,740	\$ 9,312,262	\$ 8,872,781
Collections	(311,178)	(468,906)	(482,465)
Less: Offsetting Receipts (Note 28)	(687,650)	(790,458)	(935,902)
<b>Net Outlays</b>	<b>\$ 6,324,912</b>	<b>\$ 8,052,898</b>	<b>\$ 7,454,414</b>

The accompanying notes are an integral part of these statements.

## 6.

Environmental Protection Agency  
**Consolidating Statement of Financing**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	Superfund Trust Fund FY 2003	Superfund Trust Fund FY 2002	All Others FY 2003
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>			
Budgetary Resources Obligated			
Obligations Incurred	\$ 1,550,401	\$ 1,698,004	\$ 7,811,921
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(288,144)</u>	<u>(407,187)</u>	<u>(440,514)</u>
Obligations, Net of Offsetting Collections	\$ 1,262,257	\$ 1,290,817	\$ 7,371,407
Less: Offsetting Receipts (Note 28)	<u>(146,502)</u>	<u>(248,252)</u>	<u>(643,956)</u>
Net Obligations	\$ 1,115,755	\$ 1,042,565	\$ 6,727,451
Other Resources			
Transfers In/Out without Reimbursement, Property (Note 31)	\$ 84	\$ 47	\$ (84)
Imputed Financing Sources (Note 32)	19,999	14,706	108,196
Income from Other Appropriations (Note 23)	<u>75,597</u>	<u>114,297</u>	<u>(75,597)</u>
Net Other Resources Used to Finance Activities	\$ 95,680	\$ 129,050	\$ 32,515
<b>Total Resources Used To Finance Activities</b>	<b><u>\$ 1,211,435</u></b>	<b><u>\$ 1,171,615</u></b>	<b><u>\$ 6,759,966</u></b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>			
Change in Budgetary Resources Obligated	\$ 179,096	\$ 64,738	\$ 165,667
Resources that Fund Prior Period Expenses (Note 29)	0	(1,590)	0
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:			
Credit Program Collections Increasing Loan Liabilities for Guarantees of Subsidy Allowances	0	0	4,980
Offsetting Receipts Not Affecting Net Cost	146,502	248,252	11,649
Resources that Finance Asset Acquisition	(16,287)	(6,587)	(66,321)
Adjustments to Expenditure Transfers that Do Not Affect Net Cost	<u>(105,777)</u>	<u>(48,758)</u>	<u>96,135</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 203,534	\$ 256,055	\$ 212,110
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b><u>\$ 1,414,969</u></b>	<b><u>\$ 1,427,670</u></b>	<b><u>\$ 6,972,076</u></b>

The accompanying notes are an integral part of these statements.

## 6.

Environmental Protection Agency  
**Consolidating Statement of Financing**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	Superfund Trust Fund FY 2003	Superfund Trust Fund FY 2002	All Others FY 2003
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**COMPONENTS OF NET COST OF OPERATIONS THAT  
 WILL NOT REQUIRE OR GENERATE RESOURCES IN THE  
 CURRENT PERIOD**

Components Requiring or Generating Resources in Future Periods

Increase in Annual Leave Liability (Note 29)	\$ 1,088	\$ 0	\$ 5,647
Increase in Environmental and Disposal Liability (Note 29)	0	0	(3,276)
Up/Downward Reestimates of Subsidy Expense	0	0	170
Increase in Public Exchange Revenue Receivable	(205,844)	(305,035)	(1,706)
Increase in Workers Compensation Costs (Note 29)	<u>246</u>	<u>0</u>	<u>4,591</u>

Total Components of Net Cost of Operations that Requires  
 or Generates Resources in the Future

	\$ (204,510)	\$ (305,035)	\$ 5,426
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Components Not Requiring/Generating Resources

Depreciation and Amortization	8,915	7,854	36,289
Revaluation of Assets or Liabilities	0	0	0
Expenses Not Requiring Budgetary Resources	<u>33,490</u>	<u>41,426</u>	<u>(804)</u>

Total Components of Net Cost of Operations that Will Not Require  
 or Generate Resources

	\$ 42,405	\$ 49,280	\$ 35,485
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Total Components of Net Cost of Operations that Will Not Require  
 or Generate Resources in the Current Period

	<u>(162,105)</u>	<u>(255,755)</u>	<u>40,911</u>
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**Net Cost of Operations**

	<u>\$ 1,252,864</u>	<u>\$ 1,171,915</u>	<u>\$ 7,012,987</u>
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## 6.

Environmental Protection Agency  
**Consolidating Statement of Financing**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	All Others FY 2002	Consolidated Totals* FY 2003	Consolidated Totals* FY 2002
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>			
Budgetary Resources Obligated			
Obligations Incurred	\$ 7,762,664	\$ 9,362,322	\$ 9,460,668
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(466,305)</u>	<u>(728,658)</u>	<u>(873,492)</u>
Obligations, Net of Offsetting Collections	\$ 7,296,359	\$ 8,633,664	\$ 8,587,176
Less: Offsetting Receipts (Note 28)	<u>(687,650)</u>	<u>(790,458)</u>	<u>(935,902)</u>
Net Obligations	\$ 6,608,709	\$ 7,843,206	\$ 7,651,274
Other Resources			
Transfers In/Out without Reimbursement, Property (Note 31)	\$ (47)	\$ 0	\$ 0
Imputed Financing Sources (Note 32)	83,039	128,195	97,745
Income from Other Appropriations (Note 23)	<u>(114,297)</u>	<u>0</u>	<u>0</u>
Net Other Resources Used to Finance Activities	\$ (31,305)	\$ 128,195	\$ 97,745
<b>Total Resources Used To Finance Activities</b>	<b><u>\$ 6,577,404</u></b>	<b><u>\$ 7,971,401</u></b>	<b><u>\$ 7,749,019</u></b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>			
Change in Budgetary Resources Obligated	\$ (422,293)	\$ 344,763	\$ (357,555)
Resources that Fund Prior Period Expenses (Note 29)	(399)	0	(1,989)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations			
Credit Program Collections Increasing Loan Liabilities for Guarantees of Subsidy Allowances	4,394	4,980	4,394
Offsetting Receipts Not Affecting Net Cost	11,358	158,151	259,610
Resources that Finance Asset Acquisition	(53,692)	(82,608)	(60,279)
Adjustments to Expenditure Transfers that Do Not Affect Net Cost	<u>48,670</u>	<u>(9,642)</u>	<u>(88)</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ <u>(411,962)</u>	\$ <u>415,644</u>	\$ <u>(155,907)</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b><u>\$ 6,165,442</u></b>	<b><u>\$ 8,387,045</u></b>	<b><u>\$ 7,593,112</u></b>

\* This statement does not have any intra-agency eliminations for FY 2003 or 2002.

## 6.

Environmental Protection Agency  
**Consolidating Statement of Financing**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

	All Others FY 2002	Consolidated Totals* FY 2003	Consolidated Totals* FY 2002
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**COMPONENTS OF NET COST OF OPERATIONS THAT  
 WILL NOT REQUIRE OR GENERATE RESOURCES IN THE  
 CURRENT PERIOD**

Components Requiring or Generating Resources in Future Periods

Increase in Annual Leave Liability (Note 29)	\$ 0	\$ 6,735	\$ 0
Increase in Environmental and Disposal Liability (Note 29)	578	(3,276)	578
Up/Downward Reestimates of Subsidy Expense	(371)	170	(371)
Increase in Public Exchange Revenue Receivable	(2,422)	(207,550)	(307,457)
Increase in Workers Compensation Costs (Note 29)	<u>0</u>	<u>4,837</u>	<u>0</u>

Total Components of Net Cost of Operations that Requires or Generates  
 Resources in the Future

	\$ (2,215)	\$ (199,084)	\$ (307,250)
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Components Not Requiring/Generating Resources

Depreciation and Amortization	27,022	45,204	34,876
Revaluation of Assets or Liabilities	0	0	0
Expenses Not Requiring Budgetary Resources	<u>27,108</u>	<u>32,686</u>	<u>68,534</u>

Total Components of Net Cost of Operations that Will Not Require or  
 Generate Resources

	\$ 54,130	\$ 77,890	\$ 103,410
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Total Components of Net Cost of Operations that Will Not Require  
 or Generate Resources in the Current Period

	<u>51,915</u>	<u>(121,194)</u>	<u>(203,840)</u>
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**Net Cost of Operations**

	<u>\$ 6,217,357</u>	<u>\$ 8,265,851</u>	<u>\$ 7,389,272</u>
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\* This statement does not have any intra-agency eliminations for FY 2003 or 2002.



## 7.

Environmental Protection Agency  
**Consolidated Statement of Custodial Activity**  
 For the Years Ended September 30, 2003 and 2002  
 (Dollars in Thousands)

FY 2003

FY 2002

**Revenue Activity:**

## Sources of Collections

Fines and Penalties	\$ 161,544	\$ 94,237
Other	<u>5,793</u>	<u>9,322</u>
Total Cash Collections	\$ 167,337	\$ 103,559
Accrual Adjustment	<u>7,172</u>	<u>(8,070)</u>
Total Custodial Revenue (Note 24)	\$ <u>174,509</u>	\$ <u>95,489</u>

**Disposition of Collections:**

Transferred to Others (General Fund)	\$ 165,440	\$ 103,818
Increases/Decreases in Amounts to be Transferred	<u>9,069</u>	<u>(8,329)</u>
Total Disposition of Collections	\$ <u>174,509</u>	\$ <u>95,489</u>
<b>Net Custodial Revenue Activity (Note 24)</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>

# Environmental Protection Agency

## Notes to Financial Statements (Dollars in Thousands)

### Note I. Summary of Significant Accounting Policies

#### A. BASIS OF PRESENTATION

These consolidating financial statements have been prepared to report the financial position and results of operations of the Environmental Protection Agency (Agency) for the Hazardous Substance Superfund (Superfund) Trust Fund and All Other Funds, as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the financial system and records of the Agency in accordance with “Form and Content for Agency Financial Statements,” specified by the Office of Management and Budget (OMB) in Bulletin 01-09, and the Agency’s accounting policies which are summarized in this note. In addition to preparing the reports required by Bulletin 01-09, Statement of Net Cost has been prepared by the Agency’s strategic goals (based on EPA’s 2000 *Strategic Plan*).

#### B. REPORTING ENTITIES

The Environmental Protection Agency (EPA) was created in 1970 by executive reorganization from various components of other federal agencies in order to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates — air, water, land, hazardous waste, pesticides and toxic substances. For FY 2003 the reporting entities are grouped as the Superfund Trust Fund and All Other Funds.

#### *Superfund Trust Fund*

In 1980, the Hazardous Substance Superfund, commonly referred to as the Superfund Trust Fund, was established by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to provide resources needed to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by federal and state governments as well as industry. The Agency allocates funds from its appropriation to other federal agencies to carry out CERCLA. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency’s National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis, and the design and implementation of cleanup remedies. NPL cleanups and removals are conducted and financed by the Agency, private parties, or other federal agencies. The Superfund Trust Fund includes the Department of the Treasury (Treasury) collections and investment activity. The Superfund Trust Fund is accounted for under Treasury symbol number 8145.

The accompanying financial statements include the accounts of all funds described in this note. EPA uses an expense allocation methodology as a financial statement estimate to present EPA programs’ full cost. This methodology is used because Superfund programs may charge some costs directly to the Superfund Trust Fund and charge the remainder of their costs to All Other Funds in the Agency-wide appropriations. These amounts are presented as Expenses from Other Appropriations on the Statement of Net Cost and as Income from Other Appropriations on the Statement of Changes in Net Position and the Statement of Financing.

The Superfund Trust Fund is allocated to general support services costs (e.g., rent, communications, utilities, and mail operations) that were initially charged to the Agency’s Science and Technology (S&T) and Environment Programs and Management (EPM) appropriations. During the year, these costs are allocated from the S&T and EPM appropriations to the Superfund Trust Fund based on a ratio of Superfund direct labor hours to the Agency total of all direct labor hours, using budgeted or actual full-time equivalent personnel charged to these appropriations. Agency general support services cost charges to the Superfund Trust Fund may not exceed the ceilings established in its appropriation. The related general support services costs charged to the Superfund Trust Funds were \$49.1 million for FY 2002 and \$11.9 million for FY 2003.

### *All Other Funds*

All Other Funds include other Trust Fund appropriations, General Fund appropriations, Revolving Funds, Special Funds, the Agency Budgetary Clearing accounts, Deposit Funds, General Fund Receipt accounts, the Environmental Services Special Fund Receipt Account, the Miscellaneous Contributed Funds Trust Fund, and General Fund appropriations transferred from other federal agencies as authorized by the Economy Act of 1932. General Fund appropriation activities that no longer receive current definite appropriations but have unexpended authority are the Asbestos Loan Program and Energy, Research and Development. Detailed descriptions of All Other Funds are as follows:

The Leaking Underground Storage Tank (LUST) Trust Fund was authorized by the Superfund Amendments and Reauthorization Act of 1986 (SARA) as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements to clean up those sites posing the greatest threat to human health and environment. Funds are used for grants to non-state entities including Indian tribes under section 8001 of the Resource Conservation and Recovery Act. The program is financed by a one cent a gallon tax on motor fuels which will expire in 2005, and is accounted for under Treasury symbol number 8153.



The Oil Spill Response Trust Fund was authorized by the Oil Pollution Act of 1990 (OPA). Monies were appropriated to the Oil Spill Response Trust Fund in 1993. The Agency is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding for oil spill cleanup actions is provided through the Department of Transportation under the Oil Spill Liability Trust Fund and reimbursable funding from other federal agencies. The Oil Spill Response Trust Fund is accounted for under Treasury symbol number 8221.

The State and Tribal Assistance Grants (STAG) appropriation provides funds for environmental programs and infrastructure assistance including capitalization grants for State revolving funds and performance partnership grants. Environmental programs and infrastructure supported are: Clean and Safe Water; Capitalization grants for the Drinking Water State Revolving Funds; Clean Air; Direct grants for Water and Wastewater Infrastructure needs, Partnership grants to meet Health Standards, Protect Watersheds, Decrease Wetland Loss, and Address Agricultural and Urban Runoff and Storm Water; Better Waste Management; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems; and Reduction of Global and Cross Border Environmental Risks. STAG is accounted for under Treasury symbol 0103.

The Science and Technology (S&T) appropriation finances salaries, travel, science, technology, research and development activities including laboratory and center supplies, certain operating expenses, grants, contracts, intergovernmental agreements, and purchases of scientific equipment. These activities provide the scientific basis for the Agency's regulatory actions. In FY 2003, Superfund research costs were appropriated in Superfund and transferred to S&T to allow for proper accounting of the costs. Environmental scientific and technological activities and programs include Clean Air; Clean and Safe Water; Americans Right to Know About Their Environment; Better Waste Management; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems; and Safe Food. The S&T appropriation is accounted for under Treasury symbol 0107.

The Environmental Programs and Management (EPM) appropriation includes funds for salaries, travel, contracts, grants, and cooperative agreements for pollution abatement, control, and compliance activities and administrative activities of the Agency's operating programs. Areas supported from this appropriation include: Clean Air; Clean and Safe Water; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems; Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response; Reduction of Global and Cross Border Environmental Risks; Americans' Right to Know About Their Environment; Sound Science; Improved Understanding of Environmental Risk; and

Greater Innovation to Address Environmental Problems; Credible Deterrent to Pollution and Greater Compliance with the Law; and Effective Management. The EPM appropriation is accounted for under Treasury symbol 0108.

The Office of Inspector General appropriation provides funds for audit and investigative functions to identify and recommend corrective actions on management and administrative deficiencies that create the conditions for existing or potential instances of fraud, waste and mismanagement. Additional funds for audit and investigative activities associated with the Superfund and the LUST Trust Funds are appropriated under those Trust Fund accounts and transferred to the Office of Inspector General account. The audit function provides contract, internal controls and performance, and financial and grant audit services. The Office of Inspector General appropriation is accounted for under Treasury symbol 0112 and includes expenses incurred and reimbursed from the appropriated trust funds accounted for under Treasury symbols 8145 and 8153.

The Buildings and Facilities (B&F) appropriation provides for the construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities that are owned or used by the EPA. The B&F appropriation is accounted for under Treasury symbol 0110.

The Payment to the Hazardous Substance Superfund appropriation authorizes appropriations from the General Fund of the Treasury to finance activities conducted through the Hazardous Substance Superfund Program. Payment to the Hazardous Substance Superfund appropriation is accounted for under Treasury symbol 0250.

The Asbestos Loan Program was authorized by the Asbestos School Hazard Abatement Act of 1986 to finance control of asbestos building materials in schools. Funds have not been appropriated for this Program since FY 1993. For FY 1993 and FY 1992, the program was funded by a subsidy appropriated from the General Fund for the actual cost of financing the loans, and by borrowing from Treasury for the unsubsidized portion of the loan. The Program Fund disburses the subsidy to the Financing Fund for increases in the subsidy. The Financing Fund receives the subsidy payment, borrows from Treasury and collects the asbestos loans. The Asbestos Loan Program is accounted for under Treasury symbol 0118 for the subsidy and administrative support; under Treasury symbol 4322 for loan disbursements, loans receivable and loan collections on post FY 1991 loans; and under Treasury symbol 2917 for pre FY 1992 loans receivable and loan collections.

The FIFRA Revolving Fund was authorized by the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) of 1972 as amended in 1988 and as amended by the Food Quality Protection Act of 1996. Fees are paid by industry to offset costs of accelerated reregistration, expedited processing of pesticides, and establishing tolerances for pesticide chemicals in or on food and animal feed. The FIFRA Revolving Fund is accounted for under Treasury symbol number 4310.

The Tolerance Revolving Fund was authorized in 1963 for the deposit of tolerance fees. Fees are paid by industry for federal services to set pesticide chemical residue limits in or on food and animal feed. Effective January 2, 1997, fees collected are now being collected and deposited in the Reregistration and Expedited Processing Revolving (FIFRA) Fund (4310). The fees collected prior to this date are accounted for under Treasury symbol number 4311.

The Working Capital Fund (WCF) includes two activities: computer support services and postage. The WCF derives revenue from these activities based upon a fee for services. WCF's customers currently consist solely of Agency program offices. Accordingly, revenues generated by WCF and expenses recorded by the program offices for use of such services, along with the related advances/liabilities, are eliminated on consolidation. The WCF is accounted for under Treasury symbol 4565.

The Exxon Valdez Settlement Fund has funds available to carry out authorized environmental restoration activities. Funding is derived from the collection of reimbursements under the Exxon Valdez settlement as a result of an oil spill. The Exxon Valdez Settlement fund is accounted for under Treasury symbol number 5297.



Allocations and appropriations transferred to the Agency from other federal agencies include funds from: (1) the Appalachian Regional Commission and the Department of Commerce, which provide economic assistance to state and local developmental activities; (2) the Agency for International Development, which provides assistance on environmental matters at international levels; and (3) the General Services Administration which provides funds for rental of buildings and operations, repairs, and maintenance of rental space. The transfer allocations are accounted for under Treasury symbols 0200, 1010, and 4542; and the appropriation transfers are accounted for under 0108.

The EPA Department of the Treasury Clearing Accounts include: (1) the Budgetary Suspense Account; (2) the Unavailable Check Cancellations and Overpayments Account; and (3) the Undistributed Intraagency Payments and Collections (IPAC) Account. These are accounted for under Treasury symbols 3875, 3880 and 3885, respectively.

Deposit funds include: Fees for Ocean Dumping; Nonconformance Penalties; Clean Air Allowance Auction and Sale; Advances without Orders; and Suspense and payroll deposits for Savings Bonds, and State and City Income Taxes Withheld. These funds are accounted for under Treasury symbols 6050, 6264, 6265, 6266, 6275 and 6500, respectively.

General Fund Receipt Accounts include: Hazardous Waste Permits; Miscellaneous Fines, Penalties and Forfeitures; General Fund Interest; Interest from Credit Reform Financing Accounts; Fees and Other Charges for Administrative and Professional Services; and Miscellaneous Recoveries and Refunds. These accounts are accounted for under Treasury symbols 0895, 1099, 1435, 1499, 3200 and 3220, respectively.

The Environmental Services Receipt account was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in this special fund will be appropriated to the S&T and the EPM appropriations to meet the expenses of the programs that generate the receipts. Environmental Services are unavailable receipts accounted for under Treasury symbol 5295.

The Miscellaneous Contributed Funds Trust Fund includes gifts for pollution control programs that are usually designated for a specific use by donors and/or deposits from pesticide registrants to cover the costs of petition hearings when such hearings result in unfavorable decisions to the petitioner. The Miscellaneous Contributed Funds Trust Fund is accounted for under Treasury symbol 8741.

## C. BUDGETS AND BUDGETARY ACCOUNTING

### *Superfund*

Congress adopts an annual appropriation amount to be available until expended for the Superfund Trust Fund. A transfer account for the Superfund Trust Fund has been established for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the transfer account, the Agency draws down monies from the Superfund Trust Fund at Treasury to cover the amounts being disbursed.

### *All Other Funds*

Congress adopts an annual appropriation amount for the LUST and the Oil Spill Response Trust Funds to remain available until expended. A transfer account for the LUST Trust Fund has been established for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the transfer account, the Agency draws down monies from the LUST Trust Fund at Treasury to cover the amounts being disbursed. The Agency draws down all the appropriated monies from the Treasury's Oil Spill Liability Trust Fund to the Oil Spill Response Trust Fund when Congress adopts the appropriation amount. Congress adopts an annual appropriation for STAG, B&F, and for Payments to the Hazardous Substance Superfund to be available until expended, as well as annual appropriations for S&T, EPM and for the Office of the Inspector General to be available for two fiscal years. When the appropriations for the General Funds are enacted, Treasury issues a warrant to the respective appropriations. As the Agency disburses obligated amounts, the balance of funds available to the appropriation is reduced at Treasury.





The Asbestos Loan Program is a commercial activity financed by a combination from two sources, one for the long term costs of the loans and another for the remaining non-subsidized portion of the loans. Congress adapted a one year appropriation, available for obligation in the fiscal year for which it was appropriated, to cover the estimated long term cost of the Asbestos loans. The long term costs are defined as the net present value of the estimated cash flows associated with the loans. The portion of each loan disbursement that did not represent long term cost was financed under a permanent indefinite borrowing authority established with the Treasury. A permanent indefinite appropriation is available to finance the costs of subsidy re-estimates that occur after the year in which the loan was disbursed.

Funding of the FIFRA and the Tolerance Revolving Funds is provided by fees collected from industry to offset costs incurred by the Agency in carrying out these programs. Each year the Agency submits an apportionment request to OMB based on the anticipated collections of industry fees.

Funding of the WCF is provided by fees collected from other Agency appropriations to offset costs incurred for providing the Agency administrative support for computer support and postage.

Funds transferred from other federal agencies are funded by a non expenditure transfer of funds from the other federal agencies. As the Agency disburses the obligated amounts, the balance of funding available to the appropriation is reduced at Treasury.

Clearing accounts, deposit accounts, and receipt accounts receive no budget. The amounts are recorded to the clearing and deposit accounts pending further disposition. Amounts recorded to the receipt accounts capture amounts receivable to or collected for the Treasury General Fund.

#### D. BASIS OF ACCOUNTING

Transactions are recorded on an accrual accounting basis and on a budgetary basis (where budgets are issued). Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. All interfund balances and transactions are eliminated.

#### E. REVENUES AND OTHER FINANCING SOURCES.

The following EPA policies and procedures to account for inflow of revenue and other financing sources are in accordance with Statement of Federal Financial Accounting Standards Number Seven (SFFAS No. 7), "Accounting for Revenues and Other Financing Sources," which was effective for accounting periods after September 30, 1997.

##### *Superfund*

The Superfund program receives most of its funding through appropriations that may be used, within specific statutory limits, for operating and capital expenditures (primarily equipment). Additional financing for the Superfund program is obtained through: reimbursements from other federal agencies under Inter-Agency Agreements (IAGs), state cost share payments under Superfund State Contracts (SSCs), and settlement proceeds from Potentially Responsible Parties, under CERCLA Section 122(b)(3), placed in special accounts. Special accounts were previously limited to settlement amounts for future costs. However, beginning in FY 2001, cost recovery amounts received under CERCLA Section 122(b)(3) settlements could be placed in special accounts. Cost recovery settlements that are not placed in special accounts continue to be deposited in the Trust Fund.

##### *All Other Funds*

The majority of "All Other Funds" appropriations receive funding needed to support programs through appropriations, which may be used, within statutory limits, for operating and capital expenditures. However, under Credit Reform provisions, the Asbestos Loan Program received funding to support the subsidy cost of loans through appropriations which may be used with statutory limits. The Asbestos Direct Loan Financing fund, an off-budget fund, receives additional funding to support the outstanding loans through collections from the Program fund for the subsidized portion of the loan. The last year Congress provided



appropriations to make new loans was 1993. The FIFRA and the Tolerance Revolving Funds receive funding, which is now deposited with the FIFRA Revolving Fund, through fees collected for services provided. The FIFRA Revolving Fund also receives interest on invested funds. The WCF receives revenue through fees collected for services provided to Agency program offices. Such revenue is eliminated with related Agency program expenses upon consolidation of the Agency's financial statements. The Exxon Valdez Settlement Fund received funding through reimbursements.

Appropriated funds are recognized as Other Financing Sources when earned, i.e., when goods and services have been rendered without regard to payment of cash. Other revenues are recognized when earned, i.e., when services have been rendered.

## F. FUNDS WITH THE TREASURY

The Agency does not maintain cash in commercial bank accounts. Cash receipts and disbursements are handled by Treasury. The funds maintained with Treasury are Appropriated Funds, Revolving Funds and Trust Funds. These funds have balances available to pay current liabilities and finance authorized purchase commitments. (See Note 2)

## G. INVESTMENTS IN U.S. GOVERNMENT SECURITIES

Investments in U.S. Government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. (See Note 4)

## H. NOTES RECEIVABLE

The Agency records notes receivable at their face value and any accrued interest as of the date of receipt.

## I. MARKETABLE SECURITIES

The Agency records marketable securities at cost as of the date of receipt. Marketable securities are held by Treasury and reported at their cost value in the financial statements until sold. (See Note 6)

## J. ACCOUNTS RECEIVABLE AND INTEREST RECEIVABLE (SEE NOTE 5)

### *Superfund*

CERCLA as amended by SARA provides for the recovery of costs from potentially responsible parties (PRPs). However, cost recovery expenditures are expensed when incurred since there is no assurance that these funds will be recovered.

It is the Agency's policy to record accounts receivable from PRPs for Superfund site response costs when a consent decree, judgment, administrative order, or settlement is entered. These agreements are generally negotiated after site response costs have been incurred. It is the Agency's position that until a consent decree or other form of settlement is obtained, the amount recoverable should not be recorded.

The Agency also records accounts receivable from states for a percentage of Superfund site remedial action costs incurred by the Agency within those states. As agreed to under Superfund State Contracts (SSCs), cost sharing arrangements may vary according to whether a site was privately or publicly operated at the time of hazardous substance disposal and whether the Agency response action was removal or remedial. SSC agreements are usually for 10% or 50% of site remedial action costs. States may pay the full amount of their share in advance, or incrementally throughout the remedial action process. Allowances for

uncollectible state cost share receivables have not been recorded, because the Agency has not had collection problems with these agreements.

### *All Other Funds*

The majority of receivables for All Other Funds represent interest receivable for Asbestos and FIFRA activities.

## **K. ADVANCES AND PREPAYMENTS**

Advances and prepayments represent funds advanced or prepaid to other entities both internal and external to the Agency for which a budgetary expenditure has not yet occurred. (See Note 6)

## **L. LOANS RECEIVABLE**

Loans are accounted for as receivables after funds have been disbursed. The amounts of Asbestos Loan Program loans obligated but not disbursed is disclosed in Note 7. Loans receivable resulting from obligations on or before September 30, 1991 are reduced by the allowance for uncollectible loans. Loans receivable resulting from loans obligated on or after October 1, 1991 are reduced by an allowance equal to the present value of the subsidy costs associated with these loans. The subsidy cost is calculated based on the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries offset by fees collected and other estimated cash flows associated with these loans. (See Note 7)

## **M. APPROPRIATED AMOUNTS HELD BY TREASURY**

For the Superfund and LUST Trust Funds, and for amounts appropriated from these Trust Funds to the Office of Inspector General, cash available to the Agency that is not needed immediately for current disbursements remains in the respective Trust Funds managed by Treasury. (See Note 17)

## **N. PROPERTY, PLANT, AND EQUIPMENT**

EPA accounts for its personal and real property accounting records in accordance with SFFAS No. 6, "Accounting for Property, Plant and Equipment." For EPA-held property, the Fixed Assets Subsystem (FAS) automatically generates depreciation entries monthly based on acquisition dates. (See Note 9)

Purchases of EPA-held and contractor-held personal property are capitalized if it is valued at \$25 thousand or more and has an estimated useful life of at least two years. Prior to implementing FAS, depreciation was taken on a modified straight-line basis over a period of six years depreciating 10% the first and sixth year, and 20% in years two through five. This modified straight-line method is still used for contractor-held property; detailed records are maintained and accounted for in contractor systems, not in FAS. All EPA-held personal property purchased before the implementation of FAS was assumed to have an estimated useful life of five years. New acquisitions of EPA-held personal property are depreciated using the straight-line method over the specific asset's useful life, ranging from two to 15 years.

Real property consists of land, buildings, and capital and leasehold improvements. Real property, other than land, is capitalized when the value is \$75 thousand or more. Land is capitalized regardless of cost. Buildings were valued at an estimated original cost basis, and land was valued at fair market value if purchased prior to FY 1997. Real property purchased during and after FY 1997 are valued at actual costs. Depreciation for real property is calculated using the straight-line method over the specific asset's useful life, ranging from ten to 102 years. Leasehold improvements are amortized over the lesser of their useful life or the unexpired lease term. Additions to property and improvements not meeting the capitalization criteria, expenditures for minor alterations, and repairs and maintenance are expensed as incurred.



In FY 1997, EPA's Working Capital Fund, a revenue generating activity, implemented requirements to capitalize software if the purchase price was \$100 thousand or more with an estimated useful life of two years or more. In FY 2001 the Agency began capitalizing software for All Other Funds whose acquisition value is \$500 thousand or more in accordance with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Software is depreciated using the straight-line method over the specific asset's useful life ranging from two to ten years.

#### O. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by the Agency as the result of a transaction or event that has already occurred. However, no liability can be paid by the Agency without an appropriation or other collection of revenue for services provided. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that the appropriations will be enacted. Liabilities of the Agency, arising from other than contracts, can be abrogated by the Government acting in its sovereign capacity.

#### P. BORROWING PAYABLE TO THE TREASURY

Borrowing payable to Treasury results from loans from Treasury to fund the Asbestos direct loans described in part B and C of this note. Periodic principal payments are made to Treasury based on the collections of loans receivable.

#### Q. INTEREST PAYABLE TO TREASURY

The Asbestos Loan Program makes periodic interest payments to Treasury based on its debt to Treasury. At the end of FY 2002 and FY 2003, there was no outstanding interest payable to Treasury since payment was made through September 30.

#### R. ACCRUED UNFUNDED ANNUAL LEAVE

Annual, sick and other leave is expensed as taken during the fiscal year. Sick leave earned but not taken is not accrued as a liability. Annual leave earned but not taken as of the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in the Statement of Financial Position as a component of "Payroll and Benefits Payable." (See Note 33)

#### S. RETIREMENT PLAN

There are two primary retirement systems for federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Agency automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. The Agency also contributes the employer's matching share for Social Security.

With the issuance of SFFAS No. 5, "Accounting for Liabilities of the Federal Government," which was effective for the FY 1997 financial statements, accounting and reporting standards were established for liabilities relating to the federal employee benefit programs (Retirement, Health Benefits and Life Insurance). SFFAS No. 5 requires that the employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires that the Office of Personnel Management, as administrator of the Civil Service Retirement and Federal Employees Retirement Systems, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide the Agency with the 'Cost Factors' to compute EPA's liability for each program.

## T. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments will be made in accordance with SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles," which was effective for FY 2002. EPA will make prior period adjustments for material errors as follows in accordance with SFFAS No. 21. Prior period adjustments will only be made for material prior period errors to: (1) the current period financial statements and (2) the prior period financial statements presented for comparison. Adjustments related to changes in accounting principles will only be made to the current period financial statements, but not to prior period financial statements presented for comparison.

## Note 2. Fund Balances with Treasury

Fund Balances with Treasury as of September 30, 2003 and 2002, consist of the following:

	FY 2003			FY 2002		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
<b>Trust Funds:</b>						
Superfund	\$ 26,448	\$ 0	\$ 26,448	\$ 32,229	\$ 0	\$ 32,229
LUST	34,008	0	34,008	16,405	0	16,405
Oil Spill	5,505	0	5,505	3,796	0	3,796
<b>Revolving Funds:</b>						
FIFRA/Tolerance	1,826	0	1,826	3,028	0	3,028
Working Capital	57,780	0	57,780	57,380	0	57,380
<b>Appropriated</b>	11,527,765	0	11,527,765	11,504,638	0	11,504,638
<b>Other Fund Types</b>	<u>111,225</u>	<u>20,248</u>	<u>131,473</u>	<u>99,575</u>	<u>4,112</u>	<u>103,687</u>
<b>Total</b>	<u>\$ 11,764,557</u>	<u>\$ 20,248</u>	<u>\$ 11,784,805</u>	<u>\$ 11,717,051</u>	<u>\$ 4,112</u>	<u>\$ 11,721,163</u>

Entity fund balances, except for Other Fund Types, include balances that are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below). Other Fund Types are not presently subject to obligation.

Entity Assets for Other Fund Types consist of the Environmental Services Receipt account, which is a special fund receipt account. Upon Congress appropriating the funds, EPA will use these special fund receipts in the S&T and EPM appropriations. The Non-Entity Assets for Other Fund Types consist of clearing accounts and deposit funds, which are either awaiting documentation for the determination of proper accounting disposition or being held by EPA for other entities.



*Status of Fund Balances:*

	FY 2003		FY 2002	
	Superfund	All Others	Superfund	All Others
Unobligated Amounts in Fund Balances:				
Available for Obligation	\$ 766,786	\$ 2,011,471	\$ 726,589	\$ 1,917,637
Unavailable for Obligation	19	87,404	24,417	127,611
Net Receivables from Invested Balances	(2,579,726)	(66,574)	(2,742,412)	(80,875)
Balances in Treasury Trust Fund (Note 17)	866	12,377	1,876	12,232
Obligated Balance not yet Disbursed	1,838,503	9,582,206	2,021,759	9,608,642
Balances not subject to Obligation	0	131,473	0	103,687
<b>Totals</b>	<b>\$ 26,448</b>	<b>\$ 11,758,357</b>	<b>\$ 32,229</b>	<b>\$ 11,688,934</b>

The funds available for obligation may be apportioned by the OMB for new obligations at the beginning of the following FY. Funds unavailable for obligation are mostly balances in expired funds, which are available only for upward adjustments of existing obligations.

For FY 2003, no differences existed between Treasury's accounts and EPA's statements for fund balances with Treasury. For FY 2002, the amounts on the agency financial statements were \$2,828 thousand less than the balances on Treasury's records. These differences consist mainly of unrecorded transactions from the last two months of FY 2002 that were recorded by the agency in FY 2003. The FY 2002 differences for Superfund and All Other Funds are \$1,301 thousand and \$1,527 thousand, respectively.

### Note 3. Cash

In All Others, as of September 30, 2003 and 2002, cash consisted of imprest funds totaling \$10 thousand.

### Note 4. Investments

As of September 30, 2003 and 2002, investments consisted of the following:

		Cost	Unamortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
<b>Superfund</b>						
Intragovernmental Securities:						
Non-Marketable	FY 2003	\$ 2,507,927	\$ (8,183)	\$ 37	\$ 2,516,147	\$ 2,516,147
	FY 2002	\$ 3,234,352	\$ (62,650)	\$ 12,973	\$ 3,309,975	\$ 3,309,975
<b>All Others</b>						
Intragovernmental Securities:						
Non-Marketable	FY 2003	\$ 2,037,560	\$ (51,290)	\$ 25,834	\$ 2,114,684	\$ 2,114,684
	FY 2002	\$ 1,892,769	\$ (36,752)	\$ 22,531	\$ 1,952,052	\$ 1,952,052

CERCLA, as amended by SARA, authorizes EPA to recover monies to clean up Superfund sites from responsible parties (RP). Some RPs file for bankruptcy under Title II of the U.S. Code. In bankruptcy settlements, EPA is an unsecured creditor and is entitled to receive a percentage of the assets remaining after

secured creditors have been satisfied. Some RPs satisfy their debts by issuing securities of the reorganized company. The Agency does not intend to exercise ownership rights to these securities, and instead will convert them to cash as soon as practicable.

## Note 5. Accounts Receivable

The Accounts Receivable for September 30, 2003 and 2002, consist of the following:

	FY 2003		FY 2002	
	Superfund	All Others	Superfund	All Others
<b>Intragovernmental Assets:</b>				
Accounts & Interest Receivable	\$ <u>34,665</u>	\$ <u>119,941</u>	\$ <u>33,309</u>	\$ <u>72,298</u>
<b>Non-Federal Assets:</b>				
Unbilled Accounts Receivable	\$ 109,272	\$ 1,668	\$ 87,443	\$ 2,210
Accounts & Interest Receivable	815,119	113,130	783,279	101,392
Less: Allowance for Uncollectibles	<u>(495,905)</u>	<u>(49,502)</u>	<u>(459,285)</u>	<u>(54,204)</u>
<b>Total</b>	\$ <u>428,486</u>	\$ <u>65,296</u>	\$ <u>411,437</u>	\$ <u>49,398</u>

The Allowance for Doubtful Accounts is determined on a specific identification basis as a result of a case-by-case review of receivables, and a reserve on a percentage basis for those not specifically identified.

## Note 6. Other Assets

Other Assets for September 30, 2003, consist of the following:

	Superfund Trust Fund	All Others	Combined Totals
<b>Intragovernmental Assets:</b>			
Advances to Federal Agencies	\$ 146	\$ 3,233	\$ 3,379
Advances to Working Capital Fund	7,268	0	7,268
Advances for Postage	<u>0</u>	<u>594</u>	<u>594</u>
<b>Total Intragovernmental Assets</b>	\$ <u>7,414</u>	\$ <u>3,827</u>	\$ <u>11,241</u>
<b>Non-Federal Assets:</b>			
Travel Advances	\$ (51)	\$ (918)	\$ (969)
Letter of Credit Advances	0	601	601
Grant Advances	0	1,544	1,544
Other Advances	731	95	826
Operating Materials and Supplies	0	217	217
Inventory for Sale	0	51	51
Securities Received in Settlement for Debt	<u>0</u>	<u>1,912</u>	<u>1,912</u>
<b>Total Non-Federal Assets</b>	\$ <u>680</u>	\$ <u>3,502</u>	\$ <u>4,182</u>

Other Assets for September 30, 2002, consist of the following:

	Superfund Trust Fund	All Others	Combined Totals
<b>Intragovernmental Assets:</b>			
Advances to Federal Agencies	\$ 141	\$ 4,163	\$ 4,304
Advances to Working Capital Fund	4,379	0	4,379
Advances for Postage	0	415	415
<b>Total Intragovernmental Assets</b>	<b>\$ 4,520</b>	<b>\$ 4,578</b>	<b>\$ 9,098</b>
<b>Non-Federal Assets:</b>			
Travel Advances	\$ (13)	\$ (911)	\$ (924)
Letter of Credit Advances	0	2,388	2,388
Grant Advances	0	3,054	3,054
Other Advances	793	148	941
Operating Materials and Supplies	0	216	216
Inventory for Sale	0	42	42
<b>Total Non-Federal Assets</b>	<b>\$ 780</b>	<b>\$ 4,937</b>	<b>\$ 5,717</b>

## Note 7. Loans Receivable, Net—Non-Federal

Asbestos Loan Program loans disbursed from obligations made prior to FY 1992 are net of an allowance for estimated uncollectible loans, if an allowance was considered necessary. Loans disbursed from obligations made after FY 1991 are governed by the Federal Credit Reform Act. The Act mandates that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, anticipated delinquencies, and defaults) associated with direct loans be recognized as an expense in the year the loan is made. The net present value of loans is the amount of the gross loan receivable less the present value of the subsidy.

An analysis of loans receivable and the nature and amounts of the subsidy and administrative expenses associated entirely with Asbestos Loan Program loans as of September 30, 2003 and 2002, is provided in the following sections.

	FY 2003			FY 2002		
	Loans Receivable, Gross	Allowance*	Value of Assets Related to Direct Loans	Loans Receivable, Gross	Allowance*	Value of Assets Related to Direct Loans
Direct Loans Obligated Prior to FY 1992	\$ 33,245	\$ 0	\$ 33,245	\$ 41,181	\$ 0	\$ 41,181
Direct Loans Obligated After FY 1991	34,597	(14,336)	20,261	38,664	(15,199)	23,465
<b>Total</b>	<b>\$ 67,842</b>	<b>\$ (14,336)</b>	<b>\$ 53,506</b>	<b>\$ 79,845</b>	<b>\$ (15,199)</b>	<b>\$ 64,646</b>

\* Allowance for Pre-Credit Reform loans (Prior to FY 1992) is the Allowance for Estimated Uncollectible Loans and the Allowance for Post Credit Reform Loans (After FY 1991) is the Allowance for Subsidy Cost (present value).

Subsidy Expenses for Post Credit Reform Loans (reported on a cash basis):

	Interest Rate Re-estimate	Technical Re-estimate	Fee Offsets	Total
Direct Loan Subsidy Expense—FY 2003	\$ 377	\$ 528	\$ 0	\$ 905
Downward Subsidy Reestimate—FY 2003	(170)	(201)	0	(371)
<b>FY 2003 Totals</b>	<b>\$ 207</b>	<b>\$ 327</b>	<b>\$ 0</b>	<b>\$ 534</b>
Direct Loan Subsidy Expense—FY 2002	\$ 115	\$ 157	\$ 0	\$ 272
Downward Subsidy Reestimate—FY 2002	(496)	(816)	0	(1,312)
<b>FY 2002 Totals</b>	<b>\$ (381)</b>	<b>\$ (659)</b>	<b>\$ 0</b>	<b>\$ (1,040)</b>

## Note 8. Accounts Payable and Accrued Liabilities

The Accounts Payable and Accrued Liabilities, both Federal and Non-Federal, are current liabilities consisting of the following amounts as of September 30, 2003:

	Superfund Trust Fund	All Other Funds	Combined Total
<b>Federal:</b>			
Accounts Payable to other Federal Agencies	\$ 593	\$ 618	\$ 1,211
Liability for Allocation Transfers	20,017		20,017
Expenditure Transfers Payable to other EPA Funds	86,087		86,087
Accrued Liabilities, Federal	38,934	69,538	108,472
<b>Total</b>	<b>\$ 145,631</b>	<b>\$ 70,156</b>	<b>\$ 215,787</b>
<b>Non-Federal:</b>			
Accounts Payable, Non-Federal	\$ 45,880	\$ 71,160	\$ 117,040
Advances Payable, Non-Federal	3	13	16
Interest Payable	553	2	555
Grant Liabilities	21,714	545,872	567,586
Other Accrued Liabilities, Non-Federal	97,400	105,737	203,137
<b>Total</b>	<b>\$ 165,550</b>	<b>\$ 722,784</b>	<b>\$ 888,334</b>

The Accounts Payable and Accrued Liabilities, both Federal and Non-Federal, consisted of the following amounts as of September 30, 2002:

	Superfund Trust Fund	All Other Funds	Combined Total
<b>Federal:</b>			
Accounts Payable to other Federal Agencies	\$ 4,964	\$ 620	\$ 5,584
Liability for Allocation Transfers	20,017		20,017
Expenditure Transfers Payable to other EPA Funds	45,701		45,701
Accrued Liabilities, Federal	<u>45,557</u>	<u>43,363</u>	<u>88,920</u>
<b>Total</b>	<b>\$ <u>116,239</u></b>	<b>\$ <u>43,983</u></b>	<b>\$ <u>160,222</u></b>
<b>Non-Federal:</b>			
Accounts Payable, Non-Federal	\$ 43,344	\$ 74,260	\$ 117,604
Advances Payable, Non-Federal	14	3	17
Interest Payable	333	1	334
Grant Liabilities	14,590	348,474	363,064
Other Accrued Liabilities, Non-Federal	<u>87,524</u>	<u>88,498</u>	<u>176,022</u>
<b>Total</b>	<b>\$ <u>145,805</u></b>	<b>\$ <u>511,236</u></b>	<b>\$ <u>657,041</u></b>

## Note 9. General Plant, Property and Equipment

Superfund property, plant and equipment, consists of personal property items held by contractors and the Agency. EPA also has property funded by various other Agency appropriations. The property funded by these appropriations are presented in the aggregate under "All Others" and consists of software; real, EPA-Held and Contractor-Held personal, and capitalized-leased property.

As of September 30, 2003, Plant, Property and Equipment consisted of the following:

	Superfund			All Others		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ 28,990	\$ (15,664)	\$ 13,326	\$ 158,199	\$ (97,785)	\$ 60,414
Software	3,649	(138)	3,511	53,888	(4,397)	49,491
Contractor-Held Property:						
Superfund Site-Specific	40,505	(16,642)	23,863			
General	7,607	(2,452)	5,155	15,679	(6,429)	9,250
Land and Buildings				536,212	(100,826)	435,386
Capital Leases				<u>41,535</u>	<u>(16,605)</u>	<u>24,930</u>
<b>Total</b>	<b>\$ <u>80,751</u></b>	<b>\$ <u>(34,896)</u></b>	<b>\$ <u>45,855</u></b>	<b>\$ <u>805,513</u></b>	<b>\$ <u>(226,042)</u></b>	<b>\$ <u>579,471</u></b>



As of September 30, 2002, Plant, Property and Equipment consisted of the following:

	Superfund			All Others		
	Acquisition Value	Accumulated Depreciation	Net Book Value	Acquisition Value	Accumulated Depreciation	Net Book Value
EPA-Held Equipment	\$ 25,968	\$ (15,245)	\$ 10,723	\$ 148,693	\$ (92,920)	\$ 55,773
Software	961	(85)	876	26,358	(2,520)	23,838
Contractor-Held Property:						
Superfund Site-Specific	32,472	(12,065)	20,407	0	0	0
General	10,407	(3,667)	6,740	18,412	(9,689)	8,723
Land and Buildings				521,515	(85,238)	436,277
Capital Leases				41,614	(14,889)	26,725
<b>Total</b>	<b>\$ 69,808</b>	<b>\$ (31,062)</b>	<b>\$ 38,746</b>	<b>\$ 756,592</b>	<b>\$ (205,256)</b>	<b>\$ 551,336</b>

## Note 10. Debt

The Debt consisted of the following as of September 30, 2003 and 2002:

All Others	FY 2003			FY 2002		
	Beginning Balance	Net Borrowing	Ending Balance	Beginning Balance	Net Borrowing	Ending Balance
Other Debt:						
Debt to Treasury	\$ 24,290	\$ (3,101)	\$ 21,189	\$ 31,124	\$ (6,834)	\$ 24,290
Classification of Debt:						
Intragovernmental Debt			\$ 21,189			\$ 24,290

## Note 11. Custodial Liability

Custodial Liability represents the amount of net accounts receivable that, when collected, will be deposited to the Treasury General Fund. Included in the custodial liability are amounts for fines and penalties, interest assessments, repayments of loans, and miscellaneous other accounts receivable.

## Note 12. Other Liabilities

The Other Liabilities, both intragovernmental and Non-Federal, for September 30, 2003 are as follows:

Other Liabilities—Intragovernmental	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>Superfund—Current</b>			
Employer Contributions & Payroll Taxes	\$ 1,379	0	\$ 1,379
Other Advances	1,811	0	1,811
Advances, HRSTF Cashout	25,016	0	25,016
Deferred HRSTF Cashout	947	0	947
<b>Superfund—Non-Current</b>			
Unfunded FECA Liability	<u>0</u>	<u>1,447</u>	<u>1,447</u>
<b>Total Superfund</b>	<b><u>\$ 29,153</u></b>	<b><u>\$ 1,447</u></b>	<b><u>\$ 30,600</u></b>
<b>All Other—Current</b>			
Employer Contributions & Payroll Taxes	\$ 6,589	\$ 0	\$ 6,589
WCF Advances	7,269	0	7,269
Other Advances	1,674	0	1,674
Liability for Deposit Funds	(515)	0	(515)
Resources Payable to Treasury	1	0	1
Subsidy Payable to Treasury	0	0	0
<b>All Other—Non-Current</b>			
Unfunded FECA Liability	<u>0</u>	<u>6,593</u>	<u>6,593</u>
<b>Total All Other</b>	<b><u>\$ 15,018</u></b>	<b><u>\$ 6,593</u></b>	<b><u>\$ 21,611</u></b>
<b>Other Liabilities—Non-Federal</b>			
<b>Superfund—Current</b>			
Unearned Advances, Non-Federal	<u>\$ 49,809</u>	<u>\$ 0</u>	<u>\$ 49,809</u>
<b>All Other—Current</b>			
Unearned Advances, Non-Federal	\$ 5,044	\$ 0	\$ 5,044
Liability for Deposit Funds, Non-Federal	12,261	0	12,261
<b>All Other—Non-Current</b>			
Capital Lease Liability	<u>0</u>	<u>35,800</u>	<u>35,800</u>
<b>Total All Other</b>	<b><u>\$ 17,305</u></b>	<b><u>\$ 35,800</u></b>	<b><u>\$ 53,105</u></b>

The Other Liabilities, both intragovernmental and Non-Federal, for September 30, 2002, are as follows:

Other Liabilities—Intragovernmental	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>Superfund—Current</b>			
Employer Contributions & Payroll Taxes	\$ 3,169	0	\$ 3,169
Other Advances	2,470	0	2,470
Advances, HRSTF Cashout	16,618	0	16,618
Deferred HRSTF Cashout	30	0	30
<b>Superfund—Non-Current</b>			
Unfunded FECA Liability	0	1,440	1,440
<b>Total Superfund</b>	<b>\$ 22,287</b>	<b>\$ 1,440</b>	<b>\$ 23,727</b>
<b>All Other—Current</b>			
Employer Contributions & Payroll Taxes	\$ 13,883	\$ 0	\$ 13,883
WCF Advances	4,379	0	4,379
Other Advances	1,435	0	1,435
Liability for Deposit Funds	(91)	0	(91)
Resources Payable to Treasury	2	0	2
Subsidy Payable to Treasury	371	0	371
<b>All Other—Non-Current</b>			
Unfunded FECA Liability	0	6,402	6,402
<b>Total All Other</b>	<b>\$ 19,979</b>	<b>\$ 6,402</b>	<b>\$ 26,381</b>
<b>Other Liabilities—Non-Federal</b>			
<b>Superfund—Current</b>			
Unearned Advances, Non-Federal	\$ 45,515	0	\$ 45,515
<b>All Other—Current</b>			
Unearned Advances, Non-Federal	\$ 6,569	\$ 0	\$ 6,569
Liability for Deposit Funds, Non-Federal	4,181	0	4,181
<b>All Other—Non-Current</b>			
Capital Lease Liability	0	36,729	36,729
<b>Total All Other</b>	<b>\$ 10,750</b>	<b>\$ 36,729</b>	<b>\$ 47,479</b>

## Note 13. Leases

The Capital Leases as of September 30, 2003 and 2002, consist of the following:

### CAPITAL LEASES, ALL OTHER FUNDS:

Summary of Assets Under Capital Lease:	FY 2003	FY 2002
Real Property	\$ 40,913	\$ 40,913
Personal Property	<u>622</u>	<u>701</u>
<b>Total</b>	<b>\$ <u>41,535</u></b>	<b>\$ <u>41,614</u></b>
<b>Accumulated Amortization</b>	<b>\$ <u>16,605</u></b>	<b>\$ <u>14,889</u></b>

EPA has three capital leases for land and buildings housing scientific laboratories and/or computer facilities. All of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics (U.S. Department of Labor). EPA has capital leases for seven shuttle buses terminating in FY 2007. The real property leases terminate in fiscal years 2010, 2013, and 2025. The charges are expended out of the Environmental Programs and Management (EPM) appropriation. The total future minimum lease payments of the capital leases are listed below.

Future Payments Due:	All Others
<b>Fiscal Year</b>	
2004	\$ 6,439
2005	6,439
2006	6,439
2007	6,331
2008	6,295
After 5 Years	<u>77,309</u>
Total Future Minimum Lease Payments	109,252
Less: Imputed Interest	<u>(73,452)</u>
<b>Net Capital Lease Liability</b>	<b>\$ <u>35,800</u></b>
<b>Liabilities not Covered by Budgetary Resources (See Note 12)</b>	<b>\$ <u>35,800</u></b>

### OPERATING LEASES:

The General Services Administration (GSA) provides leased real property (land and buildings) as office space for EPA employees. GSA charges a Standard Level Users Charge that approximates the commercial rental rates for similar properties.

EPA has five direct operating leases for land and buildings housing scientific laboratories and/or computer facilities during FY 2003. Most of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics (U.S. Department of Labor). Two of these operating leases that were due to expire in FY 2002 were extended: one until FY 2003 and the other on a monthly basis. Two others expire in fiscal years 2017 and 2020. The fifth lease that expired in FY 2001 was extended until FY 2007. The charges are expended from the EPM appropriation. The total minimum future costs of operating leases are listed below.

Fiscal Year	Superfund	All Others	Total Land & Buildings
2004	\$ 0	\$ 108	\$ 108
2005	0	87	87
2006	0	87	87
2007	0	81	81
2008	0	74	74
Beyond 2008	<u>0</u>	<u>772</u>	<u>772</u>
<b>Total Future Minimum Lease Payments</b>	<b>\$ <u>0</u></b>	<b>\$ <u>1,209</u></b>	<b>\$ <u>1,209</u></b>

## Note 14. Pension and Other Actuarial Liabilities

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, EPA is allocated the portion of the long term FECA actuarial liability attributable to the entity. The liability is calculated to estimate the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability amounts and the calculation methodologies are provided by the Department of Labor.

The FECA Actuarial Liability at September 30, 2003 and 2002, consisted of the following:

	FY 2003		FY 2002	
	Superfund	All Others	Superfund	All Others
<b>FECA Actuarial Liability</b>	\$ <u>7,937</u>	\$ <u>36,159</u>	\$ <u>7,698</u>	\$ <u>31,759</u>

The FY 2003 present value of these estimated outflows are calculated using a discount rate of 3.84 percent in the first year, and 4.35 percent in the years thereafter. The estimated future costs are recorded as an unfunded liability.

## Note 15. Cashout Advances, Superfund

Cashouts are funds received by EPA, a state, or another Potentially Responsible Party under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cashout funds received by EPA are placed in site-specific, interest bearing accounts known as special accounts and are used in accordance with the terms of the settlement agreement. Funds placed in special accounts may be used without further appropriation by Congress.

## Note 16. Unexpended Appropriations, All Other Funds

As of September 30, 2003 and 2002, the Unexpended Appropriations consisted of the following for All Other Funds:

Unexpended Appropriations:	FY 2003	FY 2002
Unobligated		
Available	\$ 1,797,410	\$ 1,725,016
Unavailable	41,667	52,896
Undelivered Orders	<u>8,929,159</u>	<u>9,145,977</u>
<b>Total</b>	<b>\$ <u>10,768,236</u></b>	<b>\$ <u>10,923,889</u></b>



## Note 17. Amounts Held by Treasury

Amounts Held by Treasury for Future Appropriations consists of amounts held in trusteeship by Treasury in the Superfund Trust Fund and the LUST Trust Fund.

### Superfund (Audited)

Superfund is supported primarily by general revenues, cost recoveries of funds spent to clean up hazardous waste sites, interest income, and fines and penalties. Prior to December 31, 1995, the fund was also supported by other taxes on crude and petroleum and on the sale or use of certain chemicals. The authority to assess those taxes and the environmental tax on corporations also expired on December 31, 1995, and has not been renewed by Congress. It is not known if or when such taxes will be reassessed in the future. (See Note 36 for more information on the status of this trust fund.)

The following reflects the Superfund Trust Fund maintained by the U.S. Department of Treasury as of September 30, 2003 and 2002. The amounts contained in these statements have been provided by the Treasury and are audited. Outlays represent amounts received by EPA's Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

SUPERFUND FY 2003			
	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Available for Investment	\$ 0	\$ 866	\$ 866
Total Undisbursed Balance	0	866	866
Interest Receivable	0	37	37
Investments, Net of Discounts	2,599,744	(83,634)	2,516,110
<b>Total Assets</b>	<b>\$ 2,599,744</b>	<b>\$ (82,731)</b>	<b>\$ 2,517,013</b>
<b>Liabilities &amp; Equity</b>			
Equity (Note 36)	\$ 2,599,744	\$ (82,731)	\$ 2,517,013
<b>Total Liabilities and Equity</b>	<b>\$ 2,599,744</b>	<b>\$ (82,731)</b>	<b>\$ 2,517,013</b>
<b>Receipts</b>			
Corporate Environmental	\$ 0	\$ (99,355)	\$ (99,355)
Cost Recoveries	0	146,502	146,502
Fines & Penalties	0	2,873	2,873
Total Revenue	0	50,020	50,020
Appropriations Received	0	632,307	632,307
Interest Income	0	48,945	48,945
<b>Total Receipts</b>	<b>0</b>	<b>731,272</b>	<b>731,272</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	1,278,068	(1,278,068)	0
Transfers to CDC	0	(80,200)	(80,200)
Total Outlays	1,278,068	(1,358,268)	(80,200)
<b>Net Income</b>	<b>\$ 1,278,068</b>	<b>\$ (626,996)</b>	<b>\$ 651,072</b>

## SUPERFUND FY 2002

	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Available for Investment	\$ 0	\$ 1,876	\$ 1,876
Total Undisbursed Balance	0	1,876	1,876
Interest Receivable	0	12,973	12,973
Investments, Net of Discounts	<u>2,762,430</u>	<u>534,572</u>	<u>3,297,002</u>
<b>Total Assets</b>	<b><u>\$ 2,762,430</u></b>	<b><u>\$ 549,421</u></b>	<b><u>\$ 3,311,851</u></b>
<b>Liabilities &amp; Equity</b>			
Equity (Note 36)	\$ 2,762,430	\$ 549,421	\$ 3,311,851
<b>Total Liabilities and Equity</b>	<b><u>\$ 2,762,430</u></b>	<b><u>\$ 549,421</u></b>	<b><u>\$ 3,311,851</u></b>
<b>Receipts</b>			
Corporate Environmental	\$ 0	\$ 7,466	\$ 7,466
Cost Recoveries	0	248,252	248,252
Fines & Penalties	<u>0</u>	<u>1,444</u>	<u>1,444</u>
Total Revenue	0	257,162	257,162
Appropriations Received	0	676,292	676,292
Interest Income	<u>0</u>	<u>110,577</u>	<u>110,577</u>
<b>Total Receipts</b>	<b><u>0</u></b>	<b><u>1,044,031</u></b>	<b><u>1,044,031</u></b>
<b>Outlays</b>			
Transfers to EPA	1,329,490	(1,329,490)	0
Transfers to CDC	<u>0</u>	<u>(49,502)</u>	<u>(49,502)</u>
Total Outlays	<u>1,329,490</u>	<u>(1,378,992)</u>	<u>(49,502)</u>
<b>Net Income</b>	<b><u>\$ 1,329,490</u></b>	<b><u>\$ (334,961)</u></b>	<b><u>\$ 994,529</u></b>

**LUST (Audited)**

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FY 2003 and 2002 there were no fund receipts from cost recoveries. The following represents LUST Trust Fund as maintained by Treasury. The amounts contained in these statements have been provided by Treasury and are audited. Outlays represent appropriations received by EPA's LUST Trust Fund; such funds are eliminated on consolidation with the LUST Trust Fund maintained by Treasury.

<b>LUST FY 2003</b>			
	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Available for Investment	\$ 0	\$ 12,377	\$ 12,377
Total Undisbursed Balance	0	12,377	12,377
Interest Receivable	0	25,834	25,834
Investments, Net of Discounts	<u>66,574</u>	<u>2,022,279</u>	<u>2,088,853</u>
Total Assets	<u>\$ 66,574</u>	<u>\$ 2,060,490</u>	<u>\$ 2,127,064</u>
<b>Liabilities &amp; Equity</b>			
Equity	\$ 66,574	\$ 2,060,490	\$ 2,127,064
Total Liabilities and Equity	<u>\$ 66,574</u>	<u>\$ 2,060,490</u>	<u>\$ 2,127,064</u>
<b>Receipts</b>			
Highway TF Tax	\$ 0	\$ 177,340	\$ 177,340
Airport TF Tax	0	12,241	12,241
Inland TF Tax	0	448	448
Refund Gasoline Tax	0	(2,064)	(2,064)
Refund Diesel Tax	0	(3,214)	(3,214)
Refund Aviation Tax	<u>0</u>	<u>(274)</u>	<u>(274)</u>
Total Revenue	0	184,477	184,477
Interest Income	<u>0</u>	<u>64,447</u>	<u>64,447</u>
Total Receipts	<u>0</u>	<u>248,924</u>	<u>248,924</u>
<b>Outlays</b>			
Transfers to/from EPA, Net	<u>71,843</u>	<u>(71,843)</u>	<u>0</u>
Total Outlays	<u>71,843</u>	<u>(71,843)</u>	<u>0</u>
Net Income	<u>\$ 71,843</u>	<u>\$ 177,081</u>	<u>\$ 248,924</u>

## LUST FY 2002

	EPA	Treasury	Combined
<b>Undistributed Balances</b>			
Available for Investment	\$ _____ 0	\$ _____ 12,232	\$ _____ 12,232
Total Undisbursed Balance	0	12,232	12,232
Interest Receivable	0	22,531	22,531
Investments, Net of Discounts	_____ 80,875	_____ 1,848,646	_____ 1,929,521
<b>Total Assets</b>	<b>\$ _____ 80,875</b>	<b>\$ _____ 1,883,409</b>	<b>\$ _____ 1,964,284</b>
<b>Liabilities &amp; Equity</b>			
Equity	\$ _____ 80,875	\$ _____ 1,883,409	\$ _____ 1,964,284
<b>Total Liabilities and Equity</b>	<b>\$ _____ 80,875</b>	<b>\$ _____ 1,883,409</b>	<b>\$ _____ 1,964,284</b>
<b>Receipts</b>			
Highway TF Tax	\$ _____ 0	\$ _____ 173,351	\$ _____ 173,351
Airport TF Tax	0	13,199	13,199
Inland TF Tax	0	474	474
Refund Gasoline Tax	0	(2,167)	(2,167)
Refund Diesel Tax	0	(3,357)	(3,357)
Refund Aviation Tax	_____ 0	_____ (310)	_____ (310)
Total Revenue	0	181,190	181,190
Interest Income	_____ 0	_____ 67,563	_____ 67,563
<b>Total Receipts</b>	<b>_____ 0</b>	<b>_____ 248,753</b>	<b>_____ 248,753</b>
<b>Outlays</b>			
Transfers to/from EPA, Net	_____ 72,912	_____ (72,912)	_____ 0
<b>Total Outlays</b>	<b>_____ 72,912</b>	<b>_____ (72,912)</b>	<b>_____ 0</b>
<b>Net Income</b>	<b>\$ _____ 72,912</b>	<b>\$ _____ 175,841</b>	<b>\$ _____ 248,753</b>

## Note 18. Commitments and Contingencies

EPA may be a party in various administrative proceedings, legal actions and claims brought by or against it. These include:

- Various personnel actions, suits, or claims brought against the Agency by employees and others.
- Various contract and assistance program claims brought against the Agency by vendors, grantees and others.
- The legal recovery of Superfund costs incurred for pollution cleanup of specific sites, to include the collection of fines and penalties from responsible parties.
- Claims against recipients for improperly spent assistance funds which may be settled by a reduction of future EPA funding to the grantee or the provision of additional grantee matching funds.

### Superfund

Under CERCLA §106(a), EPA issues administrative orders that require parties to clean up contaminated sites. CERCLA §106(b) allows a party that has complied with such an order to petition EPA for reimbursement from the Fund of its reasonable costs of responding to the order, plus interest. To be eligible for

reimbursement, the party must demonstrate either that it was not a liable party under CERCLA 107(a) for the response action ordered, or that the Agency's selection of the response action was arbitrary and capricious or otherwise not in accordance with law.

There are currently four CERCLA §106(b) administrative claims. If the claimants are successful, the total losses on the administrative and judicial claims could amount to approximately \$55.4 million. The Environmental Appeals Board has not yet issued final decisions on any of these administrative claims; therefore, a definite estimate of the amount of the contingent loss cannot be made. The claimants' chance of success overall is characterized as reasonably possible.

### *All Other*

There are four claims which may be considered threatened litigation involving all other appropriated funds of the Agency. If the claimants are successful, the total losses of the claim could amount to \$89.5 million. The largest claim (maximum amount \$73.1 million) was filed with GSA and the parties currently are in discovery. EPA is contesting the Federal Tort Claims Act action (\$15.36 million) and awaiting final Department of Labor decisions on two related claims (totaling \$1.05 million). The claimants' chance of success overall is characterized as reasonably possible.

### *Judgement Fund*

In cases that are paid by the U.S. Treasury Judgement Fund, the Agency must recognize the full cost of a claim regardless of who is actually paying the claim. Until these claims are settled or a court judgement is assessed and the Judgement Fund is determined to be the appropriate source for the payment, claims that are probable and estimable must be recognized as an expense and liability of the agency. For these cases, at the time of settlement or judgement, the liability will be reduced and an imputed financing source recognized. See Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgement Fund Transactions.

As of September 30, 2003, there are no material claims pending in the Treasury Judgement Fund.

## Note 19. Exchange Revenues, Statement of Net Cost

Exchange revenues on the Statement of Net Cost include income from services provided, non-custodial interest revenue (with the exception of interest earned on trust fund investments), and non-custodial miscellaneous earned revenue.

## Note 20. Environmental Cleanup Costs

As of September 30, 2003, the EPA has two sites that require clean up stemming from its activities. Costs amounting to \$18 thousand may be paid out of the Treasury Judgement Fund. (The \$18 thousand represents the lower end of a range estimate, of which the maximum of the range will total \$30 thousand.) The claimants' chances of success are characterized as reasonably possible. As of September 30, 2002, EPA had one site requiring clean up with costs amounting to \$20 thousand that may have been paid out of the Treasury Judgement Fund. (The \$20 thousand represents the lower end of the range estimate, of which the maximum was \$200 thousand.) The claimant's chance of success was characterized as probable. EPA also holds title to a site in Edison, New Jersey which was formerly an Army Depot. While EPA did not cause the contamination, the Agency could potentially be liable for a portion of the cleanup costs. However, it is expected that the Department of Defense and General Services Administration will bear all or most of the cost of remediation.

### *Accrued Cleanup Cost*

The EPA has 12 sites that will require future clean up associated with permanent closure and three sites with clean up presently underway. The estimated costs will be approximately \$9 million. Since the cleanup costs

associated with permanent closure are not primarily recovered through user fees, EPA has elected to recognize the estimated total cleanup cost as a liability and record changes to the estimate in subsequent years.

The FY 2003 estimate for unfunded cleanup costs decreased by \$3.3 million from the FY 2002 estimate. This decrease is due in large part to the funding of the cleanup at several facilities in Denver and Research Triangle Park (RTP) associated with the ongoing consolidation at the Denver Federal Center and RTP Campus, respectively. Of the \$9 million in estimated cleanup costs, approximately \$2.7 million represents the estimated expense to close the current RTP facility. These costs will be incurred within the next year. The remaining amount represents the future decontamination and decommissioning costs of EPA's other research facilities. There was a net decrease of approximately \$1.2 million in funded cleanup costs from FY 2002 to FY 2003. EPA could also be potentially liable for cleanup costs, at a GSA-leased site; however, the amounts are not known.

## Note 21. Superfund State Credits

Authorizing statutory language for Superfund and related Federal regulations require States to enter into Superfund State Contracts (SSCs) when EPA assumes the lead for a remedial action in their state. The SSC defines the state's role in the remedial action and obtains the state's assurance that they will share in the cost of the remedial action. Under Superfund's authorizing statutory language, states will provide EPA with a ten percent cost share for remedial action costs incurred at privately owned or operated sites, and at least fifty percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, states may use EPA approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the states. Credit is limited to state site-specific expenses EPA has determined to be reasonable, documented, direct out-of-pocket expenditures of non-federal funds for remedial action. Once EPA has reviewed and approved a state's claim for credit, the state must first apply the credit at the site where it was earned. The state may apply any excess/remaining credit to another site when approved by EPA. As of September 30, 2003, the total remaining state credits have been estimated at \$9.6 million. The estimated ending credit balance on September 30, 2002, was \$11.2 million.

## Note 22. Superfund Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, Potentially Responsible Parties (PRPs) agree to perform response actions at their sites with the understanding that EPA will reimburse the PRPs a certain percentage of their total response action costs. EPA's authority to enter into mixed funding agreements is provided under Section III (a)(2) of CERCLA. Under Section 122(b)(1) of CERCLA, as amended by SARA, a PRP may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2003, EPA had 13 outstanding preauthorized mixed funding agreements with obligations totaling \$32.1 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by EPA for payment. Further, EPA will not disburse any funds under these agreements until the PRP's application, claim, and claims adjustment processes have been reviewed and approved by EPA.

## Note 23. Income and Expenses from other Appropriations

The Statement of Net Cost reports program costs that include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to program outputs.

During FY 2003 and 2002, EPA had one appropriation which funded a variety of programmatic and non-programmatic activities across the Agency, subject to statutory requirements. The EPM appropriation was created to fund personnel compensation and benefits, travel, procurement, and contract activities.



All of the expenses from EPM were distributed among EPA's two Reporting Entities: Superfund and All Others. This distribution is calculated using a combination of specific identification of expenses to Reporting Entities, and a weighted average that distributes expenses proportionately to total programmatic expenses.

As illustrated below, this estimate does not impact the net effect of the Statement of Net Costs.

All Others	FY 2003			FY 2002		
	Income From Other A ppropriations	Expenses From Other A ppropriations	Net Effect	Income From Other A ppropriations	Expenses From Other A ppropriations	Net Effect
Superfund	\$ 75,597	\$ (75,597)	\$ 0	\$ 114,297	\$ (114,297)	\$ 0
All Others	<u>(75,597)</u>	<u>75,597</u>	<u>0</u>	<u>(114,297)</u>	<u>114,297</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>

## Note 24. Custodial Revenues and Accounts Receivable

EPA uses the accrual basis of accounting for the collection of fines, penalties and miscellaneous receipts. Collectibility by EPA of the fines and penalties is based on the responsible parties' willingness and ability to pay.

	FY 2003	FY 2002
<b>Fines, Penalties and Other Misc. Revenue (EPA)</b>	<b>\$ <u>174,509</u></b>	<b>\$ <u>95,489</u></b>
<b>Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts</b>		
Accounts Receivable	\$ 117,191	\$ 107,779
Less: Allowance for Doubtful Accounts	<u>(40,311)</u>	<u>(39,383)</u>
<b>Total</b>	<b>\$ <u>76,880</u></b>	<b>\$ <u>68,396</u></b>

## Note 25. Statement of Budgetary Resources

Reconciliations of budgetary resources, obligations incurred, and outlays, as presented in the audited Statements of Budgetary Resources, to amounts included in the Budget of the United States Government for the years ended September 30, 2003 and 2002, are as follows:

FY 2003	Budgetary Resources	Obligations Incurred	Outlays
<b>Superfund</b>			
<b>Statement of Budgetary Resources</b>	\$ 2,317,206	\$ 1,550,401	\$ 1,445,513
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	<u>0</u>	<u>0</u>	<u>1,313</u>
<b>Budget of the United States Government</b>	<b>\$ <u>2,317,206</u></b>	<b>\$ <u>1,550,401</u></b>	<b>\$ <u>1,446,826</u></b>
<b>All Other</b>			
<b>Statement of Budgetary Resources</b>	\$ 9,910,793	\$ 7,811,921	\$ 7,397,843
Less: Funds Reported by Other Federal Entities	(353)	0	(36)
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	<u>622</u>	<u>0</u>	<u>26</u>
<b>Budget of the United States Government</b>	<b>\$ <u>9,911,062</u></b>	<b>\$ <u>7,811,921</u></b>	<b>\$ <u>7,397,833</u></b>

FY 2002	Budgetary Resources	Obligations Incurred	Outlays
<b>Superfund</b>			
<b>Statement of Budgetary Resources</b>	\$ 2,448,998	\$ 1,698,004	\$ 1,377,754
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	<u>(17,463)</u>	<u>(17,463)</u>	<u>(1,313)</u>
<b>Budget of the United States Government</b>	<b><u>\$ 2,431,535</u></b>	<b><u>\$ 1,680,541</u></b>	<b><u>\$ 1,376,441</u></b>
<b>All Other</b>			
<b>Statement of Budgetary Resources</b>	\$ 9,807,912	\$ 7,762,664	\$ 7,012,562
Less: Funds Reported by Other Federal Entities	(24,419)	(24,066)	(24,582)
Adjustments to Unliquidated Obligations, Unfilled Customer Orders and Other	<u>0</u>	<u>(622)</u>	<u>(26)</u>
<b>Budget of the United States Government</b>	<b><u>\$ 9,783,493</u></b>	<b><u>\$ 7,737,976</u></b>	<b><u>\$ 6,987,954</u></b>

## Note 26. Recoveries and Permanently Not Available, Statement of Budgetary Resources

Details of Recoveries of Prior Year Obligations and Permanently Not Available on the Statement of Budgetary Resources are represented by the following categories:

Superfund	FY 2003	FY 2002
Recoveries of Prior Year Obligations	\$ 124,797	\$ 230,628
Less: Rescinded Authority	<u>(8,274)</u>	<u>(2,000)</u>
<b>Total</b>	<b><u>\$ 116,523</u></b>	<b><u>\$ 228,628</u></b>

All Others	FY 2003	FY 2002
Recoveries of Prior Year Obligations	\$ 114,437	\$ 89,440
Less: Payments to Treasury	(3,101)	(6,834)
Rescinded Authority	(49,362)	(1,588)
Canceled Authority	<u>(23,719)</u>	<u>(33,870)</u>
<b>Total</b>	<b><u>\$ 38,255</u></b>	<b><u>\$ 47,148</u></b>

## Note 27. Unobligated Balances Available

Availability of unobligated balances are shown comparatively for FY 2003 and FY 2002. The unexpired authority is available to be apportioned by the OMB for new obligations at the beginning of FY 2004. Expired authority is available for upward adjustments of obligations incurred as of the end of the fiscal year.

Superfund	FY 2003	FY 2002
Unexpired Unobligated Balance	\$ 766,786	\$ 726,589
Authority Not Available for Apportionment	0	24,386
Expired Unobligated Balance	<u>19</u>	<u>19</u>
<b>Total</b>	<b><u>\$ 766,805</u></b>	<b><u>\$ 750,994</u></b>

All Others	FY 2003	FY 2002
Unexpired Unobligated Balance	\$ 2,011,471	\$ 1,917,637
Authority Not Available for Apportionment	0	1,150
Expired Unobligated Balance	<u>87,401</u>	<u>126,461</u>
<b>Total</b>	<b>\$ <u>2,098,872</u></b>	<b>\$ <u>2,045,248</u></b>

## Note 28. Offsetting Receipts

Distributed offsetting receipts credited to the general fund, special fund or trust fund receipt accounts offset gross outlays. For FY 2003 and 2002, the following receipts were generated from these activities:

Superfund	FY 2003	FY 2002
Trust Fund Recoveries	\$ <u>146,502</u>	\$ <u>248,252</u>
<b>Total</b>	<b>\$ <u>146,502</u></b>	<b>\$ <u>248,252</u></b>

All Others	FY 2003	FY 2002
Special Fund Environmental Service	\$ 11,649	\$ 11,358
Trust Fund Appropriation	<u>632,307</u>	<u>676,292</u>
<b>Total</b>	<b>\$ <u>643,956</u></b>	<b>\$ <u>687,650</u></b>

## Note 29. Statement of Financing

Specific components requiring or generating resources in future periods and resources that fund expenses recognized in prior periods are related to changes in liabilities not covered by budgetary resources. For FY 2003 and 2002, the following line items are reconciled to the increases or decreases in those liabilities.

Statement of Financing lines FY 2003:	Superfund Trust Fund	All Other Funds	Combined Total
Components requiring or generating resources in future periods:			
Increase in annual leave liability	\$ 1,088	\$ 5,647	\$ 6,735
Increases in environmental liabilities	0	(3,276)	(3,276)
Increase in workers compensation costs	<u>246</u>	<u>4,591</u>	<u>4,837</u>
<b>Total</b>	<b>\$ <u>1,334</u></b>	<b>\$ <u>6,962</u></b>	<b>\$ <u>8,296</u></b>

### Increases (Decreases) in Liabilities Not Covered by Budgetary Resources and Reconciling Items

Unfunded Annual Leave Liability	\$ 1,088	\$ 5,888	\$ 6,976
Unfunded Contingent Liability	0	(2)	(2)
Unfunded Workers Compensation Liability	7	191	198
Actuarial Workers Compensation Liability	239	4,400	4,639
Subsidy Payable to Treasury	0	(371)	(371)
Unfunded Clean-up Costs Liability	0	(3,274)	(3,274)
Negative subsidy entries	0	201	201
Subsidy re-estimate entries	<u>0</u>	<u>(71)</u>	<u>(71)</u>
<b>Total</b>	<b>\$ <u>1,334</u></b>	<b>\$ <u>6,962</u></b>	<b>\$ <u>8,296</u></b>

Statement of Financing lines FY 2002:	Superfund Trust Fund	All Other Funds	Combined Total
Resources that fund expenses recognized in prior periods	\$ (1,590)	\$ (399)	\$ (1,989)
Increases in environmental liabilities	0	578	578
<b>Total</b>	<b>\$ (1,590)</b>	<b>\$ 179</b>	<b>\$ (1,411)</b>

### Increases (Decreases) in Liabilities Not Covered by Budgetary Resources and Reconciling Items

Unfunded Annual Leave Liability	\$ 2,206	\$ 5,375	\$ 7,581
Unfunded Contingent Liability	(3,778)	(6,000)	(9,778)
Unfunded Workers Compensation Liability	14	61	75
Actuarial Workers Compensation Liability	(32)	(143)	(175)
Subsidy Payable to Treasury	0	(942)	(942)
Unfunded Clean-up Costs Liability	0	578	578
Negative subsidy entries	0	616	616
Subsidy re-estimate entries	0	634	634
<b>Total</b>	<b>\$ (1,590)</b>	<b>\$ 179</b>	<b>\$ (1,411)</b>

## Note 30. Costs Not Assigned to Goals

FY 2003's Statement of Net Cost by Goal has \$12.8 million in gross costs not assigned to goals. This amount is comprised of decreases of \$3.3 million in environmental cleanup costs, \$1.4 million in bad debt expenses, and \$1.2 million in capitalized overhead charges; offset by increases of \$0.4 million in undistributed Federal payroll-related costs, \$3.8 million in depreciation expenses not assigned, \$0.2 million in imputed costs, \$0.3 million in other unfunded expenses, and \$14 million in operating program expenses.

For FY 2002's Statement of Net Cost by Goal, -\$4.8 million in gross costs were not assigned to goals. This amount was comprised of decreases of \$6 million in unfunded contingent liabilities and \$2.5 million in bad debt expenses; offset by increases of \$2 million interest on borrowing, \$0.6 million in environmental cleanup costs, \$0.6 million in undistributed Federal payroll-related costs, and \$0.5 million in other interest costs.

## Note 31. Transfers—In and Out, Statement of Changes in Net Position

### Appropriation Transfers, In/Out:

For FY 2003 and 2002, the Appropriation Transfers under Budgetary Financing Sources on the Statement of Changes in Net Position are comprised of nonexpenditure transfers which affect Unexpended Appropriations for non-invested appropriations. These amounts are included in the Budget Authority, Net Transfers and Prior Year Unobligated Balance, Net Transfers lines on the Statement of Budgetary Resources. Detail of the Appropriation Transfers on the Statement of Changes in Net Position and a reconciliation with the Statement of Budgetary Resources follow:

Fund/Type of Account	Superfund FY 2003	Superfund FY 2002	All Other Funds FY 2003	All Other Funds FY 2002
GSA Building Fund	\$ 0	\$ 0	0	\$ 23,948
EPM (from current year balances)	0	0	4,550	3,750
EPM (from prior year balances)	0	0	0	500
STAG	0	0	0	400
<b>Total Appropriation Transfers</b>	<b>\$ 0</b>	<b>0</b>	<b>4,550</b>	<b>28,598</b>
Net Transfers from Invested Funds*	1,278,068	1,329,490	71,843	72,912
Allocations Rescinded*	8,274	0	470	0
<b>Total of Net Transfers on Statement of Budgetary Resources</b>	<b>\$ 1,286,342</b>	<b>1,329,490</b>	<b>76,863</b>	<b>\$ 101,510</b>

\* Portion of transfers on Statement of Budgetary Resources that are not part of Appropriation Transfers on Statement of Changes in Net Position.

*Transfers In/Out Without Reimbursement, Budgetary:*

For FY 2003 and 2002, Transfers In/Out under Budgetary Financing Sources on the Statement of Changes in Net Position are comprised of transfers to or from other Federal agencies and between EPA funds. These transfers affect Cumulative Results of Operations. A breakdown of the transfers-in and transfers-out, expenditure and nonexpenditure, follows:

Type of Transfer/Funds	Superfund FY 2003	Superfund FY 2002	All Other Funds FY 2003	All Other Funds FY 2002
Transfers—in(out), expenditure, Superfund to S&T fund	\$ (85,608)	\$ (36,891)	\$ 85,608	\$ 36,891
Transfers—in(out), expenditure, Superfund to OIG fund	(12,659)	(11,867)	12,659	11,867
Transfers—out, nonexpenditure, from Superfund to other Federal agencies	(5,155)	(5,188)		
Transfer—out, expenditure, to Superfund Special Accounts	(9,642)			
Transfers—out, nonexpenditure, from Treasury trust fund to CDC	(80,200)	(49,502)		
Transfers—in, nonexpenditure, Oil Spill			15,480	15,000
Transfer—in(out), cancelled funds	2,133		(2,133)	(86)
<b>Total Transfers in (out) without Reimbursement, Budgetary</b>	<b>\$ (191,131)</b>	<b>\$ (103,448)</b>	<b>\$ 111,614</b>	<b>\$ 63,672</b>

*Transfers In/Out without Reimbursement, Other Financing Sources:*

For FY 2003 and 2002, Transfers In/Out without Reimbursement under Other Financing Sources on the Statement of Changes in Net Position are comprised of 1) transfers of property, plant and equipment between EPA funds and 2) transfers of negative subsidy to a special receipt fund for the credit reform funds. The amounts reported on the Statement of Changes in Net Position are as follows:

Type of Transfer/Funds	Superfund FY 2003	Superfund FY 2002	All Other Funds FY 2003	All Other Funds FY 2002
Transfer—in(out) of property, between Superfund and EPM	\$ 84	\$ 47	\$ (84)	\$ (47)
Transfer—out of prior year negative subsidy, to be paid in following year			371	(371)
Adjustment to transfer-out of prior year negative subsidy, paid out in current year and adjusted to funded expenses			0	816
<b>Total Transfers in (out) without Reimbursement, Budgetary</b>	<b>\$ 84</b>	<b>\$ 47</b>	<b>\$ 287</b>	<b>\$ 398</b>

## Note 32. Imputed Financing

In accordance with SFFAS No. 5, "Liabilities of the Federal Government," Federal agencies must recognize the portion of employees' pensions and other retirement benefits to be paid by the Office of Personnel Management (OPM) trust funds. These amounts are recorded as imputed costs and imputed financing for the agency. Each year the OPM provides federal agencies with cost factors to calculate these imputed costs and financing that apply to the current year. These cost factors are multiplied by the current year's salaries or number of employees, as applicable, to provide an estimate of the imputed financing that the OPM trust funds will provide for each agency. The estimates for FY 2003 were \$17.8 million and \$103.2 million for Superfund and All Other Funds, respectively. For FY 2002, the estimates were \$14.7 million and \$83 million for Superfund and All Other Funds, respectively.

In addition to the pension and retirement benefits described above, EPA also records imputed costs and financing for Treasury Judgement Fund payments on behalf of the agency. Entries are made in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, Accounting for Treasury Judgement Fund Transactions. For FY 2003 entries for Judgement Fund payments totaled \$2.2 million and \$5 million for Superfund and All Other Funds, respectively. For FY 2002, no Judgement Fund payments were made on EPA's behalf.

## Note 33. Payroll and Benefits Payable

The amounts that relate to payroll and benefits payable to EPA employees for the years ending September 30, 2003 and 2002, are detailed in the following tables.

FY 2003 Payroll and Benefits Payables	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>Superfund—Current</b>			
Accrued Funded Payroll and Benefits	\$ 4,097	\$ 0	\$ 4,097
Withholdings Payable	3,007	0	3,007
Employer Contributions Payable, non Federal (TSP)	197	0	197
Other Post-employment Benefits Payable	3	0	3
Accrued Unfunded Annual Leave		23,735	23,735
<b>Total—Superfund—Current</b>	<b>\$ 7,304</b>	<b>\$ 23,735</b>	<b>\$ 31,039</b>
<b>All Other Funds—Current</b>			
Accrued Funded Payroll and Benefits	\$ 17,645	\$ 0	\$ 17,645
Withholdings Payable	14,366	0	14,366
Employer Contributions Payable, non Federal (TSP)	940	0	940
Other Post-employment Benefits Payable	33	0	33
Accrued Funded Leave, WCF	320	0	320
Accrued Unfunded Annual Leave		109,487	109,487
<b>Total—All Other Funds—Current</b>	<b>\$ 33,304</b>	<b>\$ 109,487</b>	<b>\$ 142,791</b>

FY 2002 Payroll and Benefits Payables	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
<b>Superfund—Current</b>			
Accrued Funded Payroll and Benefits	\$ 9,146	\$ 0	\$ 9,146
Withholdings Payable	6,897	0	6,897
Employer Contributions Payable, non Federal (TSP)	443	0	443
Other Post-employment Benefits Payable	3	0	3
Accrued Unfunded Annual Leave	0	22,647	22,647
<b>Total—Superfund—Current</b>	<b>\$ 16,489</b>	<b>\$ 22,647</b>	<b>\$ 39,136</b>
<b>All Other Funds—Current</b>			
Accrued Funded Payroll and Benefits	\$ 41,309	\$ 0	\$ 41,309
Withholdings Payable	30,233	0	30,233
Employer Contributions Payable, non Federal (TSP)	1,943	0	1,943
Other Post-employment Benefits Payable	29	0	29
Accrued Funded Leave, WCF	320	0	320
Accrued Unfunded Annual Leave	0	103,598	103,598
<b>Total—All Other Funds—Current</b>	<b>\$ 73,834</b>	<b>\$ 103,598</b>	<b>\$ 177,432</b>



## Note 34. Other Adjustments, Statement of Changes in Net Position

The Other Adjustments under Budgetary Financing Sources on the Statement of Changes in Net Position are comprised of rescissions to appropriated funds and cancellations of funds that expired five years earlier. These amounts affected Unexpended Appropriations for All Other Funds for FY 2003 and 2002.

	FY 2003	FY 2002
Rescissions to General Appropriations	\$ 48,147	\$ 1,588
Canceled General Authority	<u>23,719</u>	<u>33,872</u>
<b>Total Other Adjustments</b>	<b>\$ <u>71,866</u></b>	<b>\$ <u>35,460</u></b>

## Note 35. Nonexchange Revenue, Statement of Changes in Net Position

The Nonexchange Revenue, Budgetary Financing Sources, on the Statement of Changes in Net Position for FY 2003 and 2002 are comprised of the following items:

FY 2003	Superfund Trust Fund	All Other Funds	Combined Total
Interest on Trust Fund Investments	\$ 48,945	\$ 64,447	\$ 113,392
Tax Revenue, Net of Refunds*	(99,355)	184,477	85,122
Fines and Penalties Revenue	718	0	718
Special Receipt Fund Revenue	<u>0</u>	<u>11,591</u>	<u>11,591</u>
<b>Total Nonexchange Revenue</b>	<b>\$ <u>(49,692)</u></b>	<b>\$ <u>260,515</u></b>	<b>\$ <u>210,823</u></b>

FY 2002	Superfund Trust Fund	All Other Funds	Combined Total
Interest on Trust Fund Investments	\$ 110,577	\$ 67,563	\$ 178,140
Tax Revenue, Net of Refunds	7,466	181,190	188,656
Fines and Penalties Revenue**	(10,005)	0	(10,005)
Special Receipt Fund Revenue	<u>0</u>	<u>11,358</u>	<u>11,358</u>
<b>Total Nonexchange Revenue</b>	<b>\$ <u>108,038</u></b>	<b>\$ <u>260,111</u></b>	<b>\$ <u>368,149</u></b>

\* In FY 2003, the Superfund trust fund refunded \$99,355 thousand in previously accrued corporate environmental taxes.

\*\* FY 2002 fines and penalties revenue included the following negative items: a \$9,664 thousand write-off and \$1,339 thousand allowance for uncollectible accounts.

## Note 36. Hazardous Substance (Superfund) Trust Fund Balance

In FY 2003, the EPA received an appropriation for Superfund of \$1.264 billion. The funding source for the appropriation consisted of \$632 million from the Superfund Trust Fund, and \$632 million from Treasury's general fund. Treasury's Bureau of Public Debt (BPD), the manager of Superfund Trust Fund Assets, records a liability to EPA for the amount of the appropriation. BPD does this to indicate those trust fund assets that have been assigned for use and therefore are not available for appropriation. The Superfund Trust Fund has a liability to EPA for previously appropriated funds as of September 30, 2003 and 2002 of \$2.6 billion and \$3.3 billion, respectively. Unappropriated funds available for future appropriations as of September 30, 2003 and 2002 was \$0 and \$549 million, respectively.

During FY 2003, the Superfund Trust Fund revenue from cost recoveries and investment interest was less than anticipated. In addition, the Internal Revenue Service issued approximately \$99 million in corporate net tax refunds that were previously deposited in the Trust Fund. Due to these circumstances, and when combined with the FY 2003 Superfund appropriation, the amount appropriated to EPA for Superfund activities exceeded the assets available for appropriation in the Trust Fund as of September 30, 2003 by \$82.7 million. The Agency expects the Trust Fund to continue to receive revenues from cost recoveries and investment interest. Nevertheless, such revenue is not expected to be sufficient to cover the same level of funding from the Trust Fund as in past years. In EPA's view, the shortfall for FY 2003 will be covered by the collection of cost recoveries and receipt of interest income to the Trust Fund over time.

## I.

## Environmental Protection Agency Required Supplemental Information

As of September 30, 2003

(Dollars in Thousands)

(Unaudited)

### Deferred Maintenance

The EPA classifies tangible property, plant, and equipment as follows: 1) EPA-Held Equipment, 2) Contractor-Held Equipment, 3) Land and Buildings, and, 4) Capital Leases. The condition assessment survey method of measuring deferred maintenance is utilized. The Agency adopts requirements or standards for acceptable operating condition in conformance with industry practices. No deferred maintenance was reported for any of the four categories.

### Intragovernmental Assets

Intragovernmental amounts represent transactions between all federal departments and agencies and are reported by trading partner (entities that EPA did business with during FY 2003).

Trading Partner Code	Agency	Investments		Accounts Receivable		Other	
		Superfund	All Other	Superfund	All Other	Superfund	All Other
4	Government Printing Office					\$ 68	\$ 823
11	Executive Office of the President				127		
12	Department of Agriculture			58	36		
13	Department of Commerce			1	49	4	19
14	Department of Interior			13,589	758		
15	Department of Justice			101	(15)	58	
17	Department of the Navy			58	321		
18	U. S. Postal Service			47			594
19	Department of State			19	(61)		2,418
20	Department of the Treasury	2,516,147	2,114,684	36	130		
21	Department of the Army			11,081	159		
31	Nuclear Regulatory Commission			2	1		
45	Equal Employment Opportunity Commission				64		
47	General Services Administration			14	20		
49	National Science Foundation				36		
57	Department of the Air Force			92	(4)		
61	Consumer Product Safety Commission				3		
64	Tennessee Valley Authority				6		
68	EPA (between Superfund and All Other)				89,789	7,269	
69	Department of Transportation			18	7,995		
70	Department of Homeland Security				15,950		
72	Agency for International Development				617		
75	Department of Health and Human Services			528	1,146		
80	National Aeronautics and Space Administration				39		
86	Department of Housing and Urban Development				29		
89	Department of Energy			124	1,308		
96	US Army Corps of Engineers			156	827		
97	US Department of Defense			8,742	201		
99	Treasury General Fund				7		
0	Unassigned			(1)	403	15	(27)
<b>Total</b>		<b>\$2,516,147</b>	<b>\$2,114,684</b>	<b>\$34,665</b>	<b>\$119,941</b>	<b>\$7,414</b>	<b>\$3,827</b>

## Intragovernmental Liabilities

Trading Partner Code	Agency	Accounts Payable		Accounts Receivable		Other Liabilities	
		Superfund	All Other	Superfund	All Other	Superfund	All Other
3	Library of Congress			\$ 6	\$ 150	\$	60
4	Government Printing Office			51	1,297	(1)	489
5	General Accounting Office					(367)	(1)
10	The Judiciary						(18)
11	Executive Office of the President				3		16
12	Department of Agriculture			818	1,882	2,170	1,015
13	Department of Commerce	888		981	3,042		3,066
14	Department of Interior	901		4,359	2,957	49	308
15	Department of Justice	617	58	2,381	79	570	(117)
16	Department of Labor	2,258		210	502	1,447	6,612
17	Department of the Navy	351		20	73	873	(319)
18	United States Postal Service			1	364	14	1
19	Department of State			1	269		716
20	Department of the Treasury			38	200	143	4
21	Department of the Army			27		2,334	(17)
24	Office of Personnel Management			79	549	1,004	4,745
31	US Nuclear Regulatory Commission		6		16		
33	Smithsonian Institution			3	17		(57)
36	Dept. of Veterans Affairs			5	60		74
45	EEOC				18		(68)
47	General Services Administration		377	4,505	37,445	10,767	(20,885)
49	National Science Foundation			6	13		45
57	Department of the Air Force					2,386	
59	Nat'l Foundation on Arts and Humanities			12			
64	Tennessee Valley Authority				159		59
68	EPA (between Superfund and All Others)	86,087		3,702			7,269
69	Department of Transportation			4,169	4,159		8,968
70	Department of Homeland Security	15,318		22	48		(420)
73	Small Business Administration				17		
75	Department of Health and Human Services	16		1,139	8,547		8,150
80	National Aeronautics and Space Administration				187		31
86	Department of Housing and Urban Development						418
89	Department of Energy			370	4,167		(335)
93	Federal Mediation Service				10		
95	Independent Agencies				495	1,490	
96	US Army Corps of Engineers	650	160	15,564	1,793		5
97	Office of the Secretary of Defense	(351)	1	163	482	7,346	4
99	Treasury General Fund					375	1,793
0	Unassigned	(38)	16	302	538		
<b>Total</b>		<b>106,697</b>	<b>618</b>	<b>38,934</b>	<b>69,538</b>	<b>30,600</b>	<b>21,611</b>

For All Other Funds' remaining intragovernmental liabilities, \$21,189 thousand in Debt is assigned to the Department of the Treasury (trading partner Code 20), and \$78,776 thousand in Custodial Liability is assigned to the Treasury General Fund (trading partner Code 99).

EPA has confirmed the year-end intragovernmental fiduciary assets, liabilities, revenue, and expenses with the Bureau of Public Debt, the Department of Labor, and the OPM. EPA has also been in contact with several other Federal agencies to reconcile non-fiduciary intragovernmental balances for year-end as required.

## Intragovernmental Revenues and Costs

EPA's intragovernmental earned revenues are not reported by trading partners because they are below OMB's threshold of \$500 million.

	Superfund	All Others
Intragovernmental Earned Revenue	\$ 16,682	\$ 124,233
Associated Costs to generate above Revenue (Budget Functional Classification 304)	16,682	124,233

2.

Environmental Protection Agency  
Required Supplemental Information  
**Supplemental Statement of Budgetary Resources**

As of September 30, 2003

(Dollars in Thousands)

	STAG	Environ- mental Programs & Management	Science and Technology	FIFRA	LUST Trust Fund	All Other	Total All Other
<b>BUDGETARY RESOURCES</b>							
Budgetary Authority:							
Appropriations Received	\$ 3,859,994	\$ 2,111,604	\$ 720,821	\$ 0	\$ 0	\$ 731,931	\$ 7,424,350
Borrowing Authority							0
Net Transfers		4,550			72,313		76,863
Other							0
Unobligated Balances:							
Beginning of Period	1,365,927	354,150	225,477	376	3,227	96,091	2,045,248
Net Transfers, Actual							0
Anticipated Transfers Balance							0
Spending Authority—Offsetting Collections							
Earned and Collected	4,853	86,932	5,526	22,838	28	153,526	273,703
Receivable from Federal Sources		6,423	1,247			(2,596)	5,074
Change in Unfilled Customer Orders		(1,470)	807	216		(19,915)	(20,362)
Advance Received Without Advance from Federal Sources		(54,402)	194			25,735	(28,473)
Anticipated for Rest of Year							
Transfers from Trust Funds			83,475			12,660	96,135
Total Spending Authority from Collections	\$ 4,853	\$ 37,483	\$ 91,249	\$ 23,054	\$ 28	\$ 169,410	\$ 326,077
Recoveries of Prior Year Obligations							
Permanently Not Available	97,227	11,437	3,475	168	231	1,899	114,437
	(25,090)	(32,011)	(10,675)		(470)	(7,936)	(76,182)
<b>Total Budgetary Resources</b>	<b>\$ 5,302,911</b>	<b>\$ 2,487,213</b>	<b>\$ 1,030,347</b>	<b>\$ 23,598</b>	<b>\$ 75,329</b>	<b>\$ 991,395</b>	<b>\$ 9,910,793</b>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred:							
Direct	\$ 3,902,080	\$ 2,098,541	\$ 731,821	\$ 0	\$ 71,433	\$ 735,720	\$ 7,539,595
Reimbursable		92,976	4,292	22,708		152,350	272,326
Total Obligations Incurred	\$ 3,902,080	\$ 2,191,517	\$ 736,113	\$ 22,708	\$ 71,433	\$ 888,070	\$ 7,811,921
Unobligated Balances:							
Apportioned	1,400,831	227,577	277,195	890	3,896	101,082	2,011,471
Exempt from Apportionment							0
Unobligated Balances Not Available		68,119	17,039			2,243	87,401
<b>Total Status of Budgetary Resources</b>	<b>\$ 5,302,911</b>	<b>\$ 2,487,213</b>	<b>\$ 1,030,347</b>	<b>\$ 23,598</b>	<b>\$ 75,329</b>	<b>\$ 991,395</b>	<b>\$ 9,910,793</b>

	STAG	Environmental Programs & Management	Science and Technology	FIFRA	LUST Trust Fund	All Other	Total All Other
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>							
Obligations Incurred, Net	\$ 3,800,000	\$ 2,142,597	\$ 641,389	\$ (514)	\$ 71,174	\$ 716,761	\$ 7,371,407
Obligated Balances, Net							
— Beginning	8,236,011	700,676	563,359	2,621	81,819	24,166	9,608,652
Accounts Receivable		22,103	83,297			12,637	118,037
Unfilled Customer Orders							
—Federal Sources		124,890	10,768			89,216	224,874
Undelivered Orders	(7,857,036)	(583,687)	(475,383)	149	(76,421)	(85,205)	(9,077,583)
Accounts Payable	(495,044)	(203,829)	(93,556)	(1,053)	(7,886)	(46,176)	(847,544)
<b>Total Outlays</b>	<b>\$ 3,683,931</b>	<b>\$ 2,202,750</b>	<b>\$ 729,874</b>	<b>\$ 1,203</b>	<b>\$ 68,686</b>	<b>\$ 711,399</b>	<b>\$ 7,397,843</b>
Disbursements	\$ 3,688,785	\$ 2,288,212	\$ 779,435	\$ 24,258	\$ 68,714	\$ 857,529	\$ 7,706,933
Collections	(4,854)	(85,462)	(49,561)	(23,055)	(28)	(146,130)	(309,090)
Less: Offsetting Receipts						(643,956)	(643,956)
<b>Net Outlays</b>	<b>\$ 3,683,931</b>	<b>\$ 2,202,750</b>	<b>\$ 729,874</b>	<b>\$ 1,203</b>	<b>\$ 68,686</b>	<b>\$ 67,443</b>	<b>\$ 6,753,887</b>

## 3.

Environmental Protection Agency  
Required Supplemental Information  
**Working Capital Fund Supplemental Balance Sheet**  
As of September 30, 2003  
(Dollars in Thousands)

Unaudited

**ASSETS**

Intragovernmental	
Fund Balance With Treasury	\$ 57,780
Accounts Receivable, Net Federal	23,869
Other	595
<b>Total Intragovernmental</b>	<b>\$ 82,244</b>
General Property, Plant and Equipment, Net	10,919
Other Non Federal Assets	51
<b>Total Assets</b>	<b>\$ 93,214</b>

**LIABILITIES**

Intragovernmental	
Accounts Payable & Accrued Liabilities, Federal	\$ 24,595
Other Federal Liabilities	25,500
<b>Total Intragovernmental</b>	<b>\$ 50,095</b>
Accounts Payable & Accrued Liabilities, Non Federal	9,836
Payroll and Benefits Payable Non Federal	1,513
<b>Total Liabilities</b>	<b>\$ 61,444</b>

**NET POSITION**

Cumulative Results of Operations	\$ 31,770
<b>Total Net Position</b>	<b>31,770</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 93,214</b>



## 4.

Environmental Protection Agency  
Required Supplemental Information  
**Working Capital Fund Supplemental Statement of Net Cost**  
For the Year Ended September 30, 2003  
(Dollars in Thousands)

Unaudited

**COSTS**

Intragovernmental	\$ 70,863
With the Public	<u>61,351</u>
Total Costs	\$ 132,214
Less:	
Earned Revenues, Federal	130,499
Earned Revenues, Non Federal	<u>0</u>
Total Earned Revenues	\$ <u>130,499</u>

**NET COST OF OPERATIONS**\$ 1,715

## 5.

Environmental Protection Agency  
Required Supplemental Information  
**Working Capital Fund Supplemental Statement of Changes in Net Position**  
For the Year Ended September 30, 2003  
(Dollars in Thousands)

Unaudited

Net Position—Beginning of Period	\$ 31,025
Prior Period Adjustments	<u>0</u>
Beginning Balances, as adjusted	\$ 31,025
Other Financing Sources:	
Transfers In/Out	(111)
Imputed Financing Sources	<u>2,571</u>
Total Other Financing Sources	\$ 2,460
Net Cost of Operations	<u>(1,715)</u>
<b>Net Position—End of Period</b>	<b>\$ <u><u>31,770</u></u></b>

## 6.

Environmental Protection Agency  
Required Supplemental Information  
**Working Capital Fund Supplemental Statement of Budgetary Resources**  
For the Year Ended September 30, 2003  
(Dollars in Thousands)

Unaudited

**BUDGETARY RESOURCES**

Budgetary Authority:		
Appropriations Received	\$	0
Borrowing Authority		
Net Transfers		
Other		
Unobligated Balances:		
Beginning of Period		27,162
Net Transfers, Actual		
Anticipated Transfers Balance		
Spending Authority from Offsetting Collections:		
Earned and Collected		130,506
Receivable from Federal Sources		0
Change in Unfilled Customer Orders		
Advance Received		(19,800)
Without Advance from Federal Sources		22,408
Anticipated for Rest of Year		
Transfers from Trust Funds		_____
Total Spending Authority from Offsetting Collections	\$	133,114
Recoveries of Prior Year Obligations		239
Permanently Not Available		_____ 0
<b>Total Budgetary Resources</b>	<b>\$</b>	<b><u>160,515</u></b>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred:		
Reimbursable	\$	138,191
Unobligated Balances:		
Apportioned		22,324
Exempt from Apportionment		0
Unobligated Balances Not Available		_____ 0
<b>Total Status of Budgetary Resources</b>	<b>\$</b>	<b><u>160,515</u></b>

**RELATIONSHIP OF OBLIGATIONS TO OUTLAYS**

Obligations Incurred, Net	\$	4,838
Obligated Balances, Net—Beginning of Period		30,218
Accounts Receivable		114
Unfilled Customer Orders from Federal Sources		26,083
Undelivered Orders		(26,944)
Accounts Payable		_____ (34,710)
<b>Total Outlays</b>	<b>\$</b>	<b><u>(401)</u></b>
Disbursements	\$	110,305
Collections		(110,706)
Less: Offsetting Receipts		_____ 0
<b>Net Outlays</b>	<b>\$</b>	<b><u>(401)</u></b>

## 7.

Environmental Protection Agency  
Required Supplemental Information  
**Working Capital Fund Supplemental Statement of Financing**  
For the Year Ended September 30, 2003  
(Dollars in Thousands)

Unaudited

**RESOURCES USED TO FINANCE ACTIVITIES:**

Budgetary Resources Obligated		
Obligations Incurred	\$	138,191
Less: Spending Authority from Offsetting Collections and Recoveries		<u>(133,353)</u>
Obligations Net of Offsetting Collections and Recoveries	\$	4,838
Less: Offsetting Receipts		<u>0</u>
Net Obligations	\$	4,838
Other Resources		
Transfers In/Out Without Reimbursement, Property	\$	(111)
Imputed Financing Sources		2,571
Other (+/-)		0
Income from Other Appropriations		<u>0</u>
Net Other Resources Used to Finance Activities	\$	2,460
Total Resources Used To Finance Activities	\$	7,298

**RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS**

Change in Budgetary Resources Obligated	\$	(6,487)
Resources that Fund Prior Period Expenses		
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations		
Credit Program Collections Increasing Loan Liabilities for Guarantees of Subsidy Allowances		
Offsetting Receipts Not Affecting Net Cost of Operations		
Resources that Finance the Acquisition of Assets		(6,151)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations		<u>0</u>
Total Resources Used to Finance Items Not Part of Net Cost of Operations	\$	(12,638)
Total Resources Used to Finance the Net Cost of Operations	\$	(5,340)

**COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD**

Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	\$	86
Increase in Environmental and Disposal Liability		
Upward/Downward Reestimates of Credit Subsidy Expense		
Increase in Exchange Revenue Receivable from the Public		
Increase in workers compensation costs		<u>0</u>
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	\$	86
Components Not Requiring or Generating Resources		
Depreciation and Amortization	\$	6,089
Revaluation of Assets or Liabilities		0
Other Expenses Not Requiring Budgetary Resources		<u>880</u>
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	\$	6,969
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	\$	<u>7,055</u>
<b>Net Cost of Operations</b>	<b>\$</b>	<b><u>1,715</u></b>

Environmental Protection Agency  
**Required Supplemental Stewardship Information**  
 For the Year Ended September 30, 2003  
 (Dollars in Thousands)  
 (Unaudited)

## Investment in the Nation's Research and Development:

Public and private sector institutions have long been significant contributors to our nation's environment and human health research agenda. The Environmental Protection Agency's (EPA) Office of Research and Development, however, is unique among scientific institutions in this country in combining research, analysis, and the integration of scientific information across the full spectrum of health and ecological issues and across both risk assessment and risk management. Science enables us to identify the most important sources of risk to human health and the environment, and by so doing, informs our priority-setting, ensures credibility for our policies, and guides our deployment of resources. It gives us the understanding and technologies we need to detect, abate, and avoid environmental problems. Science provides the crucial underpinning for EPA decisions and challenges us to apply the best available science and technical analysis to our environmental problems and to practice more integrated, efficient and effective approaches to reducing environmental risks.

Among the Agency's highest priorities are research programs that address the effects of the environment on children's health, the potential risks of unregulated contaminants in drinking water, the health effects of air pollutants such as particulate matter, and the protection of the nation's ecosystems. For FY 2003, the full cost of the Agency's Research and Development activities totaled over \$700 million. Below is a breakout of the expenses (dollars in thousands):

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Programmatic Expenses	543,777	541,117	555,794	559,218	593,295
Allocated Expenses	58,728	59,523	90,039	123,307	106,971

## Investment in the Nation's Infrastructure:

The Agency makes significant investments in the nation's drinking water and clean water infrastructure. The investments are the result of three programs: the Construction Grants Program which is being phased out and two State Revolving Fund (SRF) programs.

**Construction Grants Program:** During the 1970s and 1980s, the Construction Grants Program was a source of Federal funds, providing more than \$60 billion of direct grants for the construction of public wastewater treatment projects. These projects, which constituted a significant contribution to the nation's water infrastructure, included sewage treatment plants, pumping stations, and collection and intercept sewers, rehabilitation of sewer systems, and the control of combined sewer overflows. The construction grants led to the improvement of water quality in thousands of municipalities nationwide.

Congress set 1990 as the last year that funds would be appropriated for Construction Grants. Projects funded in 1990 and prior will continue until completion. Beyond 1990, EPA shifted the focus of municipal financial assistance from grants to loans that are provided by State Revolving Funds.

**State Revolving Funds:** EPA provides capital, in the form of capitalization grants, to state revolving funds which state governments use to make loans to individuals, businesses, and governmental entities for the construction of wastewater and drinking water treatment infrastructure. When the loans are repaid to the state revolving fund, the collections are used to finance new loans for new construction projects. The capital is reused by the states and is not returned to the Federal Government.

The Agency also is appropriated funds to finance the construction of infrastructure outside the Revolving Funds. These are reported below as Other Infrastructure Grants.

The Agency's expenses related to investments in the nation's Water Infrastructure are outlined below (dollars in thousands):

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Construction Grants	414,528	55,766	63,344	149,841	15,845
Clean Water SRF	925,744	1,564,894	1,548,270	1,389,048	1,295,394
Safe Drinking Water SRF	387,429	588,116	728,921	708,528	842,936
Other Infrastructure Grants	245,606	212,124	282,914	367,259	582,091
Allocated Expenses	213,117	266,299	424,999	576,536	493,349

## Stewardship Land

The Agency acquires title to certain land and land rights under the authorities provided in Section 104 (J) CERCLA related to remedial clean-up sites. The land rights are in the form of easements to allow access to clean-up sites or to restrict usage of remediated sites. In some instances, the Agency takes title to the land during remediation and returns it to private ownership upon the completion of clean-up. A site with "land acquired" may have more than one acquisition property. Sites are not counted as a withdrawal until all acquired properties have been transferred.

As of September 30, 2003 the Agency possesses the following land and land rights:

Superfund Sites with Easements	
Beginning Balance	31
Additions	1
Withdrawals	<u>1</u>
<b>Ending Balance</b>	<b><u>31</u></b>

Superfund Sites with Land Acquired	
Beginning Balance	24
Additions	2
Withdrawals	<u>1</u>
<b>Ending Balance</b>	<b><u>25</u></b>

## Human Capital

Agencies are required to report expenses incurred to train the public with the intent of increasing or maintaining the nation's economic productive capacity. Training, public awareness, and research fellowships are components of many of the Agency's programs and are effective in achieving the Agency's mission of protecting public health and the environment, but the focus is on enhancing the nation's environmental, not economic, capacity.

The Agency's expenses related to investments in the Human Capital are outlined below (dollars in thousands):

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Training and Awareness Grants	46,630	49,265	48,697	49,444	47,827
Fellowships	10,239	9,570	11,451	8,728	6,572
Allocated Expenses	6,142	6,472	9,744	12,827	9,808

# Summary of OIG's Audit Report

Audit Report 2004-1-00021, November 21, 2003

Full electronic version of complete audit report at: <http://www.epa.gov/oigearth>

## Inspector General's Report on EPA's Fiscal 2003 and 2002 Financial Statements

The Administrator  
U.S. Environmental Protection Agency

We have audited the consolidating balance sheets of the U.S. Environmental Protection Agency (EPA, or the Agency) and its subsidiary funds, the Superfund Trust Fund (Superfund) and All Other Appropriated Funds (All Other), as of September 30, 2003 and 2002, and the related consolidating statements of net cost, changes in net position and financing, and consolidated statements of net cost by goal, custodial activity, and combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of EPA's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements include expenses of grantees, contractors, and other Federal agencies. Our audit work pertaining to these expenses included testing only within EPA. Audits of grants, contracts, and interagency agreements performed at a later date may disclose questioned costs of an amount undeterminable at this time. In addition, the United States Treasury collects and accounts for excise taxes that are deposited into the Superfund and Leaking Underground Storage Tank Trust Funds.<sup>2</sup> The United States Treasury is also responsible for investing amounts not needed for current disbursements and transferring funds to EPA as authorized in legislation. Since the United States Treasury, and not EPA, is responsible for these activities, our audit work did not cover these activities.

As more fully described in Note 36 to the financial statements, the Superfund Trust Fund, managed by the U.S. Treasury Bureau of Public Debt, transferred funds to EPA in excess of the assets available to be transferred by \$82.7 million in fiscal 2003. EPA's view is that the shortfall for fiscal 2003 will be covered by the collection of cost recoveries

<sup>2</sup> The Leaking Underground Storage Tank Trust Fund is included in the All Other Appropriated Funds column of the financial statements.



and receipt of interest income over time. In our opinion, because cost recoveries have declined and the investment principal upon which the interest is earned has steadily decreased, the current deficit of \$82.7 million and future Superfund Trust Fund appropriations would have to be covered by appropriations from the Treasury's general fund in order for the Superfund Trust Fund to continue operations.

The Office of Inspector General (OIG) is not independent with respect to amounts pertaining to OIG operations that are presented in the financial statements. The amounts included for the OIG are not material to EPA's financial statements. The OIG is organizationally independent with respect to all other assets of the Agency's activities.

In our opinion, the consolidating financial statements present fairly, in all material respects, the consolidated and individual assets, liabilities, net position, net cost, net cost by goal, changes in net position, budgetary resources, reconciliation of net cost to budgetary obligations and custodial activity of the U.S. Environmental Protection Agency and its subsidiary funds, the Superfund Trust Fund and All Other Appropriated Funds, as of and for the years ended September 30, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

#### *Review of EPA's Required Supplemental Stewardship Information, Required Supplemental Information, and Management Discussion and Analysis*

We inquired of EPA's management as to their methods for preparing Required Supplemental Stewardship Information (RSSI), Required Supplemental Information, and Management Discussion and Analysis, and reviewed this information for consistency with the financial statements. However, our audit was not designed to express an opinion and, accordingly, we do not express an opinion.

We did not identify any material inconsistencies between the information presented in EPA's financial statements and the information presented in EPA's RSSI, Required Supplemental Information, and Management Discussion and Analysis. OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, requires agencies to report, as Required Supplemental Information, their intragovernmental assets and liabilities by Federal trading partner. We did find EPA continues to experience difficulties in reconciling some of its intragovernmental transactions due to some Federal entities not providing information for reconciliations (see Attachment 2 for additional details on this issue).

#### EVALUATION OF INTERNAL CONTROLS

As defined by OMB, internal control, as it relates to the financial statements, is a process, effected by the Agency's management and other personnel, designed to provide reasonable assurance that the following objectives are met:

**Reliability of financial reporting.** Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements and RSSI in accordance with generally accepted accounting principles; and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

**Reliability of performance reporting.** Transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

**Compliance with applicable laws and regulations.** Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements or RSSI; and any other laws, regulations, and government-wide policies identified by OMB.

In planning and performing our audit, we considered EPA's internal controls over financial reporting by obtaining an understanding of the Agency's internal controls, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as supplemented by an OMB memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls and, accordingly, we do not express an opinion on internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. We noted certain matters discussed below involving the internal control and its operation that we consider to be reportable conditions, although none of the reportable conditions is believed to be a material weakness.

In addition, we considered EPA's internal control over the RSSI by obtaining an understanding of the Agency's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on these internal controls and, accordingly, we do not express an opinion on such controls.

Finally, with respect to internal controls related to performance measures presented in EPA's *Fiscal Year 2003 Annual Report*, Section 1, Overview and Analysis (which addresses requirements for a Management's Discussion and Analysis), we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not express an opinion on such controls.

## REPORTABLE CONDITIONS

Reportable conditions are internal control weakness matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to meet the OMB objectives for financial reporting discussed above. In evaluating the Agency's internal control structure, we identified eight reportable conditions, as follows:

### *Documentation and Approval of Standard Vouchers*

EPA's Financial Reports and Analysis Branch did not always adequately document standard vouchers for transfer requests from Treasury to EPA Trust Fund accounts (Superfund and Leaking Underground Storage Tank Trust Funds) prior to the transactions being entered into the Integrated Financial Management System (IFMS). The Branch uses a formula to determine the amount of the monthly transfer, but occasionally requests additional funds to be transferred along with the calculated amount. Specifically, the Agency requested additional funds in 10 transfers with no documentation to support the request. Establishing written procedures to calculate the monthly transfer process would reduce the potential for errors occurring.

### *Improvement Needed in EPA's Interagency Agreement Invoice Approval Process*

EPA project officers did not always fulfill their oversight duties related to reviewing and approving interagency agreement invoices. We continued to find instances where project officers at EPA did not receive supporting cost documentation to substantiate invoice amounts and approve invoices for payment. We found instances in five program offices where project officers regularly approved invoices without the detailed documentation to support costs. Without proper identification of accounting information and a review of the cost documentation, transactions may be recorded in the accounting system with limited assurance that invoices are valid, appropriate, and allowable under the terms and conditions of the interagency agreement, and that costs are charged to the appropriate goal/objective. We recommend that the Agency determine the root cause of the problem and develop effective procedures to ensure that project officers properly manage the entire process.

### *Improvement Needed in Reconciling State Superfund Contracts Unearned Revenue*

EPA did not reconcile the unearned revenue from State Superfund Contracts (SSC). When EPA assumes the lead for a Superfund site remedial action in a State, the SSC clarifies EPA's and the State's responsibilities to complete the remedial action. EPA records a liability (unearned revenue), when billing a State for its share of the estimated site costs. EPA recognizes earned revenue as costs are incurred on the site. We found that EPA did not reconcile the unearned revenue from SSCs to the general ledger. Financial Management Division did not prepare a reconciliation because they relied on an analysis of current year account activity. As a result, EPA could not ensure the accuracy of the SSC unearned revenue accounts, which totaled approximately \$29 million.

### *EPA Did Not Promptly Record Marketable Securities Received in Fiscal 2003*

EPA did not promptly record marketable securities received in fiscal 2003 from companies in settlement of debts. As of September 30, 2003, stocks and warrants with an aggregate value of \$1,922,512 were not recorded in EPA's accounting system. The securities were not recorded because the regional financial management offices receiving the securities either were waiting on guidance from headquarters, or were awaiting receipt of a settlement agreement.

### *IFMS Suspense File Needs to Be Reconciled to General Ledger*

For fiscal 2003, the IFMS suspense file was not in compliance with Joint Financial Management Improvement Program (JFMIP) requirement TD-04 — that the Application Program Interface provide internal controls, such as control totals and record counts, to ensure integrity. Specifically, no formal process or written procedures existed for reconciling financial data processed from the suspense file to the general ledger accounts. The suspense file is important because it receives input of financial transactions from IFMS users and many other financial and mixed systems, which are to be posted to the general ledger accounts. The IFMS contractor created custom reports for analysis purposes, which represented the best available data, although the contractor would not confirm that either the status or dollar amount were accurate. Our subsequent analysis of the account did not indicate that the suspense file contained transactions that were not posted to the proper accounting period. However, we are still concerned about the number of uncleared transactions that could remain in the suspense file due to the current lack of automated controls. These incomplete, rejected, and held transactions could be incorrectly processed in the wrong fiscal period, creating the potential to affect the Agency's financial data.

### *Automated Application Processing Controls for IFMS Could Not Be Assessed*

We continue to be unable to assess the adequacy of the automated internal control structure as it relates to automated input, processing, and output controls for IFMS. IFMS applications have a direct and material impact on the Agency's financial statements. Therefore, an assessment of each application's automated input, processing, and output controls, as well as compensating manual controls, is necessary to determine the reliance we can place on the financial statements. During past financial statement audits, we attempted to evaluate controls without systems documentation, but these alternatives proved to be inefficient and impractical.

### *Further Improvements Needed in Managing EPA's Accounts Receivable*

We noted two issues that negatively impact EPA's accounting for accounts receivable. First, we noted numerous instances where the financial management offices did not timely record receivables due to late submission of supporting documentation from Department of Justice, Regional Counsel, or the program offices. Failure to record receivables promptly could result in EPA not collecting monies due timely. Second, one regional financial management office did not properly calculate its allowance for doubtful accounts as the region did not prepare quarterly allowance calculations and update its percentage analysis formulas. As a result, the allowance was overstated \$35,772,165 and \$8,052,967 for "Superfund" and "All Other," respectively. The Agency subsequently properly adjusted the accounts.

### *Internal Controls for Correcting Errors in IFMS Need Improvement*

EPA's Financial Systems Branch bypassed IFMS manual online data entry controls when making a systemic correction of erroneous transactions. Rather than using the journal voucher process to correct the errors, the Branch had a programmer reverse the transactions by processing negative debits and positive credits. The correction resulted in 7,336 negative debit and positive credit transactions totaling \$222 million. As a result, the audit trail for these transactions was hidden and basic evidence requirements for the transactions were circumvented.

Attachment 1 describes each of the above reportable conditions in more detail, and contains our recommendations on actions that should be taken to correct these conditions. We have also reported other less significant matters involving the internal control structure and its operation in separate position papers during the course of our audit. We will not be issuing a separate management letter.

### *Comparison of EPA'S FMFIA Report with Our Evaluation of Internal Controls*

OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, requires us to compare material weaknesses disclosed during the audit with those material weaknesses reported in the Agency's Federal Managers Financial Integrity Act (FMFIA, or Integrity Act) report that relate to the financial statements and identify material weaknesses disclosed by audit that were not reported in the Agency's FMFIA report. EPA reported on Integrity Act decisions in EPA's *Fiscal Year 2003 Annual Report*. For a discussion on Agency-reported Integrity Act management issues, please refer to EPA's *Fiscal Year 2003 Annual Report*, Section I, Overview and Analysis.

For reporting under FMFIA, material weaknesses are defined differently than they are for financial statement audit purposes. OMB Circular A-123, *Management Accountability and Control*, defines a material weakness as a deficiency that the Agency head determines to be significant enough to be reported outside the Agency.

For financial statement audit purposes, OMB defines material weaknesses in internal control as reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the financial statements or RSSI being audited, or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The Agency did not report any material weaknesses for fiscal 2003 as part of the Integrity Act process. Our financial statement audit did not detect any material weaknesses that should have been reported as part of the Integrity Act process.

### TESTS OF COMPLIANCE WITH LAWS AND REGULATIONS

EPA management is responsible for complying with laws and regulations applicable to the Agency. As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as supplemented by an OMB Memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*. The OMB guidance requires that we evaluate compliance with Federal financial management system requirements, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to EPA.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. There are a number of ongoing investigations involving EPA's grantees and contractors that could disclose violations of laws and regulations, but a determination about these cases has not been made.

None of the noncompliances discussed below would result in material misstatements to the audited financial statements.

#### *Federal Financial Management Improvement Act Noncompliance*

Under FFMIA, we are required to report whether the Agency's financial management systems substantially comply with the Federal financial management systems requirements,



applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. OMB Bulletin No. 01-02, as supplemented by an OMB memorandum dated January 4, 2001, *Revised Implementation Guidance for the Federal Financial Management Improvement Act*, substantially changed the guidance for determining whether or not an Agency substantially complied with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The document is intended to focus Agency and auditor activities on the essential requirements of FFMIA. The document lists the specific requirements of FFMIA, as well as factors to consider in reviewing systems and for determining substantial compliance with FFMIA. It also provides guidance to Agency heads for developing corrective action plans to bring an Agency into compliance with FFMIA. To meet the FFMIA requirement, we performed tests of compliance with FFMIA section 803(a) requirements and used the OMB guidance, revised on January 4, 2001, for determining substantial noncompliance with FFMIA.

The results of our tests did not disclose any instances where the Agency's financial management systems did not substantially comply with the applicable Federal accounting standard, the United States Standard General Ledger at the transaction level, or the Federal financial management system requirements.

We recognize improvements the Office of the Chief Financial Officer (OCFO) has made in cost accounting and believe that while there are still noncompliance issues with cost accounting, those noncompliances no longer meet OMB's definition of substantial noncompliance. However, the Agency was not in compliance with Statement of Federal Financial Accounting Standards No. 4 that requires EPA to provide full costs per output to management in a timely fashion.

We identified two other FFMIA noncompliances, related to reconciliation of intragovernmental transactions and completion of the fiscal 1999 FFMIA remediation plan. However, these noncompliances do not meet the definition of substantial noncompliance as described in OMB guidance.

Our tests also noted one other instance of noncompliance with laws and regulations, related to the Treasury Financial Manual for preparation of SF 224 "Statement of Transactions."

Attachment 2 provides additional details, as well as our recommendations on actions that should be taken on these matters. We have reported other less significant matters involving compliance with laws and regulations in position papers during our audit. We will not be issuing a separate management letter.

### PRIOR AUDIT COVERAGE

During previous financial or financial-related audits, weaknesses that impacted our audit objectives were reported in the following areas:

- Reconciliation and reporting intragovernmental transactions, assets and liabilities by Federal trading partner.
- Complying with Statement of Federal Financial Accounting Standards No. 4, including accounting for the cost to achieve goals and identifying and allocating indirect costs.
- Accounting for capitalized property.
- Recording accrued liabilities for grants.
- Interagency Agreement invoice approval process.
- Documenting EPA's IFMS.



- Complying with Federal financial management system security requirements.
- Accounting for payments for grants funded from multiple appropriations.
- Preparation and Reconciliation of Statements of Transactions
- Documentation and approval of journal vouchers.
- Timely repayment of Asbestos Loan Debt to Treasury.
- Assessing automated application processing controls for IFMS.
- Reconciling Unearned Revenue for State Superfund Contracts.

Attachment 3, Status of Prior Audit Report Recommendations, summarizes the current status of corrective actions taken on prior audit report recommendations with corrective actions in process.

The Chief Financial Officer, as the Agency's Audit Follow-up Official, oversees EPA's followup on audit findings and recommendations, including resolution and implementation of corrective actions. For these prior audits, final action occurs when the Agency completes implementation of the corrective actions to remedy weaknesses identified in the audit.

We acknowledge that many actions and initiatives have been taken to resolve prior financial statement audit issues. We also recognize that the issues we have reported are complex, and require extensive, long-term corrective actions and coordination by the Chief Financial Officer with various Assistant Administrators, Regional Administrators, and Office Directors before they can be completely resolved. A few issues have been unresolved for many years. The OIG will continue to work with the Office of Chief Financial Officer in helping to resolve all audit issues resulting from our financial statement audits.

#### AGENCY COMMENTS AND OIG EVALUATION

In a memorandum received November 10, 2003, OCFO responded to our draft report. OCFO noted that it is continuing to make progress in enhancing managerial cost accounting. Regarding our concerns related to the Superfund Trust Fund shortfall and the decline in cost recoveries, OCFO indicated the Superfund program will continue to operate as long as Congress continues to appropriate funds for it, and noted EPA's fiscal 2003 appropriation came from Trust Fund assets and the general fund. Further, OCFO indicated it would like to work with the OIG to allay concerns about suspense fund records.

The rationale for our conclusions and a summary of the Agency comments are included in the appropriate sections of this report, and the Agency's complete response is included as Appendix II to OIG's complete audit report.

This report is intended solely for the information and use of the management of EPA, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Paul C. Curtis, Director  
Financial Audits  
Office of Inspector General  
U.S. Environmental Protection Agency  
November 16, 2003



# Appendices

## CONTENTS

Appendix A	
Program Evaluations Completed in FY 2003 .....	192
Appendix B	
Acronyms and Abbreviations .....	214

# Appendix A

## Program Evaluations Completed in FY 2003

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p><b>Goal I, Objective I</b></p> <p><i>Environmental Protection: Federal Planning Requirements for Transportation and Air Quality Protection Could Potentially Be More Efficient and Better Linked</i></p> <p>This report determined: how many areas with air quality problems have failed to demonstrate conformity, why, what corrective actions they have taken, and what issues transportation planners have had with the conformity process, and what solutions are possible.</p>	<p>GAO found that:</p> <ul style="list-style-type: none"> <li>—Since 1997, 56 of the 159 transportation planning areas with air quality problems have failed to demonstrate conformity by a required deadline at least once, but only 5 had to change their transportation plans as a result.</li> <li>—About half of the areas failed because of resource, administrative, or technical problems, such as a lack of time and staff, and resolved the problem in 6 months or less.</li> <li>—About 1/3 of transportation planners surveyed anticipate having trouble demonstrating conformity in the future, especially in meeting limits on ozone and fine particulate matter resulting from vehicle emissions.</li> </ul> <p>A majority of transportation planners who had trouble demonstrating conformity or who failed to do so by a deadline said that the required frequency of demonstrations robs them of time and resources to solve other issues, such as growing congestion.</p>	<p>EPA agrees with GAOs recommendation that the current 3-year transportation plan and conformity update requirements need to be extended. The Administration has submitted a proposal for the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21) that includes provisions to extend the transportation plan update and conformity frequency requirements to 5 years.</p> <p>GAO also recommends that EPA, in coordination with DOT, comprehensively assess the advantages and disadvantages of requiring regular updates of State Implementation Plans' (SIPs) motor vehicle emissions budgets. EPA believes that the states have the statutory flexibility they need to decide whether new data or models justify the costs of updating SIPs. Given the amount of federal, state and local resources that a SIP revision can require, EPA has always supported the flexibility provided by the current Clean Air Act on this matter.</p>	<p>General Accounting Office</p> <p>GAO-03-581</p> <p>April 28, 2003</p> <p>Available at: <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-581">http://www.gao.gov/cgi-bin/getrpt?GAO-03-581</a></p>
<p><b>Goal I, Objectives 3 &amp; 4</b></p> <p><i>International Environment: U.S. Actions to Fulfill Its Commitments Under Five Key Agreements</i></p>	<p>GAO found that:</p> <ul style="list-style-type: none"> <li>—The U.S. is generally taking actions to meet its commitments under the five specified agreements.</li> <li>—Federal agencies established domestic programs, reported</li> </ul>	<p>With regard to climate change, EPA continues to implement voluntary programs to reduce emissions of greenhouse gases cost-effectively. EPA's programs are expected to make a substantial contribution to the Bush Administration's goal of</p>	<p>General Accounting Office</p> <p>GAO-03-249</p> <p>January 29, 2003</p>

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<p>This report examined U.S. actions to fulfill its commitments under five international agreements; however only two of these agreements addressed Goal I:</p> <ul style="list-style-type: none"> <li>—Montreal Protocol on Substances That Deplete the Ozone Layer.</li> <li>—United Nations Framework Convention on Climate Change.</li> </ul> <p>The report also examined the means used to track these actions and the results of others' evaluations of these actions for the selected agreements.</p>	<p>periodically on progress, and provided funding to other nations.</p> <ul style="list-style-type: none"> <li>—The U.S. committed to stop producing and importing certain substances that deplete the Earth's ozone layer by 1996 and did so.</li> <li>—The U.S. did not make a treaty commitment to reduce greenhouse gas emissions, the President set a goal in 1993 to reduce emissions to their 1990 level by 2000 and the U.S. spends over \$1 billion a year to do so. However, U.S. emissions in 2001 exceeded the 1990 target level by about 12%.</li> <li>—The U.S. provided less assistance to other countries than it pledged relating to two agreements: the shortfall was 25% for the fund that finances climate change and other environmental projects, and 6% for ozone depletion.</li> </ul>	<p>improving the intensity of greenhouse gas emissions by 18% by 2012 (measured in terms of greenhouse gas emissions per unit of GDP relative to the emissions per unit of GDP in 2002).</p> <ul style="list-style-type: none"> <li>—EPA is actively implementing the five agreements, including the Montreal Protocol and the UN Framework Convention on Climate Change.</li> <li>—Under the Montreal Protocol, the U.S. has successfully met the phaseout deadlines for ozone-depleting chemicals.</li> <li>—EPA's achievements under these voluntary climate programs are extensively documented in the 3rd U.S. National Communication and in EPA annual reports.</li> <li>—EPA conducts ongoing analyses of its voluntary programs to evaluate their efficacy.</li> <li>—EPA and the Department of State are working to ensure that the United States makes its full contribution to the Montreal Protocol.</li> </ul>	<p>Available at:  <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-249">http://www.gao.gov/cgi-bin/getrpt?GAO-03-249</a></p>
<p><b>Goal I, Objective 3</b>  <i>Climate Change: Information on Three Air Pollutants' Climate Effects and Emissions Trends</i></p> <p>This report examined:</p> <ul style="list-style-type: none"> <li>—The extent of agreement among scientists regarding the climatological effects of three air pollutants – black carbon (soot), ground-level ozone, and sulfate aerosols.</li> <li>—Seven countries' (four economically</li> </ul>	<p>GAO reported:</p> <ul style="list-style-type: none"> <li>—Scientists generally agree that sulfate aerosols have a cooling effect on climate, while ozone in the lower atmosphere has a warming effect.</li> <li>—Black carbon tends to warm the atmosphere but cool the Earth's surface.</li> <li>—Sulfate aerosols also affect how much and where it rains.</li> <li>—Considerable uncertainty remains about the size of these effects.</li> <li>—All seven countries are taking steps to reduce the amounts of the three pollutants.</li> <li>—The four economically developed countries have</li> </ul>	<ul style="list-style-type: none"> <li>—EPA has an ongoing program to monitor changes in ozone, particulate matter, and sulfur dioxides and to assess the global impact of such gases, particles, and related aerosols.</li> <li>—Monitoring shows that long-term trends in ambient air quality have been downward in the U.S. for the criteria pollutants.</li> <li>—EPA has begun assessing the role that black carbon and organic carbon play in climate change.</li> <li>—EPA is assessing the current state of knowledge on science, inventory, mitigation, and modeling for black carbon and organic carbon.</li> </ul>	<p>General Accounting Office          GAO-03-25          April 28, 2003</p> <p>Available at:  <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-25">http://www.gao.gov/cgi-bin/getrpt?GAO-03-25</a></p>



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<p>developed and three developing countries) efforts to control these pollutants.</p> <p>—Trends in these substances in these seven countries over the past two decades, and estimates for the next decade.</p> <p>—The relationship between economic growth and environmental pollution.</p>	<p>well-established efforts underway.</p> <p>—The amounts of the three substances generally declined over the last two decades and are expected to decline over the next decade.</p> <p>GAO also noted that the results of research examining the possible connection between economic development and environmental pollution are inconclusive.</p>	<p>—EPA is reviewing current capabilities to quantify emissions of black carbon in the U.S., and potential mitigation options in key sectors, including how such measures affect co-emitted gases (PM, CO<sub>2</sub>, sulfate aerosols).</p> <p>—EPA is planning to meet with key scientists and researchers to better understand the evolving atmospheric science, and to improve its our ability to inventory and model black carbon for both air quality and climate change issues.</p>	
<p><b>Goal I, Objective I</b></p> <p><i>Aviation and the Environment: Strategic Framework Needed to Address Challenges Posed by Aircraft Emissions</i></p> <p>This report reviewed efforts in the United States and other countries to reduce emissions at airports, and the effects of improvements in aircraft and engine design on emissions.</p>	<p>GAO reported:</p> <p>—Many airports have taken measures to reduce emissions, such as converting airport ground vehicles from diesel or gasoline to cleaner alternative fuels.</p> <p>—Some measures (such as shifting to cleaner alternative fuels) have the potential to significantly reduce emissions, such as nitrogen oxides.</p> <p>—Other countries use many of the same measures as the U.S. to reduce emissions at airports.</p> <p>—Although federal government and the aircraft industry R&amp;D have improved fuel efficiency and reduced many emissions from aircraft, including hydrocarbons and carbon monoxide, they have increased emissions of nitrogen oxides. As a result, many new aircraft are emitting more nitrogen oxides than the older aircraft they are replacing: new aircraft engines average over 40 percent more nitrogen oxides during landings and takeoffs than the engines used on older models.</p>	<p>—Since 1998 EPA and the Federal Aviation Administration have jointly chaired a national stakeholder initiative whose goal is to develop a voluntary program to reduce pollutants from aircraft and other aviation sources that contribute to local and regional air pollution. The major stakeholders participating in this initiative include representatives of the aviation industry (airlines and engine manufacturers), airports, state and local air pollution control officials and environmental organizations. If this initiative is successful, an agreement will be reached among all the stakeholders on a national voluntary aviation emissions reduction program.</p> <p>—EPA also plans to establish more stringent aircraft engine NO<sub>x</sub> standards. EPA will participate in the next meeting of the International Civil Aviation Organization to establish more stringent international consensus emission standards, which is scheduled for February 2004. Such standards will likely be a central consideration in a future EPA regulation of aircraft engine emissions.</p>	<p>General Accounting Office</p> <p>GAO-03-252</p> <p>February 28, 2003</p> <p>Available at: <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-252">http://www.gao.gov/cgi-bin/getrpt?GAO-03-252</a></p>

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<p><b>Goal I, Objective I</b></p> <p><i>A Breath of Fresh Air: Reviving the New Source Review Program</i></p> <p>This report examined:</p> <ul style="list-style-type: none"> <li>—The evolution of EPA’s New Source Review (NSR) and Prevention of Significant Deterioration (PSD) regulations; guidance, and interpretation of those regulations; as well as the implementation of the regulatory programs.</li> <li>—The respective roles of the states and EPA in implementing the NSR and PSD programs.</li> <li>—The evolution of EPA’s policies and strategies for enforcing the programs.</li> <li>—The impacts of current program administration on industrial competitiveness, capital investment, technological innovation, pollution prevention, and environmental quality.</li> </ul>	<p>NAPA found that:</p> <ul style="list-style-type: none"> <li>—NSR is a critical tool for protecting public health and improving the nation’s air quality.</li> <li>—The complicated NSR program has been effective in controlling air pollution from newly built industrial facilities and utilities, but it has performed poorly in reducing pollution from the nation’s oldest and dirtiest factories and power plants.</li> <li>—The program is unfair to facilities that have invested in upgrading their equipment to reduce pollution, while others have avoided controlling their pollution.</li> <li>—NSR’s unpredictable and lengthy permitting process is detrimental to facilities that must change operations quickly to compete effectively.</li> <li>—NSR is not having the positive effect on the health of individuals, or on the quality of the nation’s air, that Congress intended.</li> </ul>	<ul style="list-style-type: none"> <li>—The NAPA report made seven recommendations for improving NSR, five of which were recommendations for Congress to improve NSR through legislative changes.</li> <li>—EPA continues to vigorously enforce the NSR program, as recommended by the NAPA report.</li> <li>—NAPA recommended that EPA establish clear requirements for compliance. EPA has been actively engaged in a more than 10-year effort to improve the NSR rules. Part of the goal of this effort has been to provide more certainty about when and how NSR applies.</li> <li>—EPA recently finalized a set of reforms that will provide more certainty to industry and will remove barriers to, and create incentives for, environmentally beneficial projects.</li> <li>—Earlier this year, EPA promulgated a rule addressing routine maintenance.</li> </ul>	<p>National Academy of Public Administration</p> <p>April 2003</p> <p>Available at:  <a href="http://209.183.198.6/NAPA/NAPAPubs.nsf">http://209.183.198.6/NAPA/NAPAPubs.nsf</a></p>
<p><b>Goal I, Objective I</b></p> <p><i>Managing Carbon Monoxide Pollution in Meteorological and Topographical Problem Areas</i></p> <p>This report addressed episodes of high CO</p>	<p>NAS found that:</p> <ul style="list-style-type: none"> <li>—Some areas are especially vulnerable to violations of the 8-hour NAAQS for CO because of a number of factors, including differences in the topography and temporal variability of local</li> </ul>	<ul style="list-style-type: none"> <li>—EPA is working with its state and local partners to address their individual needs. For example, EPA has helped Alaska, to implement unique local measures (installing electrical outlets for engine block heaters) to control CO emissions.</li> </ul>	<p>National Academy of Sciences</p> <p>ISBN: 0-309-08923-9</p> <p>2003</p> <p>Available at:  <a href="http://www.nap.edu/books/0309089239/html/index.html">http://www.nap.edu/books/0309089239/html/index.html</a></p>



Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p>concentrations in meteorological and topographical problem areas, and the potential approaches to predicting, assessing, and managing them. The report focused on:</p> <ul style="list-style-type: none"> <li>—Types of emission sources and operating conditions that contribute most to episodes of high ambient CO.</li> <li>—Scientific bases of current and potential additional approaches for developing and implementing plans to manage CO air quality, including the possibility of new catalyst technology, alternative fuels, and cold-start technology.</li> <li>—Control of stationary source contributions to CO air quality.</li> </ul>	<p>meteorology and emissions rates.</p> <ul style="list-style-type: none"> <li>—In patients diagnosed with coronary artery disease, CO alone has been shown to exacerbate exercise-induced chest pain (angina) in controlled laboratory experiments.</li> <li>—To reach attainment, communities vulnerable to exceeding the health-based NAAQS for CO can implement various local measures to complement federal vehicle emissions standards.</li> <li>—Federal new-vehicle emissions standards have been effective in reducing CO emissions, including emissions from vehicles operated in cold climates.</li> <li>—A relatively small number of high-emitting vehicles contribute disproportionately to CO and other motor-vehicle emissions.</li> <li>—Oxygenated fuels program benefits are declining in effectiveness as more modern vehicles enter the fleet.</li> <li>—Although ambient CO concentrations have dropped considerably throughout the country, the number of monitors is inadequate to characterize CO distribution and identify all locations of high CO concentrations.</li> </ul>	<ul style="list-style-type: none"> <li>—Separating the effects of CO from its co-pollutants and assessing the relationship of CO to other pollutants has been done to some extent in the epidemiology studies cited and reviewed in the <i>2000 CO Criteria Document</i>. Recently, the Health Effects Institute has conducted some toxicology research on automobile and diesel exhaust mixtures, focusing mainly on co-pollutants.</li> <li>—EPA will consider the testing and analysis recommendations as it designs programs to test the in-use performance of motor vehicles and will evaluate Tier 2 vehicles for CO as well as other emissions. (More information on Tier 2 appears in the Goal 1 narrative).</li> <li>—EPA is developing a new modeling system called MOVES and will incorporate any new data into this model. As EPA develops the model, it will bear in mind NAS's recommendation to assess both the manufacturer's sales strategy to meet NO<sub>x</sub> limits and associated trading and banking provisions. The new model is designed to better support fine scale modeling and improve the characterization of emissions from certain vehicles and off-road sources of CO.</li> <li>—EPA supports allowing state and local agencies to relocate CO monitors to where they provide more measurable value for air program management and protection of public health.</li> <li>—Under the Transportation Conformity Act, areas that are undertaking major highway projects that affect vehicular traffic and congestion perform</li> </ul>	

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		<p>CO air quality modeling. Also, some areas perform local scale CO air quality modeling for highway projects under the National Environmental Policy Act. Some urban areas have performed area wide CO modeling with the Urban Airshed Model in the past for CO attainment demonstrations. This modeling contributes to estimation of the spatial distribution of CO for certain episodes.</p>	
<p><b>Goal 2, Objective 1</b></p> <p><i>The Drinking Water State Revolving Fund Program: Financing America's Drinking Water from the Source to the Tap—A Report to Congress</i></p> <p>This was a report updating Congress on the progress of the Drinking Water State Revolving Fund (DWSRF) program from its beginning in 1997 through June 2001, as required by the Safe Drinking Water Act (SDWA).</p>	<p>EPA reported:</p> <ul style="list-style-type: none"> <li>—States provided public water systems with approximately 1,800 loans totaling \$3.8 billion (72% of available funds).</li> <li>—States far exceeded the SDWA requirement to provide a minimum of 15% of their available funding to small systems by providing 75% or 1,330, of actual loan agreements, to small systems, totaling \$1.5 billion.</li> <li>—States have received 87% of federal grants available to them and have initiated construction on projects for 89% of the executed loan agreements.</li> <li>—For every \$1 in funds drawn from the federal government, states have disbursed \$1.60 for project construction.</li> <li>—Both the program offices and the drinking water industry face present and future implementation challenges.</li> </ul>	<p>EPA discussed the following for congressional consideration:</p> <ul style="list-style-type: none"> <li>—Permanently extend the authority to transfer funds between the DWSRF and Clean Water SRF programs. The SDWA provision sunset on September 30, 2001.</li> </ul>	<p>U.S. Environmental Protection Agency</p> <p>EPA 918-R-03-009</p> <p>May 2003</p> <p>Available at:  <a href="http://www.epa.gov/safewater/dwsrf.html">http://www.epa.gov/safewater/dwsrf.html</a></p>
<p><b>Goal 2, Objective 1</b></p> <p><i>Deep Injection Wells: EPA Needs to Involve Communities Earlier and Ensure That Financial Assurance Requirements Are Adequate</i></p>	<p>GAO reported:</p> <ul style="list-style-type: none"> <li>—The opportunities EPA provides for public comment on proposed Class I deep injection wells come late in the process, after a draft permit has been prepared. GAO recommended that EPA</li> </ul>	<ul style="list-style-type: none"> <li>—EPA believes it provides for ample public involvement. GAO recognizes this, in a sample chronology of events for construction of deep-injection wells included in Appendix I of its report. Under the SDWA, the Agency</li> </ul>	<p>General Accounting Office</p> <p>GAO-03-761</p> <p>June 2003</p> <p>Available at:  <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-761">http://www.gao.gov/cgi-bin/getrpt?GAO-03-761</a></p>

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<p>EPA and the states grant permits to operators of commercial hazardous Class I deep-injection wells to construct and operate these wells, and must obtain public comments on the permits. Communities often raise concerns about the safety of these wells and other matters. The objectives of the investigation were to:</p> <ul style="list-style-type: none"> <li>—Address these community concerns.</li> <li>—Consider environmental justice issues.</li> <li>—Ensure that financial assurances for Class I commercial hazardous injection wells fully protect the taxpayer if bankruptcy occurs.</li> </ul>	<p>involve the public earlier.</p> <ul style="list-style-type: none"> <li>—EPA addresses environmental justice issues in two basic ways: (1) as part of its process for deciding whether to issue a permit for well construction, and (2) in response to specific civil rights complaints filed with the Agency after permits are issued. GAO did not make any recommendations to the Agency regarding environmental justice.</li> <li>—Current financial assurance requirements may not ensure that adequate resources are available to close a commercial deep injection well in the event of a bankruptcy or ceased operations. GAO recommended that EPA review and, if warranted, strengthen financial assurance requirements for this sub-well type.</li> </ul>	<p>follows the regulatory requirements for public participation at 40 CFR Part 124 (Procedures for Decision Making) and the underground injection control regulations at 40 CFR Parts 144 and 146 for specific permitting authority.</p> <p>The Agency disagrees with GAO's finding on financial assurance for the following reasons:</p> <ul style="list-style-type: none"> <li>—The finding is inconsistent with the long history of the success of financial assurance provisions for Class I wells. Since 1980, the EPA has had no problems with any company on financial assurance.</li> <li>—While Class I well financial assurance regulations are based on RCRA regulations, they are not linked to those regulations in any other way.</li> </ul>	
<p><b>Goal 2, Objective 2</b></p> <p><i>Water Quality: Improved EPA Guidance and Support Can Help States Develop Standards That Better Target Cleanup Efforts</i></p> <p>GAO examined the extent to which:</p> <ul style="list-style-type: none"> <li>—States are changing designated uses when necessary.</li> <li>—EPA is assisting states toward that end.</li> </ul>	<p>GAO reported that EPA needs to:</p> <ul style="list-style-type: none"> <li>—Provide additional guidance regarding use changes and follow through on plans to assess the feasibility of establishing a clearinghouse of approved use changes.</li> <li>—Set a time frame for developing and publishing nationally recommended sedimentation criteria.</li> <li>—Develop alternative, scientifically defensible monitoring strategies that states can use to determine if water bodies are meeting</li> </ul>	<p>EPA is beginning to implement all of GAO's recommendations, many of which are included in the Water Quality Standards and Criteria Strategy being finalized. The Final Strategy is available at: <a href="http://epa.gov/waterscience/standards/strategy/">http://epa.gov/waterscience/standards/strategy/</a>.</p>	<p>General Accounting Office</p> <p>GAO-03-881T</p> <p>June 19, 2003</p> <p>Available at: <a href="http://www.gao.gov">http://www.gao.gov</a></p>

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<ul style="list-style-type: none"> <li>—EPA is updating the “criteria documents” states use to develop the pollutant limits needed to measure whether designated uses are being attained.</li> <li>—EPA is assisting states in establishing criteria that can be compared with reasonably obtainable monitoring data.</li> </ul>	<ul style="list-style-type: none"> <li>their water quality criteria.</li> <li>—Develop guidance and a training strategy that will help EPA regional staff determine the scientific defensibility of proposed criteria modifications.</li> </ul>		
<p><b>Goal 2, Objective 2</b></p> <p><i>Evaluation of State and Regional Water Quality Monitoring Councils</i></p> <p>This report:</p> <ul style="list-style-type: none"> <li>—Evaluates the effectiveness of the regional Water Quality Monitoring Councils in achieving EPA’s objectives.</li> <li>—Identified possible ways that may help current councils and facilitate the operation and establishment of additional councils.</li> <li>—Examined council successes and barriers to success.</li> <li>—Identified best practices.</li> <li>—Presented recommendations for effectively obtaining the data necessary for</li> </ul>	<p>The report found:</p> <ul style="list-style-type: none"> <li>—The councils yield substantial benefits to water monitoring programs by unifying the efforts of disparate agencies.</li> <li>—The councils vary in design and objectives.</li> <li>—Effective councils have state support and dedicated a staff is invaluable.</li> <li>—Councils have difficulty keeping momentum, and can benefit from EPA support.</li> </ul>	<p>EPA remains interested in creating state and regional water quality monitoring councils and supporting them in its monitoring program initiatives.</p>	<p>The report is available at <a href="http://www.epa.gov/owow/monitoring">www.epa.gov/owow/monitoring</a>.</p>

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<p>critical Agency decision-making.</p> <p>The oldest state and regional Water Quality Monitoring Councils (there are about a dozen of them) have been operating for over a decade; this report evaluates their effectiveness in achieving EPA objectives, and identifies possible lessons that may help current Councils and facilitate the operation and establishment of additional Councils. Additionally, this report discusses Council successes and barriers to success; identifies best practices; and develops recommendations for effectively obtaining the data necessary for critical Agency decision making.</p>			
<p><b>Goal 2, Objective 3</b></p> <p><i>Livestock Agriculture: Increased EPA Oversight Will Improve Environmental Program for Concentrated Animal Feeding Operations</i></p> <p>The purpose was to:</p> <ul style="list-style-type: none"> <li>—Identify the key shortcomings of the Concentrated Animal Feeding Operations (CAFO) program.</li> <li>—Assess the potential challenges</li> </ul>	<p>GAO recommend that the EPA:</p> <ul style="list-style-type: none"> <li>—Develop and implement a comprehensive tactical plan that identifies how the Agency will carry out its increased oversight responsibilities under the revised program. Specifically, this plan should address what steps the Agency will take to ensure that authorized states are properly permitting and inspecting CAFOs and are taking appropriate enforcement actions. The plan should also identify what, if any, additional resources will be needed to carry out the plan</li> </ul>	<ul style="list-style-type: none"> <li>—The Office of Water (OW) has produced a CAFO implementation plan for states and EPA regions to achieve 100% permit coverage by 2006. The plan was distributed to the regions on May 30, 2003. OW is tracking regional progress.</li> <li>—OW asked Regions for resource needs, and is providing them with assistance and contractor support as necessary.</li> <li>—The regions are reporting to OW their targets for state implementation of both state regulatory changes and permitting, and EPA</li> </ul>	<p>Government Accounting Office (GAO)</p> <p>GAO-03-285</p> <p>January 2003</p> <p>Available at: <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-285">http://www.gao.gov/cgi-bin/getrpt?GAO-03-285</a></p>

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<p>the states and EPA may face when implementing revisions to the CAFO regulations;</p> <p>—Determine the extent of the U.S. Department of Agriculture’s involvement in developing the proposed revisions to EPA’s regulations.</p>	<p>and how EPA will obtain these resources.</p> <p>—Work with authorized states to develop and implement their own plans that identify how they intend to carry out their increased permitting inspection, and enforcement responsibilities within specified time frames. These plans should also address what, if any, additional resources states will need to properly implement the program and how they will obtain these resources.</p>	<p>headquarters is tracking progress</p>	<p>Government Accounting Office (GAO)</p> <p>GAO-03-285</p> <p>January 2003</p> <p>Available at: <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-03-285">http://www.gao.gov/cgi-bin/getrpt?GAO-03-285</a></p>
<p><b>Goal 3, Objective 3</b></p> <p><i>Community Involvement Survey, Valleycrest Superfund Site</i></p> <p>The purpose was to provide Superfund staff at Valleycrest site feedback on how community members perceive their community involvement. EPA headquarters conducts community involvement surveys for the regions if requested. EPA completed one survey in FY 2003, and two in FY 2002.</p>	<p>The report found that:</p> <p>—87% of the respondents prefer getting information about the cleanup directly from EPA. Only 59% say they have received information directly from EPA.</p> <p>—57% are satisfied with opportunities for involvement.</p> <p>—61% are satisfied with how EPA explains its decisions.</p> <p>—47% are satisfied with how EPA uses the community input.</p> <p>—69% are satisfied with the courtesy of EPA staff.</p> <p>Public meetings and a community advisory committee are the two most preferred ways for community members to give their input.</p>	<p>The regional community involvement staff will use the report’s information to guide future involvement efforts at the site.</p>	<p>U.S. Environmental Protection Agency</p> <p>March 2003</p> <p>The survey report will be shared with Valleycrest community members and placed in the local information repository for the site [Main Library, Dayton, Ohio].</p> <p>A copy of the report can be obtained from Bruce Engelbert, OSWER/OSRTI (tel.: 703-603-8711)</p>
<p><b>Goal 3, Objective 3</b></p> <p><i>Contaminated Sediments Technical Advisory Group (CSTAG)</i></p> <p>The purpose of the evaluation was to help Remedial Project Managers appropriately investigate and manage</p>	<p>Common findings among sites include the need for:</p> <p>—Additional characterization of potential sources, including ground water, and the relative contribution of flood plain soils and in-water sediment to risk.</p> <p>—Additional characterization of background, including anthropogenic contaminants from</p>	<p>Common regional responses include agreement to:</p> <p>—Incorporate additional characterization and monitoring into site management plans.</p> <p>—Increase communication with other EPA and state regulatory programs, tribes, and trustee agencies.</p> <p>—Expand analysis of the relative</p>	<p>The CSTAG has submitted recommendations on the Housatonic River, (Pittsfield, MA), Kalamazoo River (MI), Ashland/ Northern States Power Lakefront (Ashland, WI) and Montrose/Palos Verdes Shelf</p>



Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p>their sites in accordance with the II risk management objectives established in OSWER Directive 9285.6-08, <i>Principles for Managing Contaminated Sediments Risks at Hazardous Waste Sites</i>.</p>	<p>outside the site.</p> <ul style="list-style-type: none"> <li>—Additional consideration of potential recontamination in site management.</li> <li>—Additional site-specific evaluation of the physical stability of sediment, which also considers proposed future uses of the water body.</li> <li>—Additional evaluation of a wider array of technologies.</li> <li>—Development of more site-specific remedial action objectives.</li> <li>—Suggestions to minimize the adverse impacts of remedy implementation on the public and biota.</li> <li>—Additional peer review of models.</li> <li>—Additional coordination across regulatory programs that relate to surface water.</li> </ul>	<p>contributions of various sources, including land-based sources, groundwater, flood plains, and in-water sediment.</p> <ul style="list-style-type: none"> <li>—Increase consideration of source control prior to sediment actions.</li> <li>—Increase evaluation of <i>in-situ</i> risk management approaches.</li> <li>—Share lessons learned with other site managers.</li> <li>—Increased consideration of pilot testing or phased implementation of work.</li> </ul>	<p>(San Pedro, CA) sites and is drafting recommendations on the Portland Harbor (OR) sites.</p> <p>The recommendation and the region's responses are posted on EPA's contaminated sediments web page at:</p> <p><a href="http://www.epa.gov/superfund/resources/sediment/cstag.htm">http://www.epa.gov/superfund/resources/sediment/cstag.htm</a></p>
<p><b>Goal 3, Objective 3</b></p> <p><i>Pre-SARA sites: Analysis of Why Construction Is Not Yet Complete at Certain Sites</i></p> <p>The purpose was to:</p> <ul style="list-style-type: none"> <li>—Analyze pre-SARA sites (sites placed on the National Priorities List prior to the enactment of the Superfund Amendments and Reauthorization Action) whose construction is not yet construction complete.</li> <li>—Identify trends and characteristics that might explain why these sites have remained in earlier</li> </ul>	<p>The analysis found that:</p> <ul style="list-style-type: none"> <li>—Pre-SARA “non construction complete” (NCC) sites are generally larger and more complex than the pre-SARA “construction complete” (CC) sites.</li> <li>—Pre-SARA NCC sites are more likely to have issues associated with contamination of groundwater, sediments, and ecological resources, and less likely to be contaminated with pesticides, dioxins, and “other inorganics.”</li> <li>—Pre-SARA NCC sites are less likely to have waste management as the primary industrial activity.</li> <li>—In many pre-SARA NCC cases, the community has become more involved in selecting and implementing the remedy. While such active community involvement will</li> </ul>	<p>In FY 2003, OSRTI began its Pre-SARA First Generation Initiative to encourage EPA regions to work with states, other federal agencies, and local jurisdictions to identify obstacles to site completion (e.g., site access, cleanup standards, technology, funding) and formulate strategies necessary to move all the pre-SARA sites into the construction completion category.</p> <p>The draft report, issued in June 2003, is the first step in this initiative, and will help interested parties better understand why some sites have taken longer than others in the remedial pipeline.</p>	<p>U.S. Environmental Protection Agency</p> <p>June 2003</p> <p>The Executive Summary to the June 2003 Draft Report may be obtained from William Ross, OSWER/OSRTI (tel.: 703-603-8798)</p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p>stages of the remediation. —Point the way to further research or new policy initiatives.</p>	<p>likely result in a better remedy, it may have contributed to delaying the remedy's completion.</p>		
<p><b>Goal 3, Objective 3</b> <i>Evaluation of the Performance of the Corps of Engineers in Support of EPA's Superfund Program</i> The purpose was to formally evaluate how well the Corps of Engineers programs at the district office level support the Superfund programs in EPA regional offices.</p>	<p>The evaluation found that: —In general, the Corps does a good job in assisting EPA to manage the SF program; essentially all the EPA Regions are pleased with at least some of the functions the Corps performs. —At least three regions cited the following areas of concern: the adequacy and/or timeliness of monthly reporting; sensitivity to cost control; the quality and/or timeliness of payment processing; and the efficiency of funds management, especially as related to recovery of unneeded funds on project completion. —The regional offices that have had the best experience with the Corps have invested heavily in communication, coordination, training, and oversight of the Corps' activities.</p>	<p>The final report was issued in August 2003 and copies of the report were sent to EPA regions soon thereafter. EPA management has met with top Corps management to discuss the report's findings and appropriate followup.</p>	<p>U.S. Environmental Protection Agency August 2003 Copies of the Report may be obtained from Ken Skahn, OSWER/OSRTI (tel.: 703-603-8801)</p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p><b>Goal 4, Objective 3</b></p> <p><i>Great Lakes: An Overall Strategy and Indicators for Measuring Progress Are Needed to Better Achieve Restoration Goals</i></p> <p>The report:</p> <ul style="list-style-type: none"> <li>—Addressed the extent of progress made in restoring the Great Lakes Basin.</li> <li>—Identified federal and state environmental programs in the basin and their funding.</li> <li>—Evaluated restoration strategies and their coordination.</li> <li>—Assessed overall environmental progress made in restoration.</li> </ul>	<p>GAO found many federal and state programs fund restoration activities in the Great Lakes basin. Different funding strategies, lack of coordination, and limited funding impede restoration efforts.</p> <p>GAO recommended that EPA:</p> <ul style="list-style-type: none"> <li>—Ensure that the Great Lakes National Program Office (GLNPO) fulfills its coordination responsibilities and develops an overarching Great Lakes Strategy.</li> <li>—Develop environmental indicators and a monitoring system for the Great Lakes basin that can be used to measure overall restoration progress.</li> </ul>	<p>EPA generally agrees that better planning, coordination, monitoring, and the development of indicators are needed and will undertake these improvements. EPA is organizing its efforts and will continue to work with the U.S. Policy Committee and the Binational Executive Committee to address concerns in the GAO report.</p>	<p>General Accounting Office</p> <p>GAO-03-515</p> <p>April 2003</p> <p>Available at: <a href="http://www.gao.gov">http://www.gao.gov</a></p>
<p><b>Goal 4, Objective 3</b></p> <p><i>Status of Restoration Activities in Great Lakes Areas of Concern: A Special Report</i></p> <p>This report informs the public about progress toward restoring beneficial uses in areas of concern (AOCs) and to presents recommendations for achieving further progress.</p>	<p>The Commission found that:</p> <ul style="list-style-type: none"> <li>—Although a significant level of effort toward the Remedial Action Plan implementation has been observed in the Great Lakes AOCs, much more work remains to be done.</li> <li>—Challenges to implement Remedial Action Plans include securing resources, identifying accountability and responsibility, defining restoration targets, setting priorities, and monitoring recovery.</li> </ul> <p>The Commission recommended:</p> <ul style="list-style-type: none"> <li>—Increasing documentation, reporting, and accountability.</li> <li>—Ensuring that monitoring and related systems are in place.</li> <li>—Defining AOC boundaries and identifying sources of degradation.</li> </ul>	<p>EPA generally agrees with the recommendations, which are consistent with planned actions under the <i>Great Lakes Strategy 2002</i>. However, there are institutional and resource limitations to immediate implementation of all recommendations.</p>	<p>International Joint Commission</p> <p>April, 2003</p> <p>Available at: <a href="http://www.ijc.org">http://www.ijc.org</a></p>

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<p><b>Goal 4, Objective 3</b></p> <p><i>State of the Great Lakes 2003</i></p> <p>This report fulfills the reporting requirements of the Great Lakes Water Quality Agreement to assess the Great Lakes ecosystem, provide assessments on 43 of approximately 80 indicators, and identify management challenges for achieving results.</p>	<p>This report found that:</p> <ul style="list-style-type: none"> <li>—The status of the chemical, physical, and biological integrity of the Great Lakes basin ecosystem is mixed, based on lake by lake and basin-wide assessments of the 43 indicators.</li> <li>—Because only a portion of the full suite of indicators was used, a challenge is to work cooperatively toward monitoring, assessing, and reporting on all indicators.</li> </ul> <p>Management challenges include:</p> <ul style="list-style-type: none"> <li>—Identifying land use decisions that will sustain the ecosystem over the long term, thereby contributing to improved water and land quality.</li> <li>—Determining how essential habitats can be protected and restored to preserve the species and the unique and globally significant character of the Great Lakes ecosystem.</li> <li>—Determining what actions will be needed to respond to potential climate change impacts.</li> <li>—Determining how to address the economic and practical issues of continued removal of toxic contamination from the ecosystem.</li> </ul>	<p>Through the State of the Lakes Ecosystem process, EPA will participate in a two-part review of the Great Lakes indicators. The first part will consider the process for selecting and reviewing the indicators. The second part will be a management review of the indicators and their effectiveness in influencing management decisions, including monitoring programs.</p>	<p>Environment Canada and U.S. Environmental Protection Agency</p> <p>ISBN 0-662-34798-6</p> <p>EPA 905-R-03-004</p> <p>Cat. NO. En40-II/35-2003E</p> <p>August 2003</p> <p>Available at:  <a href="http://www.epa.gov/glnpo/">http://www.epa.gov/glnpo/</a></p>
<p><b>Goal 4, Objective 5</b></p> <p><i>The Measure of STAR: Review of the U.S. Environmental Protection Agency's Science to Achieve Results (STAR) Research Grants Program</i></p> <p>This report assessed:</p> <ul style="list-style-type: none"> <li>—The scientific merit of EPA's STAR program.</li> </ul>	<p>The National Research Council reported that:</p> <ul style="list-style-type: none"> <li>—EPA's competitive research grants program has yielded significant new findings and knowledge critical for EPA's decision-making process.</li> <li>—The program has provided EPA with independent analysis and perspective that has improved the agency's scientific foundation.</li> </ul>	<p>The Agency has no planned response.</p>	<p>National Research Council of the National Academies</p> <p>2003</p> <p>Available at:  <a href="http://www.nap.edu/catalog/10701.html?onpi_news-doc05122003">http://www.nap.edu/catalog/10701.html?onpi_news-doc05122003</a></p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<ul style="list-style-type: none"> <li>—Its demonstrated or potential impact on EPA's policies and decisions.</li> <li>—Other program benefits that are relevant to EPA's mission.</li> </ul>	<ul style="list-style-type: none"> <li>—By attracting young researchers, this program has also expanded the nation's environmental science infrastructure.</li> <li>—The STAR Fellowship program, which funds research by students pursuing advanced degrees in environmental sciences, should continue.</li> </ul>		
<p><b>Goal 5</b></p> <p><i>Evaluation of the Environmental Partnership between the NPS Intermountain Region and the EPA Region 8</i></p> <p>The purpose of the evaluation was to:</p> <ul style="list-style-type: none"> <li>—Determine which components of the EPA-National Park Service (NPS) partnership have provided the most and the least value to the parks.</li> <li>—Identify which aspects of implementing environmental projects were most challenging.</li> <li>—Assess the degree of operational behavioral and management changes resulting from the partnership.</li> <li>—Determine the partnership's effectiveness in meeting its goals.</li> <li>—Identify lessons learned and offer guidance to other agencies interested</li> </ul>	<p>The evaluation recommended that the EPA-NPS partnership:</p> <ul style="list-style-type: none"> <li>—Develop a comprehensive communication strategy that addresses its different audiences.</li> <li>—Clarify the role of each partner and identify projects focused on pollution prevention (P2) and compliance assistance.</li> <li>—Seek broader institutional support within each agency.</li> <li>—Develop a performance measure as it works with NPS Environmental Management System (EMS).</li> <li>—Develop an evaluation to allow for on-going assessment.</li> </ul>	<ul style="list-style-type: none"> <li>—As new projects develop, the partnership will implement a formal communication plan.</li> <li>—The NPS and EPA are looking at ways to formalize their respective roles.</li> <li>—EPA is seeking broader support of this partnership model through the Resource Conservation Challenge initiative.</li> <li>—The NPS has not requested any additional assistance from EPA on its EMS development. EPA will include performance measurement as it works with other partners.</li> <li>—At this time, the NPS and EPA have not addressed ongoing assessment. As EPA enters into future partnerships, it will incorporate this recommendation.</li> </ul>	<p>Industrial Economics, Inc.</p> <p>The report is being promoted by the Office of the Chief Financial Officer (OCFO) and the EPA Region 8 P2 Team. It will be presented at a National Partnership Conference and at an evaluation conference in November 2004. The report is available on the EPA Intranet and may be posted on the EPA Internet site.</p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p>in partnering with EPA.</p> <ul style="list-style-type: none"> <li>—Assess whether this partnership has improved the NPS's environmental commitment and performance.</li> <li>—Determine whether providing environmental services to federal agencies involve duplication of efforts.</li> <li>—Develop a model that can be used to evaluate other partnership efforts.</li> </ul>			
<p><b>Goal 5, Objective I</b></p> <p><i>NPDES Majors Program Performance Analysis</i></p> <p>The purpose was to provide senior managers of the enforcement and compliance assurance program with a tool for managing the National Pollutant Discharge Elimination System's (NPDES) majors program and improve EPA's ability to focus resources on the areas where the potential for environmental impact is greatest.</p>	<p>The report found:</p> <ul style="list-style-type: none"> <li>—Significant noncompliance (SNC) rates have effectively remained steady since 1994.</li> <li>—Recidivism rates are improving slightly but exceedances of permit limits remain high.</li> <li>—Due to shifts to wet weather areas, EPA enforcement at NPDES majors has declined but state enforcement has increased.</li> <li>—The EPA regions do not believe that majors are significant contributors to water impairment but little data exist.</li> <li>—States are not currently required to enter penalty data into PCS which limits the Agency's ability to draw conclusions about the effect of penalties on compliance and deterrence. The scarce penalty data available suggest that escalation of performance actions and penalties may not be escalating.</li> <li>—Federal facilities have had higher SNC rates.</li> </ul>	<p>EPA will:</p> <ul style="list-style-type: none"> <li>—Focus limited resources and significant non-compliers who pose the greatest risks.</li> <li>—Further study pollutant loadings from majors to determine their contribution to water impairment.</li> <li>—Accelerate the schedule for states to submit penalty data to EPA.</li> <li>—Revisit enforcement response policy (EMS) to emphasize escalation and examine the definition SNC to capture facilities with the most potential for environmental degradation.</li> <li>—Consult with Federal Facilities Enforcement concerning SNC rates.</li> </ul>	<p>U.S. Environmental Protection Agency</p> <p>This report is internal and not publicly available.</p>



Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p><b>Goal 5, Objective 2</b></p> <p><i>Evaluation of Implementation Experiences with Innovative Air Permits: Results of the U.S. EPA Flexible Permit Implementation Review</i></p> <p>The purpose was to evaluate EPA's and companies' implementation experiences with innovative flexible air permits.</p>	<p>The evaluation found that:</p> <ul style="list-style-type: none"> <li>—The flexible permits facilitated and encouraged emissions reductions and pollution prevention. Companies with flexible permits significantly reduced actual plant-wide emissions and/or emissions per unit of production. Provisions allowing advanced approval for certain changes reduced administrative costs.</li> <li>—The flexible permits worked as intended, assuring appropriate environmental protection under all applicable requirements. The monitoring, recordkeeping, and reporting approaches established in the permits were sufficient to ensure compliance. Most of the flexible permits provided equivalent or more information to the public when compared to conventional permits.</li> <li>—In most cases, the flexible permits enabled the companies to respond to new market opportunities and save several hundred hours in staff time needed to prepare individual permit applications. State and local permitting authorities saved staff time associated with processing case-by-case permit applications.</li> </ul>	<p>The report's findings are being used:</p> <ul style="list-style-type: none"> <li>—To inform the New Source Review Improvement Rulemaking (the final evaluation report was included as part of the official docket and was used in confirming that the plant-wide applicability limits PALs emissions caps are workable).</li> <li>—To inform an internal dialogue about the development of the Agency's Pollution Prevention in Permitting Program (P4) policy.</li> <li>—As guidance for how the Agency should operate and improve existing and future flexible permitting pilots.</li> <li>—As a teaching tool for permitting authorities about flexible permits.</li> </ul>	<p>U.S. Environmental Protection Agency</p> <p>Office of Air and Radiation, and Office of Policy, Economics and Innovation</p> <p>Available at:  <a href="http://www.epa.gov/ttncaaa/t5/meta/m24005.html">http://www.epa.gov/ttncaaa/t5/meta/m24005.html</a></p> <p>Also available by request through the Evaluation Support Division  <a href="http://www.epa.gov/evaluate/feedback.htm">http://www.epa.gov/evaluate/feedback.htm</a></p>
<p><b>Goal 5, Objective 2</b></p> <p><i>Evaluation of the Performance Track Program in Region 1</i></p> <p>The purpose was to:</p> <ul style="list-style-type: none"> <li>—Assess the progress of participating members toward meeting their commitments.</li> <li>—Develop a communication</li> </ul>	<p>The report found that:</p> <ul style="list-style-type: none"> <li>—EPA New England Performance Track members have demonstrated environmental gains in the first year of reporting. Aggregate results show large actual reductions in the amount of solid and hazardous waste handled, water and energy used, and volatile organic compounds and other gases emitted into the air.</li> </ul>	<p>The program will use the evaluation's results to develop more concrete, outcome-based, environmental performance measures.</p> <p>EPA New England is exploring the development of a Communication of Results Plan.</p>	<p>U.S. Environmental Protection Agency EPA New England (Region 1)</p> <p>The report will be available on the Evaluation Support Division website in the future.  <a href="http://www.epa.gov/evaluate">http://www.epa.gov/evaluate</a></p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p>model to illustrate participants' success.</p> <p>—Provide recommendations for improving the program.</p>	<p>—Program members value EPA their membership.</p> <p>—The program would benefit from better communication of results and enhanced incentives. It should develop a communications strategy that includes tailoring the communication of results to specific audiences.</p>		
<p><b>Goal 5, Objective 2</b></p> <p><i>Evaluation of EPA New England's Colleges and University Initiative</i></p> <p>The purpose was to:</p> <p>—Determine if the 52 colleges and universities surveyed are implementing preferred environmental practices as a result of this initiative.</p> <p>—Identify the factors that motivate or discourage participation in the program.</p> <p>—Consider the approach's applicability to other EPA regions or sectors of the regulated community.</p>	<p>The evaluation found that:</p> <p>—Program incentives encouraged participation.</p> <p>—Participants addressed violations identified in self audits.</p> <p>—Participants are implementing long-term environmental management changes; including self-audits.</p> <p>—Participants find EPA's outreach tools useful.</p> <p>—Many schools are implementing or considering an environmental management system (EMS) because of the initiative. However, most schools are in an early stage of development and/or implementation of their EMSs and were not yet able to identify specific benefits yielded by them.</p>	<p>EPA New England is considering recommendations for:</p> <p>—Modifying outreach tools.</p> <p>—Improving follow-up and recognition for better performance.</p> <p>—Developing clearer performance goals and baseline data.</p>	<p>Industrial Economics, Inc.</p> <p>Available at:  <a href="http://www.epa.gov/newengland/assistance/univ/eval-cui.html">http://www.epa.gov/newengland/assistance/univ/eval-cui.html</a></p> <p>Also available by request through the Evaluation Support Division</p> <p><a href="http://www.epa.gov/evaluate/feedback.htm">http://www.epa.gov/evaluate/feedback.htm</a></p>
<p><b>Goal 5, Objective 2</b></p> <p><i>An Evaluation of a Regional Clean Air Incentives Market (RECLAIM): Lessons in Environmental Markets &amp; Innovation</i></p> <p>The purpose was to investigate causes of increases in</p>	<p>The evaluation found that:</p> <p>—Market-based programs require significant planning, preparation, and management during their development and throughout their lives.</p> <p>—Market information is a key factor affecting facility decision-making.</p> <p>The report recommended that:</p>	<p>The evaluation identified key design features of the RECLAIM program that, if designed differently, might have addressed the unexpected increase in the price of RECLAIM emission credits. Office of Air and Radiation (OAR) staff are using the lessons learned from the evaluation as they monitor existing programs and consider</p>	<p>U.S. Environmental Protection Agency EPA Region 9</p> <p><a href="http://www.epa.gov/region09/air/reclaim/index.html">http://www.epa.gov/region09/air/reclaim/index.html</a></p> <p>Also available by request through the Evaluation Support Division</p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p>RECLAIM trading credit prices and the program's effectiveness.</p>	<ul style="list-style-type: none"> <li>—Regulators should strive to create confidence and trust in the market by making a full commitment to the program and ensuring consistency in the market and their policies.</li> <li>—Because unforeseen external circumstances (like energy deregulation) can have dramatic impacts on market-based programs. Therefore, these programs must be designed to react quickly and effectively to such external factors.</li> <li>—Periodic evaluation, revisiting of program design assumptions, and contingency strategies are crucial to keeping programs on track.</li> </ul> <p>RECLAIM's experience suggests that a market-based approach can work with the Clean Air Act's New Source Review program. This may be a function of the types of sources included in the review program or the controls in place at many facilities. Regulators need to have a strong understanding of the regulated facilities and the factors affecting their decision-making.</p>	<p>the development of similar emissions trading programs.</p>	<p><a href="http://www.epa.gov/evaluate/feedback.htm">http://www.epa.gov/evaluate/feedback.htm</a></p>
<p><b>Goal 5, Objective 2</b></p> <p><i>State Innovation Grant Program: First-Round Observations and Recommendations</i></p> <p>The purpose was to:</p> <ul style="list-style-type: none"> <li>—Review the Grant Program's procedural mechanics.</li> <li>—Compare its first round performance to its stated objectives.</li> <li>—Highlight how ways in which EPA can improve the program.</li> </ul>	<p>The report found that:</p> <ul style="list-style-type: none"> <li>—Overall the states and EPA regions are pleased with the grant program, the administration of its first round, and the commitment that it shows to innovation.</li> <li>—The program generated proposals that supplement planned or existing state/EPA innovation partnerships.</li> <li>—The program did not engender "new, bigger, bolder" projects primarily because of the limited time and money available for proposal development, the amount of money available, and limited collaboration</li> </ul>	<p>EPA plans to enhance its consultation with states and with EPA regions, and program offices on future priority and focus areas. Opportunities for consultation and collaboration may include existing forums, such as EPA's Innovation Action Council and the Environmental Council of the States and may also be found through more case-by-case, ad-hoc interactions with individual states.</p>	<p>U.S. Environmental Protection Agency EPA's Office of Policy, Economics, and Innovation</p> <p>Available by request through the Evaluation Support Division <a href="http://www.epa.gov/evaluate/feedback.htm">http://www.epa.gov/evaluate/feedback.htm</a></p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
	<p>between states and EPA on proposal development.</p> <p>—The Grant Program could face increasing difficulty engendering “new, bigger, bolder” innovations and strengthening state/EPA partnerships if EPA and state priorities are not well aligned in the future.</p>		
<p><b>Supporting Program Offices</b></p> <p><i>Grants Management Reviews</i></p> <p>In FY 2001, the area of “Improved Management of Assistance Agreements” was designated an Agency weakness. And in FY 2003, the Office of Grants and Debarment is implementing a comprehensive approach to grants management reviews of EPA offices.</p>	<p>The reviews found that although EPA headquarters and regional offices have made progress in improving grants management, several areas need improvement, including:</p> <p>—Technical reviews of grant applications.</p> <p>—Cost reviews.</p> <p>—Documentation of grants competitions.</p> <p>—Development of environmental outcomes in grant work plans, and more comprehensive advanced monitoring reports.</p>	<p>OGD has asked each office, subject to a review, to submit a corrective action plan within 90 days of the issuance of the final Grant Management review report. OGD will follow-up on these corrective action plans to ensure that all weaknesses are corrected.</p> <p>The Agency is planning to conduct three types of grants management reviews of EPA offices: Comprehensive Grants Management Reviews performed by OGD; Grants Management Self-Assessments performed by program offices based on OGD guidance; and Grants Performance Measure Reviews performed by OGD, which involve statistical reports from the Agency's grant databases. These reviews will be performed over a three-year cycle, with the exception of performance measure reviews, which will be conducted every year.</p>	<p>U.S. Environmental Protection Agency Office of Grants and Debarment</p> <p>Three grants managements reviews were completed in FY 2003.</p> <p>Information about these reports can be obtained by contacting Richard Kuhlman, Director, Grants Administration Division (tel.: 202-564-0696)</p>
<p><b>Supporting Program Offices</b></p> <p><i>Evaluation of EPA Intern Program (EIP)</i></p> <p>The evaluation asked the following questions:</p> <p>—Is the EIP meeting its the identified goals and objectives?</p>	<p>The evaluation found that:</p> <p>—The EIP has done a commendable job of meeting its identified goals to recruit and nurture diverse, high potential employees to become the next generation of EPA leaders.</p> <p>—EIP participants are more highly educated and ethnically diverse than Presidential Management Interns, other</p>	<p>The Agency plans to:</p> <p>—Share the evaluation results with program stakeholders and Agency managers for additional feedback on selected topics.</p> <p>—Convene a program guidance workgroup.</p> <p>—Work with Agency disability coordinators to improve access for interns with disabilities.</p>	<p>Industrial Economics, Inc.</p> <p>EPA posted the results of this program evaluation on its Intranet site which is available to Agency Stakeholders.</p> <p>EPA sent its results to the Office of Personnel Management in</p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<ul style="list-style-type: none"> <li>—What is the level of satisfaction among participants?</li> <li>—Are there lessons learned or recommendations for improving the program?</li> </ul>	<ul style="list-style-type: none"> <li>recent outstanding scholars and other new hires to the Agency's workforce.</li> <li>—EIP also hires more people with disabilities and veterans than other comparable, entry-level programs.</li> <li>—Managers generally believe interns are better qualified than other new hires.</li> <li>—The rate of EIP resignations is much lower than that of employees in similar career programs.</li> <li>—Interns would overwhelmingly recommend the program to a friend or peer.</li> </ul> <p>Areas identified for improvement included the need for additional program guidance on policies and procedures, more support for interns with disabilities, and improved outreach for minority applicants.</p>	<ul style="list-style-type: none"> <li>—Coordinate with national recruiting efforts to improve outreach to minority and disabled students.</li> </ul>	<p>conjunction with EPA's Human Capital Initiative.</p> <p>EPA also expects to send its results to other federal agencies for benchmarking.</p>
<p><b>Supporting Program Offices</b></p> <p><i>Review of EPA's Clean Water and Drinking Water State Revolving Funds, with annual payments totaling \$2.1 billion</i></p> <p>EPA annual payments to state Revolving Funds total \$2.1 billion. The purpose of this evaluation was to review the processes and controls over fund disbursements and to determine whether any erroneous payments had occurred.</p>	<p>The review found that:</p> <ul style="list-style-type: none"> <li>—Controls were effective and based on audits and performance evaluation reviews.</li> <li>—Only isolated instances of erroneous payments have occurred in the two State Revolving Funds. For the Clean Water State Revolving Fund, the erroneous payment rate was 0.13%; for the Drinking Water State Revolving Fund, the rate was 0.04%.</li> </ul>	<ul style="list-style-type: none"> <li>—Actions to correct erroneous payments have been completed, or are underway.</li> <li>—Recommendations were aimed toward ensuring that erroneous payments are properly monitored and the erroneous payment rate remains low.</li> <li>—The Office of Water includes reviews for erroneous payments as part of its annual onsite reviews. It tracks any erroneous payments found and communicates this information to the Office of the Chief Financial Officer.</li> </ul>	<p>U.S. Environmental Protection Agency Office of the Chief Financial Officer</p> <p>October 2002</p> <p>Information about this review may be obtained by contacting Joe Nemaragut (tel.: 919-541-3777)</p>

Evaluation Title and Scope	Findings of the Evaluation	Planned Response	Public Access
<p><b>Supporting Program Offices</b></p> <p><i>EPA Contract Payments</i></p> <p>EPA makes approximately \$1 billion in contract payments annually. The purpose of this evaluation was to determine if any erroneous contract payments had occurred and to monitor the effectiveness of EPA's controls in preventing such errors.</p>	<p>The evaluation found minimal erroneous payments.</p> <p>—From January 2003, reports show that EPA's rate of proper contract payments has remained consistent at well over 99% each month, for both numbers of payments made and dollar amounts disbursed.</p> <p>—For the period January—July 2003, 99.88% of payments (and dollars disbursed) were found to be proper.</p>	<p>The Agency will continue monitoring the status of contract payments to ensure that erroneous payments remain low. EPA is also considering engaging the services of a recovery auditor to identify and recover erroneous payments.</p>	<p>U.S. Environmental Protection Agency Office of the Chief Financial Officer</p> <p>Information about this review may be obtained by contacting Milton Brown (tel.: 202-564-0373)</p>



# Appendix B

## Acronyms and Abbreviations

<b>AEGL</b>	Acute Exposure Guidelines Levels [Program]	<b>DfE</b>	Design for the Environment
<b>APGs</b>	annual performance goal(s)	<b>DPW</b>	Department of Public Works
<b>APWA</b>	American Public Works Association	<b>DWSRF</b>	Drinking Water State Revolving Fund
<b>ARC</b>	American Respiratory Care Foundation	<b>ECOS</b>	Environmental Council of States
<b>ATSDR</b>	Agency for Toxic Substances and Disease Registry	<b>E-Gov</b>	electronic government
<b>BEACH</b>	Beaches Environmental Assessment and Costal Health	<b>ERAMS</b>	Environmental Radiation Ambient Monitoring System
<b>BECC</b>	Border Environment Cooperation Commission	<b>ERP</b>	Environmental Results Program
<b>BEIF</b>	Border Environmental Infrastructure Fund	<b>ERT</b>	Environmental Response Team
<b>BMS</b>	Brownfields Management System	<b>ETV</b>	Environmental Technology Verification
<b>BRAC</b>	Base Realignment and Closure [Program]	<b>FMFIA</b>	Federal Managers Financial Integrity Act
<b>CAA</b>	Clean Air Act	<b>FQPA</b>	Food Quality Protection Act
<b>CAT</b>	Clean Automotive Technology	<b>GAO</b>	General Accounting Office
<b>CCDS</b>	Case Conclusion Data Sheets	<b>GHG</b>	greenhouse gas
<b>CDC</b>	Centers for Disease Control	<b>GPRA</b>	Government Performance and Results Act
<b>CDX</b>	Central Data Exchange	<b>H2E</b>	Hospitals for a Healthy Environment
<b>CERCLA</b>	Comprehensive Environmental Response, Compensation, and Liability Act	<b>HE</b>	human exposure
<b>CERCLIS</b>	Comprehensive Environmental Response, Compensation, and Liability Information System	<b>HPV</b>	high production volume
<b>CSO</b>	combined sewer overflow	<b>kWh</b>	kilowatt hours
<b>CWA</b>	Clean Water Act	<b>MACT</b>	maximum achievable control technology
<b>CWSRF</b>	Clean Water State Revolving Fund	<b>mmtce</b>	million metric tons of carbon equivalent
		<b>MSW</b>	municipal solid waste

<b>NAAQS</b>	National Ambient Air Quality Standards	<b>SAV</b>	submerged aquatic vegetation
<b>NEP</b>	National Estuary Program	<b>SDWIS</b>	Safe Drinking Water Information System
<b>NIS</b>	New Independent States	<b>SES</b>	Senior Executive Service
<b>NLFWCA</b>	National Listing of Fish and Wildlife Consumption Advisories	<b>SIDS</b>	sudden infant death syndrome
<b>NPDES</b>	National Pollutant Discharge Elimination System	<b>SITE</b>	Superfund Innovative Technology Evaluation [program]
<b>NPL</b>	National Priorities List	<b>SUV</b>	sport-utility vehicle
<b>NSWPS</b>	National Strategic Workforce Planning System	<b>TMDL</b>	total maximum daily load
<b>OIG</b>	Office of the Inspector General	<b>TRI</b>	Toxic Release Inventory
<b>OMB</b>	Office of Management and Budget	<b>TRI-ME</b>	TRI Made-Easy
<b>OPM</b>	Office of Personnel Management	<b>UST</b>	Underground Storage Tank [Program]
<b>PART</b>	Program Assessment Rating Tool	<b>UV</b>	ultraviolet
<b>PBT</b>	persistent bioaccumulative toxics	<b>VCCEP</b>	Voluntary Children's Chemicals Evaluation Program
<b>PCB</b>	polychlorinated biphenyls	<b>WATERS</b>	Watershed Assessment, Tracking and Environmental Results System
<b>PFOS</b>	perfluorooctyl sulfonate	<b>WDS</b>	Workforce Development Strategy
<b>PM</b>	particulate matter	<b>WIPP</b>	Waste Isolation Pilot Plant
<b>PMA</b>	President's Management Agenda	<b>WQS</b>	water quality standard
<b>PRPs</b>	potentially responsible parties		
<b>RCC</b>	Resource Conservation Challenge		
<b>RCRA</b>	Resource Conservation and Recovery Act		

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