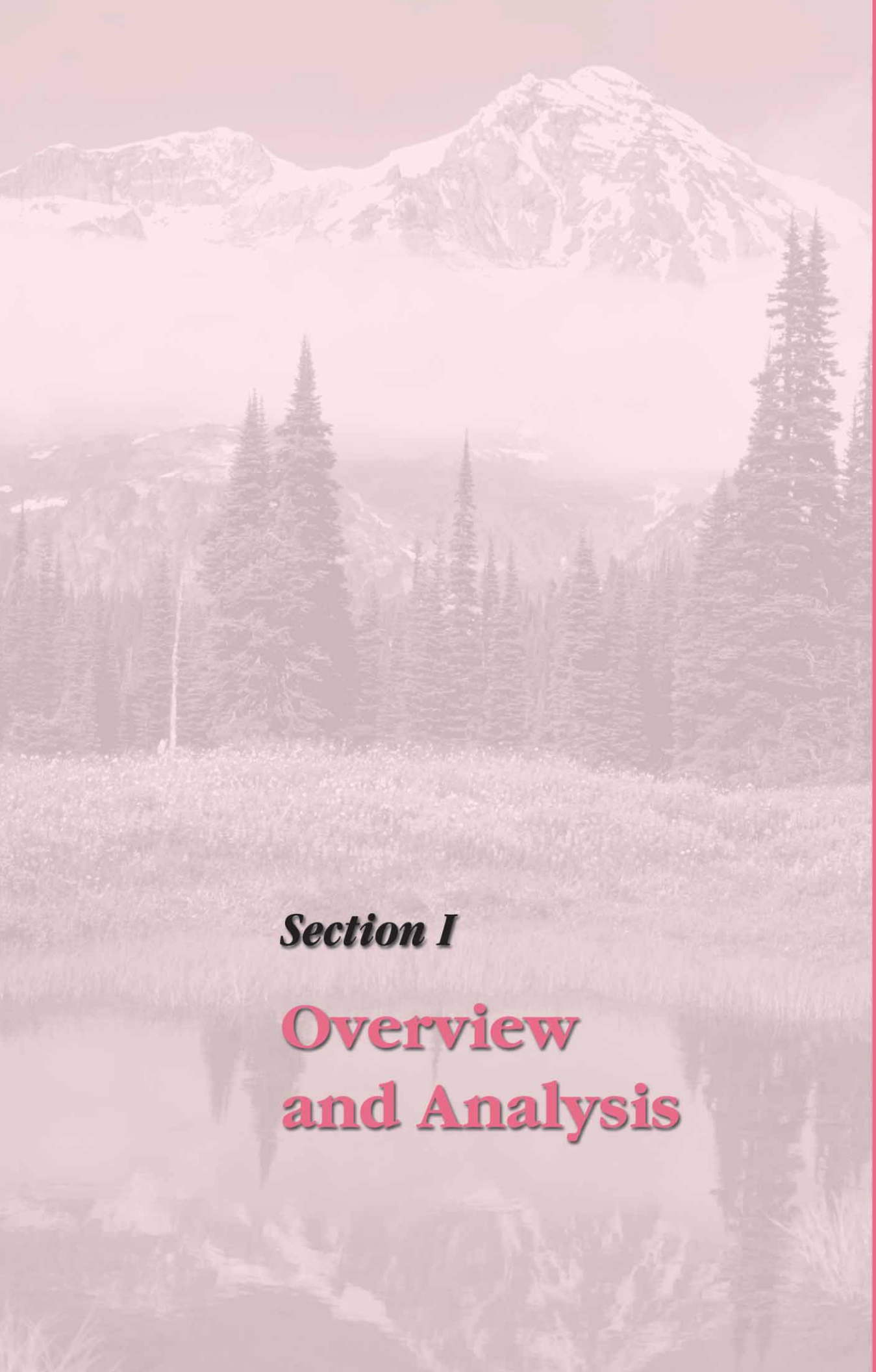


Section I

Overview and Analysis

OVERVIEW AND ANALYSIS

INTRODUCTION

The United States Environmental Protection Agency (EPA) was established in 1970 to protect human health and safeguard the environment. Since that time the Agency has worked continuously to ensure that the American people have air that is safe to breathe, water that is clean and safe to drink, and land that is protected from toxic chemicals and other hazards. Consistent with the Government Performance and Results Act (GPRA), in 1997 EPA established 10 long-term strategic goals that identify the environmental results the Agency is working to achieve and reflect the sound financial and management practices it intends to employ. These goals and the accompanying statement of objectives and strategies to achieve results constituted the Agency's first Strategic Plan under GPRA. In 2000, when the Agency released a revised Strategic Plan, the goals were modified slightly. Each fiscal year, as required under GPRA, the Agency develops an Annual Plan that translates these long-term goals and objectives into specific actions to be taken and resources to be used during the year. EPA is accountable to the American people for making yearly progress toward its annual and long-term goals and is required to assess that progress and report to Congress and the public. As a result, at the end of every fiscal year, the Agency develops an Annual Report that describes the year's programmatic and financial achievements.

This Annual Report is intended to provide a comprehensive assessment of the Agency's fiscal year (FY) 2002 progress in protecting human health and the environment and in using taxpayer dollars efficiently and effectively to do so. The Agency's FY 2002 performance results were achieved by using a mix of tools and approaches and by adjusting strategies in light of the performance assessments of previous years' accomplishments. Throughout the year EPA worked closely with its primary partners—states, tribes and other federal agencies—whose contributions were critical to many of the results described in the report.

EPA's FY 2002 Annual Report contains four main sections. First, this Overview and Analysis is intended to provide a broad view of EPA's performance and fiscal accountability over the past year.* In discussing performance results, the Overview focuses on environmental achievements, particularly under EPA's Goals 1 through 6. The Overview also presents approaches and tools the Agency is using to improve managing for results, discusses significant factors that might affect future Agency operations, and highlights EPA's accomplishments in sound financial management.

Section II 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 10 goals. It also presents progress in meeting the Annual Performance Goals established in EPA's FY 2002 Annual Plan and longer-range strategic goals and objectives identified in EPA's 2000 Strategic Plan. Section III discusses major management challenges EPA faced during the year and presents the Agency's approaches and accomplishments in addressing the challenges. Finally, Section IV 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.

PERFORMANCE RESULTS

During FY 2002 EPA and its partners, building on FY 2001 accomplishments, made significant progress in protecting human health and the environment. The sections below highlight key environmental and program

* The Overview and Analysis also addresses requirements for a "Management's Discussion and Analysis" of the annual financial statements included in EPA's FY 2002 Annual Report. Because the FY 2002 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 long-range goals appear at the front of the report and an EPA organization chart is included as Appendix C. For a discussion of the Agency's performance goals, objectives, and results, refer to Section II. Management accomplishments and challenges are discussed in Section III. Financial statements, along with a discussion of systems, controls, and legal compliance, are presented in Section IV.

results, summarize the Agency's performance in meeting its FY 2002 performance goals, and discuss some of EPA's current performance issues and concerns.

Environmental Accomplishments

Clean Air: Under EPA's Clean Air goal, the Agency and its partners made significant progress in FY 2002 in reducing air pollution and protecting Americans—particularly children, the elderly, and people with respiratory ailments—from the health risks posed by air pollution. During FY 2002 EPA's state and tribal partners continued to work toward achieving or maintaining the National Ambient Air Quality Standards, and the Agency provided guidance, tools, and resources to help its partners meet their objectives. As a result, in FY 2002 more than 19 million Americans live in geographic areas newly designated by EPA as achieving clean air.[1] In FY 2002 as EPA promulgated 13 new standards for toxic air pollutants, its state and tribal partners implemented standards for toxic pollutants that were already in place.[2] In FY 2002 emissions of toxic air pollutants nationwide from stationary and mobile sources combined were reduced by an additional 1.5 percent, or 90,000 tons, from FY 2001 levels. This percentage represents a cumulative reduction of almost 33.8 percent, or about 2 million tons, from the 1993 baseline of 6 million tons.[3]

Power-generating utilities regulated under the market-based Acid Rain Program continue to achieve or exceed the required reductions for sulfur dioxide (SO_2) and nitrogen oxide (NO_x). Through FY 2001 SO_2 emissions continued to decline from their high of 17 million tons in 1980 to 10.6 million tons. NO_x emissions were reduced by 2 million tons nationally during the same period.[4]

Lastly, EPA issued emissions standards for several types of previously unregulated non-road engines and vehicles that contribute to ozone formation and/or particulate matter emissions, both which cause significant health concern. These standards apply to recreational vehicles, diesel marine engines, and large industrial spark-ignition engines. When the standards are fully implemented, EPA expects an overall 72 percent reduction in hydrocarbon emissions from such engines, an 80 percent reduction in NO_x emissions, and a 56 percent reduction in carbon monoxide emissions annually. These controls will improve visibility in national parks and wilderness areas and reduce exposure for people who operate, work with, or are close to these engines and vehicles. The annual human health benefits of this rulemaking include avoiding about 1,000 premature deaths, preventing 1,000 hospital admissions, reducing asthma attacks by 23,400, and preventing 200,000 days of lost work. In monetary terms, EPA estimates these health benefits to be worth roughly $8 billion per year when the standards are fully implemented.[5]

Clean and Safe Water: In FY 2002 EPA continued its work to ensure that all Americans have drinking water that is clean and safe to drink; that the country's rivers, lakes, wetlands, aquifers, and coastal and ocean waters are healthy; and that watersheds and aquatic ecosystems are restored and protected. During FY 2002, 91 percent of Americans who obtained their drinking water from community water systems received drinking water that met all EPA health standards.[6]

EPA and its partners worked in FY 2002 to increase the security of the Nation's drinking water supplies and wastewater systems and protect them from potential terrorist attacks. Since November 2001 about 6,000 drinking water and wastewater plant managers and operators have received security training in assessing the vulnerabilities of their water supply systems, developing emergency and response plans, and communicating risks to communities. EPA expects that the drinking water supplies of more than 120 million people, or nearly half the population served by the Nation's community water systems, will be more secure as a result of the greater awareness fostered by this FY 2002 training. Lastly, in FY 2002 EPA developed a protocol for ensuring the safe disposal of wastewater from the cleanup of anthrax-contaminated sites.

Safe Food: Throughout FY 2002 EPA worked to ensure that the Nation's food supply is safe from risks posed by pesticide residues. Through its pesticide registration program, EPA made available to the agricultural community alternatives to currently used pesticides posing risks to human health and the environment. EPA registered an alternative to methyl bromide, 9 organophosphate alternatives, 11 bio-pesticides, and 4 conventional reduced-risk pesticides. The Agency also completed its first-ever cumulative risk assessment of a group of pesticides that have a common mechanism of toxicity or a common effect on the human body. This risk assessment evaluated how much risk a group of pesticides posed to human health by estimating human exposure to the pesticides through food, water, skin, and inhalation in residential and public settings in this country. By continuing to conduct cumulative risk assessments in FY 2003, EPA will be able to determine whether the risks posed by groups of similar pesticides meet the current safety standard required by the Food Quality Protection Act of 1996.

Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems: In FY 2002 EPA continued its work to reduce risk in communities, homes, workplaces, and ecosystems. In FY 2002 the Agency launched a national advertising campaign coupled with a major outreach effort, cosponsored by EPA and key medical, consumer, and community organizations, to protect the more than 15 million children who are exposed to secondhand smoke in their homes. In addition, in FY 2002 the Agency, working cooperatively with the chemical industry, established the Voluntary Children's Chemical Evaluation Program. Under this program 35 chemical manufacturers and 10 consortia have volunteered to sponsor and respond to risk assessments for 20 chemicals to which children have a high likelihood of being exposed. Further, during FY 2002 EPA, in partnership with states, facilitated the safe disposal of more than 10,000 transformers and 22,000 large capacitors containing a group of toxic chemicals known as polychlorinated biphenyls, or PCBs. Finally, in FY 2002 nearly 1,000 hospitals across the country enrolled in EPA's Hospitals for a Healthy Environment program, which seeks to cut the waste generated by hospital facilities in half and to eliminate the use of mercury, a toxic chemical.

Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response: To better protect this Nation's land, EPA continued to promote safe waste management, clean up hazardous waste sites, return abandoned or underutilized industrial and commercial properties to productive use, and respond rapidly and effectively to waste-related accidents and emergencies. During FY 2002 EPA's emergency response program supported the environmental cleanup at the World Trade Center (WTC) and the Pentagon. EPA employees monitored these locations for toxic and other air pollutants released from the burning of building contents (particularly from plastics and computers), assisted with waste management, advised on cleanup and decontamination, and provided information to the public. At the WTC EPA was the federal lead on environmental contamination. When outbreaks of anthrax bioterrorism occurred during October 2001, the Agency's response personnel led the effort to clean up and decontaminate six post offices in Florida and four congressional office buildings in Washington, DC. Success in this area depended on counterterrorism research, planning, and preparedness at the federal, state, and local levels.

In FY 2002 the Agency exceeded its performance goal of completing the cleanup of 40 Superfund sites by achieving "construction completes" at 42 sites on the Superfund National Priority List. In addition, the Brownfields Program leveraged more than $4.8 billion in public and private investments and resulted in more than 21,000 jobs in cleanup, construction, and redevelopment from 1995 through June 2002. The primary goal of EPA's Brownfields Program is to provide states, tribes, and local governments with the tools and financial assistance they need to assess, clean up, and redevelop Brownfield properties. Since 1995, 3,807 properties have been assessed using federal funds. The job training and development

demonstration pilots have trained more than 1,200 participants, of whom more than 750 have obtained jobs.

Reduction of Global and Cross-Border Environmental Risks: By working collaboratively with other countries, international organizations, and U.S. federal agencies, EPA provided U.S. leadership in addressing global environmental challenges. For example, EPA and the Government of Mexico—in cooperation with other federal agencies, the 10 states along the U.S.-Mexican border, and participating tribes—drafted a new "Border 2012" environmental program. This program will protect the environment and the 11.8 million people living near the border over the next 10 years by, among other things, providing potable drinking water and wastewater services, reducing the health and water quality risks posed by discarded tire piles and exposure to pesticides, and addressing the high rates of asthma in children living near the border. Further, at the World Summit on Sustainable Development in Johannesburg, South Africa, in August and September 2002, EPA announced new global partnerships to develop children's environmental health indicators, reduce indoor air pollution, eliminate lead from gasoline, and reduce sulfur in vehicle fuels.

A Credible Deterrent to Pollution and Greater Compliance with the Law: In FY 2002 EPA took significant actions to promote and monitor compliance with environmental laws as well as to enforce the laws as appropriate. During FY 2002 EPA helped small and medium-sized businesses, local governments, and federal facilities to understand and to comply with their environmental regulatory obligations through 10 Internet-based Compliance Assistance Centers.

During FY 2002 EPA concluded several enforcement settlements that significantly advanced environmental and human health protection. In FY 2002 EPA's Enforcement and Compliance Assurance Program eliminated 266 million pounds of pollution from the air, water, and land, and compelled violating companies to invest $56.4 million in environmental improvements. For example, EPA reached a settlement to end the discharge of an estimated 30 million gallons a year of untreated wastewater contaminated with bacteria, pathogens, and other harmful pollutants into the Baltimore harbor. Also during FY 2002 a judicial action was concluded against a large brass fitting company in Alabama for violations of the Resource Conservation and Recovery Act. Illegal treatment of hazardous waste foundry sand at the facility resulted in lead-contaminated sand which the company then donated to city and county governments for use as fill on playgrounds and ballfields. The settlement will eliminate public contact with the sand. Under another settlement reached in FY 2002, a large energy utility in New Jersey will spend $337 million to install state-of-the-art pollution controls to reduce its emissions of SO_2 by 90 percent and NO_x by more than 80 percent, eliminating about 54,000 tons of air pollutants per year.

Other Agency Accomplishments and the President's Management Agenda (PMA)

To successfully protect human health and the environment, EPA recognizes that it must develop and apply the best available science in carrying out its programs, function effectively as an organization, serve the public responsively, and use its resources wisely. For example, to improve its understanding of environmental risk as well as its ability to detect and address emerging environmental problems, in FY 2002 the Agency produced a modeling framework for estimating human exposure to pollutants through multiple environmental media (e.g., air, water, food) and multiple pathways. This framework will help the Agency in assessing and managing risks for a variety of pollutants, such as pesticides and toxic air pollutants and in protecting children and other susceptible subpopulations from harmful exposures. Further, during FY 2002 EPA developed two innovative computer software programs that allow industry and state and local decision makers to apply the best available science to (1) estimate the potential environmental impact of chemical process designs, and (2) evaluate the inhalation impact of metal finishing facilities on workers

and nearby residents. (Refer to Goal 8 for more information.)

In FY 2002 EPA also made significant progress in ensuring that it has safe, healthy, energy-efficient office facilities and laboratories to support its work and employees. During FY 2002 EPA completed the new state-of-the art laboratory facilities in North Carolina and Kansas that will enable the Agency to better address the environmental scientific challenges of the 21st century. In January 2002 EPA's Massachusetts laboratory facility received a White House "Closing the Circle Award" for its environmental performance. Finally, EPA completed its relocation to the newly renovated buildings in the Federal Triangle complex in Washington, DC. This project began in 1993 and involved the design and renovation of 1.3 million square feet to support the work of 5,500 EPA employees. (Refer to Goal 10 for more information.)

EPA's senior managers recognize that managing the organization and its resources effectively is key to achieving long-term environ-mental results. The Agency's most significant accomplishments in this area occurred as it addressed the five areas identified in the President's Management Agenda (PMA)[7], the Administration's strategy for improving the management and performance of the federal government. In FY 2002 the President's Office of Management and Budget (OMB) credited EPA for taking major steps forward in each of the five areas. OMB's PMA scorecard[8]—used to rate agencies on each initiative using a "score" of red, yellow, or green—designated EPA's progress as green in all five areas, marking EPA as 1 of the 2 agencies out of the 24 CFO agencies accomplishing this progress rating as of September 30, 2002.

Improved Financial Performance: This area of the PMA calls for reducing erroneous payments and ensuring that federal financial systems produce accurate and timely information to support operating, budget, and policy decisions. EPA made significant progress in FY 2002 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, submitting the final FY 2001 financial statements on time with clean audit opinions, and issuing interim financial statements on schedule. The Agency also made great strides in the grants arena by issuing a grants competition policy, appointing a senior executive as the Agency Grants Competition Advocate, establishing an internal web site to facilitate implementation, and providing training on the policy. EPA also made significant progress in FY 2002 by correcting all four of its current material weaknesses—deficiencies in program policies, guidance, or procedures that might impair EPA's ability to achieve its mission—under the Federal Managers Financial Integrity Act.

Budget and Performance Integration: This area focuses on linking resources to performance, using program evaluation in planning and budget decision-making, and improving accountability for performance. As one of the few agencies with an integrated, goal-based budget, EPA has long been a leader in budget and performance integration consistent with the PMA. In FY 2002 the Agency made good progress addressing the PMA criteria for this area, including developing a methodology to include social costs in the Agency's revised strategic plan. EPA's selection as a finalist for the President's Quality Award in the area of budget and performance integration distinguished the Agency government-wide.

Expanded Electronic Government: This area seeks to make it easier for people to receive high quality government services through the Internet, while reducing the cost of delivering those services. In FY 2002 EPA was recognized by OMB as a model partner for its work under 14 e-government projects that use information technology to improve environmental decision making, eliminate redundant activities across multiple federal agencies, and achieve a more seamless, citizen-centered provision of services. EPA also was designated to be the managing partner and lead agency for the Online Rulemaking Initiative, which will make the rulemaking process more transparent to citizens and businesses.

Strategic Management of Human Capital: This area calls for ensuring that an agency's human capital strategy is aligned with its mission and organizational objectives. EPA uses its Human Resource Council, made up of senior managers from across the Agency, as a forum to discuss key human resource issues and provide direction for its human capital efforts. In FY 2002 EPA launched a Senior Executive Service Candidate Development Program, hired a group of highly skilled and educated EPA interns, and provided grants competition training for current EPA employees, all aimed at improving and enhancing EPA's human resources. The Agency also is aligning its human capital strategy with its revised Strategic Plan to help build the skills and competencies needed in its workforce to carry out the Agency's mission and to strengthen employee recruitment and retention.

Competitive Sourcing: This area of the PMA focuses on achieving greater efficiencies in program administration and effective competition between public and private sources. EPA has embraced the President's competitive sourcing initiative and is committed to introducing more competition into the activities EPA performs. By doing so, the Agency can improve how it protects the environment and human health. Competitive sourcing provides EPA with an opportunity to take a fresh look at how the Agency conducts operations, to reevaluate what EPA does as well as how it is done, to generate greater value for the taxpayer, and to introduce efficiencies to business processes. In FY 2002 the Agency completed all targeted conversions and 100 percent of the combined FY 2002/2003 competitive sourcing goal. EPA also launched an Agency-wide competitive sourcing team to develop recommendations for a strategic and sustainable approach to competitive sourcing. The team's report will include an analysis of Agency-wide, cross-cutting functions and activities that can be *bundled* as possible candidates for further study and competition with the private sector as well as a proposed framework for conducting competitive sourcing at EPA.

Summary of Performance Data

In FY 2002 EPA met 48 (83 percent) of the Annual Performance Goals (APGs) for which data are provided in this report. (EPA identified 71 APGs in its FY 2002 Annual Plan; however, final results for 13 of these APGs are not available until FY 2003 or later, and will be discussed in future annual reports.) This reflects an improvement over the total percentage of goals met in FY 2001. The goal chapters in Section II include charts that present EPA's FY 2002 performance results and highlights of 4-year performance trends (FY 1999-FY 2002).

During FY 2002 final performance results data became available for six FY 2001 and two FY 2000 APGs. For example, the Agency met its FY 2001 goals for reducing greenhouse gas emissions and consumption of ozone depleting substances as well as SO_2 and NO_x emissions. EPA can now report achievement of 46 (69 percent) of the 67 APGs for which it has FY 2001 data. For FY 2000 EPA can now report achievement of 58 (82 percent) of the 71 APGs for which it has performance data. Delays in reporting cycles and targets set beyond the fiscal year continue to affect three FY 2001 APGs, two FY 2000 APGs, and four FY 1999 APGs.

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 2002. However, the Agency does not expect the shortfall in meeting these APGs to compromise progress toward achieving its long-range goals and strategic objectives. For 4 of the 11 missed APGs, EPA fell only slightly short of the targets and met the cumulative goals.

External factors contributed to seven of the missed APGs. For example, EPA had anticipated that 10 areas would be redesignated from non-attainment to attainment of the ozone standard in FY 2002, but fell considerably short of that goal. Several states previously revocated for the 1-hour ozone standard decided not to redesignate and instead wait for implementation guidance for the new 8-hour ozone standard. As long as issues remain concerning the move toward the

more protective 8-hour ozone standard, states are reluctant to request redesignation to the current 1-hour ozone standard.

EPA had anticipated that six areas would be redesignated to attainment of PM standards, but due to delays in the redesignation process for one state and the failure of a second state to submit a maintenance plan as scheduled, only four areas were redesignated to attainment. Despite these difficulties, EPA and states continue to work together to ensure progress in meeting the present ozone and PM standards while facilitating a smooth transition as new standards are implemented.

In addition, under its goal to achieve Credible Deterrent to Pollution and Greater Compliance with the Law, EPA anticipated a pollution reduction of 300 million pounds of pollutants due to enforcement settlement provisions, an estimated target based on the results of concluded enforcement actions from previous years. In FY 2002 only 266 million pounds of pollutants were reduced. The Agency does not establish quotas for the number of enforcement cases to be pursued, and estimated pollution reduction targets sometimes vary widely from year to year. EPA greatly exceeded the targets for pollution reduction in FY 2000 and FY 2001. The Agency continues to direct enforcement actions to maximize compliance and address environmental and human health problems.

One final example of external factors contributing to performance shortfalls is the Agency's leaking underground storage tank (LUST) program, which oversees cleanup of releases from underground storage tanks containing gasoline, other petroleum products, or hazardous substances. In 2002 EPA and its state partners completed 15,769 cleanups, for a total of nearly 284,000 since 1987. The FY 2002 target of 22,000 cleanups was not met due to the presence at many sites of the contaminate methyl tertiary butyl ether (MTBE), a gasoline additive, which has complicated cleanup and resulted in longer-than-expected cleanup times and higher-than-expected cleanup costs at LUST sites. MTBE contamination also led to the reopening of previously closed sites in 12 states, thus deflecting resources from completion of other cleanup sites.

For some missed APGs, shortfalls cannot be attributed to a single reason. For example, under the Agency's Clean Water Goal, EPA missed its target for issuing National Pollutant Discharge Elimination System (NPDES) permits for major point sources. 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 2002 permits issued covered only 83 percent of the targeted 90 percent of major point sources. While EPA is making progress to address the permit backlog, the missed target can be attributed to a number of factors including complexities associated with integrating individual permits with watershed and other planning processes.

In summary, EPA and its partners did not meet 10 of the 58 FY 2002 APGs for which performance data are currently available. These APGs are associated with 7 of EPA's 10 strategic goals. The Agency is considering the various causes of these shortfalls—legal issues, redirection or shortages of staff, continued complexities in cleanup processes, technological limitations, and other factors—as it adjusts APGs and program strategies for FY 2003 and sets priorities for 2004 and beyond. The performance data charts in Section II provide more complete information on missed targets and discuss Agency progress toward achievement of its strategic goals and objectives.

IMPROVING RESULTS

In FY 2002 EPA strengthened its ability to achieve environmental results and measure its performance. The Agency's Managing for Improved Results Steering Group, composed of senior managers from across EPA, examined a number of current management practices—including priority-setting, planning and budgeting, and performance tracking and reporting—with an eye toward dramatically improving them. In

FY 2002 the group finalized a set of short- and long-term recommendations for improving EPA's results-based management processes. Many of the short-term recommendations were implemented in FY 2002 and have become the driving force behind development of EPA's FY 2004 budget and the 2003 revision of the Agency's Strategic Plan.

For example, in FY 2002 EPA institutionalized a process for developing its annual funding request by analyzing the previous year's results and engaging partners and stakeholders to identify priority areas. This process focused on the Agency's ability to fulfill commitments set forth in its Strategic Plan. It included a series of meetings on each of the 10 strategic goals with the Deputy Administrator and Chief Financial Officer to examine the Agency's performance and identify areas where EPA is not achieving its intended results. Taken together, the recommendations that the Results Group developed in FY 2002 will improve the alignment of day-to-day activities with strategic goals and objectives; improve accountability between EPA's headquarters and regional offices; strengthen the involvement of the Agency's 10 regions, states, and tribes in EPA's planning and priority-setting processes; and build the capacity of Agency managers and staff in managing for results.

In addition in FY 2002, 11 EPA programs, accounting for 20 percent of EPA's budget, were evaluated using the Administration's new Program Assessment Rating Tool (PART), which aims to identify opportunities for federal agencies to improve strategic planning, management, and results of its programs. The results of PART analyses, which showed that some programs have insufficient data, reinforced the need for EPA to continue its progress in identifying outcome-based goals and measures to better link its activities to actual improvements in health or ecosystem quality. In FY 2003 OMB plans to conduct PART reviews for another 20 percent of the Agency's programs during the FY 2005 budget formulation process.

As discussed below, in FY 2002 EPA strengthened other areas critical to its ability to achieve long-term results: (1) collaborating with its partners, (2) conducting and applying the results of program evaluations, (3) tracking and measuring performance, (4) addressing environmental performance data issues, and (5) anticipating future trends and issues.

Strengthening Partnerships

Many of the FY 2002 advances in environmental protection discussed in Section II would not have been possible without strong collaboration between EPA and its federal, state, local, and tribal partners. EPA continues to collaborate closely with states and tribes and is committed to strengthening vital partnerships with organizations such as the Environmental Council of the States (ECOS) and the Tribal Caucus. EPA envisions a stronger role for states and tribes in its annual planning and budgeting and has been striving to involve them early in these processes. In FY 2002 ECOS and tribal representatives participated in EPA's FY 2004 Annual Planning Meeting to present recommendations for the Agency's FY 2004 budget priorities. Similarly, during FY 2002 EPA regional offices consulted with states and tribes on overall EPA budget priorities and developing regional budget initiatives.

Apart from soliciting state input and participation in its annual planning processes, EPA worked closely with ECOS and other state organizations in FY 2002 as it began to revise its long-range Strategic Plan. In spring 2002 EPA solicited state views on the greatest challenges and opportunities in environmental and human health protection that the Agency and the Nation would likely face in the coming 5 to 10 years. These views were taken into account as the Agency developed options for a new strategic goal framework. The Agency's managers shared these goal framework options with ECOS, carefully considering the state feedback as they developed their recommendations for EPA Administrator Whitman. In July 2002, after the Administrator announced a new five-goal structure, EPA continued consulting with states to help determine more precisely the desired results to be achieved under each of the new strategic goals. EPA will continue to consult

extensively with states in completing the 2003 Strategic Plan and will carefully consider state priorities and issues as it develops the objectives, strategies, and approaches for achieving the Agency's new strategic goals.

EPA and several states, through an ECOS Ad Hoc Committee, conducted a joint system evaluation of the National Environmental Performance Partnership System (NEPPS) during FY 2002. The evaluation reviewed the accomplishments of Performance Partnerships and barriers to further improvement in results-based partnering with states. Recommendations from this evaluative process pull together and build upon other Agency efforts such as the Managing for Improved Results initiative, Indicators project, and the new EPA Innovations Strategy. The Agency will work with selected states in FY 2003 to model having the Performance Partnership Agreement (PPA) become the definitive operating agreement between the Agency and a state. A complementary effort to improve the value of Performance Partnership Grants (PPGs) is also underway with anticipated benefits in flexibility and reduced transaction costs to be realized in FY 2003 and beyond.

During FY 2002 EPA also continued to work closely with tribal governments to identify priorities, improve management of environmental issues, and help develop the capacity to carry out environmental programs in Indian Country. For example, in FY 2002 EPA developed a highly accessible database containing environmental profiles of 300 federally recognized tribes. This new database includes historical information, maps, geographic dimensions, inventories of regulated facilities, governmental structure, descriptions of wastewater and drinking water facilities, grant activities, and the status of environmental programs for each individual tribe. EPA also developed resource materials useful to both the tribes and the Agency in managing tribal grants and maintaining quality grant oversight. The Agency worked closely with authorized tribes to publish the brochure *How Water Quality Standards Protect Tribal Waters*, an informative tool for citizens, tribes, and other stakeholders.

During FY 2002 EPA continued to collaborate with other federal agencies on a wide variety of programs with environmental protection benefits. EPA developed and managed the WTC Multi-Agency Database, which provided decision makers from 13 government and private partner organizations at the WTC site with access to the results of environmental monitoring. In FY 2002 the Agency also developed a Compendium of Environmental Programs, an interactive Web-enabled database that catalogues and cross-references the environmental programs of 29 federal departments and agencies for use in their collaborative planning, implementation, program evaluation, and resource sharing.

In FY 2002 EPA teamed with the Department of the Army and the Department of Defense Logistics Agency to implement alternatives to ozone-depleting halons used in fire protection. EPA and its two Defense Department partners also began jointly investigating environmentally friendly options for destroying stockpiles of certain ozone-depleting substances. Also, because of a strong partnership between EPA and the U.S. Forest Service, the U.S. Fish and Wildlife Service, and the Natural Resources Conservation Service, as well as state and local governments in Maryland, Pennsylvania, and Virginia, EPA exceeded its commitment to reduce nonpoint source pollution and restore important forest areas near local waterways and the Chesapeake Bay. As a result EPA and its partners are ahead of schedule to restore 2,010 miles of critical riparian forest areas by 2010 and in FY 2003 will set new goals to extend this restoration.

Further, working with its federal partners in FY 2002, EPA was able to clean up five Superfund sites at federally owned facilities. EPA also entered into a partnership with the National Oceanic and Atmospheric Administration to promote coastal resource protection through smart growth in coastal areas. This collaboration provides developers, local governments, infrastructure providers, and others with information, technical assistance, and recommendations regarding best practices to

minimize the detrimental environmental impacts of growth in these sensitive areas.

Using Program Evaluation

During FY 2002 EPA continued to build Agency-wide capability to effectively conduct program evaluations and analyses that inform management decisions, enhance organizational learning, promote innovation, and foster better environmental results. For example, in FY 2002 EPA conducted an evaluation to assess how effectively the Agency's Clean Air Program is using its resources to build tribal capacity for addressing air quality in Indian Country. The evaluation noted the success that EPA has had since 1995 in increasing the number of tribes participating in the Clean Air Program, but also recognized the significant remaining need for support, expertise, and coordination in Indian Country. The evaluation led to 30 recommendations for improving EPA's approaches to addressing air problems in tribal lands. EPA began implementing many of the recommendations in FY 2002 before the evaluation was complete, and several more will be implemented over time.

In an FY 2002 report, the General Accounting Office (GAO) recognized EPA's Compliance Assistance Program as one of five federal public information dissemination programs employing useful program evaluation strategies that could serve as a model for other federal agencies.[9] GAO also found that EPA's Compliance Assistance Program is the only program that had developed an approach for measuring the long-term health and environmental outcomes or benefits resulting from its program. In many cases, the positive environmental effects of complying with environmental requirements could be seen relatively quickly. To continue to promote such program evaluation efforts and help foster environmental program evaluation as a nationally recognized discipline, EPA launched a Web-based "gateway" in FY 2002, linking environmental program evaluation information within EPA and with information resources outside the Agency.[10] In FY 2003 EPA will continue to add relevant information to this site, specifically focusing on new developments and new information from states, tribes, and the academic community.

Improving Environmental Indicators and Performance Measurement

During FY 2002 EPA made significant progress in developing and improving environmental indicators and performance measures to measure and assess the Agency's results over the next several years. For example, in FY 2002 EPA began work on an Agency-wide Environmental Indicators Initiative. Environmental indicators are measurements of environmental conditions over time. Indicators help measure the state of air, water, and land resources; the pressures on them; and the resulting effects on ecological and human health. The purpose of the Environmental Indicators Initiative is to improve the Agency's ability to report on the status of and trends in environmental conditions and their impacts on human health and the Nation's natural resources. As a first step, in FY 2002 EPA collected currently available data and indicators and began drafting a report on the environment, which it plans to release for public comment in FY 2003.

In FY 2002 the Agency continued to increase the environmental outcome orientation of its annual performance goals and measures (APGs and PMs) that are used to plan and budget resources. EPA recognizes that to use its resources wisely, it should measure the results it is achieving with respect to environ-mental protection in terms of outcomes such as cleaner air and cleaner water. During FY 2002 the Agency increased the percentage of environmental outcome-oriented APGs tied to its annual budget by 7 percentage points while increasing the percentage of outcome-oriented PMs by 11 percentage points.[11] In addition, the Agency streamlined its APGs and PMs by consolidating two overlapping sets of goals and measures into a single, more easily understandable set for EPA's FY 2004 Annual Plan and Budget.

In FY 2002 the Agency also worked to develop improved performance measures in a

number of highly focused projects. For example, during FY 2002 new draft measures were developed for assessing the impact in future years of the Agency's planned implementation of provisions relevant to international technical assistance in the Stockholm Convention on Persistent Organic Pollutants (POPs). In this case measures of current activities, such as inventorying stockpiles of POPs, were tied to the more important externally reported measures of POPs stockpiles collected and destroyed. When appropriate, the Agency can use such external measures for external communication as well as management.

Finally, during FY 2002, in an effort to develop more useful measures, the Agency selected several performance measurement improvement projects to fund via an Agency-wide competition. Two examples of these projects include developing outcome PMs for EPA's Brownfields Program and evaluating a measure of the effects of harmful pesticides on bird populations.

Improving Data Quality

During FY 2002 the Agency continued to improve its ability to detect and correct errors in environmental data, standardize reporting, and exchange and integrate electronic data and data quality information among its federal, state, and local data-sharing partners. In FY 2002 EPA completed work on an internal set of Information Quality Guidelines to help ensure that the information the Agency provides to the public is of the highest quality.[12] These guidelines were developed using an electronically enhanced public participation process, and they contain EPA's policy and procedural guidance for maximizing the quality of the information the Agency disseminates. The guidelines also contain new Agency procedures for individuals to seek and obtain correction of information collected by EPA that might not comply with these information guidelines. The information contained in the Performance Data Charts in *Section II - Performance Results* relative to data quality references can be found in *Appendix B - Data Quality for Assessments of FY 2002 Performance*.

This FY 2002 Annual Report is one of EPA's first publicly released documents to apply the guidelines to the data on which the Agency's performance is being measured. The report documents, to the extent possible, the quality of the Agency's performance data; makes transparent the methods of analysis and data manipulation; and references data sources. Most of this information is captured in Appendix B. That appendix also explains how EPA's program offices use well-established and robust Agency policies and procedures to ensure data quality, such as the quality system, peer review process, Inspector General's audits, and other error correction processes. Appendix B also discusses the limitations of the performance data contained in this report, as well as data lags in reporting progress toward some FY 2002 goals.

During FY 2002 EPA undertook several other initiatives to improve the quality of its environmental data. For example, EPA's Science Advisory Board Executive Committee began investigating commonly accepted means by which the scientific community communicates information, analyses, and findings. In addition, EPA's Science Policy Council began work on developing assessment factors for use in reviewing the quality of data submitted to the Agency by third parties. Lastly, EPA's National Health and Environmental Effects Research Laboratory developed and tested software to capture, sort, store, and retrieve the wealth of scientific data developed by EPA's research organizations.

Considering Future Trends

During FY 2002 EPA continued to look to the future to identify potential new challenges and opportunities for human health and environmental protection. The Agency recognizes that in addition to addressing long-standing environmental protection issues, it must try to anticipate and plan for future developments. The future will be marked by increased rates of change and greater uncertainty about the responses of complex biological,

ecological, social, and political systems. EPA is exploring ways to keep pace with these developments by looking ahead to better understand potential threats, such as global warming. Further, the Agency and its partners increasingly recognize that many world developments are likely to present opportunities to further develop environmental protection efforts.

Population growth and the way resources are consumed to sustain this growth are altering the earth in unprecedented ways. The earth's population now exceeds 6 billion. Over the next 25 years this total will increase by nearly 2 billion, largely in developing countries. By 2025 an estimated 2.7 billion people will live in areas experiencing severe water scarcity, creating the potential for regional conflicts over water rights. In the United States, growth in the South and Southwest will pose water management problems such as substantial water and wastewater infrastructure maintenance, aquifer depletion, and surface water contamination. The expected unprecedented population growth will also affect the Agency's long-standing environmental concerns, such as air quality. Urbanization of undeveloped areas, for example, will likely increase demands for transportation, potentially leading to more vehicle miles traveled and increased emissions of pollutants.

Today's world is on the edge of a far-reaching industrial transformation. A number of recent technological developments and advances will pose new issues for human health and environmental protection. Scientists have deciphered the human genome and the genomes of many other organisms, including rice, the food most consumed throughout the world. A number of patents have been filed for a new type of technology where devices are built using single atoms and molecules; i.e., nanotechnology. EPA may need to examine the impact that nanotechnology might have on human health and the environment and also to explore opportunities to foster more environmentally benign technologies that use fewer resources and less energy. Production of industrial biotechnology products, such as pharmaceuticals raised as crop plants, is growing and might present environmental and human health protection issues. In the area of research advances, scientists might soon be able to ascertain whether current droughts are a normal variation of the earth's weather patterns or an increasingly likely phenomenon due to the effects of climate change. To plan for the future, EPA and its partners must consider these and other technological and scientific advances and the implications they hold for environmental protection work.

During FY 2002, as part of its strategic planning work, EPA completed several efforts to assist managers and staff in adopting a longer-range, futures perspective and in applying their findings to planning activities. In May 2002 senior Agency managers met to discuss emerging issues in environmental protection. The managers focused on two topics, fuel cells and genomics, as examples of emerging technologies with significant implications for EPA's work. In addition, the Agency has been using the results of a Look-Out Panel, including interviews with leaders and experts outside the Agency on future challenges and opportunities facing EPA. This panel will also inform the development of EPA's 2003 Strategic Plan.

The National Advisory Council for Environmental Policy and Technology (NACEPT) provides independent advice to the EPA Administrator on a broad range of environmental policy, technology, and management issues. Earlier this year NACEPT completed a major report *The Environmental Future: Emerging Challenges and Opportunities for EPA*.[13] The report makes several overarching recommendations related to planning: create an ongoing scanning process that involves all major parts of EPA; support the ongoing work of EPA's Futures Network and provide additional training on environmental scanning, scenario development, and modeling; and incorporate futures analysis into EPA's strategic planning. EPA is considering how it will incorporate the findings of this report into its planning processes. In addition to these planning-related recommendations, there are more than 50 emerging challenges and opportunities.

These represent important environmental issues for the future that do not fit well with EPA's traditional roles. The Agency will encourage the programs and regions to consider the emerging challenges and opportunities identified in the report in their long-term planning and use them as a starting point for futures projects within their core work areas. As a result, these programs should be better prepared to respond to changing environmental conditions.

EPA intends to continue using innovative approaches and sound science to investigate complex interdisciplinary problems in environmental protection and to address them in its strategic planning. The Agency will need to expand its efforts to achieve interagency and international cooperation to address environmental issues on a global scale and will continue to rely on relationships with its federal, state, local, and tribal government partners and with its stakeholders to anticipate and address future environmental challenges.

LOOKING AHEAD TO FY 2003

Over the next year EPA expects to make significant improvements in the use of performance and results information to inform the Agency's internal planning and decision making and to communicate to the public the environmental results it is achieving. During FY 2003 many of the recommendations of the Agency's Results Steering Group will be carried out for both near-term improvements and more far-reaching reforms to improve the way EPA manages for results. In FY 2003 the Agency will issue a revised Strategic Plan. Among other improvements, the Plan will contain a smaller set of more environmentally focused strategic goals and objectives. As recommended by the Results Steering Group, the Plan will set clear directions for the Agency, enable cross-Agency and cross-program planning, accommodate EPA program and regional office priority setting, and reflect input from EPA partners and stakeholders.

Finally, as mentioned earlier, in FY 2003 EPA plans to release a draft report on the environment. This report will use available national environmental indicators data to describe the current status of environmental conditions and human health concerns. It will also address many of the public's frequently asked questions on the environment, and will reflect work being done by others, such as the H. John Heinz III Center for Science, Economics and the Environment, the EPA Science Advisory Board, and the National Research Council.

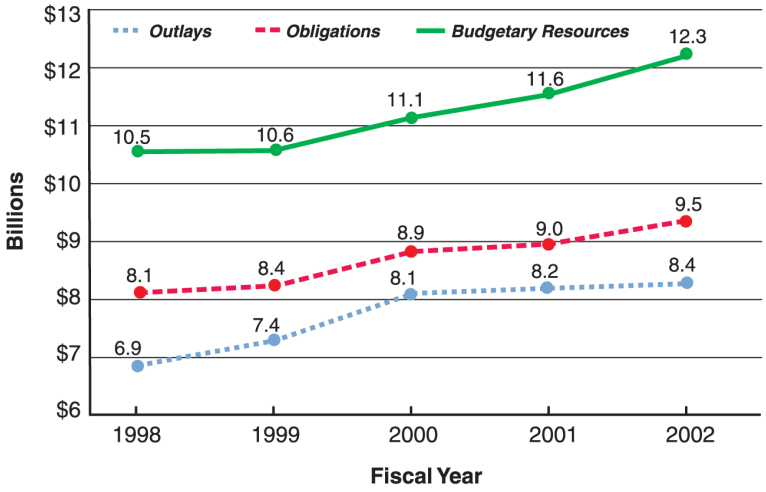
FINANCIAL ANALYSIS

A central theme of the President's Management Agenda is the need for greater accountability in government. The financial statements provided in Section IV are one important aspect of Agency accountability in that they provide a snapshot of EPA's financial position at the end of the fiscal year. These financial statements are prepared in accordance with established federal accounting standards and 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 discussion below.

EPA Resources: 1998 to 2002

EPA's available resources from all appropriations and aggregate spending are depicted in the *EPA Financial Trends* chart.[14] Budgetary Resources consist of resources available each fiscal year largely from three sources: (1) yearly appropriations received from Congress, (2) unspent appropriations from previous years that the Agency has the authority to use in subsequent fiscal years, and (3) resources received from other sources such as collections of federal receipts that remit to the Agency and that the Agency may use for specific purposes. Obligations reflect legal authority and commitments to incur costs on the part of the government. For example, an obligation is recognized when the government awards a contract or a grant. The actual payment of the contract or grant may extend over several years depending on the terms and conditions. Outlays represent cash payments for goods and services received. The Statement of Budgetary

EPA Financial Trends



Resources in Section IV provides more detail on the makeup of these resources.

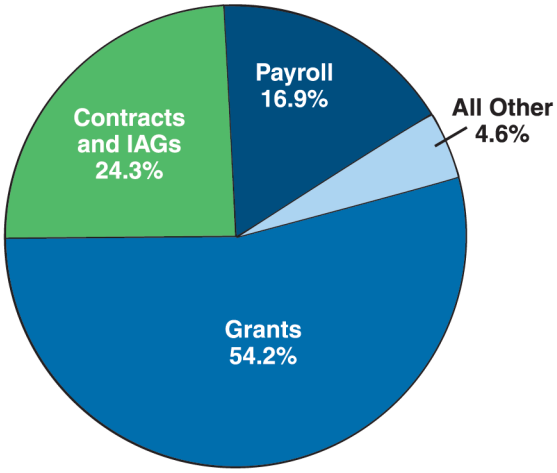
EPA FY 2002 Spending

EPA spending can be depicted a number of different ways. The *Gross Costs by Goal* chart provides the percentage breakdown of EPA costs by each of the 10 strategic goals.[15] *Costs* are EPA's expenses for services rendered or activities performed whether from contractors, grantees, or EPA staff salaries. The difference between this graph and the Statement of Net Costs in Section IV is that *net costs* reflect a reduction for any related offsetting income such as Superfund cost recovery receipts. FY 2002 costs incurred to achieve the Agency's 10 goals total about $8 billion.

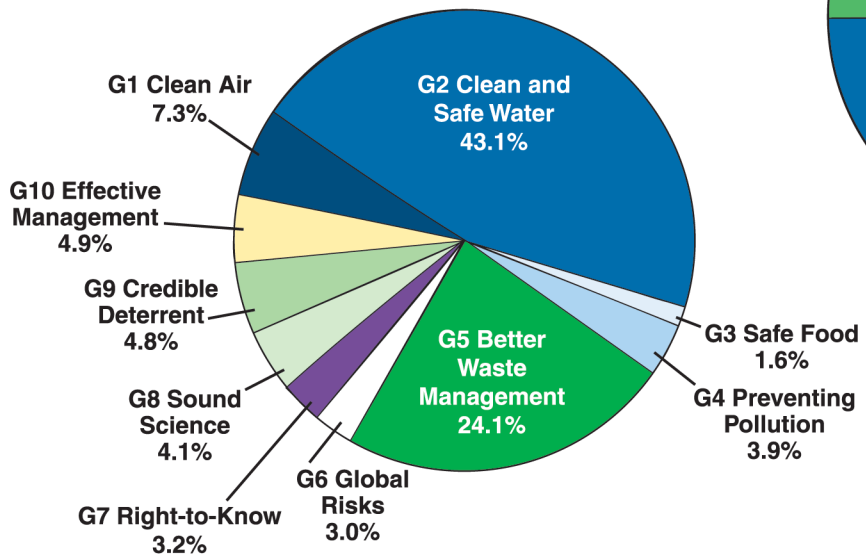
EPA's obligations and costs are largely for services performed outside the Agency. As illustrated in the *FY 2002 Cost Categories* chart[16], more than 75 percent of EPA's costs are in the form of contracts or grants. EPA's costs are also incurred in the Agency's headquarters and regional offices, which are responsible for carrying out many of the Agency's programs.

Most of EPA's costs are associated with grant programs, and nearly half of the Agency's grants are awarded from two state revolving funds (SRFs). The Clean Water SRF (CWSRF) provides assistance for wastewater and other water projects, such as those dealing with nonpoint sources, estuaries, and storm water. The Drinking Water SRF (DWSRF) provides financing for improvements to community water systems to assist in complying with the Safe Drinking Water Act. The DWSRF also allows states to use grant funds for other activities that support their

FY 2002 Cost Categories



FY 2002 Gross Costs by Goal



FY 2002 Obligations by Goal (Dollars in Millions)													
Appropriations	**G-1**	**G-2**	**G-3**	**G-4**	**G-5**	**G-6**	**G-7**	**G-8**	**G-9**	**G-10**	**Reim.**	**Other**	**Total**
State & Tribal Assistance Grants	233	3,241	0	99	74	10	25	0	70	0	0	0	3,752
All Other	355	649	112	223	273	203	167	301	363	376	287	700*	4,009
Superfund	0	0	0	0	1,473	0	10	3	18	52	130	0	1,686
TOTAL	**588**	**3,890**	**112**	**322**	**1,820**	**213**	**202**	**304**	**451**	**428**	**417**	**700**	**9,447**
% of Total	*6.22*	*41.18*	*1.19*	*3.41*	*19.27*	*2.25*	*2.14*	*3.22*	*4.77*	*4.53*	*4.41*	*7.41*	*100.00*
NOTE: Actual costs are reflected in Section IV - Annual Financial Statements													

* The $700 million represents an annual payment from the general revenue to the Hazardous Substance Superfund and transfers from other federal agencies.

drinking water programs. (See Section II, Goal 2, for more information on the SRFs.)

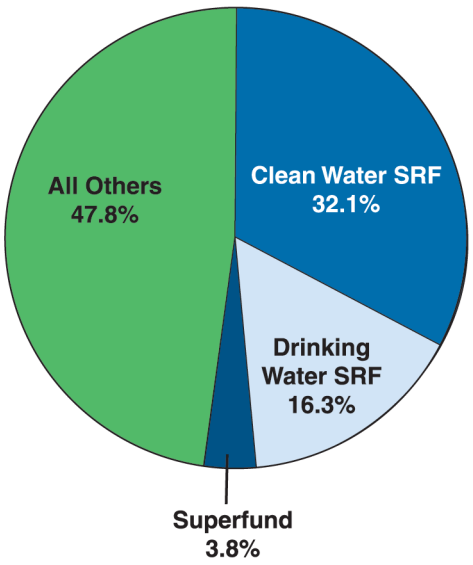
Funding for both revolving funds is awarded as grants to states and tribes, which then make loans to municipalities and other entities for construction of infrastructure projects, purchases of land or conservation easements, and implementation of other water quality activities. Additional funds from state match and leveraged bond proceeds expand the capital available in the SRFs to address priority water quality and public health needs, while loan repayments and earnings ensure funding for these activities far into the future. The flexibility and revolving nature of the SRFs have provided states with a powerful tool to apply needed funding toward their clean water and drinking water infrastructure needs.

Through FY 2002 CWSRFs have turned $19.5 billion in federal capitalization grants into more than $38.7 billion in assistance to municipalities and other entities for wastewater projects. In recent years CWSRFs have directed about $4 billion in annual loan assistance to wastewater projects. More than $200 million of these funds are used each year to manage polluted runoff, making the CWSRF an effective tool in addressing nonpoint source problems.[17]

In a similar fashion the newer DWSRFs have turned $4.4 billion in federal capitalization grants into more than $5.1 billion in loan assistance, of which $1.3 billion was provided in assistance in FY 2002 alone.[18] States have also used more than $694 million of their DWSRF grants to fund other programs and activities that enhance water system management and protect sources of drinking water.

The large dollar volume of these two grant programs is the reason that more than 43 percent of EPA's costs are incurred in connection with its Clean and Safe Water Goal, as depicted in the *Major Grant Categories* chart. Other grant programs include categorical assistance to states and tribes, consistent with EPA's authorizing statutes, and research grants to universities and other nonprofit institutions.

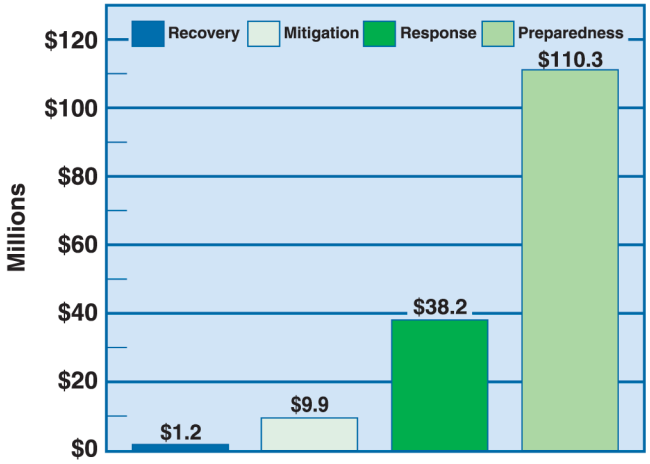
FY 2002 Major Grant Categories



Homeland Security Spending

EPA's actions in responding to homeland security concerns in the wake of September 11 are described in Section II. During FY 2002 the Agency obligated a total of $159.6 million[19] for homeland security for the activities shown in the chart. Most of these resources have been devoted to *Preparedness*, which addresses many potential kinds of terrorism incidents. *Response* covers the immediate actions taken in response to the September 11 and other 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.

FY 2002 Homeland Security Obligations

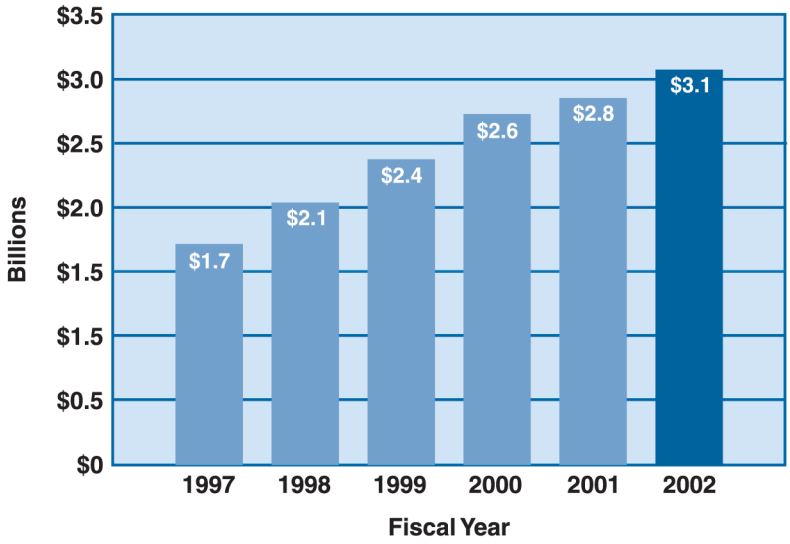


Superfund Cost Recovery

The Superfund Program was established under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 (P.L. 96-510) to address public health and environmental threats from abandoned toxic waste dumps and releases of hazardous substances. CERCLA was subsequently amended by the Superfund Amendments and Reauthorization Act (SARA) of 1986 (P.L. 99-499).

Under CERCLA, Congress authorized the Superfund Program for 5 years (1981–1985) with funding of $1.6 billion and established the

Cumulative Superfund Trust Fund Cost Recoveries FY 1997–FY 2002



Hazardous Substance Response Trust Fund, known as the Hazardous Substance Superfund (Trust Fund). Because of the long-term nature and expense of site cleanups, Congress reauthorized the Superfund Program by passing SARA. Under SARA the Superfund Program was authorized for an additional 5 years (1987–1991) and the Trust Fund's funding level was increased to $8.5 million. The Omnibus Budget Reconciliation Act, passed by Congress on November 5, 1990, extended the Superfund program for an additional 4 years (1992–1995) and increased the Trust Fund's funding level by $5.1 billion. Although the Superfund Program has not been reauthorized, the program continues to operate based on annual congressional appropriations.

The Trust Fund was largely funded by excise taxes charged on crude oil and petroleum and on the sale or use of certain chemicals. Also, a corporate environmental tax (alternative minimum tax) was levied on corporations having a taxable annual income in excess of $2 million. The Trust Fund's other revenue sources include cost recoveries, fines and penalties, interest revenue from investments, and general revenue appropriated by Congress. Superfund cost recoveries represent amounts recovered by EPA through legal settlements with responsible parties for site clean up cost incurred by EPA. Tax revenues provided the Trust Fund with most of its funding until the Superfund's authority to

tax expired on December 31, 1995. With the expiration of tax authority, current Trust Fund revenue is composed of the other revenues discussed above; appropriations from general revenues make up the largest funding source in this group.

Cost recovery continues to be a major revenue source of the Trust Fund. Cumulative cost recovery receipts since the inception of the program now total $3.1 billion.[20]

EPA Spending Related to Other Federal Agencies

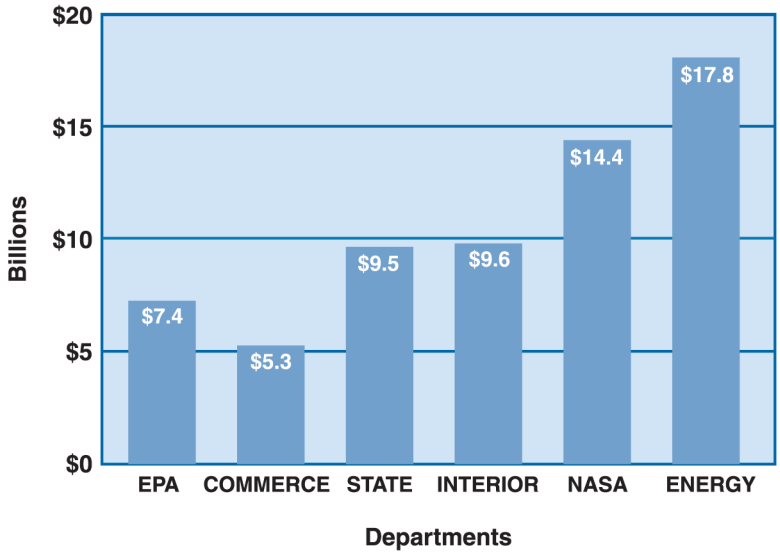
As published in the Treasury Department's annual Statement of Receipts and Outlays, EPA's net outlays are relatively small in relation to those of other federal agencies and the federal government as a whole. A comparison of EPA with selected cabinet-level departments is displayed.

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 Environmental Finance Program.

The Environmental Finance Program uses leveraging and partnerships to extend the reach and impact of its activities. The program has three closely related components that provide financial outreach services to Agency customers and the regulated community. First, the Environmental Financial Advisory Board (EFAB), a discretionary federally chartered advisory committee, provides innovative ideas and recommendations to the EPA Administrator and EPA program offices on ways to lower costs, increase investments, and promote public-private partnerships with respect to environmental and public health protection. Second, the Environmental Finance Center (EFC) Network, consisting of nine university-based programs in eight EPA regions, delivers targeted technical assistance and partners with states, tribes, local governments, and the private sector to address how to cover the costs of meeting environmental standards. Through FY 2002 the EFCs had worked in 46 states delivering this assistance and sharing information among interested parties and throughout the network. (See Section II, Goal 10, for more information.) Third, the Environmental Financing Information Network, through its highly popular Web site and other means, catalogues the work and accomplishments of EFAB and the EFC Network and has provided full-text copies of more than 50 EFAB documents, summaries of over 350 environmental financing tools, and about 1,000 abstracts and case studies of valuable environmental finance documents.

Government Net Outlays by Selected Department FY 2002



Notes:

1. Geographic Areas redesignated by EPA as in attainment of the NAAQS: *Billings MT Area, Redesignated to Attainment for CO*, 67 FR 7966, February 21, 2002. *Denver-Boulder CO Area Redesignated to Attainment for CO*, 66 FR 64751, December 14, 2001. *Great Falls Area MT Area Redesignated to Attainment for CO*, 67 FR 31143, May 9, 2002. *Klamath Falls OR Area Redesignated to Attainment for CO*, 66 FR 48349, September 20, 2001. *Lowell MA Area Redesignated to Attainment for CO,* 67 FR 7272, February 19, 2002. *Medford OR Area Redesignated to Attainment for CO*, 67 FR 48388, July 24, 2002. *New York-N. New Jersey-Long Island NY Area Redesignated to Attainment for CO,* 67 FR 54574, August 23, 2002. *New York-N. New Jersey-Long Island NY Area Redesignated to Attainment for CO*, 67 FR 19337, April 19, 2002. *Springfield MA Area Redesignated to Attainment for CO*, 67 FR 7272, February 19, 2002. *Waltham MA Area Redesignated to Attainment for CO*, 67 FR 7272, February 19, 2002. *Worcester MA Area Redesignated to Attainment for CO*, 67 FR 7272, February 19, 2002. *Cincinnati-Hamilton KY Area Redesignated to Attainment for Ozone*, 67 FR 49600, July 31, 2002. *Adams, Denver, and Boulder Counties; Denver Metropolitan Areas Redesignated to Attainment for PM-10*, 67 FR 58335, September 16, 2002. *Mohave County (part); Bullhead City AZ Area Redesignated to Attainment for PM-10*, 67 FR 43020, June 26, 2002. *Pinal and Gila Counties; Payson AZ Area Redesignated to Attainment for PM-10,* 67 FR 43013 , June 26, 2002. *Ramsey County; (part) MN Area Redesignated to Attainment for PM-10,* 67 FR 48787, July 26, 2002. *AQCR 238: Marathon County: Rothschild Sub-city Area, Rib Mountain, Weston WI Area Redesignated to Attainment for SO2*, 67 FR 37328, May 29, 2002. *Central Steptoe Valley NV Area Redesignated to Attainment for SO2*, 67 FR 17939, April 12, 2002.

2. Sources for standards for toxic pollutants already in place in FY 2002: Generic MACT: Carbon Black Production, Cyanide Chemicals Manufacturing, Ethylene Processes, and Spandex Production, 67 FR 39301, June 7, 2002. *Large Appliances: (Surface Coating)*, 67 FR 48253, July 23, 2002. *Leather Finishing Operations*, 67 FR 915510, February 27, 2002. *Polyvinyl Chloride & Copolymers Production,* 67 FR 45885, July 9, 2002. *Primary Copper*, 67 FR 40477, June 12, 2002. *Tire Manufacturing,* 67 FR 45598, July 9, 2002. *Cellulose Production: Carboxymethylcellulose Production, Cellulose Ethers Production, Cellulose Food Casing Manufacturing, Cellophane Production, Methylcellulose Production, Rayon Production*, 65 FR 52166, August 28, 2000, and Signed: May 15, 2002. *Petroleum Refineries:* Catalytic Cracking, Catalytic Reforming & Sulfur Plant Units. 67 FR 43244, April 11, 2002. *Wet Formed Fiberglass Mat Production*, 67 FR 17823, April 11, 2002.

3. U.S. EPA, *Emissions Modeling System for Hazardous Air Pollutants* (August 2002). Available at http://www.epa.gov/scram001/tt22.htm.

4. U.S. EPA, Clean Air Markets-Progress and Results: *The EPA Acid Rain Program 2001 Progress Report*. Available at http://www.epa.gov/airmarkets/cmprpt/arp01/index.html.

5. U.S. EPA, EPA's *Tier 2/Gasoline Sulfur Final Rulemaking* (February 10, 2000) *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 EPA's *Heavy-Duty Engine and Vehicle Standards and Highway Diesel Fuel Sulfur Control Requirements* (December 21, 2000), hapter VII: Benefit-Cost Analysis. Regulatory Impact Analysis EPA 420-R-00-026 (December 2000). Available at http://www.epa.gov/otaq/regs/hd2007/frm/ria-vii.pdf.

6. U.S. EPA, Office of Ground Water and Drinking Water's Drinking Water Natonal Information Management System. Available at http://www.epa.gov/OGWDW/dwsrf/dwnims.html.

7. Office of Management and Budget, The Executive Office of the President, Federal Management, *The President's Management Agenda*. Available at http://www.whitehouse.gov/omb/budget/fy2002/pma_index.html.

8. Office of Management and Budget, The Executive Office of the President, July 15, 2002, *Executive Branch Management Scorecard, Agency Scorecard: U.S. EPA*. Available at http://www.whitehouse.gov/omb/budintegration/scorecards/epa_scorecard.html.

9. General Accounting Office, *Program Evaluation, Strategies for Assessing How Information Dissemination Contributes to Agency Goals*, GAO-02-923 (September 2002).

10. U.S. EPA, Evaluation Support, Evaluation of Environmental Programs. Available at http://www.epa.gov/evaluate/.

11. U.S. EPA, Office of the Chief Financial Officer, Office of Planning, Analysis, and Accountability, Analysis Staff, internal analysis, Outcome Orientation According to the GAO Classification and the Hierarchy of Indicators (HoI), (April 2002).

12. U.S. EPA, Office of Environment Information, *Information Quality Guidelines*. Available at http://www.epa.gov/oei/qualityguidelines/index.htm.

13. National Advisory Council for Environmental Policy and Technology, *The Environmental Future: Emerging Challenges and Opportunities for EPA,* EPA 100-R-02-001 (Washington, DC: U.S. EPA, Office of the Administrator, Office of Cooperative Environmental Management September 2002). Available at http://www.epa.gov/ocem.

14. Section IV, FY 1998 to FY 2002 Statement of Budgetary Resources.

15. Section IV, FY 2002 Statement of Net Costs.

16. U.S. EPA, Office of the Chief Financial Officer (OCFO), EPA's Integrated Financial Accounting System.

17. U.S. EPA, Office of Water, Clean Water State Revolving Fund National Information Management System. Available at http://www.epa.gov/r5water/cwsrf.

18. U.S. EPA, Office of Ground Water and Drinking Water's Drinking Water National Information Management System. Available at http://www.epa.gov/OGWDW/dwsrf/dwnims.html.

19. U.S. EPA, OCFO, EPA's FY 2002 Budget Automation System.

20. U.S. Department of the Treasury, FY 2002 Superfund Trust Fund Financial Statements.

This Page Intentionally Blank