ENVIRONMENTAL PROTECTION AGENCY

AT A GLANCE:

2006 Discretionary Budget Authority: $7.6 billion
(Decrease from 2005: 6 percent)

Major Programs:

- Superfund
- Clean Water and Drinking Water State Revolving Funds
- Brownfields
- Air, Water, and Hazardous Waste Regulatory Programs
- Homeland Security

MEETING PRESIDENTIAL GOALS

Promoting Economic Opportunity and Ownership

- Encouraging business investment and job creation in local communities by increasing funding to continue brownfields clean-up.
- Using market forces to protect public health and support economic growth through the President's Clear Skies Initiative and the related Clean Air Interstate Rule and Clean Air Mercury Rule.

Protecting America

- Improving lab coordination and expanding research for the Environmental Protection Agency's (EPA's) homeland security decontamination program.
- Implementing a new water security monitoring pilot program in five major cities and providing emergency training to the operators of large drinking water systems.

Making Government More Effective

- Providing competitive grants to States and Tribes for projects that can demonstrate environmental and public health benefits.
- Establishing more stringent accountability measures and reforms for the Alaska Native Villages Program to address systemic financial and programmatic deficiencies.

MEETING PRESIDENTIAL GOALS—Continued

Agency-specific Goals

- Preventing the emission of an estimated 1,200 tons of particulate matter annually by supporting diesel engine retrofits, rebuilds and replacements, anti-idling measures, clean fuel infrastructure projects, and other activities.
- Working with partners to clean up contaminated sediments at approximately six sites in the Great Lakes region, two to three more sites than in 2005.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP

Brownfields Clean-up

Vibrant, healthy communities encourage business investment and job creation. However, many communities' revitalization efforts are hindered by abandoned industrial properties that blight the landscape and pose the threat of contamination. The EPA's Brownfields programs help States, Tribes, and local communities redevelop these sites and make them productive, vital parts of the neighborhood. Brownfields grants support revitalization efforts by funding environmental assessment, cleanup, and job training activities, eventually allowing the property to be used for business, parks, or housing. From 1995 through mid-2004, program participants have reported that more than 6,000 brownfields sites have been assessed and over 2,100 properties have been made ready for reuse. The President's Budget provides $210 million, $46 million more than 2005, funding brownfields work at about 600 sites.

EPA Brownfields Grant Spurs Redevelopment in Minnesota

The city of Virginia, Minnesota has a long history of iron ore and taconite mining that has created potential contamination and redevelopment issues in some areas. To help address these problems, the city used an EPA Brownfields grant to assess a former mine waste dumping site known as the Oneida Addition property. The city found minimal contamination that was easily addressed, spurring developer interest. The city eventually sold a portion of the property to a firm that constructed an Alzheimer's patient care unit and assisted living complex. This redevelopment provided a needed care and retirement facility and leveraged $12 million in clean-up and redevelopment funding, as well as 115 new jobs.

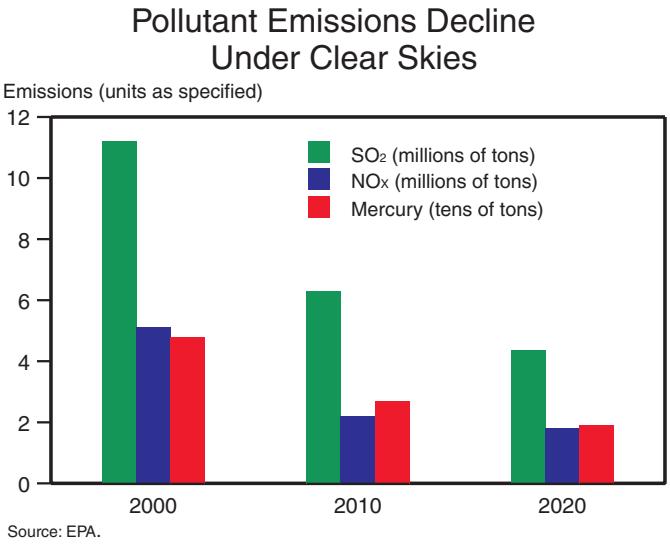
Clear Skies

Often the most cost-effective way to protect the environment and public health while encouraging economic growth lies with market forces. The Acid Rain program, enacted in 1990, is a highly successful illustration of the value of flexible solutions. With a compliance rate of nearly 100 percent, the Acid Rain program reduced the electric power industry's nitrogen oxides (NO_X) and sulfur dioxide (SO_2) emissions by 37 and 32 percent, respectively, from 1990 levels. In recognition of the program's

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP—Continued

accomplishments, the Administration proposed the Clear Skies Act. The Clear Skies legislation expands the Acid Rain program to dramatically reduce nationwide power plant emissions of SO_2, NO_X, and, for the first time ever, mercury emissions from power plants.

While significant progress has been made under the existing Clean Air Act, further health benefits could be achieved faster, with more certainty, and at less cost to consumers through Clear Skies. Clear Skies would reduce SO_2, NO_X, and mercury emissions by nearly 70 percent. The legislation would set national caps on these three pollutants and distribute allowances to emitters that total the cap amounts. Clear Skies would encourage innovation and the deployment of cleaner, more cost effective technologies by requiring that the emissions caps decline over time and allowing emitters the flexibility to choose whether to reduce their emissions or purchase allowances from other sources. By 2020, Clear Skies could result in the avoidance of up to 14,000 premature deaths annually, virtual elimination of chronic acidity in northeastern lakes, and noticeable air visibility improvements in a large portion of the Midwest and East.



Clear Skies was submitted to the Congress in 2002 and the Administration continues to promote its enactment. Although the legislation is the strongly preferred solution, the Administration is pursuing a regulatory path that would achieve many of the same health and clean air benefits. EPA has proposed the Clean Air Interstate Rule (CAIR), which uses a market-based system to reduce SO_2 and NO_X emissions by up to 70 percent, the steepest emissions cuts in more than a decade. CAIR, together with EPA's clean diesel rules and other clean air programs, will ultimately bring 278 additional counties into compliance with the ozone and particulate matter National Ambient Air Quality standards. This will result in cleaner air for the Nation as a whole, and especially for the 120 million people currently living in those counties.

EPA also has proposed the Clean Air Mercury Rule, which will require the first ever reduction of mercury emissions from power plants. Reductions will be obtained by using one of two approaches. One approach requires coal-fired power plants to install currently available pollution controls known as "maximum achievable control technologies." The second, more flexible approach, sets a mandatory cap on the total mercury emissions allowed from coal-burning power plants nationwide. This approach would reduce mercury emissions by nearly 70 percent from current levels. Altogether, the Clean Air rules, like the Clear Skies legislation, would create a multi-pollutant strategy to improve air quality throughout the United States. The proven, market-based approach of emissions caps and allowance trading will make emissions reductions further, faster, cheaper, and more effective than current Clean Air Act regulations.

PROTECTING AMERICA

An EPA scientist prepares to test real-time, online sensors for water distribution systems. The sensors detect changes in water quality that would result from the intentional release of chemical and biological contaminants.

Protecting Water Systems

EPA is the lead Federal agency for coordinating security of America's water systems. Since the enactment of the Bioterrorism Act of 2002, EPA has provided assistance to water utilities, including over 9,000 drinking water systems, to help them complete vulnerability assessments and update their emergency response plans. For 2006, the Administration proposes the Water Sentinel Initiative to further protect the Nation's water supply. Water Sentinel will develop an operational water monitoring and surveillance system for dangerous contaminants. The program will demonstrate a standardized, cost-effective approach that States can implement to enhance water security. These efforts will help protect hundreds of thousands of miles of drinking water systems and provide an early chemical and biological terrorism warning mechanism for millions of drinking water consumers. The Administration requests $44 million to fund Water Sentinel as a pilot program in five major cities. Lessons learned from this program will be used in future State and local water system protection efforts.

Detection of Terror Attacks

EPA's Environmental Response Team provides technical and scientific expertise in air, soil, and water monitoring and sampling to deal with the human health and environmental impacts of terror attacks.

The agency also has responsibility for managing the decontamination of buildings, equipment, and the environment in the event of a chemical, biological, or radiological attack. For 2006, the Administration requests $19 million to develop the necessary capabilities for detection and decontamination of threat agents. This investment in decontamination will advance the Federal Government's role from solely response to being more prepared for emergencies. With this funding, EPA will be able to better respond following a contamination event. Additionally, $12 million is dedicated to the Environmental Laboratory Preparedness and Response program to develop a network to standardize analytical testing methods, provide surge capacity, and establish connectivity between laboratories. This laboratory capability will ensure that we can monitor water systems and the environment quickly and accurately. The Budget maintains resources of $107 million to continue support for investigation and training activities, technical assistance to States, cooperative research, and EPA's national response teams. In total, the President's Budget requests $185 million for EPA's homeland security activities, a 73-percent increase over 2005.

MAKING GOVERNMENT MORE EFFECTIVE

Accountability in Environmental Programs

To assist States and Tribes in protecting the environment, the Budget includes $23 million for a new State and Tribal Performance Fund. This program will award competitive grants to States and Tribes for projects that can demonstrate environmental or public health benefits. The Performance Fund will allow States and Tribes to receive additional funding for their highest priority, most beneficial projects, while ensuring accountability and results. Eligible projects will include activities such as air quality assessments, wetlands restoration, and hazardous waste management.

To help evaluate programs' results and accountability, the President implemented the Program Assessment Rating Tool (PART). A PART analysis of the Alaska Native Villages Program rated the program Ineffective. In particular, the PART found poor program management had resulted in significant contracting, accounting, and performance problems. To address these problems, the 2006 Budget reduces funding to $15 million, a $30 million reduction from 2005, and recommends the program develop regulations that will provide a framework for improved management and innovation. The funding reduction may be reconsidered once the program can demonstrate improved effectiveness and management.

Through the State and Tribal Performance Fund, additional funds will be awarded on a competitive basis for projects that can demonstrate public health and environmental benefit. Wetlands and habitat restoration projects, such as the one pictured above, are among eligible activities.

EPA's Ecosystem Research Program was evaluated during the development of the 2005 Budget. The PART scored the program Results Not Demonstrated and noted that it did not coordinate effectively within EPA and with other Federal agencies. It also lacked appropriate performance measures to track the program's progress. EPA is working to address these findings but has not yet implemented any changes. As a result, the 2005 Budget proposed, and the Congress supported, funding the program at $94 million, $22 million less than the 2004 level. The 2006 President's Budget proposes to fund it at $84 million in order to fund higher priority programs such as homeland security and the Great Lakes Legacy Act.

The Administration is also taking other steps to improve program performance and accountability. The President's Budget includes $24 million for a water quality monitoring initiative that will provide grants to States to implement statistically valid, probabilistic monitoring programs. Probabilistic monitoring would allow States to develop a statistically valid sampling methodology that would provide consistent water quality information across States. EPA will award these additional funds to States ready to adopt probabilistic monitoring programs to help them and EPA better target Federal, State, and local resources and make scientifically-defensible decisions regarding water quality.

Update on the President's Management Agenda

The table below provides an update on EPA's implementation of the President's Management Agenda as of December 31, 2004.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					
EPA's focus on management reforms has resulted in strong performance in financial management and E-Government (E-Gov). EPA has linked financial and performance information to aid in day-to-day decision-making, and has also submitted a timely and clean financial audit. In E-Gov, EPA has acceptable business cases for its major systems and has demonstrated, using Earned Value Management or operational analysis, that overruns and shortfalls average less than 10 percent for all major information technology projects. EPA is also establishing a Government-wide electronic regulatory docket which, when fully implemented, will increase public participation and access to Government information. To support the Human Capital initiative, EPA is implementing a multi-level performance appraisal system, and identifying mission critical occupations; however, further work is needed to implement its workforce planning strategy at the local level and reduce skill gaps in mission critical areas. EPA announced its first standard competition and has an accelerated timeline for additional competitions so that it can achieve savings in commercial activities. For Budget and Performance Integration, EPA continues to focus on demonstrating results and improving programs based on recommendations from PART evaluations. Approximately 89 percent of programs that were reassessed for the 2006 Budget showed improvements and received a higher rating, and over 80 percent of assessed programs have been able to demonstrate results.					

Initiative	Status	Progress
Eliminating Improper Payments		
EPA identified two programs at risk for improper payments and completed a preliminary measurement plan and corrective action plan for reducing improper payments to primary recipients. They initiated an enhanced measurement strategy to better detect improper payments in all recipient transactions. (Because this is the first quarter that agency efforts in this Initiative were rated, progress scores were not given.)		

AGENCY-SPECIFIC GOALS

The Great Lakes

The Great Lakes are the largest system of fresh surface water on Earth, and the basin is home to more than one-tenth the population of the United States, one-quarter the population of Canada, and heavy concentrations of industry. Over the years, industrial development has contaminated sediments throughout the lakes with toxic pollutants such as polychlorinated biphenyls (PCBs) and heavy metals, putting large populations and the tremendous water resource at risk. Currently, the Great Lakes States have among the highest number of fish consumption advisories in the country due to the accumulation of toxics in fish tissue.

In recognition of the Great Lakes' national significance and the extent of its contaminated sediment problem, President Bush signed an Executive Order in May 2004, establishing a Great Lakes Interagency Task Force. Chaired by the EPA Administrator, one of the primary assignments of the Task Force is to convene a regional collaboration of States, local communities, Tribes, regional bodies, and other groups regarding policies, strategies, and priorities for the environmental health of the Great Lakes. EPA formally launched the collaboration on December 3, 2004, convening over 400 regional leaders and stakeholders that publicly pledged to support an intergovernmental partnership to protect the Great Lakes ecosystem.

The Great Lakes form the largest surface freshwater system on Earth, but their health is threatened by contaminated sediments and other environmental problems.

The Great Lakes Legacy Act, signed by the President in 2002, is one of the primary means of protecting the ecosystem. This program authorizes EPA to clean up contaminated sediments, protecting water quality and keeping toxic pollutants from entering the food chain. For 2006, the President's Budget funds sediment clean-up activities under the Great Lakes Legacy Act at its fully authorized level of $50 million, an increase of $28 million over 2005 levels.

Clean Diesel

Uncontrolled exhaust from old diesel engines can exacerbate the symptoms of people suffering from serious respiratory illnesses, and can negatively impact the environment. During President Bush's first term, the Administration issued strict new rules to significantly reduce air pollutant emissions from diesel fuel and engines so that the black puff of smoke from diesel tailpipes will become a thing of the past. These rules will ensure that the next generation of trucks, buses, and offroad equipment will be cleaner, quieter, more powerful, and more fuel efficient. The new engine and fuel standards, which begin to take effect in 2007, are expected to reduce harmful emissions by as much as 95 percent when the rules are fully implemented.

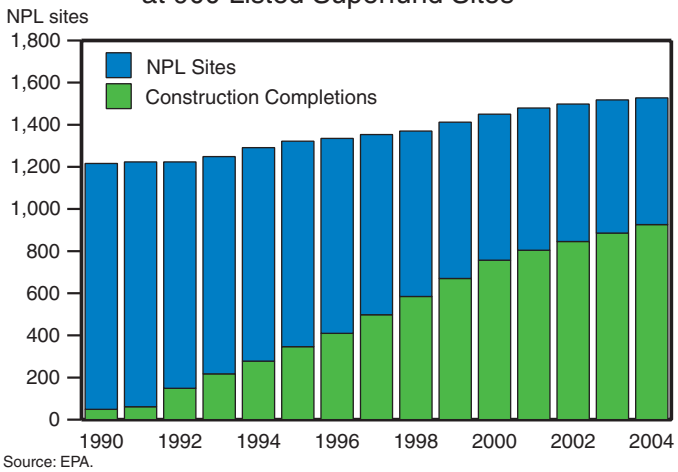
To achieve more immediate air quality improvements, the Budget provides $15 million for a Clean Diesel Initiative to support diesel engine retrofits, rebuilds and replacements, anti-idling measures, clean fuel infrastructure projects, and other activities to reduce emissions. The Clean Diesel Initiative will maximize Federal resources and achieve significant environmental results by working collaboratively with State, local, non-profit, and private sector partners to leverage additional support. EPA estimates that the program will generate $360 million in health benefits by preventing 1,200 tons of particulate matter emissions.

Innovative emission control technology can reduce emissions from existing diesel engines, such as the one above, by as much as 90 percent. EPA's Clean Diesel Initiative will fund diesel retrofit and replacement projects that deliver immediate air quality improvements.

Clean-up Programs

In 1980, the Comprehensive Environmental Response, Compensation, and Liability Act, also known as Superfund, was enacted to address abandoned hazardous waste sites. Since Superfund's inception, over 46,500 sites have been assessed and 33,500 that do not require Federal action have been removed from EPA's waste site inventory to help promote economic redevelopment of these properties. Over 8,200 clean-up actions have been taken to reduce immediate threats to health and safety at the remaining sites. By the end of 2004, clean-up projects were underway or completed at 82 percent of the sites on the National Priorities List (NPL). For 2006, the Administration is proposing $1.3 billion for the Superfund program, $32 million over the 2005 level.

Clean-Up Construction Completed at 900 Listed Superfund Sites

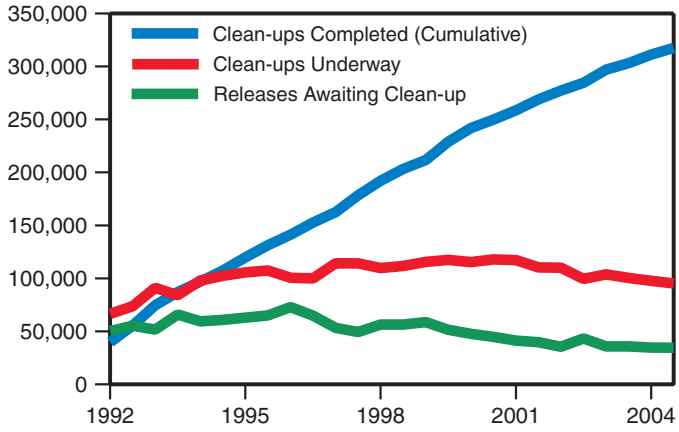


Source: EPA.

The remaining sites on the NPL are large, complex sites that present more challenges. Cleaning up these sites, which generally cost $50 million or more, requires an innovative approach. In 2003, funding needs for eight such sites (out of a total of 94 such sites receiving funding) accounted for approximately 50 percent of the money available for Superfund-led remedial actions. EPA estimates that clean-up at an average site costs $18 million, while a large site costs $132 million. The Administration will work with the Congress, communities, and citizens over the upcoming year to find ways to effectively and efficiently address this growing challenge.

AGENCY-SPECIFIC GOALS—Continued

Remaining Work Declines as LUST Program Cleans Up Contaminated Sites



Source: EPA.

In 2004, EPA and States reduced the number of leaking underground storage tank sites requiring remedial action to fewer than 130,000—the lowest level since 1992. Preventative measures, State inspections, and increased training of underground storage tank owners and operators contributed to over 4,000 fewer leaks reported in 2004. Coupled with the effectiveness of the program's preventative measures, EPA expects to reduce the backlog of sites requiring remedial action to below 120,000 by the end of 2006. The Administration proposes $73 million in 2006 for the Leaking Underground Storage Tank (LUST) Program, $4 million above the 2005 enacted level.

Community Action for a Renewed Environment

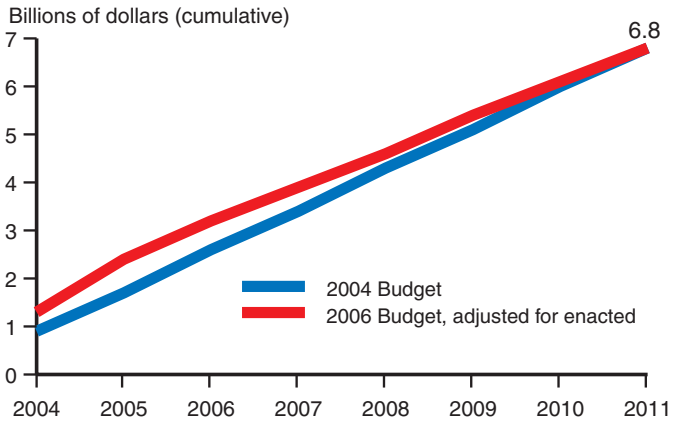
Many cities and towns have expressed concerns about exposure to toxic pollutants. EPA's Community Action for a Renewed Environment (CARE) program is geared to help address these concerns. Through cooperative agreements, the CARE program provides communities with technical support and assistance in implementing local solutions that reduce exposures to toxic pollutants. In 2006, EPA will increase the scope of the program by establishing cooperative agreements with up to 80 communities while still achieving much of the risk reduction through application of existing successful voluntary programs. CARE empowers communities to reduce exposure risks and encourages the formation of self-sustaining community-based partnerships that will continue to improve local environments.

Clean and Safe Water

The Clean Water State Revolving Fund (CWSRF) provides grants to States to capitalize their municipal wastewater State revolving funds. States provide matching funds and then make loans to communities at below-market rates for wastewater infrastructure projects such as sewer rehabilitation and treatment plant expansion. Loan repayments and interest are recycled back into the program.

The 2006 Budget funds the CWSRF at $730 million. Due to significant additional funds provided by the Congress in 2004 and 2005, at this funding level, the total capitalization provided between 2004-2011 will remain the same as committed to in the 2004 Budget. This

2006 Budget Meets Capitalization Goal for Clean Water State Revolving Fund



will ensure communities have access to capital to finance their wastewater infrastructure needs. Additionally, the program will meet its long-term revolving level target of $3.4 billion. The revolving level is the amount of loans available annually over the long term after Federal capitalization ends and an indicator of the CWSRF's financial stability.

EPA has made the protection of drinking water a priority since enactment of the initial Safe Drinking Water Act (SDWA) in 1974, and continues to work to improve its drinking water programs. Statistics show that drinking water quality is improving, and the Centers for Disease Control and Prevention recently estimated that 31 drinking water-related waterborne disease outbreaks occurred in 2001-2002, down from 39 outbreaks in 1999-2000. The 1996 SDWA amendments created the Drinking Water State Revolving Fund (DWSRF) which, like the CWSRF, provides grants to States to help capitalize revolving loan funds. Communities use these funds to finance drinking water systems and infrastructure improvements, including compliance with regulatory drinking water requirements. The Budget provides $850 million to fund the DWSRF in 2006.

Environmental Protection Agency
(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Spending			
Discretionary Budget Authority:			
Operating Program	4,325	4,268	4,439
Clean Water State Revolving Fund	1,342	1,091	730
Drinking Water State Revolving Fund	845	843	850
Brownfields cleanup funding	93	89	121
Diesel School Bus Retrofit Program	—	7	10
Targeted water infrastructure funding	429	408	69
Requested (non-add)	*98*	*94*	*69*
Unrequested (non-add)	*331*	*314*	—
Superfund	1,258	1,247	1,279
Leaking Underground Storage Tanks	76	69	73
Total, Discretionary budget authority	8,368	8,023	7,571
Memorandum: Budget authority from enacted supplementals	—	*3*	—
Total, Discretionary outlays	8,429	7,928	8,315
Mandatory Outlays:			
Superfund Recoveries	−74	−60	−60
All other	−21	−6	−53
Total, Mandatory outlays	−95	−66	−113
Total, Outlays	8,334	7,862	8,202