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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

SPECIAL

September 21, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #M-683

TO: Legislative Liaison Officer -

STATE - Julia C. Norton - (202)647-4463 - 225
ENERGY - Bob Rabben - (202)586-6718 - 209
NSC - William H. Itoh - (202)395-3723 - 249
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FROM: RONALD K. PETERSON (for) *Ronald K Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Mark KRAMER (395-3445)

SUBJECT: EPA Qs and As on The Administration's Policy
on Global Climate Change

DEADLINE: 10:00 AM September 24, 1993

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
J. Mietus
H. Paster

K. M. [signature]

FOLLOW-UP QUESTIONS

June 29, 1993 Hearing on Global Climate Change
U.S. House of Representatives
Committee on Energy and Commerce

7. *The President, in his Earth Day speech, called for a cost-effective plan. He said: "This must be a clarion call, not for more bureaucracy or regulation or unnecessary costs, but instead, for American ingenuity and creativity, to produce the best and most energy-efficient technology." We applaud him for that view. We understand, however, that some are urging the command and control approach....*

The Administration's ²~~National~~ Action Plan which is currently being ^{developed}~~revised~~ will identify a number of different options across different sectors to reduce the emission of greenhouse gases. The package of policy options will include actions such as regulation, voluntary programs, standards, market pull strategies, research and development, education and training, and others. All of these options will accomplish the goal of reducing greenhouse gas emissions, and many of these interdependent options will actually contribute to the economy's growth and competitiveness. For example, investments in energy efficiency have saved our economy millions of dollars - money which traditionally was spent on electricity to power inefficient products can now be directed toward job growth and international competitiveness. Like any investment, energy investments require an upfront capital expenditure, but experience has proven that these opportunities are very low risk and extremely profitable. By choosing the most cost-effective and flexible actions to reduce greenhouse gas emissions, it will be possible to both strengthen the economy and protect the environment.

10. *To what extent are the industrialized countries working together to ensure that exports of technologies and products from their countries to Asia, Africa, and other developing countries will meet more stringent emission controls so as to avoid competitive disadvantages and otherwise reduce emissions? For example, to what extent do vehicles exported to developing countries meet the stringent emission controls of Japan, the U.S., and the EC? What is being done to encourage developing countries to use lead-free gasoline? If this approach is not taken, will the U.S. be at a disadvantage relative to Japan and the EC? To what extent are fuel inefficient vehicles, new and used, being exported by Japan and other countries to less developed countries in Asia and elsewhere and thus are contributing to the global warming problem?*

①

Barbara D. Brown, Secretary

Currently most developed nations have emission standards for mobile sources and the need for emissions standards continues to become ever more apparent in urban areas of developing nations around the world. Motor vehicle manufacturers have urged the international community to ensure that standards for vehicles, engines, and fuels be consistent worldwide to minimize their compliance burden. EPA is participating in the efforts of the Organization for Economic Cooperation and Development (OECD) to develop international standards and test procedures and to advise developing countries on coordination of requirements for vehicle and engine technology and fuels (for example, ensuring that lead-free gasoline is widely available if standards requiring catalytic converters are mandated). Countries adopting emission standards are likely to set the level of the standard according to their individual needs rather than adopt an international norm. Recognizing this, the OECD has been focusing much of its effort on harmonization of the test procedures by which the level of emissions are measured. Most of the OECD effort to date has concentrated on heavy-duty engines used in trucks and buses rather than light-duty passenger cars.

EPA does not have data on the emissions levels or fuel economy ratings of vehicles exported to or produced in the developing world. At this time there are several manufacturers in the U.S., Japan, and Europe that manufacture vehicles for all major markets within the industrialized world and that meet the different standards of these nations. EPA does not believe that there are any impediments to the full participation of U.S. manufacturers in developing world markets that are due to emission standards.

EPA believes that the adoption by developing countries of emission standards for carbon monoxide and hydrocarbons would, over time, lead to an increase in average on-road fuel economy in these countries. Because carbon monoxide and hydrocarbon emissions are due to inefficient fuel combustion, EPA standards for emissions of these pollutants have caused technological improvements that often result in fuel economy benefits. In the developing world, we would expect similar results from emission standards: for example, standards might lead to the elimination of inefficient two-stroke gasoline engines and more precise fuel control for four-stroke engines.

14a. In June the EPA published an "Estimation of Greenhouse Gas Emissions and Sinks for the United States 1990". requesting comments on the compilation of GHG emissions and sequestrations in the U.S. for 1990. What is the purpose of the document and how will it be used? How does it relate to the inventory required by section 1605 of the Energy Policy Act of 1992 and other DOE authorities? What is the status of that inventory? Are EPA and DOE coordinating in collecting and compiling information under each of their authorities for such collection?

EPA developed the recently released review draft of "Estimation of Greenhouse Gas Emissions and Sinks for the United States: 1990" for two main purposes. First, the inventory is the first step required in developing a national climate change policy. EPA was instructed to develop such a policy by the Global Climate Protection Act of 1987. Second, the revised inventory will meet a U.S. commitment in the Framework Convention on Climate Change. EPA has provided previous drafts of this greenhouse gas inventory, following

interagency review, for all major U.S. plans and submissions, including: the U.S. submission to the Intergovernmental Panel on Climate Change in 1991, and the 1992 National Action Plan. EPA released the report, again after interagency comments, for public comment in order to encourage public participation in the preparation of the President's National Action Plan.

Section 1605 of the Energy Policy Act of 1992 requested EIA to prepare inventories of U.S. greenhouse gas emissions, apparently without recognition of the existing effort lead by EPA. EPA alone cannot guarantee that this inventory will be entirely consistent with the inventory being developed by EIA to meet the requirements of section 1605 (a) of the 1992 Energy Policy Act. However, EPA is working with EIA to resolve differences in methods and data. EPA and EIA have shared drafts of our inventories and EPA hopes to resolve the remaining differences expeditiously. EPA and EIA staffs agreed to prepare a Memorandum of Understanding to coordinate in the exchange of necessary information and the efficient use of resources. The two agencies also agreed to develop cross-walks between their respective inventories. EPA strongly believes that U.S. greenhouse gas inventories should be prepared as efficiently and accurately as possible, and in adherence to the internationally agreed upon guidelines. We will continue to work with DOE and other key agencies toward this objective.

14b. We understand that the EPA document shows a sharp decline in the estimates for carbon sequestration rates on timberlands. The average for 1977-1987 is 229 Teragrams Carbon/year and the average projection for 1990 is 126 Teragrams Carbon/year. Apparently, the main reason for this decline is the increase in the amount of land in reserve (Wilderness areas, National Forests, etc.) and therefore unavailable for timber harvesting. We understand that when an area is no longer available for timber harvesting the U.S. Forest Service does not maintain information on those trees in their inventory. Can you provide us with more information on the data collected to date, the techniques used, and the source of the changes in data between 1977-87 and 1990?

The Forest Service has historically maintained timber inventories to assess how these supplies will meet the needs of the country. With this purpose in mind, they excluded areas that are in Wilderness, National Parks, or are administratively reserved for non-timber producing purposes. However, to assess carbon storage on forestlands, administrative designations serve no purpose.

The questions posed on data collected to date, the techniques used, and the source of changes in the data between 1977-87 and 1990 are best addressed to the Forest Service (USFS) directly. EPA works closely with USFS on sink estimates and uses the best estimates

available from USFS in preparing this document. This excluded information on acres which are removed from harvest availability. EPA is working with the Forest Service to review the assumptions used in the June 21, 1993 Review Draft.

It is important that historic and projected inventory numbers be internally consistent, and that administrative or legislative designations do not confuse carbon inventories. USFS has not inventoried its federal forest lands in a consistent fashion from region to region, and so it is difficult to estimate the total inventory accurately. The Forest Service has developed rough estimations of public lands timber inventories and projections for its work with EPA, which were used in developing the Review Draft.

EPA also understands that the Forest Service has recently begun a three year effort to inventory the National Forest lands more consistently. This effort deserves to be supported vigorously. The projected decreases in carbon sequestration rates cannot be solely attributed to public lands. Timber inventories on private forest lands (which are well measured) are projected to grow more slowly in the future as harvest pressures and land-use competition increase. Consequently, the growth rate of carbon stocks on private timberlands is expected to slow.

18a. What are the man-made vulnerabilities to any climate change and how do they compare to natural ones. How could those vulnerabilities exacerbate or accelerate possible adverse effects of climate change.

In many cases, the manmade vulnerabilities to climate change are much more significant than natural vulnerabilities.

Sea Level Rise is probably the best understood. In Louisiana, for example, the natural impact of a one meter (per century) rise in sea level would be to cut the equilibrium size of the delta in half, because the total relative rise in sea level (including subsidence) would be doubled. But federal projects to control flooding and maintain navigation channels have disabled the natural processes that would allow the delta to adjust to sea level rise. Therefore, even a 50 cm rise in sea level will eliminate most of this delta. ("Saving Louisiana's Wetlands", Louisiana Wetland Protection Panel 1987, Louisiana Geological Survey and Environmental Protection Agency). Similarly, wetlands and beaches can naturally migrate inland as sea level rises; but unless developed areas are abandoned, structures will block the inland migration of these structures and the wetlands and beaches will be lost.

River Flooding. The recent events along the Mississippi and Missouri rivers also illustrate the potential for human activities to exacerbate the impacts of climatic shifts. No one has demonstrated that these floods result from greenhouse warming; but an EPA Report to Congress (Smith and Tirpak 1989) showed that river flooding might increase in the Tennessee Valley, and the same principals apply elsewhere. Development, destruction of wetlands, and deforestation all decrease recharge of aquifers and increase runoff during rainstorms. Therefore, these activities increase the vulnerability to floods and drought. Levees and dams, on the other hand, can decrease vulnerability during modest floods; but if the flood is worse than the system was designed for, the dams and levees are overtopped and hence provide no protection.

Terrestrial Ecosystems. Human activities do not appear to be substantially diminishing the ability of forests to adapt to climate change. In urban areas, air pollution may increase vulnerability; the decline of the passenger pigeon will make it more difficult for beech trees to migrate north; on the other hand, people can transport seeds into cooler regions.

On the other hand, human activities will impair the ability of terrestrial animals to migrate to cooler regions. For some species, highways and development present a virtually impenetrable barrier to migration. Moreover, the areas that would otherwise become suitable habitat as climate warms may already be developed.

Comfort. The increasing penetration of airconditioning ensures that warmer temperatures will not hurt comfort levels as much as they would under natural conditions. On the other hand, urban development and high-rise tenements would leave poor people who can not afford air conditioning more vulnerable than they would be in a more natural forest setting.

Agriculture. Because this is inherently a human activity, all impacts are by definition, manmade.

18b. Do adaptation measures minimize adverse impacts on activities and resources most vulnerable to climate change?.

By definition, a rational adaptation activity designed to minimize adverse impacts of climate change would do so. However, because existing activities are not designed to minimize adverse impacts of climate change, they will do so only by sheer coincidence. For example, the U.S. action plan on adaptation activities lists only those activities that are being

undertaken today. Because the United States is not currently following implementing policies to—for example—minimize the impact of sea level rise on coastal ecosystems, the coastal adaptation activities in the U.S. action plan do not minimize adverse impacts on resources vulnerable to climate change.

19a What are the costs, including human costs and costs to communities, and benefits of achieving various levels of GHG reductions, including stabilization and the level achieved by a "no regrets" strategy?

The costs of achieving various levels of GHG reductions can be measured by changes in aggregate economic output, such as gross domestic product (GDP), or changes in the composition of economic output and the adjustment costs involved in moving the economy towards a less GHG-intensive structure. The distribution of economic costs (and benefits) will vary among the population based on levels of income and wealth, sources of income and wealth, age, geography, and other relevant characteristics.

No fully satisfactory analysis has been undertaken of the benefits of reducing greenhouse gas emissions: Our understanding of even the likely climate change is very poor; and a benefits assessment requires us to then determine how changes in climate would alter natural and human systems, without the benefit in most cases of analogous changes to these systems. Although a benefits assessment does not require us to convert all of the impacts into monetary values, the results of such an assessment can not be conveniently summarized until that is done, which adds another dimension of difficulty.

A few crude assessments have been published. Kline ("The Economics of Global Warming, Institute for International Economics", 1992) considers the consequence of a policy implemented by 2000 which indefinitely constrains worldwide emissions at about 80% of the 1990 level. The cost of doing so would rise to about 4% of the Gross World Product (GWP) in the year 2030, and then taper off to about 3% in the following decades. The benefits, by contrast would be relatively small at first, reaching 2% of GWP by 2030 and remaining less than the cost until around the year 2070. Thereafter, the benefits—relative to unlimited emissions—would continue to grow, exceeding 10% of GWP during the 22nd century.

Titus (In: Majumdar et al. (eds) Global Climate Change: Implications, Challenges, and Mitigation Measures, Pennsylvania Academy of Sciences 1993) considers a more modest reduction of 10 billion tons of carbon emissions during the next decade, i.e., a one-time decline of 80 billion barrels of oil, after which emissions return to what they would otherwise be. He estimates that such a reduction would reduce global warming by about

0.05°C in the year 2025; total benefits would be equal to about 3% of the impact in the year 2025, declining to 1-1/2% in the year 2100. At a 3% discount rate, the benefits would be equal to 16-37 cents per gallon of gasoline conserved.

19b How sensitive are such costs and benefits to the timing of the reductions? To what extent are any means of control and their costs and benefits sensitive to issues of lead time, technology development, and governmental regulation; to other factors, such as an increase in vehicle-miles-traveled because of convenience, costs, cheap fuel, and other reasons; to changes or replacement in infrastructure; to energy intensity changes; and to maximum probable investment in capital? Will these factors differ from industry sector-to-sector?

The sensitivity of benefits to timing depends on whether cutting emissions today merely takes advantage of a transitory one-time opportunity, or leads to a continual evolution of our ability to cut emissions. Although the oceanic inertia delays the effects of emissions somewhat, the climate in the year 2100 would be about the same if, for example, we cut emissions by 10 billion tons in each of the next two decades as if we did not cut emissions this decade but cut emissions by 20 billion tons in the following decade. In such a case, the benefits of reducing emissions would not be sensitive to timing; this situation might apply to policies that switch from high CO₂ (e.g. coal) to low CO₂ (e.g. natural gas) exhaustible resources. But cutting emissions today does not usually mean that they will be greater in the next decade.

At the other extreme, if technological evolution drives the emissions reduction, implementing a policy today may give technology a head start that will enable it to be more advanced than it would otherwise be for many decades. Thus, cutting emissions this decade could lead to lower emissions in all succeeding decades than what would occur if a policy was delayed. In such a case, global warming by the year 2100 could prove to be very sensitive to the timing of emissions reductions. A moderate sensitivity to timing would occur to the extent that cutting emissions now leads us to make permanent changes that we would have otherwise made later, but not to a continual evolution in our ability to conserve.

Published studies have not thoroughly investigated the sensitivity of benefits to the timing of emissions reductions. A 1982 report in *Nature* (Schlesinger et al.) seemed to suggest that delaying a policy for 10 years might be rational; emissions expected during the next 10 years account for a small fraction of the emissions expected over the next century, so delay would only increase the total warming a few percent by the year 2100. But when considering long-term problems such as the federal deficit or the need of an individual to quit smoking, it is always true that taking the necessary action today is only slightly better than taking it tomorrow.

Mitigation cost will be lower the longer time period given to achieve any particular reduction target. Although it should not be used to avoid taking prompt action and considering that there are a number of highly efficient technologies which are profitable to install and which will actually reduce the cost of future mitigation efforts, a longer time period is more likely to be in accord with a typical capital stock turnover, allowing relatively high GHG-emitting technology to be replaced by lower GHG-emitting technology in a normal replacement cycle. However, the cost savings associated with a longer time period must be weighed against the cost increase associated with the additional GHG emissions released into the atmosphere during the additional time. In addition, a longer time period, in conjunction with an explicit GHG minimization goal, is more likely to produce lower-cost no- and low-GHG emitting technologies if the search for new technologies begins right away. The actual costs incurred for GHG mitigation will be sensitive to both the reduction target and its timing. The mitigation costs will also be sensitive to numerous other factors, most particularly population and economic growth and relative energy prices.

Given that industries vary in their energy and capital intensiveness, as well as their expected rate of market growth and relative competitiveness, GHG mitigation costs will vary from sector to sector, region to region, and company to company.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

June 18, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #D-270
DRAFT #288

TO: Legislative Liaison Officer -

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JUSTICE - Faith Burton - (202)514-2141 - 217
CEA - Francine Obermiller - (202)395-5036 - 242
NEC - Sonia Mathews - (202)456-6722 - 429
TREASURY - Richard S. Carro - (202)622-1146 - 228

FROM: RONALD K. PETERSON (for) *Ronald K. Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Holly FITTER (395-3233)
Secretary's line (for simple responses): 395-6194
Pam BARR (395-5852)

SUBJECT: EPA Draft Bill Drinking Water Infrastructure
Financing Act of 1993

DEADLINE: 3:00 PM June 21, 1993

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

A. Fraas
K. McGinty
C. Rasco
M. Weatherly

A. Kolaian

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12:35

OMB LRD/RDI

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EPA CONG LIASON

EXPEDITE

United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20540-0176

June 3, 1993

The Honorable Carol M. Browner
Administrator
U.S. Environmental Protection Agency
401 M Street, SW
Washington, D.C. 20460

Dear Ms. Browner:

In "A Vision of Change for America", President Clinton proposed creating a new drinking water state revolving loan fund. His proposal seeks authorization for \$599 million in fiscal year 1994 and \$1 billion per year for each of fiscal years 1995 through 1997. The fund would provide new capitalization grants to the States for low interest loans to help water systems comply with the provisions of the Safe Drinking Water Act.

In order for the Committee to carefully consider the Administration's request, we will need to receive the Administration's proposed legislative language authorizing the proposal as soon as possible. This is particularly important as the Appropriations Committee has already started work on the FY 94 bill. Without timely progress on an authorization for this program, appropriations for it could be delayed.

In addition, I know the agency is reviewing implementation of the Safe Drinking Water Act, as required by the FY 93 HUD and Independent Agencies Appropriations Act, and is preparing recommendations to Congress on possible reforms. It would be exceedingly useful if you could forward these recommendations to the Congress as soon as possible.

I look forward to working with you on both of these important legislative items.

Sincerely

Max Baucus
Chairman

EXPEDITE

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103d CONGRESS
1st Session

A BILL

To provide for capitalization of State revolving funds for the purpose of assisting public water systems comply with the provisions of Title XIV of the Public Health Service Act (the Safe Drinking Water Act).

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Drinking Water Infrastructure Financing Act of 1993".

SEC. 2. DEFINITIONS.

For purposes of this Act--

(1) the term "Administrator" means the Administrator of the United States Environmental Protection Agency.

(2) The term "Indian Tribe" means any Indian tribe having a Federally recognized governing body carrying out substantial governmental duties and powers over any area, and includes Alaska Native Villages.

(3) The term "public water system" means a system for the provision to the public of piped water for human consumption, if such system has at least fifteen service connections or regularly serves at least twenty-five individuals. Such term includes (A) any collection, treatment, storage and distribution facilities

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1 under control of the operator of such system and used primarily in
2 connection with such system, and (B) any collection or pretreatment
3 facilities not under such control that are used primarily in
4 connection with such system.

5 (4) The term "community water system" means a public water
6 system which serves at least 15 service connections used by year-
7 round residents or regularly serves at least 25 year-round
8 residents.

9 (5) The term "non-community water system" means a public water
10 system that is not a community water system.

11 (6) The term "State" does not include the District of
12 Columbia, the Virgin Islands, the Northern Mariana Islands,
13 American Samoa, Guam, and the Trust Territory of the Pacific
14 Islands.

15 **SEC. 3. GENERAL AUTHORITY.**

16 (a) IN GENERAL.--The Administrator shall enter into agreements
17 with States having primary enforcement responsibility (primacy) for
18 the Public Water System Supervision (PWSS) Program under the Safe
19 Drinking Water Act, to make capitalization grants to such States to
20 further the health protection objectives of the Safe Drinking Water
21 Act.

22 (b) ESTABLISHMENT OF REVOLVING FUND.--Amounts allotted to
23 States under section 4 shall be used to establish a drinking water
24 treatment revolving fund by the State. Each such revolving fund
25 shall be established, maintained, and credited with repayments and

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1 interest. The fund balance shall be available in perpetuity for
2 providing financial assistance under this Act.

3 (c) ADMINISTRATION OF FUND.--The authority to establish
4 assistance priorities and carry out oversight and related
5 activities (other than financial administration) with respect to
6 such assistance shall remain with the State agency having primary
7 responsibility for administration of the State program under the
8 Safe Drinking Water Act.

9 SEC. 4. ALLOTMENT OF FUNDS.

10 (a) FORMULA--Funds authorized to be appropriated to carry out
11 this Act shall be allotted in accordance with the formula used to
12 distribute Public Water System Supervision grant funds under
13 section 1443 of the Safe Drinking Water Act except that, for
14 purposes of allotment under this Act only--

15 (1) no State shall receive less than 0.5% of the annual
16 appropriation to carry out the purposes of this Act;

17 (2) the Administrator shall set aside each fiscal year an
18 amount not to exceed 1.5 percent of the funds appropriated to
19 carry out this Act, for purposes of providing grants to public
20 water systems of Indian Tribes as set forth in section 8; and

21 (3) the Administrator shall set aside each fiscal year
22 appropriate amounts of the funds appropriated to carry out
23 this Act, for purposes of providing grants to public water
24 systems in the District of Columbia, the Virgin Islands, the
25 Northern Mariana Islands, American Samoa, Guam, and the Trust

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1 Territory of the Pacific Islands as set forth in section 8.
2 Upon completion of a Needs Survey conducted in accordance with
3 subsection 9(c) of this Act, the allotment formula may be
4 revised if expressly authorized by an act of Congress.

5 (b) ALLOTMENT PERIOD.--

6 (1) PERIOD OF AVAILABILITY FOR GRANT AWARD.--Sums
7 allotted to a State under this Act for a fiscal year shall be
8 available for obligation to the State during the fiscal year
9 for which sums are authorized and during the following fiscal
10 year, except for funds which are appropriated in fiscal year
11 1994, for which the period of availability shall be fiscal
12 year 1994 and two years thereafter.

13 (2) REALLOTMENT OF UNOBLIGATED FUNDS.--The amount of any
14 allotment not obligated to the State by the last day of the
15 period of availability established by paragraph (1) shall be
16 immediately reallocated by the Administrator on the basis of
17 the same ratio as is applicable to sums allotted under
18 subsection (a). None of the funds reallocated by the
19 Administrator shall be reallocated to any State which has not
20 been obligated all sums allotted to such State in the period
21 of availability.

22 SEC. 5. ELIGIBLE ASSISTANCE.

23 (a) IN GENERAL.--Amounts deposited in revolving funds,
24 including loan repayments and interest earned on such amounts, may
25 be used by the State for the purposes set forth in this section.

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1 (D) (1) ELIGIBLE PUBLIC WATER SYSTEMS.--The State may provide
2 assistance from the fund only to community water systems and public
3 and non-profit non-community systems.

4 (2) LOANS OR OTHER FINANCIAL ASSISTANCE TO PUBLIC WATER
5 SYSTEMS.--Amounts deposited in revolving funds, including loan
6 repayments and interest earned on such amounts, may be used by the
7 State for the purpose of providing loans (including low-interest
8 and no interest), loan guarantees, or purchases of insurance for
9 local debt obligations for eligible public water systems. Such
10 financial assistance shall be provided only for capital
11 expenditures (not including operation and maintenance expenditures
12 and land acquisition) by eligible public water systems existing as
13 of the date of enactment of this Act, for types or categories of
14 projects which will facilitate compliance with current and future
15 national primary drinking water regulations applicable to such
16 system under the Safe Drinking Water Act.

17 (C) BUYING OR REFINANCING DEBT.--Amounts deposited in
18 revolving funds, including loan repayments and interest earned on
19 such amounts, may be used by the State for the purpose of buying or
20 refinancing the debt obligation of eligible public water systems
21 within the State at or below market rates, where such debt
22 obligations were incurred after the date of enactment of this Act
23 for the purposes of construction necessary to comply with the
24 national primary drinking water regulations under the Safe Drinking
25 Water Act.

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1 (d) LEVERAGING.--The State may use its fund as a source of
2 revenue or security for the payment of principal and interest on
3 revenue or general obligation bonds issued by the State if the
4 proceeds of the sale of such bonds will be deposited in the fund.

5 (e) PRIVATELY-OWNED PUBLIC WATER SYSTEMS.--In the case of any
6 eligible public water system which is not owned and operated by a
7 governmental or inter-governmental agency, the State may provide
8 loans from a state revolving fund under this Act only to those
9 systems having the greatest public health needs and financial need.
10 Before providing a loan to a privately-owned system, the State must
11 ensure that the loan is secured with an appropriate amount and type
12 of financial collateral.

13 (f) CONSOLIDATION.--No loan or other financial assistance for
14 an eligible public water system from such revolving fund may be
15 used for any expenditure that could be avoided or significantly
16 reduced by appropriate consolidation of that public water system
17 with any other public water system, except that in such cases
18 assistance may be provided from the fund for such consolidation.
19 The Administrator, in consultation with the States and
20 organizations representing public water systems, shall establish
21 criteria to be applied in determining when the consolidation of
22 eligible public water systems is appropriate.

23 (g) ABILITY TO REPAY.--The State may provide a loan to an
24 eligible public water system from its revolving fund pursuant to
25 this section only after making a determination that the system has

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1 the ability to repay the loan according to its terms and
2 conditions.

3 (h) ADMINISTRATION COSTS; TECHNICAL AND PLANNING ASSISTANCE;
4 SAFE DRINKING WATER ACT IMPLEMENTATION.--A State is authorized to
5 expend, from the revolving fund established under this Act, a
6 reasonable amount--

7 (1) not to exceed a total of 4 percent of the
8 capitalization grants, to cover the costs of administration of
9 the assistance program under this Act, including establishing
10 priority lists and intended use plans;

11 (2) not to exceed a total of 1 percent of the
12 capitalization grants, for providing technical assistance to
13 potential loan recipients, and for planning activities,
14 including identifying situations where system consolidation is
15 appropriate.

16 SEC. 6. SPECIFIC REQUIREMENTS.

17 The Administrator shall enter into an agreement with a State
18 under this Act, which shall include but not be limited to the
19 specifications set forth in this section, only after the State has
20 established to the satisfaction of the Administrator that--

21 (a) the State will deposit its capitalization grant from funds
22 allotted under this Act into a drinking water revolving loan fund.
23 The State shall deposit all loan repayments and interest earnings
24 into the drinking water treatment revolving fund.

June 14, 1993

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(b) the State will deposit in the fund from State monies an amount equal to at least 20 percent of the total amount of the payment to be made to the State on or before the date on which the payment is made to the State.

(c) the State and loan recipients will use accounting, audit, and fiscal procedures conforming to generally accepted government accounting standards.

SEC. 7. COMBINED FINANCIAL ADMINISTRATION.

Notwithstanding subsection 6(a), a State may combine the financial administration of a revolving fund established under this Act with the financial administration of another revolving fund established by the State if the Administrator determines that the grants under this Act, together with loan repayments and interest, will be segregated and used solely for the purposes specified in section 5.

SEC. 8. DIRECT GRANTS.

From the funds set aside pursuant to paragraphs 4(a)(2) and 4(a)(3), the Administrator is authorized to make grants to public water systems of Indian Tribes and to public water systems in the District of Columbia, the Virgin Islands, the Northern Mariana Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands, for construction of public water system facilities and system improvements.

June 14, 1993

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1 **SEC. 9. ANNUAL AUDITS; STATE REVIEWS; DRINKING WATER SURVEY.**

2 (a) **AUDITS.**--The Administrator shall, on an annual basis,
3 conduct, or require each State to have independently conducted in
4 accordance with the provisions of the Single Audit Act, reviews and
5 audits as may be deemed necessary or appropriate by the
6 Administrator to carry out the objectives of this Act.

7 (b) **STATE REPORTS.**--Each State administering a revolving fund
8 shall annually publish and submit to the Administrator a report on
9 its activities under this Act, including the findings of the most
10 recent audit of the fund.

11 (c) **DRINKING WATER SURVEY.**--The Administrator, within two
12 years of enactment, shall assess the needs of drinking water
13 treatment facilities, and the degree to which such needs are being
14 met by this Act and the Safe Drinking Water Act.

15 (d) **EVALUATION.**--EPA will conduct an evaluation of the
16 effectiveness of the drinking water State revolving fund through FY
17 1996. It will be submitted to Congress with the FY 1996 EPA budget
18 and will be used to guide future reauthorization efforts.

19 **SEC. 10. ENFORCEMENT.**

20 The failure or inability of any public water system to receive
21 funding under this or any other loan or grant program, or any
22 delays in obtaining such funds, shall in no event alter the
23 system's obligation to comply in a timely manner with all
24 applicable drinking water standards and requirements of the Safe
25 Drinking Water Act.

June 14, 1993

- 10 -

SEC. 11. REGULATIONS AND GUIDANCE.

The Administrator shall publish such guidance and promulgate such regulations as may be necessary to carry out the provisions of this Act, including provisions to ensure that each State commits and expends funds from revolving funds established under this Act in accordance with the requirements of this Act and applicable Federal and State laws. Such guidance and regulations shall also ensure that the states, and eligible public water systems receiving assistance under this Act, use accounting, audit, and fiscal procedures that conform to generally accepted accounting standards.

SEC. 12. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out the purposes of this Act \$599,000,000 for the fiscal year 1994 and \$1,000,000,000 for each of fiscal years 1995 through 1998.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

June 18, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-683

TO: Legislative Liaison Officer -

DOI - A/H
AGRICULTURE - Marvin Shapiro - (202) 720-1516 - 312
TREASURY - Richard S. Carro - (202) 622-1146 - 228
CEA - Francine Obormiller - (202) 395-5036 - 242
NEC - Sonia Mathews - (202) 456-6722 - 429
JUSTICE - Faith Burton - (202) 514-2141 - 217

FROM: RONALD K. PETERSON (for) *Ronald K. Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Holly FITTER (395-3233)
Secretary's line (for simple responses): 395-6194
Pam BARR (395-5852)

SUBJECT: EPA Proposed Report RE: HR 1865, Water Supply
Construction Assistance

DEADLINE: 3:00 PM June 21, 1993

COMMENTS: See LRM 682 (Report to Congressman Dingell) for
comments on HR 1701.

OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President, in
accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or
receipts for purposes of the the "Pay-As-You-Go" provisions of
Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:
M. Weatherly
K. McGinty
A. Fraas
A. Kolaian
C. Rasco

LRM #I-683

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: Holly FITTER
Office of Management and Budget
Fax Number: (202) 395-5691
Analyst/Attorney's Direct Number: (202) 395-3233
Branch-Wide Line (to reach secretary): (202) 395-6194

FROM: _____ (Date)
 _____ (Name)
 _____ (Agency)
 _____ (Telephone)

SUBJECT: EPA Proposed Report RE: HR 1865, Water Supply
Construction Assistance

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur _____
 _____ No objection _____
 _____ No comment _____
 _____ See proposed edits on pages _____
 _____ Other: _____
 _____ FAX RETURN of _____ pages, attached to this
 _____ response sheet _____

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

683

THE ADMINISTRATOR

Honorable Norman Y. Mineta
Chairman
Committee on Public Works and Transportation
House of Representatives
Washington, D.C. 20515-6256

Dear Mr. Chairman:

Thank you very much for your letter of June 4, 1993, in which you requested the U.S. Environmental Protection Agency's (EPA) comments on H.R. 1865, the "Water Supply Construction Assistance Act of 1993" and H.R. 1701, the "Drinking Water and Public Health Enhancement Amendments of 1993." I appreciate the opportunity to comment on these bills.

Let me begin by applauding your work on development of legislation to authorize a State Revolving Fund for drinking water (DWSRF) in support of the President's "A Vision of Change for America." In general, H.R. 1865 and H.R. 1701 address the elements of the State Revolving Fund proposed by the President. There is, however, some specific language in both H.R. 1865 and H.R. 1701 that could better reflect the Administration's position as it has developed in more detail in recent weeks.

The Administration's position on the elements of the DWSRF is contained in the Administration's "Statement of Principles" enclosed with this letter. In addition, I am enclosing our analysis of both bills. These analyses contain two sections: a discussion of the aspects of the proposed legislation that the Administration supports and a discussion of these aspects we do not favor, along with a statement of our rationale.

I would like to state the Agency's position on the types of financial assistance that should be available through the DWSRF. To ensure the long term integrity of the DWSRF, financial assistance should be limited to loans, loan guarantees, or purchases of insurance for local debt obligations for capital improvement projects (excluding land acquisition). The provision contained in H.R. 1865 that interest derived from funds in an DWSRF account or from loans made from such account may be used by the State to make grants to pay up to 50 percent of the cost of eligible projects could erode the corpus of the SRF. Grants are available through some State programs and through the Rural Development Administration (RDA) (for communities under 10,000

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population). The President has requested increased RDA funding to help these communities comply with water quality mandates.

Another important issue is the scope of eligibility for DWSRF assistance. H.R. 1865 would allow "for construction, rehabilitation, and improvement of water supply systems, including treatment to remove pollutants from navigable waters for the purpose of making such waters useable by water supply systems." The Administration's position is that assistance should be limited explicitly to helping public water supply systems comply with the Safe Drinking Water Act.

Several important issues are also discussed in the enclosed analyses of H.R. 1865 and H.R. 1701. I will be pleased to work with you in authorization of this much needed DWSRF program. If you have any questions in the meantime, please contact me or call Martha G. Prothro, Acting Assistant Administrator for water, at 260-5700.

Sincerely,

Carol M. Browner

Enclosures

THE ADMINISTRATION'S ANALYSIS OF HR 1865

COMPONENTS OF BILL THAT THE ADMINISTRATION FAVORS:

PROJECT ELIGIBILITY:

- Loans are available for construction, rehabilitation and improvement of water supply systems.

STATE PROGRAM REQUIREMENTS:

- Repayments from loan recipients, including interest, must be credited to the SRF account.
- States must provide a 20% match starting in FY 1994 to receive an SRF grant.
- States must use generally accepted accounting principles.
- SRF funds must be dedicated in perpetuity for funding drinking water infrastructure.
- States must submit annual reports.

STATE SET-ASIDES IN CAPITALIZATION GRANTS:

- Up to 1½% of appropriated funds could be used for grants to Indian tribes (the bill includes Alaskan Native Villages in the definition of Indian tribes).
- A 5% set-aside is provided for States to use to administer the DWSRF. As discussed later in this paper, the Administration believes that this is the appropriate set-aside level, but the purposes should be broader.

ALLOTMENT FORMULA/ALLOTMENT PERIOD:

- The current PWSS formula, with a ½ % minimum, is used to allot SRF funds to the States.
- The allotment formula could be revised when the drinking water needs survey is complete.
- States have up to three years to obligate funds appropriated in FY 1994 and up to two years thereafter.

LEVERAGING

- Leveraging is allowed (by reference to Title VI).

Analysis of HR 1885

COMPONENTS OF BILL THAT THE ADMINISTRATION DOES NOT FAVOR:**PROJECT ELIGIBILITY:**

- SRF funds can be used to provide loans to systems for technical assistance.

Administration position: A set-aside of up to 1% should be allowed to States (rather than systems) to provide technical assistance to help systems apply for financial assistance and to cover for planning activities, including identifying situations where consolidation is appropriate.

- Interest earned in the fund could be used for grants that could fund up to 50% of the cost of construction, rehabilitation or improvement of the water system.

Administration position: Grants could quickly erode the corpus of the fund and would limit the fund's ability to grow. States may provide grants on their own authority without affecting the SRF. The advantageous interest rates of the SRF already provide a generous Federal subsidy.

- System consolidation is not addressed in the legislation.

Administration position: The statute should explicitly encourage consolidation of otherwise "non-viable" systems. Systems should not receive funding for other compliance methods if substantial cost savings could be realized by consolidation. System consolidation projects should be eligible for loans.

- Funds are not targeted to a specific public health goal.

Administration position: The SRF should be used only to support compliance with the Safe Drinking Water Act (SDWA).

SYSTEM OWNERSHIP:

- Only drinking water systems that are owned by a governmental entity, a nonprofit organization, or a private entity that is publicly regulated are eligible for funding.

Administration position: States vary substantially in the degree to which they regulate privately-owned systems. All publicly and privately owned community water systems should be eligible for funding, while non-community system eligibility should be restricted to public and non-profit systems. Nearly 46% of community systems are privately-owned, including those in Indianapolis, Baton Rouge, and Alexandria, Virginia. Loans to privately-owned systems should be secured with an appropriate amount and type of financial collateral.

*Analysis of HR 1885***STATE ELIGIBILITY:**

- All States may operate an SRF program, regardless of whether the State has primacy for the PWSS program.

Administration position: Only States with primacy should be eligible to receive Federal SRF funding. Tying the SRF to primacy will provide States with an important incentive to maintain and adequately fund primacy.

- The drinking water fund must be established as a separate account within the existing clean water SRF program.

Administration position: States should have flexibility in determining whether to administer the SRF as a separate account within the wastewater SRF or as a separate program. In a number of States the wastewater and drinking water programs are in different departments. As long as fund management meets minimum requirements discussed elsewhere, the statute should not dictate where the fund is managed.

- Except for Indian Tribes, use of the fund is limited to establishing SRFs.

Administration position: The District of Columbia, American Samoa, Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Virgin Islands should not be required to develop SRF programs. These jurisdictions are either too small to operate SRF programs efficiently or they own their own drinking water systems, or both.

STATE FUND REQUIREMENTS:

- States and DWSRF loan recipients must adhere to certain provisions of Title VI and Title II. Some examples include: corrective action, audits, reports and fiscal controls, commitment of funds within one year, and legal, institutional, managerial and financial capability.

Administration position: While generally the requirements which apply to the State as a capitalization grant recipient should be similar in both the DWSRF and the CWSRF programs, some of the CWSRF requirements are not appropriate for the DWSRF (e.g., the 20% cap on funding sewer projects). The Administration may recommend deletion or modification of some of the existing CWA requirements as they apply to the DWSRF.

*Analysis of HR 1885***ALLOTMENT FORMULA/NEEDS SURVEY:**

- Funding would be based on the PWSS allotment formula in FY 1994 and on a needs survey in FY 1995 and 1996. The survey would include an evaluation of the economic impact that the DWSRF will have on the "affected-units of government". The survey would be due to Congress by January 1, 1996 and revised every 2 years thereafter.

Administration position: EPA could not complete a needs survey in time to allocate FY 1995 funds. H.R. 1885 requires the survey to be complete by January 1, 1996, which is three months into Federal fiscal year 1996. Therefore, the current PWSS formula should be used for FY 1994 and FY 1995. A needs survey could be completed in time for final allocation of the FY 1996 funds. EPA should revise the survey every four years so that, on an alternate four year schedule, EPA could update both the wastewater and drinking water needs surveys.

The language in H.R. 1885, requiring EPA to conduct an economic evaluation of the affected units of governments is unclear. We believe, however, that EPA should conduct a broad evaluation of the effectiveness of the DWSRF through fiscal year 1995. Such an evaluation would be used to guide future reauthorization efforts.

REALLOTMENT OF UNOBLIGATED FUNDS:

- Funds not obligated within the period of availability are reallocated to States that received their capitalization grant in the first year of availability.

Administration position: If a State receives its capitalization grant during the period of availability (up to three years for FY 1994 funds and two years thereafter), that State could participate in any reallocation.

STATE SET-ASIDES:

- States may use 5% of BRF funds for administration.

Administration position: The 5% should be broken out as follows:

- up to 4% for BRF administration;
- up to 1% for State planning activities, including identifying systems where consolidation is appropriate, and State technical assistance to potential loan recipients.

Analysis of HR 1885

A 4% set-aside should suffice for States to administer the SRF. An additional 1% should be made available specifically for States to use for planning activities (such as identifying situations where consolidation is appropriate) and for providing technical assistance to potential loan recipients. This will help ensure that loans are provided for sound projects and to systems that have the capability to establish and operate adequate user charge systems.

AUTHORIZATION OF APPROPRIATIONS

- Funds are authorized for FY 1994-1996.

Administration position: The Administration believes that the authorization should be for five years, consistent with A Vision of Change for America.

COMPLIANCE RESPONSIBILITIES

- The legislation is not explicit on the responsibility of systems to comply with drinking water requirements whether or not they will receive State SRF loans to achieve that compliance.

Administration position: Systems which do not receive DWSRF loans should not postpone improvements necessary to achieve compliance with the SDWA. To avoid confusion on this point the statute should explicitly provide that all systems must comply with SDWA requirements, regardless of the potential for financial assistance through the DWSRF.

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ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 08-11-2010 BY 60322 UCBAW

U.S. House of Representatives
COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION

SUITE 2168 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515
 (202) 325-4472

June 4, 1993

JAMES A. TRAFFANT, Jr., D.D.
 PETER A. RUZARD, D.D.
 JERRY D. MOYER, D.D.
 GUS CLEGG, D.D.
 JERRY P. GUSTAFSSON, D.D.
 ALVIN PARKER, D.D.
 GORDON L. GORDON, D.D.
 ETTIE GORDON, D.D.
 GLEN FOSTER, D.D.
 DON SWARTY, D.D.
 BOB CRABBER, D.D.
 JAMES L. LAMBERT, D.D.
 KENNETH HOLMES HORTON, D.D.
 LUCIAN E. BLAIR, D.D.

The Honorable Carol Browner
Administrator
Environmental Protection Agency
401 M Street, S.W.
Washington, D.C. 20460

Dear Carol:

Pursuant to President Clinton's proposal to create a new federal program to provide assistance to state and local governments for the construction of water supply/drinking water systems, the House of Representatives is considering legislation to authorize such a program.

The legislative proposals now advancing in the House are H.R. 1865, the Water Supply Construction Assistance Act of 1993 and H.R. 1701, the Drinking Water and Public Health Enhancement Amendments of 1993.

I am hereby requesting your agency's comments on these bills. I expect your comments would be helpful to us as we continue our deliberations on this important issue.

Sincerely yours

NORMAN Y. MINETA
Chair, Committee on
Public Works and Transportation

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

June 18, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-682

TO: Legislative Liaison Officer -

Doi - Hill
AGRICULTURE - Marvin Shapiro - (202)720-1516 - 312
TREASURY - Richard S. Carro - (202)622-1146 - 228
CEA - Francine Obermiller - (202)395-5036 - 242
NEC - Sonia Mathews - (202)456-6722 - 429
JUSTICE - Faith Burton - (202)514-2141 - 217

FROM: RONALD K. PETERSON (for) *Ronald K Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Holly FITTER (395-3233)
Secretary's line (for simple responses): 395-6194
Pam BARR (395-5852)

SUBJECT: EPA Proposed Report RE: HR 1701, To Establish
State Revolving Funds to Provide for Drinking
Water Treatment Facilities

DEADLINE: 3:00 PM June 21, 1993

OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President, in
accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or
receipts for purposes of the the "Pay-As-You-Go" provisions of
Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

M. Weatherly
K. McCinty
A. Fraas
A. Kolaian
C. Rasco

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

682

THE ADMINISTRATOR

Honorable John D. Dingell
Chairman, Committee on Energy and Commerce
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you very much for your letters of April 14 and May 7, 1993, regarding the Drinking Water State Revolving Loan Fund (DWSRF) and H.R. 1701. I appreciate your request for our comments on the proposed legislation. Accordingly, I will address several issues regarding DWSRF implementation.

Let me begin by applauding your development of legislation to authorize a State Revolving Fund for drinking water (DWSRF) in support of the President's "A Vision of Change for America." In general, H.R. 1701 addresses the elements of the State Revolving Fund proposed by the President. There is, however, some specific language in the version reported by your Committee that could better reflect the Administration's position, as it has developed in more detail over recent weeks.

The Administration's position on the elements of the DWSRF is contained in the "Statement of Principles" enclosed with this letter. In addition, I am enclosing our analysis of H.R. 1701. The analysis contains two sections: a discussion of the aspects of H.R. 1701 the Administration supports, and a discussion of those aspects we do not favor, along with a statement of our rationale.

In your April 14 letter, you expressed concern about a number of provisions in H.R. 1544, the "Rural Community Environmental Assistance Act of 1993." I understand that the House Public Works and Transportation Committee has substituted H.R. 1865, the "Water Supply Construction Assistance Act of 1993," for H.R. 1544. For your information, I have enclosed a copy of the Administration's analysis of H.R. 1865, which we prepared in response to a request from Congressman Mineta.

In your May 7 letter, you specifically address the method of payment of DWSRF funds from the U.S. Treasury to the States. As I understand H.R. 1701, it allows for immediate transfer of a State's capitalization grant to a State's accounts and for transfer through letters of credit, with funds residing in the

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U.S. Treasury until actually needed to reimburse a water supply system for costs incurred. The Administration would transfer funds only through letters of credit. This is very important to keep down the rate at which funds are distributed from the U.S. Treasury.

I would also like to clarify the Agency's position on the types of financial assistance that should be available through the DWSRF. To ensure the long term integrity of the DWSRF, financial assistance should be limited to loans, loan guarantees, or purchases of insurance for local debt obligations for capital improvement projects (excluding land acquisition). The term "financial assistance of any kind," as contained in H.R. 1701, is too broad and could include negative interest loans and grants that erode the corpus of the SRF. Grants are available through some State programs and through the Rural Development Administration (RDA) (for communities under 10,000 population). The President has requested increased RDA funding to help these communities comply with water quality mandates.

Your May 7 letter also raises the Intergovernmental Cooperation Act (ICA) of 1990. It is our position that the Clean Water Act SRF is exempt from the requirements of the ICA. Nevertheless, the disbursements process has been set up to be quite responsive to SRF program requests for reimbursement. Payment reimbursements for the DWSRF should work in a similar fashion. With the letter-of-credit arrangement, States generally cannot use federal funds for investments purposes prior to disbursement since federal funds are not actually provided to the State until after water system expenses have been incurred.

Several important issues are discussed in the enclosed analysis of H.R. 1701. I will be pleased to work with you in authorizing this much needed DWSRF program. If you have any questions in the meantime, please contact me or call Martha G. Prothro, Acting Assistant Administrator for Water, at 260-5700.

Sincerely,

Carol M. Browner

Enclosures

COMPONENTS OF BILL THAT THE ADMINISTRATION FAVORS:**PROJECT ELIGIBILITY:**

- Funding is directed towards compliance with the SDWA.
- Funding is not allowed for systems that could be consolidated but funding for such consolidation is allowed.
- Loans cannot be used to fund monitoring or O & M.

STATE ADMINISTRATION AND ELIGIBILITY:

- Only States with primacy are eligible to receive Federal SRF funding.
- States would have flexibility to establish a separate DWSRF or to combine the DWSRF with another State SRF, as long as a separate account is set up and the DWSRF funds are used for SDWA purposes.

STATE PROGRAM REQUIREMENTS:

- Repayments, including interest, must be credited to the fund and used in perpetuity for drinking water projects.
- States must use generally accepted accounting standards.

STATE SET-ASIDES IN CAPITALIZATION GRANT:

- Set-asides are allowed for fund administration, technical assistance, and for grants to Indian tribes and Alaskan Native Villages. The Administration's position differs, however, in the amount and use of these set-asides (as presented later in this paper).

REQUIREMENTS FOR EPA:

- EPA must complete a needs survey within 2 years.
- EPA must develop criteria for determining when consolidation is appropriate.
- EPA may issue guidance and regulations.

ALLOTMENT FORMULA

- SRF funds would be distributed to States consistent (generally) with the EPA formula for State grants for the Public Water System Supervision program.

COMPONENTS OF BILL THAT THE ADMINISTRATION FAVORS:**PROJECT ELIGIBILITY:**

- Funding is directed towards compliance with the SDWA.
- Funding is not allowed for systems that could be consolidated but funding for such consolidation is allowed.
- Loans cannot be used to fund monitoring or O & M.

STATE ADMINISTRATION AND ELIGIBILITY:

- Only States with primacy are eligible to receive Federal SRF funding.
- States would have flexibility to establish a separate DWSRF or to combine the DWSRF with another State SRF, as long as a separate account is set up and the DWSRF funds are used for SDWA purposes.

STATE PROGRAM REQUIREMENTS:

- Repayments, including interest, must be credited to the fund and used in perpetuity for drinking water projects.
- States must use generally accepted accounting standards.

STATE SET-ASIDES IN CAPITALIZATION GRANT:

- Set-asides are allowed for fund administration, technical assistance, and for grants to Indian tribes and Alaskan Native Villages. The Administration's position differs, however, in the amount and use of these set-asides (as presented later in this paper).

REQUIREMENTS FOR EPA:

- EPA must complete a needs survey within 2 years.
- EPA must develop criteria for determining when consolidation is appropriate.
- EPA may issue guidance and regulations.

ALLOTMENT FORMULA

- SRF funds would be distributed to States consistent (generally) with the EPA formula for State grants for the Public Water System Supervision program.

PROJECT ELIGIBILITY:

- States may provide financial assistance of any kind they deem appropriate.

Administration position: To preserve and enhance the corpus of the fund, assistance should be limited to loans (including low-interest and no-interest), loan guarantees, or purchases of insurance for local debt obligations for capital improvement projects (excluding land acquisition) necessary to enable drinking water systems to comply with the Safe Drinking Water Act. "Financial assistance of any kind" is too broad and could include grants, which deplete the corpus.

- States may provide hardship grants from interest earned on funds in the account (not interest repayments) and from State match funds.

Administration position: Grants would quickly erode the corpus of the fund and would limit the fund's ability to grow. States may provide grants on their own authority without affecting the viability of the SRF. The advantageous interest rates of the SRF already provides a generous Federal subsidy.

- Loans are available for land acquisition.

Administration position: Land acquisition should not be eligible because of the large unmet need for infrastructure improvements to solve immediate public health problems. Land acquisition could quickly drain the fund and involve the Federal government in land value issues not within EPA's purview. Where land purchase is the most cost-effective means of compliance with the SDWA, systems will buy land without Federal support, so as to avoid more costly infrastructure investments and the resulting loan payments. Financing of land purchases should be available to local communities through other means.

- EPA is to issue guidance to avoid the use of funds for expansion of any public water system in anticipation of future population growth.

Administration position: The law itself should prohibit funding of future growth. Specifically, funding should go only to those systems that exist on the date of enactment of the SRF, in order to focus funding on current problems and to prevent creating new small systems that may not be viable.

SYSTEM OWNERSHIP:

- All publicly-owned, privately-owned non-profit, and privately owned for-profit, water systems, are eligible for loans.

Administration position: Publicly and privately-owned community water systems, and publicly-owned and non-profit, non-community systems should be eligible for loans. For-profit, non-community water systems (e.g., factories and other places of business, resorts and hotels, restaurants, etc.) should not be eligible for loans. Such systems should be able to fund necessary system improvements without SRF support. The Administration agrees with HR 1701, however, that loans to privately-owned community systems must be secured with an appropriate amount and type of financial collateral.

STATE MATCHING FUNDS/PERIOD OF AVAILABILITY/REALLLOTMENT:

- States will begin to contribute a 20% match in FY 1995. The period of availability or reallocation of the funds is not addressed.

Administration position: A 20% State match should begin in FY 1994 to increase the amount of funds directed to drinking water infrastructure and to encourage State interest in sound management of the fund.

States should obligate the funds within two years to ensure expeditious improvement to drinking water quality. For FY 1994 funds, however, States should have three years to obligate the funds, because States that do not currently have programs to invest in drinking water infrastructure need time to start up their programs and match the Federal monies. To encourage prompt investment in public health needs, funds that are not obligated by the end of the period of availability should be reallocated to States that did obligate all of their funds.

ALLOTMENT FORMULA:

- The PWSS allotment formula is adopted without adjustment of the 1% minimum allotment to every State.

Administration position: The minimum should be ½ % for every State for allotment of the SRF funds. The 1% minimum is appropriate for PWSS State program grants because States must maintain a core staff to implement the drinking water program and the total amount of funds is relatively small. It is not necessary to make such a large adjustment for construction funds since there is no reason to believe that smaller States have a disproportionate need for infrastructure funds.

STATE SET-ASIDES AND DIRECT GRANTS TO SYSTEMS BY EPA

- States are allowed up to 5% of the SRF for administering the fund and providing technical assistance to public water systems. Amendments to the Bill provide an additional 1% for States for technical assistance to public water systems.

Analysis of HR 1701

Administration Position: A 4% set-aside should suffice for States to administer the SRF and an additional 1% should be made available specifically for States to provide technical assistance to potential loan recipients and for planning activities, including identifying situations where system consolidation is appropriate. A total set-aside of 5%, instead of 6%, will help minimize depletion of the revolving loan fund.

- States are allowed 2% of FY 1994 SRF funds for PWSS program management (with State match using new funds).

Administration position: State set-asides should be limited to 5% as described above so that as much of the fund as possible is available to finance public water system infrastructure investment.

- A 1½ % set-aside is provided for grants to Indian tribes and Alaskan Native Villages which are not eligible to receive either capitalization grants or assistance from a State revolving fund.

Administration position: A 1½ % set-aside is needed for Indian tribes and Alaskan Native Villages. However, these tribes and villages should not be excluded on the basis of their eligibility for a capitalization grant or assistance from a State revolving fund. Even tribes that are eligible to be recognized as States (because they have a Federally recognized governing body carrying out substantial governmental duties and powers) may be in need of grant assistance. Similarly, Alaskan Native Villages that may be eligible to receive assistance from the State of Alaska's SRF may need grant assistance. These tribes and communities have unique problems and the Federal government has a unique trust responsibility toward them.

- Except for Indian Tribes, use of funds is limited to establishing SRFs.

Administration position: The District of Columbia, the Virgin Islands, the Northern Mariana Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands should not be required to develop SRF programs. These jurisdictions are either too small to operate SRF programs efficiently or they own their own drinking water systems, or both. The EPA should be authorized to award grants directly to systems in these jurisdictions.

LEVERAGING

- Leveraging is not explicitly allowed to be used by the DWSRF.

Administration position: States should be allowed to leverage funds in the SRF. A State may use its SRF funds as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the

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Analysis of HR 1701

fund. This can be an effective way of providing funding for a larger number of projects with the available funding.

DISBURSEMENT OF CAPITALIZATION GRANT:

- It appears that funds could be provided to States in the form of immediate payments, prior to actual expenditures, thereby allowing States to collect interest on the Federal capitalization grant.

Administration position: Payment of capitalization grant funds to States should be by letter of credit rather than by immediate cash payment. The letter of credit approach has been successfully used in the Clean Water SRF. In view of the competition for Federal dollars, actual disbursement of funds from the Treasury should occur as close as possible to the point in time when a State is making payment for expenses incurred on eligible projects. States should not be allowed to place Federal capitalization grant funds into interest-bearing accounts prior to project initiation at the expense of the Federal Treasury.

SYSTEM ABILITY TO REPAY LOAN

- Investor-owned systems must demonstrate their ability to repay a loan.

Administration position: All systems, regardless of their type of ownership, should demonstrate ability to repay in order to ensure that the SRF is financially sound. Loans to privately-owned systems should be secured with an appropriate amount and type of financial collateral.

FEDERAL OVERSIGHT OF STATE DWSRF PROGRAMS

- Periodic audits by EPA are required.

Administration position: Annual audits should be required to ensure that State SRF's are managed in a fiscally responsible manner.

- States are required to submit reports to EPA every two years.

Administration position: Annual program reports are needed to ensure proper oversight of the program.

AUTHORIZATION OF APPROPRIATIONS

- Funds are authorized for FY 1994-1997 and beyond.

Administration position: The Administration believes that the authorization should be for five years, consistent with A Vision of Change for America.

*Analysis of HR 1701***COMPLIANCE RESPONSIBILITIES**

- The legislation is not explicit on the responsibility of systems to comply with drinking water requirements whether or not they will receive State SRF loans to achieve that compliance.

Administration position: Systems which do not receive DWSRF loans should not postpone improvements necessary to achieve compliance with the SDWA. To avoid confusion on this point the statute should explicitly provide that all systems must comply with SDWA requirements, regardless of the potential for financial assistance through the DWSRF.

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DATE 01-20-2000 BY 60322 UCBAW

**U.S. House of Representatives
Committee on Energy and Commerce
Room 2125, Eberts House Office Building
Washington, DC 20515-6115**

May 7, 1983

EXPEDITE

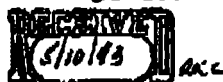
The Honorable Carol M. Browner
Administrator
Environmental Protection Agency
401 M Street, S.W.
Washington, D.C. 20460

DEAR Administrator Browder:

Enclosed for your information is a copy of H.R. 1701, the "Drinking Water and Public Health Enhancement Amendments of 1993," as ordered reported by our Committee. It provides authority for the safe drinking water state revolving fund requested by President Clinton on February 17. At your Agency's suggestion, it also includes for fiscal year (FY) 1994 provisions authorizing the states to use two percent of the grants for supervision of their primary functions under the Safe Drinking Water Act provisions of the Public Health Service Act. Also, enclosed for your information is the Committee's section-by-section analysis of the bill.

Our Committee has been pleased to work with you and your staff in developing this legislation. I believe it generally is quite consistent with your views. We also want to be helpful to the President by facilitating his ability to obtain the appropriations he has requested for this program for FY 1994. Understandably, the Environmental Protection Agency (EPA) staff has sought to equate this new program with other revolving fund authorities with which it was familiar and comfortable under the prior Administration. Unfortunately, however, this has complicated our drafting efforts to some extent because it has required us to help the EPA personnel with whom we are working understand that this is a new and different program and that the states and others, including the Members of this Committee, have somewhat different views and emphases. I hope that EPA now has a better understanding of our approach and objectives.

I plan to file this report with the House in a few days so it can be considered before the next recess and be helpful to the



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The Honorable Carol M. Browner
Page 2

Committee on Appropriations under the House Rules. However, I would like any further comment on the bill for improvement that you may suggest before it is considered in the House. I understand that you are now in the process of providing such comment through the Office of Management and Budget (OMB) clearance process.

In this regard, I note that our staffs have had some discussion about the issue of outlays and the use of letters of credit to provide for draw-down of money as needed to reimburse public water systems for costs incurred on loan and other financial assistance projects, including the above-mentioned two percent payments. I understand that OMB would like to stretch out the outlays over the life of projects. I support that objective from a budget standpoint. I point out, however, that this bill and the law applicable to other revolving funds does not limit such financial assistance to loans. As I understand the EPA testimony on H.R. 1701, you also do not want to limit assistance to loans only. Clearly, this Committee does not want such a limitation. Further, H.R. 1701 does not limit the program to construction activities.

Just as importantly, this bill (and I believe your Agency's existing revolving fund) is subject to the requirements of the Intergovernmental Cooperation Act (ICA) (31 U.S.C. 6501, et seq.) and the Treasury regulations thereunder. As I understand the ICA and these regulations, federal agencies are required to schedule the transfer of grant funds so as to minimize the time between outlay from the Treasury and disbursement by a state. However, the regulations explicitly recognize that outlays must enable the recipient to carry out the purposes of the program. At the same time, our Committee wants to make sure that the states not obtain funds primarily for investment purposes. The ICA provides that a state is not accountable for interest earned on grant money pending its disbursement for program purposes.

The enclosed section-by-section analysis explains our Committee's understanding of these matters. If you or OMB differ with that understanding, please explain why and provide your suggestions. Please also explain how and to what extent the Administration plans to use letters of credit, taking into consideration the ICA.

I urge that your response be provided before May 16, 1993. I reiterate that Chairman Waxman and I want to work with you in carrying out the President's proposal. Your cooperation is appreciated.

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The Honorable Carol M. Browner
Page 1

With every good wish.

Sincerely,

JOHN D. DINGELL
CHAIRMAN

Enclosure

CC: The Honorable Carlos J. Moorhead, Ranking Minority Member
Committee on Energy and Commerce

The Honorable Henry A. Waxman, Chairman
Subcommittee on Health and the Environment

The Honorable Leon E. Panetta, Director
Office of Management and Budget

Mr. Robert D. Reischauer, Director
Congressional Budget Office

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EPA CONG LIASON

*** PETERSON

001/003

Honorable Thomas S. Foley
Speaker of the House
Washington, D.C. 20515

+ H. Gore

Dear Mr. Speaker:

I am pleased to transmit to you the Environmental Protection Agency's (EPA's) draft legislation, the "U.S.-Mexico Border Water Pollution Control Act." This bill would authorize funding of the construction of international wastewater treatment facilities in the vicinity of the international boundary between the United States and Mexico.

Specifically, this legislation would:

- * allow EPA to provide financial assistance through the International Boundary and Water Commission (or other Federal Agency or border state) for design and construction of Mexican border international wastewater facilities;
- * require that such treatment works be built in accordance with Clean Water Act guidelines;
- * require both a Mexican and affected U.S. State share;
- * allow EPA to provide financial assistance to any U.S. Border State and U.S. Colonias;
- * authorize to be appropriated \$80,000,000 for FY 1994.

The Office of Management and Budget advises us that there is no objection to the submission of this legislation to congress and that enactment of such legislation would be in accord with the program of the President.

Sincerely yours,

Carol M. Browner

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EPA CONG LIAISON

0002
3:30**DRAFT***Draft # 285***LEGISLATIVE PROPOSAL:****Funding Authorization for U.S.-Mexico Border
Wastewater Treatment Facilities****Purpose:**

To authorize the funding of the construction of international wastewater treatment facilities and wastewater treatment facilities to serve U.S. Colonias to provide water pollution control in the vicinity of the international boundary between the United States and Mexico.

Rapid development has occurred in recent years along the U.S.-Mexico border. This has resulted in the discharge of untreated or inadequately treated domestic and industrial wastewater into surface water drainage systems which flow into the United States or form the international boundary between the U.S. and Mexico. Serious threats to the water environment as well as public health are documented in many locations along the border.

On February 25, 1992, the governments of the United States and Mexico adopted the "Integrated Environmental Plan for the Mexican-U.S. Border Area." The plan sets forth specific measures to be taken by both governments to restore and protect the environment along their common border. A key element in this regard is the commitment to construct international wastewater treatment facilities to protect U.S. border communities from the harmful effects of untreated or inadequately treated wastewaters originating in Mexico.

The proposed legislation would establish authority to appropriate funds for wastewater projects in the U.S. colonias and the U.S. share of international wastewater facility construction.

Proposed Legislation:

--- See Attachment ---

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EPA CONG LIASON

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DRAFT**A BILL**

To authorize the funding of the construction of international wastewater treatment facilities and wastewater treatment facilities to serve U.S. Colonias to provide water pollution control in the vicinity of the international boundary between the United States and Mexico.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE:

This Act may be cited as the "U.S.-Mexico Border Water Pollution Control Act".

SEC. 2. PURPOSE.

The purpose of this Act is to protect the economy, public health, environment, surface water and water quality of the U.S.-Mexico border area which is endangered and is being polluted by raw or partially treated sewage.

SEC. 3. FINANCIAL ASSISTANCE FOR INTERNATIONAL WASTEWATER TREATMENT FACILITIES

Upon approval of the necessary plans and specifications, the Administrator is authorized to provide financial assistance to the Secretary of State, acting through the American Section of the International Boundary and Water Commission (hereinafter in this Act referred to as the "Commission"), or any other Federal agency or any other appropriate commission, or any U.S. Border State, or entity designated by the President, for planning, design and construction of high priority international wastewater facilities in the area of the Mexican border, to become available upon the successful conclusion of an appropriate minute of the International Boundary and Water Commission and an agreement with the affected U.S. border state of an appropriate state cost share. Such financial assistance shall be for construction of treatment works for the purposes of Section 2.

SEC. 4. OPERATION AND MAINTENANCE.

The Commission or such other agency, commission, or entity as may be designated under section 3 is authorized to operate and maintain any treatment works constructed under this Act in order to accomplish the purposes of this Act.

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SEC. 5. APPROVAL OF PLANS.

Any international wastewater treatment facility for which financial assistance is provided under this Act shall be constructed in accordance with plans developed and approved by the Commission or such other agency, commission, or entity as may be designated under section 3, in consultation with the water pollution control agency of the affected State, and approved by the Administrator to meet the construction standards which would be applicable if such treatment works were being constructed under title II of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1281, et. seq.). Such plans shall include construction cost estimates and identify responsible parties and the appropriate allocation of costs associated with operating and maintaining the treatment works.

SEC. 6. FEDERAL SHARE.

Construction of international wastewater treatment facilities under section 3 shall be at full Federal expense less any cost paid by the affected U.S. State and less any costs paid by the Government of Mexico and other affected parties as a result of agreements negotiated in good faith with the United States.

SEC. 7. FINANCIAL ASSISTANCE TO U.S. COLONIAS

The Administrator is authorized to provide financial assistance to any U.S. Border State, or entity designated by the President for construction of treatment works in U.S. Colonias. "Colonias" are low-income U.S. communities, populated primarily by Hispanic residents, which are located along the U.S. - Mexico border, generally in unincorporated areas. These communities lack basic sanitation facilities such as safe drinking water, household plumbing and proper sewage disposal systems. The Federal share of construction costs for grants to serve colonias shall be 50 percent to be matched by an equal amount of State funds from State sources.

SEC. 8. DEFINITIONS.

For the purpose of this section, the terms "construction" and "treatment works" have the meanings such terms have under section 212 of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1292). Notwithstanding section 212 "Sewage" shall mean the spent or used water of a municipality which contains human waste and other dissolved and suspended matter. Sewage is derived principally from dwellings, commercial establishments, institutions and the like, but may include contributions from industries which discharge to the municipal collection system, as well as any ground water, surface water and stormwater which enter the system. An "International Wastewater Treatment Facility" is a facility that treats wastewater that originates in Mexico.

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SEC. 9. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out the purposes of this Act \$80,000,000 for fiscal year 1994.

**EXECUTIVE OFFICE OF THE PRESIDENT
Office of Management and Budget
Legislative Reference Division
Washington, DC 20503**

TO:	AGENCY:
K. McGinty	OEP

FROM: Holly Fitter **PHONE:** (202) 395-3233 **FAX:** (202) 395-5691

DATE: 6/16/93

SUBJECT: EPA Draft Legislation - To Authorize Funding for
Wastewater Infrastructure Projects for Hardship-Cities (a.k.a.
Boston Harbor)

Attached is EPA's draft legislation (which they will be revising to put into the proper format). Please review it for content and provide your comments/clearance by 10:00 AM Friday, June 18, 1993.

Thanks.

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EPA CONG LIAISON --- PETERSON

0003/003

Honorable Albert Gore, Jr.
President of the Senate
Washington, D.C. 20510

7 Tom Foley

Dear Mr. President:

Enclosed is our proposed bill to authorize funding for wastewater infrastructure projects for hardship-cities.

The bill would provide for the authorization of appropriations of \$100 million for FY 1994 for cities with unusually high secondary treatment needs and user charges as a percentage of median household income.

This legislation would:

- * require an 80% Federal share, contingent upon a further appropriation by the State of an additional 20% to the grant recipient for debt retirement;

- * allow EPA to make grants under Title II of the Clean Water Act for secondary sewage treatment facilities to cities that : a) has over \$2,000,000 in category I treatment needs; and 2) has residential wastewater user charge of 7,000 gallons per month > 0.65% of 1989 median household income for the primary metropolitan statistical area.

The Office of Management and Budget advises that there is no objection to the presentation of this legislative proposal to the Congress and that its enactment would be in accord with the program of the President.

Sincerely yours,

Carol M. Browner

Proposed Legislation:**Infrastructure Financing Grants**

(a) **Grants-** The Administrator shall make grants under Title II of the Federal Water Pollution Control Act, as amended, to the appropriate instrumentality for the purpose of constructing secondary sewage treatment facilities to serve any locality that both: 1) has over \$2,000,000,000 in category I treatment needs documented and accepted in EPA's 1992 Needs Survey database as of February 4, 1993; and 2) has wastewater user charges for residential use of 7,000 gallons per month, based on the Ernst and Young National Water and Wastewater 1992 Rate Survey, greater than .65 percent of 1989 median household income for the primary metropolitan statistical area as measured by the Bureau of the Census.

(b) **Federal Share-** Notwithstanding section 202(a)(1) of the Federal Water Pollution Control Act, as amended, the Federal share of grants described in subsection (a) shall be 90 percent of the cost of construction and the non-Federal share shall be 20 percent, provided that an additional 20 percent is made available to the grant recipient for wastewater treatment debt retirement from State appropriations.

(c) **Authorization of Appropriations-** There is authorized to be appropriated \$100,000,000 for grants under subsection (a) for fiscal year 1994, to remain available until expended.

DRAFT

LEGISLATIVE PROPOSAL

Funding Authorization for Wastewater Infrastructure Financing

Purpose:

To authorize \$100 million in grant funding for construction of sewage treatment facilities during FY 1994 for cities with unusually high secondary treatment needs and user charges as a percentage of median household income. The specific criteria are:

- o Secondary treatment needs greater than \$2 billion as reported in EPA's 1992 Needs Survey database; and
- o Wastewater user charges reported in Ernst and Young's 1992 rate survey that are greater than .65 percent of 1989 median household income as reported in the 1990 Census.

The appropriations language specifies an 80 percent Federal share (i.e., EPA provides \$100 million and the locality provides \$25 million). These funds are contingent upon a further appropriation by the State of an additional 20 percent to the grant recipient for debt retirement.

This authorization provides a transition funding authorization for municipalities with significant needs for secondary treatment and unusually high user charges as a percentage of median household income. For FY 1995, the Administration is reviewing options to establish a self-financing fund to address the infrastructure needs of cities that face exceptionally burdensome costs to meet secondary treatment standards.

Appropriation Language:**(State Revolving Funds/Construction Grants)
Water Infrastructure Financing**

In addition to amounts otherwise available under this head, and subject to the same terms and conditions, \$130,000,000, of which \$30,000,000 shall be for making grants authorized under section 319 of the Federal Water Pollution Control Act, as amended; and of which \$100,000,000 shall be for making grants under Title II of the Federal water Pollution Control act, as amended, to the appropriate instrumentality for the purpose of constructing secondary sewage treatment facilities to serve any locality that both: 1) has over \$2,000,000,000 in category I treatment needs documented and accepted in EPA's 1992 Needs Survey database as of February 4, 1993; and 2) has wastewater user charges, for residential use of 7,000 gallons per month based on the Ernst & Young National Water and Wastewater 1992 Rate Survey, greater than .65 percent of 1989 median household income for the primary metropolitan statistical area as measured by the Bureau of the Census: Provided, That notwithstanding section 202(a)(1) of such Act, the Federal share of grants from these amounts under Title II of such Act shall be 80 per centum of the cost of construction and the non-Federal share shall be 20 per centum, provided that an additional 20 per centum is made available to the grant recipient for wastewater treatment debt retirement from state appropriations.

ONE HUNDRED THIRD CONGRESS

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U.S. House of Representatives

Committee on Energy and Commerce

SUBCOMMITTEE ON ENERGY AND POWER

Washington, DC 20515-6117

ROOM H2-331
 FORD HOUSE OFFICE BUILDING
 PHONE (202) 225-7400

May 12, 1993

The Honorable Carol Browner
 Administrator
 Environmental Protection Agency
 401 M Street, SW
 Washington, DC 20460

Dear Administrator Browner:

The Subcommittee will hold a hearing on the Administration's new policy on global climate change. You or your designee are invited to testify. The hearing is scheduled for May 20, 1993, at 10:00 a.m., in a room to be announced.

Your testimony should address the following questions:

1. How important are EPA's "green programs" to achieving the goal of stabilizing greenhouse gas emissions? Will funding for these programs be adequate to achieve these programs' full potential? Will these and other voluntary programs, such as Section 1605 of the Energy Policy Act, be emphasized in the new Action Plan? To what extent will the recovery of coalbed methane and landfill methane play a role? What other programs are underway at EPA that will achieve greenhouse gas emission reductions at home and abroad?
2. What analyses are underway at EPA that will support policy making efforts within the Administration, in Congress, and in the international arena? What policy options are being considered? Are global warming emission sinks being considered as well as sources? How are the potential reductions and economic costs of each policy option going to be analyzed?
3. How are policy options which target technological change going to be analyzed? These options tend to be characterized by enormous potential and enormous uncertainty. How are these options going to be compared with regulatory options? How are these options going to be considered in the context of binding targets and timetables? Similarly, how is the efficacy of educational and voluntary programs to be assessed and compared to other types of approaches?

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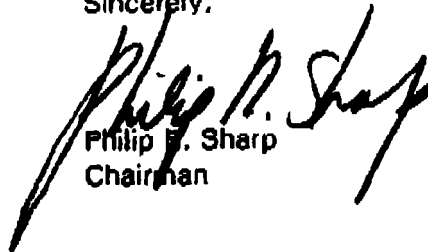
4. What effect will the 1990 Clean Air Act amendments have on U.S. emissions of greenhouse gases? To what extent will other environmental programs (that were not designed with global climate change in mind) affect greenhouse gas emissions?
5. What is the environmental significance of stabilizing U.S. greenhouse gas emissions at 1990 levels by the year 2000? What is the environmental significance of stabilizing worldwide greenhouse gas emissions at 1990 levels by the year 2000? Is there a mismatch between the time scale of the potential for global climate change and the time scale of the stabilization goal?

Committee rules require that witnesses provide the Subcommittee with 50 copies of your prepared testimony in advance of the hearing; therefore, these copies should be delivered to the Subcommittee office no later than May 17. This will allow Members and staff the opportunity to review your testimony. Due to the high degree of interest in this matter, we request that an additional 75 copies be brought to the hearing room at the time of the hearing.

Your written testimony may be of any length but House printing rules may require us to exclude statements that are in excess of seven single-spaced pages from the printed hearing record. Additional background material can be submitted and will be noted in the record but kept on file at the Subcommittee's office. Your statement should include an attached one-page abstract which summarizes major points of your testimony without detailed justification. I would also appreciate your best efforts to couch scientific information in terms understandable to non-scientists.

I appreciate your interest in participating and look forward to seeing you on May 20. If you have any questions with respect to the hearing or your preparation, please have your staff call Judi Greenwald at 202/226-2500.

Sincerely,



Philip B. Sharp
Chairman

ONE HUNDRED THIRD CONGRESS

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ROOM H2-331
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 PHONE (202) 225-2800

U.S. House of Representatives

Committee on Energy and Commerce

SUBCOMMITTEE ON ENERGY AND POWER

Washington, DC 20515-6117

April 29, 1993

The Honorable Hazel O'Leary
 Secretary
 Department of Energy
 1000 Independence Avenue, SW
 Washington, DC 20585

Dear Madam Secretary:

The Subcommittee will hold a hearing on the Administration's new policy on global climate change. You or your designee are invited to testify. The hearing is tentatively scheduled for May 19, 1993, at 10:00 a.m., but if scheduling conflicts arise it may be moved to May 20, May 26, or May 27.

Your testimony should address the following questions:

1. What is the nature of the commitment the President announced on Earth Day? Do we intend to return to 1990 greenhouse gas emissions by the year 2000 and then to increase thereafter, or do we intend to maintain those emission levels thereafter? Are all greenhouse gases included?
2. How much do the Energy Policy Act and the President's economic policy proposals contribute to stabilization? How much further does emissions growth need to be reduced in order to return to 1990 levels by the year 2000? What measures could be implemented to accomplish this?
3. How difficult is it for the U.S. to maintain 1990 levels beyond the year 2000? What measures could be implemented beyond the year 2000 to accomplish this? What would the impact be on the U.S. economy?
4. How will the National Action Plan be revised? What is the process? What is the schedule? Who will be involved, both inside the government and out? What changes do you know will be made? For example, will the new plan take into account the Energy Policy Act and the President's economic proposals?
5. How important are EPA's Green Programs to achieving the stabilization goal?

Will funding for these programs be adequate to achieve these programs' full potential? Will these and other voluntary programs, such as Section 1605 of the Energy Policy Act, be emphasized in the new Action plan?

6. According to our subcommittee's analysis, the innovative technology export provisions in the Energy Policy Act (section 1211, section 1332, and section 1608) have the greatest potential for reducing worldwide greenhouse gas emissions. Section 1332, the Clean Coal Technology Export Program, alone could reduce the equivalent of 15% of U.S. CO2 emissions. Will these programs be part of the new National Action Plan? Will they be fully funded? Are we working with other countries to develop appropriate mechanisms for "joint implementation" of the climate change treaty? Will the U.S. get "credit" for emission reductions achieved abroad with U.S.-funded technology?

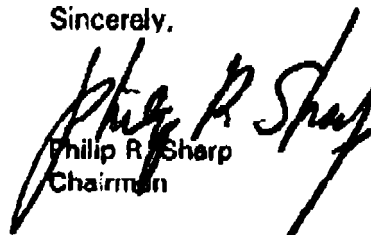
7. Tree planting also has enormous potential for reducing atmospheric greenhouse gas concentrations. Will tree planting programs be part of the revised Action Plan?

Committee rules require that witnesses provide the Subcommittee with 50 copies of your prepared testimony in advance of the hearing; therefore, these copies should be delivered to the Subcommittee office no later than May 14. This will allow Members and staff the opportunity to review your testimony. Due to the high degree of interest in this matter, we request that an additional 75 copies be brought to the hearing room at the time of the hearing.

Your written testimony may be of any length but House printing rules may require us to exclude statements that are in excess of seven single-spaced pages from the printed hearing record. Additional background material can be submitted and will be noted in the record but kept on file at the Subcommittee's office. Your statement should include an attached one-page abstract which summarizes major points of your testimony without detailed justification. I would also appreciate your best efforts to couch scientific information in terms understandable to non-scientists.

I appreciate your interest in participating and look forward to seeing you on May 19. If you have any questions with respect to the hearing or your preparation, please have your staff call Judi Greenwald at 202/226-2500.

Sincerely,



Philip R. Sharp
Chairman

PHILIP R. SHARP, INDIANA, CHAIRMAN

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CLIFF STEARNS, FLORIDA
SCOTT KLUG, WISCONSIN
GARY A. FRANKS, CONNECTICUT
MICHAEL D. FRANK, IDAHO
CARLOS J. MOOREHEAD, CALIFORNIA
(EX OFFICIO)**U.S. House of Representatives****Committee on Energy and Commerce****SUBCOMMITTEE ON ENERGY AND POWER****Washington, DC 20515-6117****April 27, 1993**

The Honorable Timothy E. Wirth
Counselor
Department of State
2201 C Street, NW
Washington, DC 20520

~~Dear Mr. Wirth:~~

On May 19, 1993, at 10:00 a.m. in a room to be announced, the Subcommittee will hold a hearing on the Administration's new policy on global climate change. You are invited to testify. In order to accommodate your schedule, we would be willing to move the hearing to May 20, May 26, or May 27.

Your testimony should address the following questions:

1. What is the nature of the commitment the President announced on Earth Day? Do we intend to return to 1990 greenhouse gas emissions by the year 2000 and then to increase thereafter, or do we intend to maintain those emission levels thereafter? Are all greenhouse gases included?
2. Is this a unilateral commitment, or is it conditional upon other countries, particularly our competitors, doing the same? Do we intend to work with other countries to obtain similar commitments? How?
3. Does the Administration intend to propose changes to the recently signed Global Climate Change treaty?
4. How will the National Action Plan be revised? What is the process? What is the schedule? Who will be involved, both inside the government and out? Are other countries at the same stage as we are vis a vis their own action plans? Are other countries approaching the national action plan in the same way that we are?

2

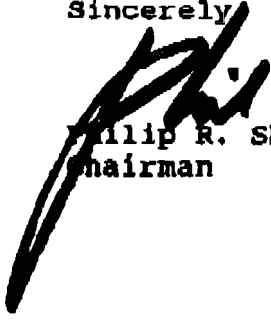
5. According to our subcommittee's analysis, the innovative technology export provisions in the Energy Policy Act (section 1211, section 1332, and section 1608) have the greatest potential for reducing worldwide greenhouse gas emissions. Section 1332, the Clean Coal Technology Export Program, alone could reduce the equivalent of 15% of U.S. CO2 emissions. Will these programs be part of the new National Action Plan? Will the Administration request that they be fully funded? Are we working with other countries to develop appropriate mechanisms for "joint implementation" of the climate change treaty? Will the U.S. get "credit" for reductions achieved abroad through U.S.-funded technology?

Committee rules require that witnesses provide the Subcommittee with 50 copies of your prepared testimony in advance of the hearing; therefore, these copies should be delivered to the Subcommittee office no later than Friday, May 14, 1993. This will allow Members and staff the opportunity to review your testimony. Due to the high degree of interest in this matter, we request that an additional 75 copies be brought to the hearing room at the time of the hearing.

Your written testimony may be of any length but House printing rules may require us to exclude statements that are in excess of seven single-spaced pages from the printed hearing record. Additional background material can be submitted and will be noted in the record but kept on file at the Subcommittee's office. Your statement should include an attached one-page abstract which summarizes major points of your testimony without detailed justification. I would also appreciate your best efforts to couch scientific information in terms understandable to non-scientists.

I appreciate your interest in participating and look forward to seeing you on May 19. If you have any questions with respect to the hearing or your preparation, please have your staff call Judi Greenwald at 202/226-2500.

Sincerely,



Philip R. Sharp
Chairman

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503**

May 20, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #M-310

TO: Legislative Liaison Officer -

AGRIC-CR - Robin Rorapaugh (all testimony) - (202)720-7095 - 230
COMMERCE - Michael A. Levitt - (202)482-3086 - 324
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
ENERGY - Bob Rabben - (202)586-6718 - 209
HHS - Frances White - (202)690-7760 - 328
INTERIOR - Ralph Hill - (202)208-6706 - 329
STATE - Bill Keppler - (202)647-2137 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
CEA - Francine Obermiller - (202)395-5036 - 242
NEC - Sonia Mathews - (202)456-6722 - 429
NSC - William H. Itoh - (202)395-3723 - 249
NASA - Jeff Lawrence - (202)358-1948 - 219
NSF - Lawrence Rudolph - (202)357-9435 - 248
OSTP - Damar Hawkins - (202)456-6272 - 288
TVA - Alan Carmichael - (202)479-4412 - 332
SMITHSONIAN - Mark Rodgers - (202)357-2962 - 292

FROM: RONALD K. PETERSON (for)
Assistant Director for Legislative Reference

OMB CONTACT: Chantale WONG (395-6944)

**SUBJECT: EPA Proposed Testimony on Global Climate
Change**

DEADLINE: 10:00 AM May 24, 1993

OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President, in
accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or
receipts for purposes of the the "Pay-As-You-Go" provisions of
Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

G. Henry
G. Bennethum
J. Fellows
A. Erbach
J. Payne
J. Minkler

M. Norman
R. Turman
K. Parish (OVP)
K. McGinty
B. Sasser
R. Lyon

K. Way

16 page
testimony

MARC

LRM #M-310

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is simple (e.g., concur/no comment) we prefer that you respond by faxing us this response sheet. If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a secretary.

You may also respond by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please include the LRM number shown above, and the subject shown below.

TO: Chantale WONG (395-6944)
Office of Management and Budget
Fax Number: (202) 395-5836

FROM: 5/24 (Date)
MARC CHUPKA (Name)
OEP (Agency)
x 6551 (Telephone)

SUBJECT: EPA Proposed Testimony on Global Climate Change

The following is the response of our agency to your request for views on the above-captioned subject:

☐ Concur
☐ No objection
☐ No comment
☐ See proposed edits on pages _____
☐ Other: _____
☒ FAX RETURN of ALL pages, attached to this response sheet

Testimony of
ROBERT SUSSMAN
DEPUTY ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY

Before the
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENERGY AND POWER

May 26, 1993

Good morning. I am Bob Sussman, Deputy Administrator of the U.S. Environmental Protection Agency (EPA). I am pleased to be here today to discuss the Administration's new policy on global climate change.

The Policy Imperative

Enough is known regarding the general impacts of global climate change, and there is sufficient scientific concern to have persuaded the world community to start acting to curb the buildup of greenhouse gases. The atmospheric concentrations of greenhouse gases are increasing year by year due to human activities. The world community agrees that the continued addition of greenhouse gases to the atmosphere will alter global climate patterns, increase average temperatures, and change rainfall and other weather patterns, causing highly uncertain ^{but potentially devastating} effects on human societies and ecological systems. The Intergovernmental Panel on Climate Change (IPCC) has concluded that the global mean temperature will increase

DRAFT _ May 20, 1993: 6:08 pm

Mark Stevens 260-5422

0.3°C per decade during the next century. This translates into a likely increase in the global mean temperature of about 0.5°C to 0.1°C above today's levels by 2025 and 3°C before the end of the next century. Such an increase would be greater than any seen over the past 10,000 years.

* The United States is the world's largest contributor of greenhouse gas emissions. To reduce world emissions and, hence, atmospheric concentrations, the United States must play a meaningful role.

Clinton Administration Leadership

In his Earth Day speech this year, President Clinton pledged U.S. leadership to address the challenge of climate change. He said that his Administration is fully committed to reducing U.S. emissions of greenhouse gases to their 1990 levels by the year 2000. In issuing this challenge, President Clinton delivered a "clarion call, not for more bureaucracy or regulation or unnecessary costs, but instead, for American ingenuity and creativity, to produce the best and most energy-efficient technology."

In your letter of invitation to testify here, you asked a number of specific questions regarding programs, options, and analysis. Let me begin my response by highlighting the process we will use to respond to the President. To develop, implement, and sustain the actions necessary to stabilize our greenhouse gas emissions by 2000, we will call upon the active participation of the American people. The Clinton Administration intends to bring

together important stakeholders and involve them in the development of an Action Plan to meet the President's goals. This plan will be grounded in sound analysis and formulated through an interactive process with widespread participation.

careful -
the August
plan is not
a new
U.S. NAP.

As we begin to look at the options available to control greenhouse gas emissions, we will remain committed to three overarching principles of the Administration's environmental policy.

make sure
the distinction
is clear.

(switch?)

First, a healthy environment is necessary for a healthy economy. Only a prosperous society can have the confidence and the means to protect its environment. Climate change mitigation through energy efficiency and intelligent, sustainable business practices is an integral part of our policies to protect our environment, promote economic growth, and provide millions of new, high-skill, high-wage jobs.

Second, we must protect the environment at home and abroad. We share our atmosphere, our planet, and our destiny with all the peoples of this world. We must coordinate our actions internationally and ensure that all countries are acting collectively to reduce the risks of global warming.

Third, we will move beyond the antagonisms among business, government, and individual citizens. Our climate change policies will be part of our effort to reinvent government -- to make government a partner, not an overseer. We intend to lead by

example and not by bureaucratic fiat.

To bring together all the stakeholders in climate change policy, the Administration has formed Interagency Working Groups comprised of representatives from key White House offices and executive branch agencies. These Working Groups will examine specific economic sectors and greenhouse gas reduction opportunities, including the enlargement of greenhouse gas sinks, such as forests and soils. Most important, these Working Groups will convene workshops to identify options and help evaluate policies. The workshops will be comprised of representatives from industry, state and local government, labor, environmental

organizations, ^{Set 3} universities, ² Congressional staff, and other vital constituencies. The workshops ^{will help the Administration} will identify technical options, provide independent assessments, and develop policy options.

In short, the workshops will provide affected interests the opportunity to participate in and contribute to the Action Plan.

NOTE: Congressional staff invited to observe workshops → they will participate in a separate process of consultation.

The Working Groups and the workshops will be supported by an Interagency Analysis Team constituted from the technical ^{Team} staffs of the Council of Economic Advisors (CEA), the Department of Energy (DOE), ^{Team} EPA, and other key agencies. The Analysis Team will synthesize information into a common analytical framework and integrate options into alternative policy packages for senior administration decisionmakers.

Strategies

You mentioned a number of specific mitigation strategies in your letter of invitation. Without prejudging the results of the Working Groups, let me briefly discuss some of those that undoubtedly will play an important role.

DOMESTIC

EPA's *Green Programs* are voluntary partnerships with both public and private organizations to encourage profitable investments in energy efficiency. EPA's flagship voluntary program, *Green Lights*, currently has over 890 participants, including businesses, state and local governments, and non-profit organizations. These participants have committed to improving lighting efficiency in more than 3 billion square feet of U.S. commercial/industrial space, or 5 percent of the U.S. total. EPA's program provides all participants with information that helps markets work better, including technical manuals, decision support software, product information, and a financing database. With these tools, *Green Lights* partners often achieve energy savings of 50 percent or more, and they are harvesting these reductions at a profit, often achieving internal rates of return exceeding 20 percent.

The *Green Lights* program has served as a model for other voluntary programs that save energy and reduce air pollution. *Energy Star Computers* has signed partnerships with over 60 percent of all computer manufacturers and over 80 percent of all printer manufacturers to develop and introduce energy efficient computer products -- machines that

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↓
Note that computers are
fastest growing electrical
load in commercial bldgs.

will go to "sleep" when not being used. These new models will be introduced into the market next month, and they will be widely available within a year. They will be recognizable by the EPA *Energy Star* logo.

This spring EPA also is launching its *Energy Star Building* Program, in which companies sign a memorandum of understanding with EPA that commits them to upgrading all their building energy systems to maximize energy savings wherever it is profitable. Like *Green Lights*, the *Energy Star Building* program partners retain complete control of quality and quantity decisions and receive no federal financial assistance. The Program will help reduce energy use in commercial buildings, often leading to a 50 percent reduction in total building energy use.

Green programs also have targeted more potent greenhouse gases such as carbon tetrafluoride (CF_4) and carbon hexafluoride (C_2F_6) with 5 to 10,000 times the warming potential of CO_2 . EPA will shortly launch *Aluminum Star*, a voluntary program with aluminum production companies to reduce emissions of these gases.

As a complement to its technology-based *Green Programs*, EPA is working with DOE to leverage Section 1605 of the Energy Policy Act into an effective greenhouse gas reduction program. The EPA/DOE *Green Companies Program* will build upon the mandates in Section 1605 requiring DOE to establish a process by which firms can voluntarily report greenhouse gas emissions and reductions achieved through various actions.

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The Green Companies Program will entail setting up an accounting methodology, establishing targets, and providing outreach and technical services to participating organizations.

7-4
Who does this?
EPA help?

Recovery of both coalbed and landfill methane offers large potential for reductions in greenhouse gases. To help reach this potential, EPA is developing landfill gas regulations under the Clean Air Act. Comments on a proposed rule are being reviewed, and we hope to issue a final rule this year. An outreach program, coupled with a financial incentive directed at coalbed methane, will assist the market to profitably reduce emissions of methane, and we expect to implement recovery projects at 3 to 5 gassy mines in Appalachia this year.

EPA does
this?

To help reduce methane emissions in natural gas transmission and distribution systems and improve system efficiency, EPA also has initiated the *Natural Gas Star* program. Seventeen companies, representing 40 percent of the U.S. natural gas industry, have enrolled in this voluntary program, which promotes the use of cost-effective technologies and practices that can profitably reduce natural gas emissions by up to one-third.

EPA works with the Department of Transportation and DOE to ensure that the mobile source provisions of the Clean Air Act Amendments and the Intermodal Surface Transportation Efficiency Act are implemented in a manner that reduces both ambient criteria air pollutants and greenhouse gas emissions. We also are examining our own regulations to ensure that they encourage innovation that permits the United States to produce the best and

most energy-efficient technology. As an example, we are exploring the benefits of electric utilities' using natural gas during peak smog seasons. Such use may reduce emissions of criteria air pollutants while significantly reducing CO₂ emissions as well.

INTERNATIONAL

EPA's strategy to cope with global climate change is both domestic and international. Any effective and efficient strategy must include both components. Although the United States now contributes over one-fifth of global, human-related emissions of CO₂, the most important greenhouse gas, the vast majority of future growth in emissions of CO₂ likely will come from developing countries and economies in transition. U.S. policy must address U.S. emissions; we would not be credible otherwise. However, our longer-term objectives also must seek to limit the growth of greenhouse gas emissions internationally; without doing so, even the most strenuous efforts in the United States would not mitigate climate change effectively. Moreover, many greenhouse gas reductions will be available in other countries at a lower cost than some options in the United States. As part of our international efforts the Administration is working closely with other countries to restructure the Global Environment Facility (GEF). Operated jointly by the World Bank, the United Nations Environment Program, and the United Nations Development Program, the GEF will serve as the operating entity under the Climate Convention for helping developing countries meet their obligations.

In an effort to reduce emissions of methane internationally, EPA's Green Programs

have expanded to lead an effort to improve the operation of the Russian natural gas infrastructure. Over the past half year, the Russian organization Gazprom and EPA have conducted a series of visits and meetings which have led to the development of a U.S./Gazprom Working Group. As a result of this cooperation, five U.S. companies signed protocols of intent with Nadjm gazprom to pursue technical and commercial relationships to achieve the Working Group's goals of energy efficiency and environmental protection. In addition, EPA is working with Russia, Ukraine, the Czech Republic, Slovakia, Poland, and China to identify and encourage development of profitable projects to reduce methane emissions from coal mines.

EPA also has several programs underway to expand international markets for CFC free, energy efficient technology in the home refrigeration market. As one of the largest growing technologies in developing countries, especially China and India, the rapid growth of home refrigeration creates an exponential demand for ozone depleting CFCs and additional potential for global warming and local air and water pollution through increased energy use.

A joint EPA/Chinese project, involving government, academia, and industry, has been evaluating CFC substitutes and technologies to increase the energy efficiency of Chinese refrigerators. This year's program will convert a refrigerator factory line in China to CFC alternatives and at the same time increase the energy efficiency by 50%. The goal of the program has been to secure Chinese participation in the Montreal Protocol to protect the ozone layer and to channel investment in China to preventing pollution rather than generating

additional energy supply. U.S. industry participation in the program will lead to increased U.S. exports of CFC-free, energy efficient technology.

We are also evaluating potential energy efficiency projects in refrigeration in India and Russia, and technology transfer of energy efficient lighting and buildings programs to India, Russia, Mexico, Chile, China, and other countries.

One of the more important efforts the United States is undertaking bilaterally, with substantial participation by the EPA, is the Country Studies Initiative. This interagency program provides technical and financial assistance to developing and transitional countries to lay the groundwork for the national climate policies and measures required under the Climate Convention. This initiative should help open foreign markets for U.S. expertise in energy efficiency, renewable energy, and pollution control technologies. We are very pleased with the enthusiastic, international response for this ground-breaking program, which is, in my view, a model of interagency technical cooperation.

*Why? What agencies?
What is different?*

EPA also has sponsored international cooperation in developing methods to estimate greenhouse gas emissions and sinks. More than 40 countries are engaged in this effort. We also are working through the IPCC and the Organization for Economic Cooperation and Development (OECD) to train officials in other countries to prepare their inventories. If other governments do not understand their sources and sinks of greenhouse gases, they will not be able to develop and carry out effective reduction efforts. This project also will help

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make the Climate Convention more enforceable in the future.

EPA also supports specific mitigation strategies. Working with the U.S. Agency for International Development, EPA is initiating a program with the Russian environment ministry and the Moscow area electric utility to share with them the U.S. experience with economic incentives, including integrated resource planning (IRP). This training will expose Russian technicians to the skills needed to both generate and use electricity more efficiently.

I just read this on 1.9

EPA also has efforts underway to improve the operation of the Russian natural gas infrastructure, and encourage the development of profitable projects that reduce methane emissions from coal mines in Russia, Ukraine, the Czech Republic, Slovakia, Poland, and China. Finally, we have in conjunction with other agencies started Energy Efficiency centers in Moscow, Prague, and Warsaw to encourage the introduction of technologies, develop new regulations, and spur legislation to encourage energy efficiency.

Working with the OECD, EPA is sponsoring a series of studies on the effect of energy subsidies in member countries. Initial screening analysis indicates that the removal of inefficient subsidies could reduce greenhouse gas emissions significantly. Our support to Thailand has helped with the adoption of an national IRP policy, now in the early stages of implementation. Although we have only limited efforts of this type, we believe they will help developing countries reduce their emissions, assist with transfer of U.S. technologies, and perhaps open up opportunities for "joint implementation" under the Climate Convention.

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EPA supports the State Department in trying to implement the Climate Convention both promptly and effectively. The greenhouse gas inventory I described earlier is an example of how we're promoting a prompt start. We also are developing analyses of joint implementation, carbon offsets in the forest and agriculture sectors, procedures for review and assessment of national policies and measures under the Convention, and other key topics.

SINKS

EPA puts a significant emphasis on sinks of greenhouse gases, both in the United States and internationally. In the short term, protecting and enhancing sinks, such as forests and soils, may be a very cost-effective means of reducing greenhouse gases in the atmosphere. Such options may bring ancillary benefits, such as budget reductions, protection of recreational resources and habitat, etc. EPA has been working closely with the U.S. Department of Agriculture (USDA) for over two years to evaluate such options as tree planting, enhanced paper recycling, and forest wetlands reclamation. Our preliminary analyses suggest that sequestration actions could bring significant carbon offsets, perhaps with net financial benefits in a few cases. We expect to release a series of technical reports by the end of FY 1993 documenting the EPA and USDA analyses. We hope to continue to improve these analyses further in FY 1994.

There are, however, a number of difficult questions regarding whether and how to account for changes in sinks. Accurate measurements will elude us, and most other countries, for years. Also, our current analyses suggest that, due to past practices, the

United States currently has not sequestration of carbon in the forest sector. But the rate of sequestration is declining.

confusing → is sequestration a stock or a flow?

why?

*A question?
What question?*

This is a complex question that cannot be decided by the United States alone. It must be negotiated with the other Parties to the Climate Convention. Nonetheless, EPA believes that protection and enhancement of sinks is an important element of an efficient climate strategy that we will promote domestically and abroad. EPA played a key role in launching the Forests for the Future Initiative as a U.S. effort to protect and enhance sinks in key countries. We have negotiated projects on reforestation and improved forest management in Russia, Mexico, and two other countries, and await final concurrence from our Appropriations Committee with our Administration's decision to begin this work in FY 93.

The New Action Plan

*did he commit to
stabilization?*

The President's commitment to stabilization by the year 2000 relies on the success of cost-effective methods of implementation, and as a result, we anticipate the new Action Plan will include an important role for voluntary programs. The Green Programs and other voluntary programs will enable the U.S. economy to not only reduce emissions but also to increase growth and productivity. Although one would think that profitable efficiency gains need not be supported, two years of real experience has proven that there is a *catalytic* role for the government in providing significant assistance, technical support, and motivation to organizations to install energy efficient technologies. Successful partner organizations will benefit from saving billions of dollars from reduced utility bills which will strengthen our

*The Angell
Plan is not
a wholesale
revision of
U.S. SAP.*

international competitiveness.

The Benefits of Action Now

The impacts of climate change, as projected by the IPCC and other scientific bodies, could have significant implications for mankind and the environment. In 1989, the EPA published a Report to Congress entitled, *The Potential Effects of Global Climate Change on the United States*. The "Effects Report" came to several major conclusions. For example, it concluded that as a result of climate change, agricultural yields could be reduced, agricultural productivity could shift northward, and shifts in agriculture may cause harm to the environment in some areas. Sea level rise could lead to the loss of many coastal wetlands, and estuaries may enlarge and become more saline. Water quality in many basins could change, and water use conflicts increase. In forestry, the range of trees may be reduced, and changes in forest composition are likely to occur. Climate change also could affect human health, with summer mortality increasing, winter mortality decreasing, and regional morbidity patterns changing. Moreover, climate change could increase global electricity demand, with related increases in air pollution, especially smog.

The rate of global warming may be the most important factor affecting both natural and managed systems. The faster the warming, the harder it will be to adapt. The ability of natural ecosystems (forests, wetlands, barrier islands, national parks) to adapt to a rapidly warming climate is limited. Rates of natural migration and adaptation are in many cases much slower than the predicted rate of climate change. The populations of many species

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Why is this
at the end?
the medicine
for all
actions
described ->
and it
up front so
that we see
why we are doing
this.

could decrease, and many could face extinction. The ultimate effects could last for centuries, and they would be virtually irreversible.

The Framework Convention on Climate Change (FCCC), which already has been ratified by the United States, commits signatory countries to develop national plans that include actions to reduce greenhouse gas emissions. While no legally-binding targets and timetables for emissions reductions were specified, the aim is the stabilization of greenhouse gas emissions at 1990 levels in the year 2000. While such a target is an uncertain ecological imperative, it does provide a vital motivating benchmark by which the actions of all countries can be measured. Moreover, the long lifetimes of these gases, the slow turnover of major capital investments, and the lengthy time required to get governments to act requires that countries have such milestones. Under the FCCC, the commitments specified in the Framework Convention can be revisited.

New tools and methodologies are being developed to evaluate the socioeconomic impacts of climate change and estimate the benefits of actions that may be useful to analysts in the United States and other countries. EPA's research program provides a firmer scientific foundation upon which to build our ongoing assessment, and mitigation and adaptation analysis activities. EPA is also participating in the activities of the IPCC, contributing to the new Working Group III ("Cross-cutting Socioeconomic Issues"), Working Group II ("Impacts, Mitigation, and Adaptation"), and Working Group I ("Science"). A better understanding of the socioeconomic impacts of climate change and the distribution of

those impacts across different segments of society will enable policymakers to justify specific mitigation and adaptation policies, and ensure that they are effective, efficient, and equitable. EPA's benefits assessment program has been designed to be comprehensive, and we will communicate to policymakers the best available information about the socioeconomic impacts of climate change.

Mr. Chairman, thank you for your invitation to present testimony before the Committee. This has been a welcome opportunity to discuss the Administration's climate change policy. I would be pleased to answer any questions you may have.

§ § §



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 21, 1993

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer-

Department of Agriculture (Shapiro 720-1516)	312
Department of Commerce (Levitt 482-3086)	324
National Economic Council (Matthews x)	429
Department of the Treasury (Carro 622-1146)	228
Department of the Interior (Hill 208-6706)	329
Department of Health & Human Svcs (White 690-7760)	328
Department of Justice (Burton 514-2141)	217

SUBJECT: EPA's Statement of Principles on "Drinking Water StateRevolving Fund"

NOTE: These principles will be provided by EPA to the appropriate committees that are considering this legislation.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than
3:00 P.M. MONDAY, MAY 24, 1993

Questions should be referred to Holly Fitter (395-3233),
the legislative analyst in this office or to Pam Barr
(395-5852).

Ronald K. Peterson

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

CC: B. Beard
M. Weatherly
J. Payne
A. Kolaine

B. Damus
K. McGinty
T. Hunt/M. Mitchell
G. Simon

DRINKING WATER STATE REVOLVING FUND THE ADMINISTRATION'S "STATEMENT OF PRINCIPLES"

PROJECT ELIGIBILITY:

The DWSRF funds should be used for providing loans (including low-interest and no-interest), loan guarantees, or purchases of insurance for local debt obligations for capital improvement projects (excluding land acquisition) necessary to enable drinking water systems to comply with the Safe Drinking Water Act.

Funding should be limited to systems that exist on the date of enactment of the DWSRF to focus funding on solving current public health and compliance problems. This limitation is designed to avoid an incentive for creating new, possibly "non-viable" systems. In addition, the Administration recommends disallowing loans to individual systems in situations where significant savings could be realized by system consolidation. Loans would be available to pursue consolidation, however, when it is the most cost-effective means to achieve compliance with the SDWA.

SYSTEM OWNERSHIP:

Both publicly and privately owned community water systems and public and non-profit non-community systems should be eligible for loans under the State DWSRF programs. Loans to privately-owned systems should be secured with financial collateral.

Nearly 40% of the community systems are privately-owned (39,000 out of 83,000), and many private systems have public health problems. Because a significant portion of the systems providing public drinking water are privately-owned and have substantial public health needs, and consumers do not generally have a choice of water system providers, the Administration believes that all viable community water systems be eligible to receive assistance, regardless of ownership, and that States should decide which systems should receive loans, after considering the system's public health needs and their financial condition. However, State DWSRF programs must be required to ensure that any loans to private systems are secured with an appropriate amount and type of financial collateral.

STATE ELIGIBILITY:

Only States with primary enforcement responsibility (Primacy) for the Public Water System Supervision (PWSS) Program would be eligible to receive DWSRF capitalization grants.

The Administration strongly believes that States should have primary enforcement authority (i.e., Primacy) for their drinking water programs. While tying State primacy to SRF eligibility would have some negative consequences (the most notably being that water systems in non-primacy States would be

- 2 -

ineligible to receive DWSRF loans because EPA would not operate an SRF program in a non-primacy State), such an action would have positive effects as well. It would provide States with a tremendous incentive to maintain and adequately fund primacy and it will likely encourage public water systems and interest groups representing these systems to work cooperatively with State legislatures to adopt fee bills and increases to the States' general appropriations to operate State FWSS primacy programs. We believe that maintaining State primacy is critical to insure adequate public health protection in the area of drinking water.

DIRECT GRANTS TO SYSTEMS BY EPA:

The District of Columbia, the Virgin Islands, the Northern Mariana Islands, American Samoa, Guam, and the Trust Territory of the Pacific Islands, would not be eligible for capitalization grants under the DWSRF. Rather, drinking water systems in these jurisdictions shall be eligible for direct assistance grants from EPA for eligible improvements.

These jurisdictions have so few drinking water systems that operation of a DWSRF program and maintenance of a revolving fund would not be feasible. Although they would not be eligible for DWSRF capitalization grants, systems in these jurisdictions should be able to receive grants for improvements to their drinking water systems directly from EPA as is done under the current Clean Water Act SRF.

INDIAN TRIBES & ALASKAN NATIVE VILLAGES:

The DWSRF should include a 1.5% set-aside for Indian Tribes and Alaskan Native Villages and allow grants to these systems from that set-aside.

Community drinking water systems on Indian Lands account for approximately 1.5% of the number of community water systems nation-wide. The Administration, therefore, believes that it is appropriate to set-aside 1.5% of the DWSRF appropriations for improvements of Indian Land water systems. Funds in the set-aside should also be used for direct grants from EPA to Tribes (as is the case in the Clean Water Act SRF program). Further, Alaskan Native Villages should be included in the definition of Indian Lands (as is the case in the Clean Water Act SRF) for the purposes of the DWSRF and, therefore, be eligible for direct assistance grants.

STATE ALLOTMENT FORMULA & DRINKING WATER NEEDS SURVEY:

The formula used to allot DWSRF funds among the States should be the one currently used to allot FWSS State grant funds, except that the minimum should be changed from 1% to 0.5%. EPA should be required to complete a Needs Survey.

- 3 -

The most logical formula for distribution of a DWSRF appropriation is one that considers drinking water system needs. The PWSS State Grant formula best meets the need as it is based primarily on the number of drinking water systems in each State, and would therefore distribute the funds according to *potential* need. The PWSS allotment formula would stay in effect until changed by Congress after consideration of the results of a needs survey.

STATE MATCHING FUNDS:

States should be required to match federal DWSRF capitalization grants with 20% State matching funds.

The Agency believes that requiring a 20% match will put more money into the DWSRF system and will, therefore, put more money into improving the nation's drinking water systems.

PERIOD OF FUND AVAILABILITY:

The period of availability of the funds should be two years, except for fiscal year 1994 funds, which should have a period of availability of three years.

The Agency believes that the period of availability of the funds should be two years. For FY 1994 funds, however, the period of availability should be extended an additional year to provide States more time to come up with the match. This should provide sufficient relief to those States which do not currently have a program for financing drinking water system improvements.

DISBURSEMENT OF CAPITALIZATION GRANTS:

Disbursement of capitalization grant funds to States should be by letter of credit rather than by cash.

In view of the competition for federal dollars, actual disbursement of funds from the Treasury must occur as close as possible to the point in time when a State is making payment for expenses incurred on eligible projects. It would not be appropriate for States to place capitalization grants into interest-bearing accounts at a time when federal investment is needed to address a number of critical domestic issues. The Administration believes that the "letter of credit" approach has worked well in the Clean Water Act (CWA) State Revolving Fund. The method coordinates federal outlays with actual project expenditures and eases the pressure on the Federal budget while at the same time insuring that all approved projects are funded. The President's Vision for Change assumed that drinking water SRF monies would be distributed in the manner currently used to disburse CWA SRF monies.

- 3 -

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- 4 -

REALLOTMENT OF UNOBLIGATED FUNDS:

Any funds not obligated by a State by the last day of fund availability shall be reallocated by EPA to States which have obligated all of their funds.

There is currently a tremendous need for funds to improve the nation's drinking water systems, and there are numerous States which can effectively and expeditiously make loans to these drinking water systems. To maximize the effectiveness of the DWSRF program, funds originally intended for systems in States which are unable to make timely awards must be redirected to systems in those States which can do so.

USE OF CAPITALIZATION GRANTS:**(a) STATE SET-ASIDE FOR LOAN FUND MANAGEMENT:**

States should be allowed to use up to 4% of their capitalization grants for administration of the DWSRF program.

In the Clean Water Act (CWA) SRF, States may use up to 4% of the capitalization grant for administering the fund, including establishing priority lists and intended use plans. States may not, however, use any portion of loan repayments or interest for such expenses. Therefore, after federal capitalization grants end, States will not have a source of new federal monies to use for administering the SRF. As a result, some States are looking forward and using only a portion of the 4% to meet the current need for CWA SRF program administration. An estimated 24 States are paying for the balance of administration costs with other funding sources (e.g., loan closing fees, surcharges on loans). Based on the experience of the CWA SRF, States should be allowed to use up to 4% of the DWSRF capitalization grant for SRF administration.

(b) BUYING OR REFINANCING DEBT:

Systems may be provided loans for buying or refinancing their debt obligation where such debt obligations were incurred after the date of enactment of the authorizing DWSRF legislation.

The DWSRF should not discourage any system from complying with the Safe Drinking Water Act requirements as expeditiously as possible. Systems may postpone making such improvements in anticipation of receiving a future loan through the State's DWSRF program. To overcome this potential problem, the Administration believes that loans for refinancing debts incurred after the date of enactment of DWSRF legislation should be available to systems under their State's DWSRF.

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(c) STATE SET-ASIDE FOR TECHNICAL ASSISTANCE AND PLANNING:

States should be allowed to use up to 1% of their capitalization grants to provide technical assistance to potential loan recipients, and for planning activities, including identifying situations where system consolidation is appropriate. States may also use these funds for limited-term cost-effective non-capital approaches for system consolidation.

Many systems need help identifying their problems, deciding on solutions, and completing the necessary paperwork to request a loan. This is especially true for nonviable systems that need to consolidate with other systems. Allowing States to use up to 1% of their capitalization grant for technical assistance will help ensure that loans are provided for sound projects and to systems that have the capability to establish and operate adequate user charge systems. States may also use this set-aside for planning activities, including identifying situations where consolidation is appropriate. The technical assistance and planning set-aside will help ensure sound management of the fund.

(d) LEVERAGING:

States should be allowed to leverage funds in the SRF. Specifically, a State may use its fund (SRF) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the fund.

States with a large amount of immediate needs may opt to take advantage of leveraging SRF funds in order to provide a larger pool of available funds to meet drinking water infrastructure needs. The Administration feels that this can be an effective way of providing funding for a larger number of projects with the limited funding available. The use of leveraging would allow States to direct an expanded pool of funds to solve a larger number of public health issues while maintaining the integrity of the revolving fund.

SYSTEM ABILITY TO REPAY LOAN:

A State may provide a loan to a drinking water system from the DWSRF only after making a determination that the system has the ability to repay the loan according to the State's terms and conditions.

The Administration wants to ensure that systems do not default on loans. Before making a loan to any system, a State must ensure that the system has the ability to repay the loan.

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COMBINED FINANCIAL ADMINISTRATION:

States may combine the financial administration of a DWSRF with the administration of another revolving fund as long as the capitalization grants, loan repayments, and interest are segregated and used solely for the appropriate drinking water system improvements.

States may realize management savings by combining administration of their DWSRF with another (possibly existing) State revolving fund. The Administration does not want to discourage such savings as long as the monies associated with the DWSRF are segregated and used solely for drinking water system improvements.

AUTHORITY TO ESTABLISH ASSISTANCE PRIORITIES & CARRY OUT OVERSIGHT OF LOAN PROJECTS:

The authority to establish assistance priorities and carry out oversight of the DWSRF must rest with the State agency having responsibility for the State's Public Water System Supervision (PWSS) program.

Demand for DWSRF loans is likely to be great, and, at least during the first few years, there will be heavy competition for the project approvals. Project approvals should be based primarily on the degree of public health protection afforded by the various projects. The State agencies responsible for carrying out the PWSS are in the best position to establish priorities and make the decisions on project rankings.

FEDERAL OVERSIGHT OF STATE DWSRF PROGRAMS:

States would be required to undergo annual audits of their DWSRF programs in accordance with the Single Audit Act, and would be required to submit an annual report to EPA on their activities under their DWSRF program.

Both the annual financial audit and the annual report are necessary to carry out EPA's fiduciary responsibilities. The annual financial audit would ensure that proper financial requirements are being met. The annual program audit would ensure that States are adhering to priority plans and serve as a review of the projects funded.

ENFORCEMENT PROVISIONS:

The failure or inability of any public water system to receive funding under this DWSRF program shall in no way alter the system's obligation to comply in a timely manner with all applicable drinking water standards and requirements of the Safe Drinking Water Act (SDWA).

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The Administration wants to ensure that drinking water systems do not rely solely on the DWSRF to correct deficiencies in their drinking water facilities. Systems which do not receive DWSRF loans should not postpone improvements necessary to achieve compliance with the SDWA. Further, many systems are able to obtain financial support from sources other than the DWSRF, and these systems should do so. No system should use submission of a loan application, or processing of loan approval, as a reason for continued noncompliance.

EPA GUIDANCE & REGULATIONS:

EPA should be allowed to issue guidance and regulations as necessary to carry out the DWSRF program.

The Administration intends that the operation and management of the DWSRF program be similar to the Clean Water Act SRF. To achieve this, the Administration intends to evaluate the applicability of the CWA SRF requirements and promulgate regulations governing those that should be carried over to the DWSRF. Also, regulations and guidance on other issues may be necessary to address issues not covered in legislation.

EVALUATION:

EPA will conduct an evaluation of the effectiveness of the DWSRF through fiscal year 1996. It will be used to guide future reauthorization efforts and will be submitted to Congress with the fiscal year 1998 budget.

AUTHORIZATION OF APPROPRIATIONS:

Funds should be authorized to carry out the DWSRF for five years -- \$599,000,000 for fiscal year 1994, and \$1,000,000,000 for each of fiscal years 1995 through 1998.

The Administration believes that the authorization should be for five years, consistent with the President's Vision For Change.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

May 21, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-491

TO: Legislative Liaison Officer -

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EDUCATION - John Kristy - (202)401-2670 - 207
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FROM: RONALD K. PETERSON (for) *Ronald K. Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Holly FITTER (395-3233)
Secretary's line (for simple responses): 395-6194
Chantale WONG (395-6944)

SUBJECT: EPA Proposed Testimony RE: S 656, Indoor Air
Quality Act of 1993

DEADLINE: 10:30 AM May 24, 1993

COMMENTS: This testimony also discusses S. 657, the Indoor Radon
Abatement Reauthorization Act of 1993.

OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President, in
accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or
receipts for purposes of the the "Pay-As-You-Go" provisions of
Title XIII of the Omnibus Budget Reconciliation Act of 1990.

37 page testimony

Page 2
LRM #I-491

CC:

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S. Mertens
J. Blend
B. Damus
A. Kolaian
K. McGinty
G. Simon
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Page 2
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**TESTIMONY OF
ROBERT SUSSEMAN
DEPUTY ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE
SUBCOMMITTEE ON CLEAN AIR AND NUCLEAR REGULATION
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE**

MAY 25, 1993

Mr. Chairman, members of the Committee, I am pleased to be here today to testify on the Environmental Protection Agency's (EPA) indoor air quality and radon programs, and to comment on S. 656, the Indoor Air Quality Act of 1993, and S. 657, the Indoor Radon Abatement Act of 1993. Indoor air quality is one of the most important emerging issues on the Agency's agenda. Comparative risk studies performed by EPA and its Science Advisory Board have consistently ranked indoor air pollution, including radon, among the top four environmental risks to public health.

To date, two pieces of legislation have guided EPA's indoor air and radon programs. Title IV of the Superfund Amendments and Reauthorization Act of 1986 laid the foundation for EPA's indoor air quality research program and dissemination of information and solutions. It also provided initial direction for the Agency's radon problem assessment activities and radon mitigation research program. The 1988 Indoor Radon Abatement Act (IRAA) expanded EPA's radon program by establishing authorities to develop training centers, provide assistance to States, and conduct other important efforts.

EPA's overall approach toward indoor air has been to recognize that, while there is still much that we do not know about the impact of the indoor environment on human health, we can nonetheless achieve significant improvements now by incorporating pollution prevention approaches into the design, construction, maintenance, and operation of buildings, and by managing pollutant-specific risks when we know about them. EPA has found that practical, common sense solutions can often minimize indoor air quality problems.

With respect to the 1988 IRAA, EPA has made significant progress in areas such as: educating the public, conducting surveys, developing mitigation technologies and radon-resistant building features, and working with major science organizations to further refine health risks. Further, EPA is conducting extensive public outreach activities with various national non-profit organizations, including the American Lung Association, the Consumer Federation of America and the National Association of Counties.

The bills before you, S. 656 and S. 657, are largely consistent with the current direction of EPA's programs. My testimony therefore, will focus primarily on those areas where we believe that changes would improve the bills. I will begin by outlining the Agency's indoor air and radon action programs, then turn my attention to S.656 and S.657.

Scope of the Indoor Air Quality Problem

Awareness of indoor air quality as an environmental issue is relatively new. Indoor air pollutants, which include environmental tobacco smoke, radon, and other chemical and biological contaminants, can cause long and short term health effects, especially when inadequate ventilation allows indoor concentrations to increase. EPA studies of human exposure to air pollutants indicate that indoor levels of many pollutants may be 2-5 times, and occasionally 100 or as much as 1,000 times, higher than outdoor levels. These levels of indoor air pollutants are of particular concern because we estimate that most people spend as much as 90% of their time indoors.

Over the past several decades, our exposure to indoor air pollutants is believed to have increased due to a variety of factors, including the construction of more tightly sealed buildings, reduced ventilation rates to save energy, the increased use of synthetic building materials and furnishings, and the increased use of chemically formulated personal care products, pesticides and cleaners. EPA, in close coordination with other Federal agencies and the private sector is making a concerted effort to better understand indoor air pollution and to reduce people's exposure to air pollution in offices, homes, schools and other indoor environments where people live, work and play.

Studies that have been conducted to date by EPA, other Federal and State agencies, and the private sector have led to

the concern that people are exposed to levels of pollutants indoors that may be significant in terms of long term risks of cancer and other chronic effects; thus the very high ranking for indoor air in many of the recent relative risk reports prepared by EPA and, most recently, by the Agency's Science Advisory Board. Our level of understanding about these risks, however, is limited except for relatively few pollutants, most notably radon, lead, environmental tobacco smoke, and asbestos. For example, EPA estimates that between 7,000 and 30,000 lung cancer deaths (best estimate is 14,000) in the United States are attributed to radon exposure. EPA recently reported that about 3,000 lung cancer deaths in non-smokers and serious respiratory health disorders in children are caused by exposure to environmental tobacco smoke. Lead has been shown to cause mental impairment in children and asbestos is a documented cause of lung diseases. For asbestos, radon and lead, the Agency has undertaken major risk management programs, and we are engaging in a public education program to reduce risks from environmental tobacco smoke. The long term risks associated with exposure to other indoor pollutants, however, are not as well-characterized or understood.

Even less well understood are the more immediate effects of exposure to indoor contaminants in buildings. There appears to be an increasing number of health complaints associated with poor indoor air quality in the nation's public and commercial buildings, schools, residences, and other non-industrial

buildings. These complaints can involve a variety of symptoms such as eye, nose, and throat irritation, headache, lethargy, dizziness and other symptoms for which specific causes cannot be identified and which have come to be known collectively as "sick building syndrome." While a number of hypotheses have been advanced to explain sick building syndrome, including exposure to low levels of individual or mixtures of volatile organic compounds (VOCs), most researchers believe that there is no single explanation, but rather that occupant perceptions of air quality indoors can be impacted by many factors which are often difficult to sort out. These factors include exposure to a variety of chemical and biological contaminants; comfort factors such as temperature and humidity; ventilation (outside air supply and air movement); lighting; noise; odor, which has a very strong perceptive influence; and psychosocial factors, including job stress and environmental aesthetics.

At the same time, there are a number of illnesses which can be directly and demonstrably related to environmental pollutants in buildings, ranging from well known and life-threatening illnesses such as carbon monoxide poisoning, Legionnaire's disease, and tuberculosis, to a variety of specific acute reactions such as irritation from formaldehyde or allergic reactions to biological contaminants.

Finally, there are emerging and highly controversial health concerns, such as the phenomenon of multiple chemical sensitivity (MCS), in which a segment of the population believes that their

acute exposures to individual chemicals, or mixtures of chemicals, or perhaps even repeated exposure to very low levels of chemicals, have resulted in a heightened sensitivity to many chemicals which they are exposed to in their day-to-day lives. While the cause or causes of their health problems are still the subject of much debate, there is no question that these people's lives are being affected in devastating ways.

In sum, understanding the health impacts of indoor pollutants on occupants whose age, physical status, and susceptibility may vary greatly, is a complex issue which presents a distinct research and public policy challenge.

Efforts to estimate both the costs of indoor air pollution to society, as well as estimates of the costs of controlling indoor air pollutants, are in their infancy. An initial effort by EPA to estimate the costs of indoor air pollution concluded that although specific cost estimates were highly uncertain due to data limitations, it was reasonable to estimate that the costs of indoor air pollution, in terms of direct medical costs and lost productivity, were probably in the tens of billions of dollars per year. The Agency has begun a multi-year effort to look at the cost implications of a number of indoor air quality control strategies, and information from this effort will help to assess the appropriateness of various control technologies.

While these complexities make the indoor air issue difficult to define, we know enough about the problem to conclude that the

risks, both acute and chronic, are significant, and warrant a coordinated and intensive Federal response.

EPA's Indoor Air Strategy

EPA is committed to a pollution prevention approach to indoor air quality. The key elements of that approach are to: seek to minimize peoples' exposure to all indoor air contaminants to the extent reasonable; transfer existing information to those in a position to improve indoor air quality; and conduct research to develop sound scientific information to fill knowledge gaps.

EPA has been given broad authorities under the Toxic Substances Control Act (TSCA) and the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) to address chemical exposure risks. In addition, the Safe Drinking Water Act controls contaminants in drinking water that may volatilize into air from household uses. For example, radon in drinking water generally contributes about five percent to a home's overall indoor radon levels. Radon in drinking water is estimated to cause over one hundred cancer related deaths each year. Several program initiatives are underway to sharpen the focus of our chemical screening and risk management programs under these statutes to ensure that chemicals that pose unreasonable risks indoors are identified and addressed. These initiatives include a clustering approach to screening indoor pollutants and indoor pollutant sources more expeditiously, and a graduated response to risk reduction which seeks to increase the flexibility with which

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our TSCA authority can be used. The Agency supports aggressive utilization of its combined statutory authorities to identify specific pollutants that present direct health risks in the indoor environment and to use a variety of means to reduce their level indoors.

Simultaneously, we are vigorously pursuing an indoor air research program. The results of EPA's indoor air research will improve our scientific understanding of the key factors that determine indoor air pollution health risks and the effectiveness of risk reduction strategies; provide critical scientific information to EPA program offices and regions; and promote private sector involvement in indoor air research.

We have also set a high priority on improving the way in which buildings are designed and operated. We believe this integrated buildings systems approach is appropriate, because there are both a variety of building factors, pollutants, and sources in the indoor exposure equation, and because there are very real limitations to our understanding of the health effects of exposures to pollutant mixtures. The buildings systems approach seeks to achieve real and significant reductions in exposure to all biological and chemical contaminants indoors, quickly, by employing prevention techniques aimed at reducing risks across the board.

Our approach revolves around two simple policy principles: first, that it is prudent to minimize human exposure to biological and chemical contaminants indoors to the extent

practicable; second, that reductions in exposure can best be achieved by utilizing an integrated strategy of source management wherever feasible, adequate ventilation at all times to all occupied spaces, and, where appropriate, air cleaning as an adjunct to (but not a replacement for) the first two strategies.

This strategy stresses an integrated approach to indoor air quality, with attention to building design, construction, commissioning, operation, and maintenance as the most practical approach to exposure reduction. Focusing on building performance ensures that all potential indoor pollutant sources receive adequate attention, and that the critical elements of ventilation system performance, building maintenance, and occupant activities are integrated into a cohesive strategy. This minimizes the potential for indoor air quality problems to develop and occupant complaints to escalate, and ensures that practical, cost-effective problem identification and problem-solving tools are provided to those in a position to affect the quality of the indoor environment.

Program Accomplishments

Our indoor air strategy is embodied in a comprehensive guidance manual for building personnel that we issued, in cooperation with the National Institute for Occupational Safety and Health, in 1991. Entitled *Building Air Quality: A Guide for Building Owner's and Facility Managers*, this book made the Government Printing Office's "best seller list" shortly after its

release. More than 16,000 copies have now been sold. Since its publication, we have supported the training of more than 5,000 building owners and facility management personnel on the use of the Guide. This has been accomplished through the cooperative efforts of the Building Owners and Managers Association, International, and through the Agency's Regional Radon Training Centers.

In the coming year we hope to establish a voluntary partnership program. Such a program would take more aggressive steps to institutionalize the practical guidance in *Building Air Quality* by providing opportunities to owners, managers, and occupants of public, commercial, and school buildings to enter into voluntary partnerships with EPA to implement these prevention and problem solving approaches in their buildings.

We are also about to publish and promote a public information brochure on the hazards posed by environmental tobacco smoke exposure. In January, the Agency announced the completion of its risk assessment on the respiratory health effects of passive smoking. Now we are ready to take the next step and tell the public and policy makers how to control exposure to this known human carcinogen.

Our source characterization project is comprehensively addressing source management concerns. Those classes of products which are major contributors to indoor air exposures and risks are identified in the Source Ranking Database. By this fall the database will allow us to begin systematically reviewing and

comparing source categories to identify high-priority categories for testing, risk management and pollution prevention.

One additional accomplishment I would like to mention concerns the inauguration of our Indoor Air Quality Information Clearinghouse, IAQ INFO. Beginning last October, the public has toll-free telephone access to a central source of information on indoor air quality. Trained individuals respond to questions directly over the phone; send out government publications on a variety of indoor air topics; refer callers to other public and private sector organizations with information on the topic of their concern; and consult a database of over 3,000 literature sources on indoor air when more detailed responses are needed.

RADON

I now would like to turn my attention to EPA's radon action program.

Health Risks & Scope of Problem

Health Risks

Radon is estimated to be the nation's second leading cause of lung cancer, behind smoking. There is consensus among the scientific community, including the World Health Organization, the National Academy of Sciences, the International Commission on Radiological Protection, and the National Council on Radiation Protection and Measurements, regarding the carcinogenicity of radon. Estimates of the health risks from radon exposure are based on extensive occupational human data, including

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epidemiological studies of thousands of underground miners, and are supported by animal studies. Major national and international health organizations such as the Centers for Disease Control, the American Lung Association, the American Medical Association, and the American Public Health Association agree that indoor radon is a serious public health threat.

It is estimated that between 7,000 and 30,000 lung cancer deaths in the United States each year are attributed to radon. The combination of smoking and exposure to elevated radon levels presents especially high risks of lung cancer. Both adults and children are at risk from elevated levels of radon in homes and schools. EPA's current health risk estimates assume that radon poses the same risk to children that it does to adults.

Although we know a great deal about radon health risks, some uncertainty still exists. Some of this uncertainty was addressed through the National Academy of Sciences' "Comparative Dosimetry of Radon in Mines and Homes" report. This report concluded that epidemiological studies of miners could be used to estimate risk in homes, but that a radiation dose in homes may pose 20-30% less risk than the same dose in mines. EPA also has recently begun a new effort with the National Academy of Sciences (NAS) to update underground miners data and recent studies of residential radon exposures. We expect to complete this study in three to four years. In addition to these activities with NAS, there are many ongoing residential epidemiology studies being conducted around the world. As with other cases of significant research, EPA will

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work with its Science Advisory Board to review findings from this research and to refine radon health risk estimates.

Scope of Radon Problems

From our surveys we have estimated that six million homes in the United States have elevated levels of radon. And although some areas of the country have a higher potential for elevated radon levels, we have found homes with elevated levels in low potential areas as well; some of the highest recorded levels have actually been measured in low radon areas. Additionally, even if one house tests low, the neighboring home could have elevated levels. These findings are the basis for EPA and the Surgeon General's recommendation that all homes below the third floor of a building be tested for radon, and elevated levels be lowered.

Radon in Homes

Generally, the greatest exposure to radon occurs in homes because that is where people spend most of their time. EPA's national assessment of annual average radon levels in homes found that approximately six million homes have annual average radon levels that exceed EPA's action level of 4 picocuries per liter, and that the national average radon level in homes is about 1.25 picocuries per liter. EPA has also conducted joint radon screening surveys in 42 states and seven Indian Nations, and six other states have conducted their own statistically-valid surveys. Elevated radon screening levels have been found in

homes in every state, with some states having more extensive problems than others.

Radon in Schools

EPA has recently completed a national assessment of radon in schools which also found elevated radon levels in schools. Results from this study indicate that approximately 15,000 public schools in the U.S., or nearly one in five schools, have at least one room with an elevated screening level above EPA's action level of 4 picocuries per liter. Schools with radon problems can be found throughout the United States.

Radon in Federal Buildings

Under direction of IRRA, in April 1989 the Agency began to work with other Federal agencies to develop and review radon study designs. As of late 1991, approximately 20,000 Federal buildings had been tested for radon with about 5 percent of these buildings having at least one test result of 4 picocuries or higher.

Strategy of Radon Action Program

The goal of EPA's Radon Action Program is to significantly reduce the public health risks of radon. The 1988 Act directed the Agency to provide information to the public to enable them to make informed decisions about radon, technical assistance to the industry and States, and financial assistance to States. Additionally, in 1990, the Radon Program requested an evaluation from EPA's Office of Policy, Planning and Evaluation (OPPE).

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OPPE organized a panel of senior EPA managers, who also held a series of meetings with national experts outside the Agency, to review and provide recommendations for the Radon Program. Many of the panel's recommendations further refined the direction that IRRA had given the program. The following are the five recommendations which were made:

1. Focus on the greatest risks first.
2. Promote radon-resistant new construction.
3. Support testing and mitigation in connection with real estate transactions.
4. Develop a new strategy for public information.
5. Develop a coordinated research plan.

The Radon Program is conducting a number of activities that are consistent with the recommendations and directions given by the OPPE panel. These activities are discussed in the following section.

Program Accomplishments

Technical Assistance to Industry & States

Early in the program, we recognized that reducing radon risk would require the joint efforts of Federal and State governments and the private sector. The objective of our technical assistance is to ensure that the public has access to reliable radon measurement and mitigation services, and that there are knowledgeable and informed state and local officials to assist them in reducing their risk. EPA develops and refines protocols

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for radon measurement and remediation in residences, schools, and large buildings; sponsors research on new radon measurement, diagnostic, mitigation, and prevention techniques; and transfers technical capabilities to the States and the private sector. Through the House and School Evaluation Programs, EPA has transferred technology in radon diagnostics and mitigation techniques to private sector mitigators and state and local personnel. These programs have provided classroom instruction and field experience for their participants.

Radon Proficiency Programs

As directed by Congress, EPA has established two voluntary proficiency programs that evaluate the capabilities of the radon industry and distributes lists of qualified firms to States and consumers. The Radon Measurement Proficiency (RMP) Program, established in 1985, is designed to ensure homeowners access to reliable radon measurement services, and to provide nationwide consistency of radon measurements by setting minimum performance requirements for the industry and for test devices.

The RMP Program enrolls firms on a continuous basis. To strengthen the quality of measurement services available to consumers, EPA has made the program's requirements more stringent. For example, all applicants must have Quality Assurance Plans which describe the controls that measurement firms have in place. All RMP-listed individuals also must pass biennial examinations to ensure that they continue to offer the public high-quality measurement services.

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In the fall of 1989, EPA established the voluntary Radon Contractor Proficiency (RCP) Program to evaluate the proficiency of radon mitigation contractors. This program provides coursework and an examination, trains participants in the latest mitigation technologies, and distributes lists of successful participants to all State radon offices to respond to public request for names of qualified radon mitigation contractors.

Radon Regional Training Centers

EPA has established four Regional Radon Training Centers that provide access to radon training throughout the United States. These regional training centers - based in New Jersey, Alabama, Minnesota, and Colorado - transfer the latest information regarding radon measurement, diagnosis, and mitigation to Federal, State and local officials, and to the private sector. Training seminars at the four centers ensure that qualified personnel are available to provide accurate and current information to the public regarding the risks of radon and technologies for measuring and mitigating indoor radon. The training centers also administer the exams for both the Radon Measurement Proficiency and Radon Contractor Proficiency Programs.

Schools

In April 1989, EPA issued a national recommendation that all schools be tested for radon. To support States and school districts in addressing radon problems, EPA issued interim guidance on school testing and mitigation in 1989. Although

school testing and mitigation can successfully use many of the approaches developed for homes, radon concentrations in schools are influenced by special factors such as building construction and heating, ventilation, and air conditioning systems. Through research and field work - such as EPA's School Evaluation Program - the Agency is continuing to improve measurement and mitigation techniques for school buildings and is revising both documents. We expect to issue final measurement guidance to schools in a few months, with final mitigation guidance following in the near future. The interim school mitigation guidance, in the meantime, is still applicable. Additionally, EPA's Office of Research and Development has completed development of guidance on radon control for schools and large buildings through new construction. This guidance, "Radon Prevention in the Design and Construction of Schools and Other Large Buildings," will be available to the public later this year.

With the publication of the Agency's revised radon measurement and mitigation guidance for schools, EPA will continue to work closely with States and various education groups to promote radon testing and mitigation in our nation's schools.

Financial Assistance to States

In addition to technical assistance to States, IEAA directed the Agency to provide financial assistance to States in order to help States establish radon programs. We are pleased that during the first three years of the State Indoor Radon Grants (SIRG)

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program 50 States, the District of Columbia, and Guam have used these funds to create radon programs that are well-positioned to provide information and support geared to addressing the scope of the radon problem specific to each State. State and local governments play a key role in persuading the public to act. All States, and many local governments, have an existing network of environmental, health, and radiation protection agencies and departments with considerable experience in responding to local problems. EPA is providing \$6 million in SIRC funding this year.

Most States have used grant funds to develop radon strategies, distribute public information materials, run radon hotlines, conduct surveys of homes and schools to identify potential radon problems, and, in some cases, establish certification programs for the radon industry in their jurisdictions and begin to work with local governments in high-risk areas. Several States have developed innovative projects which have included: a demonstration of cost-effective radon reduction techniques in low-income housing; a pilot radon teleconference for school officials that reached twelve hundred schools; and a project to develop radon curriculum for junior high and high school science classes.

Many States are using SIRC funding to target high radon areas. These efforts have had an impact as is clearly demonstrated by a recent Conference of Radiation Control Program Directors (CRCPD) survey which found that testing and mitigation

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rates in high risk areas are almost double those outside of high radon areas.

States have been a vital partner in the national effort to reduce radon health risks. The State Indoor Radon Grants program has been a critical source of funds which enable States to take meaningful steps in alerting the public to the risk of radon, encouraging action, and ensuring the availability of reliable radon measurement and mitigation services. A 1991 CRCPD survey indicated that nearly two-thirds of the States would not be able to maintain an effective radon program without continued State Indoor Radon Grant funding. Further, recent survey research indicates that the States which have the oldest radon programs have the highest amount of testing; a clear indication that sustained awareness increases testing.

Focus on the Greatest Risks First

In 1987, EPA and States developed and began collecting survey data in each State. The EPA/State Survey was designed to characterize the relative severity of the radon problem between States, and to identify high risk areas within each State. As already mentioned, surveys have been completed in 42 States and 6 Indian Lands, and six States have completed their own independent surveys.

More recently we have been working closely with the U.S. Geological Survey (USGS) and the Association of American State Geologists (AASG) to develop a Radon Potential Map to distinguish

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areas of the country that have the highest radon potential. Information from this map will enable EPA to help States identify a significant proportion of those homes above the Agency's action level in order that these areas can be considered a priority. EPA and USGS have distributed a draft map for final review and expect to release the final map this summer.

We are also working with USGS, as well as the Department of Energy, to identify high-risk areas that have particularly elevated radon levels. This joint project will further refine EPA's efforts to target geographic areas that are at especially high risk from radon.

Promote Radon-Resistant New Construction

As required by IRAA, EPA has recently proposed model construction standards that will prevent radon from entering residential structures. The Agency has worked with the National Association of Home Builders, the National Institute of Building Sciences, national model code organizations and State agencies in developing these voluntary model standards which were published on April 12, 1993 in the Federal Register for a sixty day public review and comment.

Widespread adoption of radon resistant construction standards in high-risk areas is cost-effective, energy efficient and could result in significant radon risk reduction. Hence, the Agency is promoting the use of radon-resistant features to

builders and is encouraging States and local governments to adopt these model standards in their building codes.

EPA is also working with its coalition of national organizations in promoting radon-resistant new construction. The National Association of Counties, for example, is working to educate county commissioners, county health officials and local building code officials about how radon-resistant features can be incorporated into local building codes. This outreach effort is focusing on 25 specific counties in high risk areas.

The Agency is continuing to work with the National Association of Home Builders (NAHB) in our endeavor to promote the use of radon-resistant construction. NAHB is conducting research to evaluate the effectiveness of passive radon reduction systems and is helping EPA assess training and information materials builders would need to voluntarily incorporate radon resistant features into their building practices.

Two States, New Jersey and Washington, have already adopted similar radon building codes in high risk areas to ensure that new homes are resistant to radon entry.

Support Testing and Mitigation in Real Estate Transactions

EPA believes that all consumers should be well informed about potential environmental health hazards in homes they may rent or buy. To this end, EPA has recently published its "Homebuyer's and Seller's Guide to Radon" which was reviewed by other Federal agencies, States, the radon industry, scientists, consumer protection organizations, and risk communication

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experts. EPA encourages the public to test and, where necessary, mitigate homes ~~before~~ ^{when} entering real estate transactions, rather than waiting until a home is offered for sale. However, if people are addressing radon during a real estate transaction, EPA has issued helpful guidance in the "Homebuyer's and Seller's Guide to Radon." This booklet provides information about radon, its health risks, and testing guidance specifically designed for real estate transactions. The Agency is also working with the Employment Relocation Council, the Environmental Law Institute, and real estate organizations to promote radon awareness and testing during real estate transactions.

Several States are already addressing radon during real estate transactions. For example, California, Florida, New Hampshire, New Jersey, and Rhode Island have enacted laws that either require disclosure of radon test results or require that radon information be provided at the time of a real estate contract.

Nearly four million homes are sold each year in the United States. If potential buyers and sellers test these homes for radon and mitigate elevated levels, substantial public health risks could be prevented.

Develop a New Strategy for Public Information

EPA's Radon Action Program continues to provide public information designed to encourage individual action to test for radon and reduce elevated levels. Public awareness is critical

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for establishing support for institutional adoption of radon policies.

One successful avenue to reaching the public has been through our coalition of national non-profit organizations which include the American Lung Association, the Consumer Federation of America, the American ^{Public} Health Association, and the American Medical Association. Local chapters and affiliates of these organizations have held workshops, organized media campaigns, and hosted substantial outreach activities at the State and local levels to encourage public action on radon.

The Agency's policy document, "A Citizen's Guide to Radon," was prepared in 1986 with the assistance of the Centers for Disease Control. As directed by the 1986 Indoor Radon Abatement Act, we revised the "Citizen's Guide" in 1992 to refine our testing recommendations, to provide clear guidance to the public, and to incorporate the best available science. The Agency has also published the "Consumer's Guide to Radon Reduction" to provide readers with information on radon reduction techniques and services.

As part of its new strategy, EPA has begun to target specific groups in its outreach efforts. Aside from issuing a radon public health advisory in 1988, the Office of the Surgeon General and EPA jointly released a public service announcement in 1992 that encourages the public to test their homes for radon and highlights the dangers of combining smoking and radon. The Agency, additionally, has initiated various projects that serve

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populations that are not addressed by mainstream programs. For instance, we are working with the National Coalition of Hispanic Health and Human Services Organization to develop a language and cultural adaptation of the "Citizen's Guide to Radon." The National Medical Association, a professional organization that represents 16,000 African-American physicians in the U.S., is also working with the Agency. The organization is actively educating its members about radon health risks in addition to implementing a pilot project to organize African-American civic leaders to promote radon testing and mitigation.

Develop a Coordinated Research Plan

EPA and other Federal agencies have conducted extensive research and collected large amounts of data on radon-related issues. EPA's radon mitigation research efforts have developed the technologies to achieve significant reduction of radon in residences and schools which have been published in guidance manuals widely used by the mitigation industry, home builders, and schools. However, there are still many areas that require further research. The Agency has initiated work with the Department of Energy and the Science Advisory Board to develop an overall coordinated research plan.

Environmental Results

EPA's Radon Action Program has made significant progress in educating the American public about radon. Five years ago, there

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was virtually no public awareness of radon. Recent research conducted by the Conference of Radiation Control Program Directors shows that today, nearly 70 percent of the public is aware of radon, and in high radon areas, that awareness increases to nearly 80 percent.

Surveys and research now indicate that elevated radon levels can be lowered to 4 picocuries per liter or below, virtually all of the time, and to about 2 picocuries per liter or less in approximately 70-80 percent of all homes; at a cost of between 500 and 2,500 dollars. Similarly, we are encouraged that virtually all new homes built with radon-resistant techniques achieve radon levels below 4 picocuries per liter. Despite this available technology, however, we are concerned that only about 9 percent of our nation's homes have been tested for radon, and only 300,000 homes have been mitigated of the 6 million estimated to have elevated levels. While approximately 22 percent of the nation's schools have done some radon testing, we are concerned that, in many cases, the mitigation of elevated levels in schools is not taking place.

EPA's Position on the Indoor Air Quality Act

Areas of Consistency

Much of the content of S. 656 is consistent with indoor air quality approaches that are already underway either at EPA or within other Federal agencies whose responsibilities would be

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affected by this bill. For these reasons, the Agency generally supports this legislation.

5. 556 places a strong emphasis on the need for further research, an objective that EPA clearly accords importance. In fact, the Agency's indoor air research budget has increased significantly in the past two years, rising from a virtually constant level of about \$2.5 million from 1984 to 1991, to over \$9 million in FY 1993. EPA's indoor air research program is divided into five interdisciplinary components to address the following important questions: what are the pollutant emissions from indoor sources, and how do they contribute to human exposures; how many people are exposed to what levels of pollution; what is the quantitative relationship between exposure/dose and adverse health effects in people; what are the likelihood and magnitude of health risks associated with indoor air pollution; and, what are the most cost-effective strategies to prevent or control indoor pollution. Answering these scientific questions requires a strong commitment to research within both the public and private sectors. In collaboration with relevant Agency program and policy offices, the Office of Research and Development has established indoor air research priorities which are cognizant of both EPA's research expertise and related research efforts in EPA, other Federal and State agencies, and the private sector.

The bill's emphasis on information development and dissemination is clearly consistent with the direction we have

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taken at EPA. Indeed, the major thrust of our indoor air program has been to take what we currently know about indoor air problems and their solutions, and work with experts and outside audiences such as architects and design professionals, health care providers, homebuilders, consumers, public and commercial building managers, school facility operators, building engineers, air duct cleaners, product manufacturers, and others, to produce guidance documents and training materials that address their particular needs for state-of-the-art information. We endorse the underlying premise of S. 656 that further research and non-regulatory approaches to indoor air quality are the most effective. We believe that significant benefits can be realized by informing key audiences about the prevention and problem solving actions they can undertake voluntarily to improve indoor air quality.

We also recognize the importance of coordination, another over-arching feature of S. 656. Indeed, coordination - between Federal agencies, between EPA's own Headquarters and its Regional Offices, and between the Agency and our outside constituencies, be they consumer groups, health advocates, States and localities, or professional and trade associations - is the key to effective communication.

Areas Not Addressed

While in many ways, S. 656 reflects the course of action EPA has already set, there are important elements of EPA's current program which are not included in this bill. The first of these

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and establishing procedures for addressing occupant indoor air quality concerns. We believe there will be strong support for such a program and see significant benefits from making this kind of opportunity available now to building owners, managers, and tenants who are motivated to make improvements voluntarily.

S. 656 would benefit from the inclusion of such initiatives.

Areas of Concern

I would like to turn now to six areas of concern regarding S. 656. These areas include the provisions of the bill addressing: list of contaminants, health advisories, national response plan, Office of Indoor Air Quality, Council on Indoor Air Quality, and research.

List of Contaminants

Section 7 of the bill requires both the creation of a list of indoor air contaminants and the issuance of health advisories. The issuance of a Health Advisory also triggers the concurrent issuance of a Technology and Management Practices Bulletin (Section 6). Because only 240 days are allotted for publishing the list of contaminants, the consultation and public review process, and the findings of adverse impact on human health required before a contaminant can be listed, it is unlikely that EPA would include on the list more than the 10 well recognized contaminants already specified in section 3 of the bill. That is, the listing is unlikely to identify for the public indoor air contaminants beyond those already recognized as criteria pollutants or hazardous air pollutants under other statutory

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authorities. Because of the bill's short timelines, EPA will initially be forced to rely on the limited existing data on indoor air exposure and what is currently known about the potential for adverse health effects at low levels. Although additions will be made to the list over time, the listing will of necessity lag behind the research necessary to create the consensus envisioned in the legislative language. The act of creating the list of contaminants will draw resources away from needed research and other actions to improve indoor air quality, and could continue the misimpression that indoor air quality problems are caused solely by specific pollutant concentrations.

Health Advisories

Similarly, because of the short timelines, the first round of health advisories on the listed contaminants (6 advisories within the first 18 months; 6 more within the first 3 years), will be unlikely to communicate any new information to the public. Instead, EPA will have no alternative but to repackage existing information on the pollutants about which we know the most and which is already available in a variety of publications. The imposition of short deadlines will not speed the creation of new knowledge; it will simply require us to summarize old data, and consume scarce resources in managing the process.

National Response Plan

Turning to the National Response Plan provision, I would note that the Interagency Committee on Indoor Air Quality (CIAQ) has been in existence since 1983. EPA has devoted considerable

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staff time and energy to its operation over the past decade. Increasingly, the CIAQ has provided a forum for the development of a coherent Federal response to indoor air quality issues. The co-chairs - EPA, the Consumer Product Safety Commission, the Department of Energy, the Department of Health and Human Services, represented by NIOSH, and the Department of Labor, represented by OSHA - as well as the 16 other member Federal agencies, have significant indoor air-related activities and authorities, which we meet quarterly to discuss.

We agree that a requirement to develop a National Response Plan may sharpen the Federal government's focus on indoor air quality issues. However, we should avoid any implication that this provision will require the Agency to dictate to other departments and agencies how their resources should be spent or how their statutory mandates should be implemented. Each of the Agencies in the indoor arena has its own statutory requirements, although there may be situations in which responsibilities overlap. For example, while OSHA has clear regulatory preeminence over workplace health and safety protection, EPA has responsibility to protect citizens from exposure to environmental pollutants. In addition, the Consumer Product Safety Commission's mission is to protect consumers from hazards created by products in the marketplace, and many of those products pose risks because they contain chemicals that EPA is authorized to control under TSCA. Any National Response Plan which is required

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should not attempt to eliminate or stifle independent agency initiatives.

Office of Indoor Air Quality

Of concern is the directive in Section 11 to elevate the Indoor Air Division to office status. In our view, the current placement of the indoor air program is appropriate and effective, for two reasons. First, last October we implemented a reorganization which placed the radon program and the indoor air program under one office director. This change has already begun to leverage Agency resources by integrating some of the key outreach and assessment activities of both divisions. Another reorganization would be disruptive and potentially counterproductive. Second, even were the division to expand to administer new legislative responsibilities, its size would still be commensurate with other divisions within EPA, not offices.

Council on Indoor Air Quality

Similarly, EPA believes the evolution that has taken place within the Interagency Committee on Indoor Air Quality attests to the ability of the concerned Agencies to work productively in such a forum. We would be reluctant to see the current approach disrupted. The creation of a high level Council with its own budget, staff, and biennial reporting requirements would be, in our view, counterproductive.

Research

Overall, we would agree that the areas of research described in Section 5 of S.656 are important. However, Agency flexibility

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to establish policy relevant priorities for the research program is very important, we believe, to the ultimate success of the program.

We recommend that research into innovative control technologies, and evaluation of technologies developed by the private sector, should be significantly expanded. However, the technology demonstration program should not be limited to public agencies, nonprofit institutions and organizations, employee advocate organizations, and local educational institutions, but also should include the private sector, where many innovative technologies are being developed.

We believe that with some modifications, as outlined above, S.656 would help move our understanding of indoor air pollution forward, and that the Administration would be supportive of the legislation. We would be prepared to work with Congress in all of these areas.

EPA's Position on the Indoor Radon Abatement Act of 1993

Finally, I would like to discuss EPA's position on the radon bill S.657. Most provisions in this proposed legislation would enhance the current efforts of EPA's Radon Action Program and, therefore, the Agency is generally supportive of the bill.

Areas of Consistency

For instance, making the radon proficiency programs mandatory would increase consumer protection and improve the accuracy of measurement standards and mitigation services across the country. The continuation of the State Indoor Radon Grants

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is the Building Assessment and Survey Evaluation program, or BASE, a national study of indoor air quality in public and commercial buildings. BASE is being undertaken to develop baseline information on the factors believed to affect indoor air quality in large buildings, and to begin to assess their relationship to occupant health symptoms. The data will be collected by a number of investigators, both public and private-sector, using a uniform protocol for their measurements and a standardized questionnaire to determine occupant perceptions. These data will be compiled in a publicly accessible data base, so they can provide support to researchers exploring the relationships between certain indoor conditions and occupant perception, and serve as the basis for designing future building studies. In addition, these data will help us formulate hypotheses about what distinguishes "normal" buildings from "problem" buildings.

Another critical activity now in the development phase at EPA is the voluntary partnership program mentioned earlier in this testimony. Through memoranda of agreement, partners will agree to implement a series of energy-wise, pollution prevention activities designed to produce better indoor air quality for building occupants. These activities are practical, low-cost measures already described in our successful "Building Air Quality Guide," and include such things as adopting effective smoking policies, establishing and adhering to operation and maintenance schedules for buildings heating and cooling systems,

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program would help States sustain awareness and further reduce the public's risk of radon. And, universal information disclosure and the option to include a radon testing contingency in real estate contracts could help greatly to spur testing as part of real estate transfers.

Area of Concern

The Agency has reservations about one section of the bill concerning Federal Buildings. The proposed legislation would require the Administrator, in consultation with the heads of affected Federal agencies, to develop and submit to Congress a radon assessment and mitigation plan for all Federal buildings. We believe that each agency should have the responsibility of fulfilling these proposed requirements. We are confident that EPA can provide adequate technical assistance and guidance in the mitigation of elevated radon levels.

In general, we support the radon bill before this committee because of its capacity for enhancing our nation's efforts to reduce radon health risks to the public.

Conclusion

Resource Concerns

Although I can say without hesitation that the Administrator and I support the goals and purposes articulated in these two bills, we are concerned that compliance will require staffing and funding commitments beyond what is currently appropriated.

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Indoor Air Program

While many of the activities in S.656 are consistent with the approach we have adopted, they are nonetheless new activities for EPA and, by and large, for the other Federal agencies who would be affected by this bill. The Agency estimates that the bill would require an additional \$29 million and 42 new FTEs in addition to the current 31 FTEs, and \$4 million now devoted to indoor air division activities. For the Office of Research and Development an additional \$10 million and 13 FTEs would be required to implement new provisions such as the Technology Demonstration Program. We are concerned that if these new resources are not appropriated, we will be unable to implement the bill's requirements.

Radon Action Program

While the Radon Action Program would be able to absorb many of the minor provisions in the proposed legislation, implementation of the major new provisions would not be possible within current authorization levels. The Agency estimates that the new bill would require a minimum of 15 new FTEs above the current 41 FTEs that would be reprogrammed. Further, a minimum of 5 million dollars would be required beyond the 4.6 million dollars which would be reprogrammed. In terms of State Indoor Radon Grant funding, 9 million dollars would be reprogrammed, necessitating an additional \$5 million.

General

I am impressed by EPA's radon and indoor air quality programs in developing comprehensive and informative approaches to indoor environmental quality. EPA is committed to a pollution prevention approach to indoor air quality. The key elements of our approach have been to seek to minimize peoples' exposure to all indoor air contaminants to a reasonable extent; transfer existing information to those constituent communities in the best position to improve indoor air quality; and conduct research to develop sound scientific information. With respect to radon, our goal is to significantly reduce the public health risks of radon with a focus on the greatest risks first and an emphasis on the promotion of radon resistant new construction to prevent radon from entering residential structures. In addition, these approaches have involved, from the outset, broad consultation and collaboration among private and public sector experts.

The Indoor Air Quality Act and the Indoor Radon Abatement Act build successfully upon the approaches and efforts EPA has taken in the establishment and implementation of its current programs. Administrator Browner and I remain steadfast in our desire to work with this committee to ensure that the indoor air quality of our nation is improved.

This concludes my prepared testimony. I would be happy to address any questions you may have.

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503**

September 10, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-1178

TO: Legislative Liaison Officer -

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FROM: RONALD K. PETERSON (for) *Ronald K. Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Holly FITTER (395-3233)
Secretary's line (for simple responses): 395-6194
Scott CAMERON (395-6822)

SUBJECT: EPA Proposed Testimony RE: S 1304, Wetlands
Conservation and Regulatory Improvements Act

DEADLINE: 1:00 PM September 13, 1993

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

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Joint Testimony of

Environmental Protection Agency
Army Corps of Engineers
Department of Agriculture
Department of the Interior
National Oceanic and Atmospheric Administration

before the Senate
Committee on Environment and Public Works
Subcommittee on Clean Water, Fisheries and Wildlife

September 15, 1993

Good morning Mr. Chairman and distinguished members of the Committee. We are pleased to appear before you today to outline the Clinton Administration's wetlands policy. This statement is being presented on behalf of the Environmental Protection Agency, the Army Corps of Engineers, the Department of Agriculture, the Department of the Interior, and the National Oceanic and Atmospheric Administration. This joint statement demonstrates the tremendous cooperation and coordination among the Federal agencies that participated in the Interagency Working Group on Federal Wetlands Policy that produced the Administration's wetlands policy.

Three weeks ago the Administration released a comprehensive package of improvements to Federal wetlands policy. This package reflects a broad-based consensus within the Executive Branch. It is a departure from the gridlock of the past and contains a balanced, common sense, workable set of initiatives that will make Federal wetlands policy fairer, better coordinated with State and local efforts, and more effective at protecting wetlands. We have attached the Administration's full policy statement to this testimony.

We would like to begin by briefly describing why wetlands protection is important and then provide some background on the process used to arrive at this consensus package. We will then highlight some of the main provisions of the Administration's wetlands policy, noting in particular where Congressional action is recommended and whether these provisions are similar to S. 1304, the Baucus-Chafee wetlands bill.

Why Wetlands Are Important

Wetlands are among our Nation's most critical and productive natural resources. Wetlands are the vital link between land and water. They provide a multitude of services to society, are the basis of thousands of jobs, and contribute billions of dollars to the economy. Wetlands fulfill vital functions within the ecosystem, such as wildlife and aquatic life habitat and food chain support, water quality improvement and flood storage, and shoreline erosion control. A high percentage of our endangered species rely directly or indirectly on wetlands for their survival. Protecting wetlands is essential if we are to achieve the Clean Water Act's objective to restore and maintain the chemical, physical, and biological integrity of the Nation's waters.

Given the fact that wetlands are so important, it is a tragedy that we have lost over 50 percent of the wetlands that were present in the conterminous United States at the time of European settlement. Information available from the U.S. Fish and Wildlife Service shows a loss rate of 290,000 acres a year from the mid-70's to the mid-80's. ~~Information from the U.S. Fish and Wildlife Service indicates that from 1950 to 1980, approximately 100,000 acres of wetlands were lost annually.~~ This is an improvement from the 450,000 acres we lost annually from the 1950's to 1970's, but it is still far more than the Nation can afford.

The Consensus-Building Process

The Interagency Working Group was formed in response to a request to President Clinton from seven Senators. The purpose of the group was to provide a forum to allow the appropriate Federal agencies to work together, with input from members of the Congress and the public, to develop a consensus on wetlands policy issues. The group was convened by the White House Office on Environmental Policy in June and included nine agencies: the Environmental Protection Agency (EPA), the Army Corps of Engineers (Corps), the Office of Management and Budget, and the Departments of Agriculture (USDA), Commerce, Energy, Interior, Justice, and Transportation. In addition to interagency discussion, the Working Group solicited the views of a broad range of stakeholders representing all perspectives in the wetlands debate, including members of Congress, representatives of State and local government, environmental interests, the development community, agricultural interests, and scientists. With this information in mind, the group met intensively over many hours to develop a package of more than forty specific initiatives. The result is a significantly revised Federal wetlands policy that provides fairness,

flexibility, and predictability to landowners, farmers and others, while also ensuring more effective protection of our Nation's wetlands.

President Clinton's Plan

The Clinton Plan includes both regulatory improvements and innovative, non-regulatory approaches to protect and restore wetlands. It includes administrative actions, some of which took effect immediately and others that will begin during the coming months. It also includes legislative recommendations for Congress to consider during reauthorization of the Clean Water Act. Several of the themes of this package are consistent with S. 1304 and S. 1114.

At this time, we would like to highlight some specific elements of the policy. A guiding principle in formulating the policy was to exercise strong Federal leadership while empowering State and local action. The Administration believes that the Federal government should lead by example as well as by directive. To this end, the existing Executive Order on wetlands will be revised to establish an interim goal of no overall net loss of wetlands and a long term goal of increasing the quantity and quality of wetlands. We are pleased to note that S. 1304 establishes the same short and long term goals as the Administration. The revised Executive Order will also direct Federal agencies to take a watershed or ecosystem approach to wetlands protection and restoration in working toward these goals.

The Administration policy also identifies voluntary, non-regulatory wetlands restoration as an essential vehicle to achieve these goals. The Wetlands Reserve Program (WRP) is a crucial part of the Administration's wetlands restoration plans. The 1990 Farm Bill requires a minimum of one million acres to be enrolled in the WRP by the end of fiscal year 1995. In 1992, a 50,000-acre pilot of the WRP was very well received, with proposals from 2,300 farmers to restore 250,000 acres. The fiscal year 1994 Agriculture appropriations provides for 75,000 new acres to be enrolled, which would more than double the number of States eligible for participation in the program. Under the policy, the Administration will use this program in the Midwest in conjunction with emergency assistance programs to restore wetlands and assist farmers affected by the recent flooding. The Administration will seek to have this program fully funded and expanded in FY 1995.

In addition, the Administration will examine opportunities to expand existing Federal programs that seek to restore wetlands through cooperative, voluntary agreements with private

and other non-Federal landowners. The Administration is pleased to note that S. 1304 also promotes wetlands restoration.

To increase State and local roles in wetlands protection and to reduce duplication between wetland protection programs on different levels of government, the Administration encourages Congress to adopt several measures. The first is to authorize the development of State/Tribal watershed protection programs which should provide for local and regional involvement and Federal approval of State programs, including minimum requirements for wetlands protection and restoration planning. In addition, the Administration recommends that Congress provide EPA with the authority to use its Wetlands Grant program to fund both the development and implementation of State/Tribal Wetlands Conservation Plans. Congress should also authorize partial assumption of the Section 404 program by States and Tribes as an interim step toward full assumption. Finally, the Administration recommends that Congress amend Section 404(c) of the Clean Water Act to provide explicitly for the issuance of programmatic general permits with appropriate environmental safeguards for approved State, Tribal, regional, and local regulatory programs. Most of these measures, with the exception of those related to assumption of the Section 404 program, are in S. 1304.

The Administration policy will streamline and clarify wetlands programs affecting the agricultural community. At the heart of this effort is a commitment on the part of all Federal agencies to minimize duplication and reduce inconsistencies between the Swampbuster and Section 404 programs. To that end, the Soil Conservation Service (SCS) will be the lead Federal agency for wetlands determinations on agricultural lands for both programs, under the programmatic oversight of EPA and the Corps. The SCS will use agreed-upon methods that will be not only consistent with those used by EPA and the Corps, but will also be applied by fully trained field staff.

In addition, the Administration has issued a final rule that affirms the exclusion of an estimated 53 million acres of prior converted croplands from Clean Water Act jurisdiction. These are areas that, prior to December 1985, have been cropped and hydrologically manipulated to the extent that they no longer perform the functions they did in their natural condition. Consistent with S. 1304, the Administration recommends corresponding Congressional action to define the term "waters of the United States" in the Clean Water Act to exclude prior converted croplands.

The Administration policy also addresses landowner concerns regarding the Section 404 program. The Corps will develop, through rulemaking, an administrative appeals process under

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the regulatory program so that landowners, farmers, and others can seek review of jurisdictional determinations and permit denials without going to court. The Corps will also modify its regulations to impose deadlines to ensure that permitting decisions are made in a timely fashion. The policy also endorses the use of mitigation banks for compensatory mitigation under the Section 404 program within environmentally sound limits.

The Clinton policy takes several steps to increase the predictability and public acceptance of efforts to identify areas as wetlands subject to jurisdiction under the Clean Water Act. Use of the 1987 wetlands delineation manual has provided a workable and broadly accepted delineation procedure over the past two years. The Administration supports continued use by all agencies of the 1987 manual pending completion of the National Academy of Sciences study, expected in September 1994. To increase public confidence in the Section 404 program, the Administration also is recommending congressional endorsement of continued use of the 1987 manual, which is provided for in S. 1304.

To put to rest the notion that Congress did not intend to protect wetlands under the Clean Water Act, the Administration recommends that explicit definitions of the terms "wetlands" and "waters of the United States" be included in the statute, consistent with longstanding regulatory definitions. S. 1304 does include the definition of "wetlands".

Finally, the Administration's policy revised the definitions of discharge of dredged and fill material to close regulatory loopholes that allowed wetlands to be drained, ditched, or cleared without a Section 404 permit. The Plan recommends that Congress affirm these definitional changes in legislation, as S. 1304 does for one of these categories of activities.

Conclusion

In conclusion, we believe the Administration's reform package represents a tremendous opportunity to move beyond the polarization that has characterized the wetlands policy debate in recent years. As indicated in this testimony, there are many similarities between the Administration's policy and S. 1304. We look forward to working closely with the Committee to enact bipartisan legislation that will improve wetlands protection in the United States. Thank you. We will be happy to take any questions you may have at this time.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

URGENT

September 10, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-1216

TO: Legislative Liaison Officer -

AGRIC-CR - Hal Gross (all testimony) - (202)720-7095 - 230
COMMERCE - Michael A. Levitt - (202)482-3086 - 324
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
ENERGY - Bob Rabben - (202)586-6718 - 209
HHS - Frances White - (202)690-7760 - 328
INTERIOR - Danny Consenstein - (202)208-6706 - 329
JUSTICE - Sheila F. Anthony - (202)514-2141 - 217
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
OSTP - Chris Clary - (202)456-7116 - 288
CORPS ENGINEERS - Susan Bond - (202)272-0030 - 239
ARMY CivilWorks - Morgan Rees - (703)695-1370 - 205
CEA - Francine Obermiller - (202)395-5036 - 242

FROM: RONALD K. PETERSON (for) *Ronald K. Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Holly FITTER (395-3233)
Secretary's line (for simple responses): 395-6194
Linda WIESMAN (395-6808)

SUBJECT: EPA Proposed Report RE: S 1114, Water
Pollution Prevention and Control Act of
1933

DEADLINE: 2:00 PM September 14, 1993

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

✓ K. McGinty
M. Mitchell
S. Cameron
J. Payne
S. Kasdin

C. Walden/B. Burke
H. Paster
R. Lyon
D Tangherlini

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Honorable Max S. Baucus
Chairman
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter of July 20, 1993, regarding the development and deployment of innovative environmental technology. I share your view that through the development of American environmental technology we can promote both a healthy environment and a healthy economy. I also agree that environmental regulations sometimes have the unintended effect of discouraging further innovation once compliance is achieved. Accordingly, we at the U.S. Environmental Protection Agency (EPA) applaud your leadership and Senator Chafee's in addressing this issue in your bill, the "Water Pollution Prevention and Control Act of 1993," S.1114.

You have requested my comments on two provisions of S.1114, Section 502(h) and Section 601, which are intended to promote environmental technology. Section 502(h) would authorize the permitting authority (EPA or an authorized State) to waive any permit limitation applicable to the discharger for a period of up to 90 days (with the possibility of a 90 day extension) in order to encourage the development and testing of certain innovative production processes or pollution control technologies. The bill sets forth certain requirements for and restrictions on a waiver authorized under this section. We believe this section could be helpful in promoting innovative technologies. However, a waiver of 90 days (or even 180 days) generally does not allow enough time in which to install and test qualifying technologies. Therefore, the short-term waiver contemplated in Section 502(h) is unlikely to stimulate much interest in the regulated community and, as a result, may not encourage development and application of innovative environmental technology. We propose, as an alternative, that Section 301(k) be modified to authorize a waiver of up to 180 days, with the possibility of a 180-day extension.

Tom Baucus

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We have also examined Section 601 of S.1114. Among other things, this section would authorize the Administrator to provide grants to public agencies and other entities to develop or demonstrate water pollution prevention and control practices. We support the intent of this section, which we believe is to promote the development of innovative technology at the grass roots level, particularly among municipalities. However, we have identified two possible impediments to the development of innovative technology that the bill may wish to address. First, the bill requires the grantee to provide 25 percent of the demonstration project cost. We agree that this is sound policy; however, we recommend, in the case of publicly owned entities, that the grantee be reimbursed for its contribution in the event that the demonstration technology fails, unless the failure is attributable to negligence on the part of any person. This indemnification principle would remove most, if not all, of the risk of failure and would allow the municipality to expend the needed funds on meeting the effluent limitations by more traditional means. Without this, municipalities may not be able, as a practical matter, to adopt innovative approaches. Second, the bill should allow more flexibility for demonstrating a technology under significantly different conditions, such as a different climate or where waste characteristics are different. Office of Water technical staff are available to meet with your staff to discuss these suggestions in detail.

You also inquired about EPA's current efforts under Section 313(b) of the existing law to promote innovative technologies at Federal facilities. We have compiled little information on Section 313(b) and it appears that EPA has not relied on this particular authority as an important part of our innovative technology efforts. However, we are attempting to gather information through our regional offices and other appropriate agencies. It is not clear whether we have gained sufficient experience with Section 313(b) to answer your questions.

We believe that innovative environmental technologies have considerable promise. We are encouraged by your interest. Please do not hesitate to contact me or call Martha G. Prothro, Acting Assistant Administrator for Water, at 202/260-5700 to discuss this matter further.

Sincerely,

Carol M. Browner

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RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is **simple** (e.g., concur/no comment) we prefer that you respond by **faxing** us this response sheet. If the response is **simple** and you prefer to call, please **call the branch-wide line** shown below (NOT the analyst's line) to leave a message with a secretary.

You may **also respond** by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please **include** the LRM number shown above, and the **subject** shown below.

TO: Robert FAIRWEATHER (395-6834)
Office of Management and Budget
Fax Number: (202) 395-5836

FROM: 9-21 (Date)
Katie McGinty (Name)
DEP (Agency)
X6224 (Telephone)

SUBJECT: EPA Qs and As on The Administration's Policy
on Global Climate Change

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur
_____ No objection
_____ No comment
X See proposed edits on pages 11-15
_____ Other: _____
_____ FAX RETURN of _____ pages, attached to this response sheet

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

SPECIAL

September 16, 1993

LEGISLATIVE REFERRAL MEMORANDUM

LRM #M-663

TO: Legislative Liaison Officer -

AGRIC-CR - Hal Gross (all testimony) - (202)720-7095 - 230
COMMERCE - Michael A. Levitt - (202)482-3086 - 324
DEFENSE - Samuel T. Brick, Jr. - (703)697-1305 - 325
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HHS - Frances White - (202)690-7760 - 328
INTERIOR - Danny Consenstein - (202)208-6706 - 329
STATE - Julia C. Norton - (202)647-4463 - 225
TRANSPORTATION - Tom Herlihy - (202)366-4687 - 226
TREASURY - Richard S. Carro - (202)622-1146 - 228
CEA - Francine Obermiller - (202)395-5036 - 242
NEC - Sonia Mathews - (202)456-6722 - 429
NSC - William H. Itoh - (202)395-3723 - 249
NASA - Jeff Lawrence - (202)358-1948 - 219
NSF - Lawrence Rudolph - (202)357-9435 - 248
OSTP - Chris Clary - (202)456-7116 - 288
TVA - Alan Carmichael - (202)479-4412 - 332
SMITHSONIAN - Mark Rodgers - (202)357-2962 - 292

FROM: RONALD K. PETERSON (for) *Ronald K. Peterson*
Assistant Director for Legislative Reference

OMB CONTACT: Robert FAIRWEATHER (395-6834)

SUBJECT: EPA Qs and As on The Administration's Policy
on Global Climate Change

DEADLINE: 10:00 AM September 21, 1992

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

CC:

C. Wolz
G. Henry
J. Mietus
J. Fellows
A. Erbach
J. Payne
J. Minkler
M. Norman

R. Turman
G. Simon
K. McGinty
B. Sasser
R. Lyon
C. Walden/K. Way

**Follow-up Questions for Mr. Sussman
June 29, 1993 Hearing on Global Climate Change
U.S. Senate, Committee on Energy and Natural Resources
(Questions from Senator Johnston)**

1. *I understand that EPA's Green Programs have been a successful tool for promoting energy efficiency in lighting, refrigeration, and personal computers. Can you elaborate on how these programs are integrated, if at all, with the energy efficiency programs of the Department of Energy? Are there plans to implement additional Green Lights programs and if so in what areas? Are there plans underway to study specific technologies, such as utility distribution transformers, and if so, what will be the cost of expanding the Green Lights program to include these technologies? What is the expected magnitude of greenhouse gas reductions from the Green Lights program?*

EPA's Green Programs have been coordinated with energy efficiency programs at the Department of Energy (DOE). EPA and DOE operate under a Memorandum of Understanding which was established in October 1992. In particular, EPA works with the Offices of Building Technologies, Industrial Technologies, and Policy and Planning at DOE. DOE is currently considering signing EPA's Green Lights MOU which would make DOE a Green Lights partner and also provide a framework to encourage energy efficiency in all Federal buildings.

Programs on lighting, building energy efficiency, household appliances and industrial energy use, including the forthcoming *Motor Challenge* program are operated in a complementary fashion. For example, EPA's *Golden Carrot* program to speed new appliance technologies to market provides leverage and data for DOE's forthcoming regulations. The choice of the next appliances for the *Golden Carrot* will be made with the schedule and data needs for the next round of appliance standards in mind.

The new *Motor Challenge* program has been designed from the ground up as a joint EPA/DOE venture. DOE will be responsible for technology development. EPA will be responsible for enlisting program participants and providing support to ensure adoption of the more efficient motor systems.

The expansion of existing Green Programs and the establishment of additional Green Programs have been discussed with DOE and the White House as part of the Administration's commitment to reduce greenhouse gas emissions to 1990 levels by 2000. If chosen as part of the Administration's mitigation plan and provided resources, new or expanded voluntary programs are possible in the areas of *Green Lights*, *Energy Star Buildings*, *Better Refrigerants*,

B. T. Sussman

industrial energy use (*Motor Challenge*), residential programs, methane and HFC reduction programs, and *Energy Star Transformers*. EPA plans to introduce its Energy Star transformers program early in 1994 which will encourage the use of high efficiency utility distribution transformers. The magnitude of the effects of the Energy Star Transformers program and other Green Programs are currently being finalized in anticipation of the release of the new National Action Plan.

2. *The Committee understands that the Environmental Protection Agency has just completed work on a report entitled Estimation of Greenhouse Gas Emissions and Sinks for the United States: 1990, which covers all greenhouse gases and provides a sector-by-sector breakdown of emissions. Will this document form the basis for calculations of the baseline under section 1605 of the Energy Policy Act? What role did the Department of Energy have in the compilation of this report? What is the research capability for measuring atmospheric concentrations of greenhouse gases? Where is this work performed and what is the budget for the Agency's emissions monitoring program? Does this report use the same methodology for data collection as the IPCC did in its recent report on greenhouse gas emissions?*

EPA prepares inventories of greenhouse gases under authorities given in the 1987 Global Climate Protection Act and the 1990 Clean Air Act Amendments. These authorities charge EPA to develop and propose to Congress a coordinated national policy on global climate change. The first step in developing such a policy is to prepare an inventory of greenhouse gas sources and sinks. EPA has provided the greenhouse gas emissions inventories for all major U.S. climate action plans and submissions. These include: the U.S. submission to the IPCC in 1991, the 1992 National Action Plan, and the current Administration's mitigation plan.

The June 21, 1993 Review Draft of the emissions inventory, which EPA released for public review, is consistent with methods recommended by the Intergovernmental Panel on Climate Change (IPCC). EPA released the draft in order to encourage public participation in the preparation of the Administration's mitigation plan. Prior to the public release of the Review Draft, EPA sought intra- and inter-agency comments on March 8, 1993. DOE's Office of Policy, EIA, and the Battelle Pacific Northwest Laboratory commented on the March 8, 1993 Review Draft.

While EPA cannot guarantee that this inventory will be consistent with the inventory being developed by EIA to meet the requirements of section 1605 (a) of the 1992 Energy Policy Act, EPA is working with EIA to resolve differences in methods and data. EPA and EIA have shared drafts of our inventories and EPA hopes to resolve the remaining differences expeditiously. EPA and EIA staffs agreed to prepare a Memorandum of Understanding and also agreed to develop cross-walks between our respective inventories. EPA strongly believes that U.S. greenhouse gas inventories should be prepared as efficiently and accurately as possible, and in adherence to the international requirements. We will continue to work with DOE and other

key agencies toward this.

EPA cooperates with other agencies, particularly NOAA, NSF, DOE, and NASA, in the measurement of atmospheric concentrations of greenhouse gases and related gases. This monitoring work requires high precision measurements on a routine basis of air samples collected from station sites strategically located around the globe. The technology for collecting these air samples, and measuring their gas content is well developed. Depending on the gas involved, several different measurement techniques are used. Both government and university laboratories are involved in these measurements. Extensive quality assurance and quality control techniques are employed to ensure the quality of these data. The results are archived and analyzed so trends in the atmospheric concentrations of these gases can be determined, and new insights into the biogeochemical cycling of these gases can be gained. Assessments of atmospheric concentrations of greenhouse gases are conducted under the Global Climate Research Program (GCRP). Contact Shelby Tilford (NASA), Bob Correll (NSF), or Mike Hall (NOAA) for further information. The FY-93 overview of the GCRP is attached.

Under Title IV of the Clean Air Act, electric utilities will be required to monitor and report CO₂ emissions to EPA. Regulations for this monitoring and reporting program were promulgated on January 11, 1993. Existing fossil fuel electric utility units greater than 25 megawatts and all new units are required to monitor CO₂. Because SO₂ and NO_x are the primary pollutants regulated under Title IV of the Clean Air Act, the incremental cost of collecting and analyzing the CO₂ data is negligible.

3. The President stressed his intent to make all U.S. plans to reduce greenhouse gas emission "cost-effective" without "more bureaucracy or regulation or unnecessary costs." How is this criteria being met? What role will the Agency have in developing these criteria?

Many specific mitigation options are available which offer multiple benefits beyond greenhouse gas mitigation. Adoption of and promotion of these options will produce incremental greenhouse gas reductions at no- or low-cost. Moreover, by tapping into new ideas and fresh thinking we can avoid the stifling effects of rigid command-and-control policies. EPA's voluntary programs are an example of cost-effective, innovative options that we hope will be reflected throughout the mitigation plan.

The Administration will evaluate strategies based on their emissions reduction potential and cost effectiveness. But we will not evaluate policies in a vacuum public acceptance, the status of the economy, and legislative and administrative feasibility will influence our decisions. We do not expect that the process of developing or implementing policies will be easy it represents a significant challenge but we know that there are good ideas in the private sector as well as in the Federal, state, and local governments. We plan to tap into all potential sources

for a cost-effective strategy.

4. In the Framework Convention, provisions are made for periodic review of evolving scientific information and of measures taken to implement the convention. How does the Clinton Administration plan to provide for periodic review of the science in its plan to stabilize greenhouse gas emission? How does EPA integrate periodic review of scientific information into its policy development process?

The Clinton Administration recognizes that our scientific understanding of climate change is constantly improving and evolving. It is true that many uncertainties exist about numerous factors that decision makers must consider as they address climate policy, including uncertainties about emissions of greenhouse gases, the costs and effectiveness of mitigation options to reduce emissions, the physical and chemical processes governing the accumulation of gases in the atmosphere, the nature, magnitude, and timing of climate change resulting from such gases, the economic and ecosystem implications of climate change, regional variations in such change, and the extent to which it is possible to adapt to climate change, among others. Each of these factors is enormously complex and subject to scientific debate. Yet, policy makers must somehow cope intelligently with this complex array of issues and uncertainties if they are to make wise and informed choices.

For this reason, the Clinton Administration has established as a major initiative of the U.S. Global Change Research Program (USGCRP) the development and application of integrated assessment tools for evaluating scientific information as it evolves over time, as well as its policy implications. The USGCRP has recognized the need to develop integrated assessment tools that can coordinate findings from diverse disciplines and combine information from both the natural sciences and the social sciences to attain a policy-relevant perspective. It is expected that such integrated assessments will be used to guide policy makers towards understanding the latest scientific information about complex climate-related issues, and the alternative strategies for dealing with them.

To support this process, EPA has already developed a computer-based integrated assessment framework (called the "Policy Evaluation Framework" [PEF]). The purpose of this tool is to provide a flexible analytical framework that can be used to pull together and integrate information and uncertainties from all of the diverse factors that influence climate policy. As scientific information improves over time and new insights are gained, the integrated assessment framework can be updated, policy implications studied, and insights provided to decision makers involved in the policy development process. The framework allows decision makers to explore the policy implications of the hundreds or even thousands of combinations of alternative assumptions or scenarios across the physical, biological, economic, and technological factors that can influence climate policies.

EPA's integrated assessment framework also enables analysts to identify the key policy-relevant uncertainties and helps to guide the research agenda to ensure that those key knowledge gaps are filled. In fact, the Office of Policy, Planning and Evaluation (OPPE) recently completed a study for the Office of Research and Development (ORD) that identifies key policy-relevant uncertainties and assesses the value of information to policy makers from different possible scientific research initiatives.

EPA actively interacts and collaborates with the scientific community to ensure that the latest scientific information is considered in the policy development process, and to help guide the research agenda towards the development of scientific information useful to policy makers. For example, within EPA, OPPE works closely with ORD to periodically hold meetings to review the state of the science. At the interagency level, EPA supports collaborative scientific research projects with other agencies, including NASA, USDA, and DOE. Finally, at the international level, EPA actively supports and participates in the activities of the Intergovernmental Panel on Climate Change to evaluate the state of the science related to climate change.

5. How is the Agency's research program shaped by the needs of policy makers for relevant scientific and technical information? Do EPA's program analysts interact with other participants in the U.S. Global Change Research Program in ways that improve the scientific quality of other agencies' programs?

EPA's climate change research program is conducted by the Office of Research and Development (ORD) with the Office of Policy, Planning and Evaluation (OPPE) as the "client" for the research products. The principal foci of this research have been to clarify the possible effects of climate change on the biosphere, understand the feedbacks on the climate system that climate-induced biospheric changes might produce, develop a framework for predicting future biospheric/climate changes and interactions, and evaluate the applicability of technology to mitigate climate change. Although EPA has been allocated only a modest portion (1.6%) of the total U.S. Global Change Research Program (USGCRP) budget (\$1.5 Billion), we believe its contribution to developing answers to important policy questions has been much greater than its budget would indicate.

Until recently, EPA's program analysts have had only a limited role in direct interactions with the USGCRP, although they have had other substantial interagency interactions on climate change issues such as: developing the U.S. National Action Plan, formulating the climate section of the NSC PRD-12 review, preparing U.S. government positions for negotiations leading up to and subsequent to the signing of the Framework Convention on Climate Change, etc. These other interactions tend towards producing an interagency consensus on policy-relevant research needs for the USGCRP. Recently the Administration has adopted a more

direct approach to linking the USGCRP to policy needs. This is discussed in the answer to the next question.

6. The Global climate Change Research Program has traditionally focused on three things: climate models, process studies, and observation. Spending on climate change research has been quite large and, if NASA's current budget is any indication, continues to grow. In the Committee's March 20 hearing, Dr. Gibbons testifies that it was important to link atmospheric research with response strategies. What steps has the Administration taken to integrate the costly scientific assessment of global climate change with the policy models?

The Administration has recently initiated a new process of consultation between senior policy officials in agencies and the U.S. Global Change Research Program (USGCRP) senior managers. Additionally, the Administration, through the Office of Science and Technology Policy, has directed the USGCRP to expand its program scope to include biodiversity, global forestry, and desertification, in addition to the current focus on climate change and stratospheric ozone depletion. It has also encouraged stronger relative attention on ecological and socioeconomic effects research within the program, and the inclusion of mitigation research and development and adaptation research within the program or a closely associated program. A principal theme in implementing these changes is that of developing more focused attention on the obligations of the U.S. government under recently negotiated international agreements, and on harmonizing the government's responses to these obligations.

It is far too early to predict with any precision the outcome of these consultative activities, but they have begun with a strong recognition by most research managers of the need to articulate a greater policy-relevancy for their programs, and a recognition of most policy officials of their need for continued, and even expanded, scientific and technical support. The expectation is that, at a minimum, these consultations will lead to a stronger policy-relevancy for the research program; and, as a maximum, they could lead to strong programmatic linkages among global climate change research, policy development, and mitigation and adaptation activities. Of great importance is an early consensus emerging out of this process that much additional support is required for research focused on the ecological and human dimensions impacts of climate change, and on economics, human behavioral and societal responses to this problem. Also required is a capability to analyze the full physical, ecological, economic and human dimensions aspects of proposed mitigation and adaptation responses to climate change.

The USGCRP has reorganized itself over the past year with "Assessments" being one of the four principal activities of the program. Over the past several months, this assessment component has been redefined so as to encompass the development of an integrated assessment capability which will be directly applicable to policy analysis needs. These integrated assessment tools to be developed should be capable of coordinating findings from diverse disciplines and

combining information from both the natural sciences and the social sciences to attain a policy-relevant perspective and to gain insights about different ways to achieve environmental improvements. It is expected that the integrated assessments developed through the use of these tools will be useful to guide policy makers towards understanding complex environmental issues, the alternative strategies for dealing with them, and to facilitate the development and evaluation of different strategies for protecting the environment. The development of such integrated assessment tools is becoming increasingly important as environmental issues become increasingly complex, global and multimedia in nature.

The USGCRP has begun to plan how this new activity should be conducted in its FY-95 and subsequent budgets. Meanwhile, the EPA has developed over the past two years a computer-based integrated assessment framework for the evaluation of climate change policies, impacts, and scientific uncertainties. This "Policy Evaluation Framework" (PEF) provides EPA with a flexible analytical framework that can be used to pull together and integrate information from diverse disciplines related to climate change, and allows analysts and decision makers to explore the policy implications of the hundreds or even thousands of combinations of alternative assumptions or scenarios across the physical, biological, economic, and technological factors that can influence climate policies. This integrated assessment framework also enables analysts to identify the key policy-relevant uncertainties and helps to guide the research agenda to ensure that those key knowledge gaps are filled. EPA is in the process of testing this framework for policy analysis purposes, and will continue to develop its capabilities and analytical sophistication.

7. In its study "Policy Implications of Greenhouse Warming", the National Academy of Sciences concluded that "the U.S. could reduce its greenhouse gas emissions by between 10-40% of the 1990 level at very low cost". Does EPA agree with these estimates? How do these numbers compare with those in last years paper entitled "U.S. Views on Climate Change"?

EPA believes that there are numerous no-cost and low-cost opportunities to reduce our emissions of greenhouse gases. EPA believes that President Clinton's charge to his Administration has made it plain that we should develop a plan that emphasizes these low-cost opportunities.

The Academy's report "suggests that the United States could reduce its greenhouse gas emissions by between 10 and 40 percent of the 1990 level at very low cost." [Emphasis added.] This is not the same as saying that the United States could reduce its greenhouse gas emissions to a level of 10 to 40 percent below the 1990 level at very low cost. Since emissions will grow over the next several decades, implementing these low-cost measures will not achieve a 10% to 40% reduction from baseline year 2000 or year 2010 emissions. The Academy's report makes no out-year emissions projections. Many of low-cost measures will occur due to natural market

forces or current government policies and are already reflected in baseline emissions projections. Moreover, the Academy itself notes that their estimates for low-cost measures represents "an optimistic upper bound on what could be achieved using these options." Finally, nearly 40% of the low-cost options cited in the Academy's report are CFC usage reduction. Since the Academy issued its report in 1991, scientific understanding of the role of CFCs as a greenhouse gas has undergone significant reassessment. The comparatively high global warming potential of CFCs has been revised to a most probably neutral effect, if not net cooling effect. Thus, with the above clarifications and revisions, the Academy's report is roughly comparable to *U.S. Views on Climate Change*.

8. *I notice in your testimony that EPA plans to continue to consult with "participants at the White House Conference, as well as representatives from industry, state and local government, labor, environmental organizations, universities and other vital constituencies". How do you envision Congress fitting into this consultative process and how can we best help the Administration achieve its goals?*

We encouraged Congressional staff to attend our Workshops so that they can see firsthand the kind of input that we have received. We have also testified before your committee and other Congressional committees regarding the formulation of the mitigation plan, updating you as to the process and our goals. The Workshops, discussions with affected groups, Congressional hearings, and interagency analysis have all provided the Administration with valuable input into the formulation of the plan. As we move forward with the development of a more detailed plan, we will actively solicit input from the key Committees in both the House and the Senate on the legislative prospects for specific contemplated policy initiatives. We will continue to actively inform Congress throughout the process as to where our deliberations are heading.

9. *Verification of greenhouse gas reduction measures will be an important part of meeting President Clinton's stabilization goal. What does EPA do to verify that the voluntary commitments for energy efficiency under its "green programs" are actually undertaken?*

Monitoring the progress of *Green Lights* and other green programs is an important part of each voluntary program implemented by EPA. Participants in the *Green Lights* program sign a Memorandum of Understanding with EPA which spells out specific reporting commitments. Participants agree to report specific information about the energy efficiency improvements that they make. The information includes, among other things, upgrade costs and type, monitored energy savings, and project status. Information is recorded in the national Implementation Data Base. Corroborating information is often available from vendors and installers of the equipment purchased and put in place by the program partners. A sample form is attached. Similar

information is gathered for the *Energy Star Buildings*, and would be part of any new Green Program.

10. Joint implementation is a policy that has received wide-spread attention as a means for cost-effective greenhouse gas reductions. Does the Administration envision the development of an international tradeable credits scheme to achieve the goals of joint implementation?

While an international tradeable credits scheme is one method of instituting joint implementation, the Administration does not currently envision the development of tradeable credits to achieve the goals of joint implementation.

**Follow-up Questions for Mr. Sussman
June 29, 1993 Hearing on Global Climate Change
U.S. Senate Committee on Energy and Natural Resources
(Questions from Senator Wallop)**

Nature of President Clinton's Commitment

1. *What is the rationale for President Clinton's April 21st commitment to a goal and timetable for greenhouse gas reductions when such a commitment was not envisioned when the Framework Convention was ratified by the Congress?*

The community of nations developed an historic Framework Convention on Climate Change that was signed by 154 countries at the United Nations Conference on the Environment and Development (UNCED) in June 1992. Article 2 of the Framework Convention on Climate Change states that the ultimate objective of the Convention and any related legal instruments that the Conference of the Parties may adopt is to achieve, in accordance with the relevant provisions of the Convention, **stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.**

The Convention also commits signatory countries to prepare National Plans containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol. It is true that legally binding targets and timetables for emission reductions were not specified, but the broad goal is to stabilize CO₂ emissions at 1990 levels by the year 2000.

President Clinton's commitment to a goal and timetable for greenhouse gas reductions is therefore consistent with the spirit of the Framework Convention and the intent that has been embraced by the major industrial signatory countries. Further, by making this commitment, the President has committed the U.S. to a leadership role in the hope of moving policy in the direction that has already been embraced by the countries that signed the Framework Convention on Climate Change.

Not USNAP

2. *Does the President propose that the United States take unilateral action to meet his stated commitments?*

In his Earth Day speech, President Clinton explicitly stated that, "...I reaffirm my personal, and announce our nation's commitment, to reducing our emissions of greenhouse gases to their 1990 levels by the year 2000." To fulfill this commitment, ^{an} a National Action Plan is currently being prepared by the Administration. This plan will consist of a set of actions that will lead to the reduction of greenhouse gas emissions by the U.S.

In signing the convention, a number of countries have made specific commitments to stabilize or reduce their GHG emissions. These commitments include a plan by Germany to reduce CO₂ emissions by 25 percent below 1987 levels by 2005. Japan plans to stabilize per capita greenhouse gas emissions at 1990 levels by 2000. The United Kingdom has committed to stabilizing CO₂ emissions at 1990 levels by 2005. These nations are now preparing national plans to implement their commitments.

Because these commitments are for reductions at different points in the future, it is difficult, at this time, to assess the degree to which these goals will be achieved. However, no country has "backslid" or reversed its commitment to achieving their stated targets.

3. *What events or actions does the Administration envision would need to occur for the United States to meet the President's commitment to return greenhouse gas emissions to their 1990 levels of emissions by the year 2000?*

In the absence of the National Action Plan, it is expected that greenhouse gas emissions in the year 2000 will exceed 1990 levels by approximately 70 - 100 million metric tonnes (carbon equivalent). It is therefore essential that particular policy actions be taken in order for the United States to meet the President's commitment to return greenhouse gas emissions to their 1990 levels by the year 2000.

A diversity of policy options exist for reducing greenhouse gas emissions, including market-based incentives, command-and-control regulatory options, voluntary programs, education programs, and government R&D programs. The Administration is currently assessing all of these possibilities in order to identify those actions that would need to occur in order to meet the President's commitment to limit greenhouse gas emissions in the year 2000 to 1990 levels.

Although the process of developing a new National Action Plan is not yet complete, the Administration has already identified and is analyzing over 200 options across every sector of the US economy, including the industrial, commercial, residential, utility, and transportation sectors.

Joint implementation and sink enhancement are also being considered as two categories of policy options to reduce global greenhouse gas emissions ~~to meet the President's commitment~~

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to stabilization. However, no decision has yet been made about whether or not they will be included in the final Action Plan. These options would be in addition to measures which would reduce greenhouse gas emissions from fossil fuels within the U.S.

4.5. Does the Administration envision that 1990 levels of emissions will serve as a cap after the year-2000? Similarly, what does the Administration envision by its commitment to continuation of the trend of reduced emissions after the year-2000?

(Note: We have combined two of Senator Wallop's questions because of the relevancy of the answer below to both of them.)

The Clinton Administration has not yet made a commitment either to cap emissions after the year 2000 at 1990 levels, or to reduce emissions below 1990 levels. The President's immediate focus is on fulfilling the United States' obligations under the Framework Convention through the development of a substantive National Action Plan, and to catalyze our major trading partners in a direction that has already been embraced by the signatory countries.

The Administration recognizes, however, that this is only the first step in what must be an ongoing process. In the absence of any further actions beyond those in the National Action Plan, emissions of greenhouse gases are projected to increase above 1990 levels after the year 2000. For these reasons, it is imperative that we begin to act now, and fulfill the President's commitment to continue the trend of reduced emissions.

It is possible that GHG emissions could begin to rise after 2000 under some policies considered in the Action Plan

What is the August 1993 Plan

6. What is the August 1993 Greenhouse Gas Mitigation Plan? What is going to be included in it?

The U.S. is currently working on a revised version of the National Action Plan that was published in December 1992. The President set August 1993 as the deadline for completion of the revised plan in his Earth Day speech in April. In order to allow more time for Congressional and public comment, the revised National Action Plan will not be completed by August 1993. No new date has been determined for completion of the plan. The revised National Action Plan will outline the U.S. strategy to reduce our emissions of greenhouse gases to their 1990 levels by the year 2000. The Administration is analyzing a wide range of options to reduce greenhouse gas sources and enhance sinks including voluntary, fiscal, regulatory, and administrative measures.

Not a Full NAP just mitigation policy.

We will submit

Full USNAP (revised) when we have to under the FCC. This Action Plan will be a central component.

7. What is the difference between the August 1993 plan and the National Action Plan required by the Convention?

The National Action Plan currently under preparation will fulfill the spirit of the Framework Convention for Climate Change (FCCC), unlike the 1992 NAP, and also will cover a broader scope of options than was considered in 1992.

see
Ans
question

8. Secretary O'Leary's testimony addresses those energy related actions that the Administration proposes and states that the mitigation plan will supplement actions taken to implement the 1992 Energy Policy Act. What actions does the Administration propose to deal with "non-energy" related sources and emissions of greenhouse gases?

The Administration is considering actions to reduce emissions of greenhouse gases other than carbon dioxide, including methane, nitrous oxide, and other gases. There is a wide range of anthropogenic sources of these emissions, including landfills, animal waste, rice cultivation, and fertilized soils. Actions under consideration include strengthening of existing regulatory programs, increasing funding for current voluntary programs and introducing new voluntary programs with the relevant industries, outreach/education initiatives, and research and development initiatives.

Cost Effective Options

9. What criteria does the Administration intend to use for determining "cost-effectiveness"?

The Administration recognizes that cost effectiveness is an important criteria in evaluating various options to reduce greenhouse gas emissions. The goal is to reduce the cost per tonne of emissions reduction. The Administration will consider a number of costs associated with implementing various emissions reduction options including total Federal expenditures and private costs, as well as the overall social welfare costs of not taking action to reduce emissions to the extent quantifiable.

10. This Committee and the Congress opposed the inclusion of environmental externalities in such determinations when the 1992 Energy Policy Act was formulated. Does the Administration intend to consider environmental externalities when ranking policy options?

Environmental externalities are damages to the environment that occur because private market transactions do not account for the environmental resources that are being consumed. For example, when a consumer pays for electricity, the price paid may not reflect the full social cost of delivering that service -- which includes the costs of the capital and labor

associated with the generation of electricity, plus any damages to the environment. Damage to the environment is therefore said to be "external" to the market transaction.

Obviously, by addressing global warming, the Administration is attempting to reduce an environmental externality — i.e., damage to the environment which is occurring because environmental resources are not fully priced in the marketplace. At this time, the Administration does not intend to engage in an analysis in which it would quantify in dollar terms the amount of environmental damage that is occurring because markets fail to price environmental resources such as air quality.

Joint Implementation

11. *Will the August 1993 Plan address the issue of unilateral vs. multilateral action?*

The draft ~~National~~^{U.S.} Action Plan currently being prepared is limited in scope, and will not discuss US multilateral activities such as the GEF, World Bank, and Country Studies. However, it is likely that a full description of US programs will be available in the final National Action Plan that is submitted to the Conference of the Parties (COP), due six months after the Framework Convention on Climate Change (FCCC) enters into force.

12. *What is the Administration position regarding whether joint implementation should be available to the United States in meetings its year 2000 versus post-2000 commitments? Will these issues be addressed in the August 1993 plan?*

No decision has been made regarding the use of joint implementation toward the President's 2000 commitments. However, the Administration hopes to accelerate the development of international guidelines.

13. *Will joint implementation be addressed in the August 1993 plan?*

The Administration will address joint implementation in the National Action Plan.

14. *In formulating the United States' Action Plan, will the Administration propose that the United States receive credit for US foreign aid and technological assistance that reduce greenhouse gas emissions in other countries?*

It is likely that the final US plan, when submitted to the COP six months after the FCCC enters into force, will identify foreign aid, technical assistance, and overseas

investment activities. Such assistance would certainly reflect our commitment as an Annex II country under the FCCC to aid developing countries.

Position of Other Countries

15. *Secretary O'Leary stated that the United States should provide leadership and stimulate other countries to follow through on their commitments. However, members of the European community and Australia have stated that their current economic problems preclude their preparation of National Action Plans with the aim of returning themselves individually or jointly with other signatories to their 1990 levels of emissions. What is the significance of their statement, generally, and for the United States competitiveness?*

No Annex I country has made a definitive statement that it will not meet its commitments under the FCCC. Australia has ratified the convention and most European Community countries are in the process of doing the same. The Administration intends to lead other nations to reduce their emissions by developing a credible, cost-effective National Action Plan ahead of schedule.

US competitiveness is likely to be enhanced if the US leads the way in developing technologies and services that reduce greenhouse gas emissions. Such advances will help the US fulfill its commitments under the convention while reducing energy costs, increasing national energy independence, and opening markets for US products and services at home & abroad.

16. At the White House Global Climate Change Conference, the Administration distributed the EIA's report entitled, Annual Energy Outlook 1993. What is the status of this report regarding the use of the baselines contained therein? Are its baselines those being used in the preparation and analysis of the climate change policy options under consideration? If not, what baselines are being used?

The estimates of carbon emissions from the 1993 Annual Energy Outlook are not the basis for developing a baseline of greenhouse gas emissions for the National Action Plan. The 1993 Annual Energy Outlook contains only carbon emissions from energy sources. The baseline for the U.S. National Action Plan will contain estimates of all U.S. anthropogenic greenhouse gas emissions from known sources. The Action Plan will include base year inventories and projections. Base year inventories will be consistent with estimates being developed by EPA for submittal to the Conference of Parties to the Framework Convention on Climate Change. Projections of greenhouse gas emissions are being developed by DOE and EPA. DOE is preparing projections of carbon emissions from energy sources using the

IDEAS model. EPA is projecting baseline emissions estimates of other sources and greenhouse gases.

17. In recognition of the data collection and analysis expertise of the EIA, the 1992 Energy Policy Act directs the Energy Information Administration to establish greenhouse gas baselines. What is the status of this effort?

This question is best addressed by EIA.

18. What specific procedures (including procedures for inter-agency review and public comment) does the Administration intend to follow in establishing the baseline that will be used in the preparation of the August 1993 Report and the United States' National Action Plan?

Interagency review of the baseline has occurred throughout the process. On June 21, 1993 EPA published a Federal Register notice and released a Review Draft of the 1990 inventory of greenhouse gas emissions and sinks to allow for an open discussion of base year issues and to encourage public participation in the process. The public has also had the opportunity for input through the June 10 White House Conference on Global Climate Change, and through direct discussions with participating agencies.

The responsibility for establishing the baseline for use in the National Action Plan rests with the Climate Change Mitigation Group (CCMG), chaired by the White House Office of Environmental Policy (OEP).

Further Workshops

19. Does the Administration intend to continue to use workshops to foster a dialogue on policy options for inclusion in the 1993 Plan? If not, what opportunities will be provided for outside review and comment?

The implementation options identified in the plan will undergo review either by administering review procedures already incorporated into statutes such as the Energy Policy Act, through Congressional review of legislation or appropriations, or through direct dialogue with Departmental officials.

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20. *Does the Administration intend to continue to use workshops to foster a dialogue on policy options for inclusion in the United States' National Action Plan? If not, what opportunities will be provided for outside review and comment?*

No decision has been made with regard to the use of future workshops for the National Action Plan.

21. *The burden is on the Administration to demonstrate that the workshops are a serious effort to formulate a consensus. Some of the participants are concerned that the workshops are simply a public relations effort by the Administration. How would you respond to this concern?*

The Administration made a concerted effort to ensure that participants in the workshops represented a broad spectrum of interest groups. The Administration was successful in its objective of soliciting public comment. We have received numerous written comments which have been considered by members of the Working Group. We have also received policy suggestions which have played a critical role in shaping the NAP.

EPA June 21st Baseline Report

22. *On June 21st, the EPA released a draft entitled "Estimation of Greenhouse Gas Emissions and Sinks for the United States: 1990". The letter from Dennis Tirpak, Director of the EPA's Climate Change Division characterizes it as a draft of the report required by the Framework Convention. Was this report prepared on EPA's own initiative, or that of its Climate Change Division? If not, who, or what office, charged EPA with the preparation of the report?*

EPA released the report for public comment in order to encourage public participation in the preparation of the President's National Action Plan. EPA prepared the review draft under authorities given in the 1987 Global Climate Protection Act and the 1990 Clean Air Act Amendments. These authorities charge EPA to develop and propose to Congress a coordinated national policy on global climate change. The first step in developing such a policy is to prepare an inventory of greenhouse gas sources and sinks. EPA has provided the greenhouse gas inventories for all major U.S. plans and submissions, including: the U.S. submission to the Intergovernmental Panel on Climate Change in 1991, and the 1992 National Action Plan. EPA informed the White House that it was soliciting public comments.

23. Was the report subjected to inter-agency review or review by the Interagency Task-force before its June 21st release by EPA? If not, why not, and who authorized its release without inter-agency review?

The Review Draft underwent both intra- and inter-agency review prior to its release for public comment on June 21st. We received comments from the Department of Energy's Office of Policy, Energy Information Administration, and the Battelle Pacific Northwest Laboratory, USDA, and various EPA offices. The Office of Environmental Policy was informed of our intention to release the inventory for public comment.

24. Was the Energy Information Administration formally consulted in the preparation of this report? Was the EIA provided an opportunity to review and comment on this report prior to its June 21st release? If not, why not?

Yes, EIA was given an opportunity to review the document before it was released for public comment. We received comments from EIA on April 30, 1993. EPA and EIA staffs have met on numerous occasions to share data, review methods, and exchange information.

25. Why was the report released by EPA, rather than on behalf of the Inter-agency Working group?

The report was released by EPA as part of a continuous process of periodically updating emissions inventory data. As stated previously, EPA informed the OEP prior to release. It was not required to specifically act on behalf of the Inter-agency Working Group.

26. What is the justification for the July 16th deadline for receipt of comments? Why is this date important?

The July 16th date for receiving comments was driven by the schedule for revising the National Action Plan. EPA attempted to balance the need for time by respondents and the need for the Agency to review the draft. We stated in the Federal Register Notice, and in the letter from Dennis Tirpak accompanying the Release of the Review Draft, that we will welcome comments received after July 16, 1993. We continue to respond to requests for the Review Draft and will incorporate comments as they are received.

27. *Does EPA intend to issue a final report? If so, when? Why is this date important?*

EPA intends to issue the final report. The date for this release will be determined by when the document is required for U.S. submission to the Conference of the Parties to the Framework Convention (six months after the Convention enters into force).

28. *There appear to be inconsistencies between the EPA's draft report and the EIA's Annual Energy Outlook, 1993. For example, the EIA's Table A15 indicates that carbon emissions in the electric utility sector were 480.6 million metric tons carbon (MMTC); however, the EPA's Tables ES-2 and 4 indicate that carbon dioxide emissions in the electric sector in 1990 were 1715000 gigagrams (which converts to about 468 MMTC).*

a. *Why this difference?*

The DOE/EIA Annual Energy Outlook and EPA use different methods and databases in calculating carbon emissions from energy sources. This results in slightly different emissions estimates. The values reported in DOE's Annual Energy Outlook are currently being revised by EIA as part of their effort under Section 1605 a of the Energy Policy Act. A recent draft document from EIA reports carbon emissions from utilities to be 477.3 MMTC (roughly 1.9 percent higher than EPA's estimate).

EPA estimates of energy related carbon emissions are based on the IPCC recommended mass-balance approach, and are calculated using data reported by the International Energy Agency, based on data supplied by the Energy Information Administration. This method calculates carbon emissions based on the apparent consumption of primary fuels. EPA estimates sectoral level emissions based on the proportion of primary fuels used in each sector (see Appendix A of the Review Draft for more details). EPA is working with EIA to understand and resolve the differences between EPA and EIA estimates of GHG emissions from energy sources.

b. *The EIA's estimated emissions includes the contribution from independent power producers and non-utility generators. What is the comparable EPA number if IPP's and NUG's are reflected in Tables ES-2 and 4?*

The EPA estimate includes IPPs and NUGs in its estimate of utility emissions. The differences in emissions estimates reflect other differences in methods and data.

29. It is unclear how EPA treated carbon dioxide emissions from mobile sources; for example, no figures are provided in Table ES-2 for this sector and there is no narrative discussion of the contribution of this sector, yet a bottom line estimate of 1,696,000 gigagrams is provided. What is the explanation for these omissions? Would its omission effect the numbers in the EPA's report? If so, what would be the correct number?

EPA uses the IPCC recommended mass-balance approach for calculating carbon emissions estimates from energy sources. National emissions estimates are calculated from primary fuel data reported by the International Energy Agency, based on data supplied by the Energy Information Administration. Emissions were dis-aggregated by sector based on the percentage of total energy consumed in each sector (as reported in Appendix A of the Review Draft). Further disaggregation into specific vehicle types is not possible using the mass balance approach recommended by the IPCC.