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EJH

ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 14 1974 ¹²

OFFICE OF THE
ADMINISTRATOR

MEMORANDUM

SUBJECT: Memorandum of Understanding between EPA
and Commerce

FROM: Russell E. Train *John Zwickler*
Administrator
Environmental Protection Agency

WFO
Robert M. White
Administrator
National Oceanic and Atmospheric
Administration

TO: Director, Domestic Council
The White House

On July 27, 1973, Mr. Richard Fairbanks, then Associate Director, Domestic Council, requested that the Environmental Protection Agency and the Department of Commerce develop a memorandum of understanding which would assure the coordination of research relative to the determinations of harmful quantities and allowable discharges of hazardous substances pursuant to Section 311(b)(3) and (4), Federal Water Pollution Control Act, as amended (PL 92-500).

Representatives of our agencies have, pursuant to Mr. Fairbank's request, prepared the attached memorandum that substantially fulfills that request.



Memorandum of Understanding
Between the
Environmental Protection Agency and the National Oceanic
and Atmospheric Administration of the Department of Commerce

This Memorandum establishes the mechanism for the Environmental Protection Agency (EPA) and the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce to coordinate their research activities with respect to the Environmental Protection Agency's responsibilities for issuing regulations applicable to marine waters pursuant to Sections 311(b)(3) and 311(b)(4) of the Federal Water Pollution Control Act, as amended. (33 USC 1251, et seq) [hereinafter referred to as the Act].

Section I - Background

1. Sections 311(b)(3) and (b)(4) of the Act require the President to determine those quantities of hazardous substances, the discharges of which would be harmful to the public health or welfare of the United States.
2. This authority was delegated by the President, in Section I of Executive Order 11735, August 3, 1973, to the Administrator of the EPA.
3. Section 6 of the aforementioned Executive Order 11735, requires consultation with the Secretaries of the departments and the heads of agencies with operating or regulatory responsibilities which may be significantly affected by authorities and functions delegated or assigned by the Executive Order.
4. Both the EPA and the Department of Commerce have broad authorities for conducting research and pursuing programs relative to protection of the ocean environment.

The Administrator of the Environmental Protection Agency (EPA) is authorized to conduct and promote research relating to the causes, extent and abatement of pollution by Section 104 of the Act. More specifically, Subsection 104(i) of the Act authorizes the Administrator to engage in research, studies and experiments relative to the removal, prevention, control and elimination of hazardous substances discharges and Section 104(n) authorizes the Administrator to conduct and promote studies of the effects of pollution in the estuaries and estuarine zones on fish and wildlife, on sport and commercial fishery, on recreation, on water supply and water power, and on other beneficial uses.

The Secretary of Commerce is authorized: 1) by Title II of the Marine Protection, Research and Sanctuaries Act of 1972 (33 USC 1441 et seq), to initiate a comprehensive and continuing program of research and monitoring regarding the long range effects of ocean pollution, overfishing and man induced changes in the ecosystem; 2) by Section I of the Migratory Fish Study Act (16 USC 760e), to conduct research on the effects of pollution on migratory marine fish



of interest to recreational fishermen of the United States; 3) to investigate, pursuant to the Fish and Wildlife Coordination Act (16 USC 661, et seq) among other things, the effects of polluting substances on wildlife, including fishes, to determine standards of water quality and to recommend corrective measures pertaining thereto and be consulted regarding arrangements for conservation of fish and wildlife when waters are to be modified for any purpose whatsoever, and 4) by Section 7, Fish and Wildlife Act (16 USC 742s(a)(4), to take such steps as may be required for the development, advancement, management, and conservation and protection of fishery resources.

Section II Agency Responsibilities

Recognizing the authorities previously cited, research activities of the agencies party hereto will be discharged with due consideration of available scientific information and in such a manner which eliminates the duplication of research effort in arriving at determinations made in developing regulations implementing Sections 311(b)(3) and (4) of the Act. The Administrator, EPA and the Administrator, NOAA agree to the following:

1. The EPA shall consult the NOAA during the discharge of its responsibilities under Sections 311(b)(3) and (b)(4) of the Federal Water Pollution Control Act, as amended, (33 USC 1251 et seq). Such consultation shall include:

(a) consideration of the results of research carried out by NOAA; (b) where feasible, utilization of NOAA research facilities or exchanges of scientific personnel as may be agreed to between the two agencies; and, (c) advice to NOAA, on a regular basis by EPA, of those substances under consideration for designation as hazardous substances pursuant to Section 311(b)(2)(A) of the Act.

2. The parties shall make available to each other the results of their research efforts on the fate and effects of hazardous pollutant discharges to the marine environment and shall advise each other of ongoing or planned research programs relative to such substances.

3. Coordination of research and consultative activities by the EPA and NOAA shall be effected through a joint committee consisting of three representatives appointed from each agency. Such committee shall meet not less often than quarterly under the leadership of two co-chairmen, one



to be appointed by each of the parties. It shall be the purpose of the committee hereby established to:

(a) promote the exchange of information, data, reports, and publications on a timely basis;

(b) encourage scientist-to-scientist cooperation on a working level between scientists employed by the parties;

(c) sponsor workshops, seminars and symposia on problems of common interest to the parties;

(d) promote optimum utilization of existing capabilities within EPA and NOAA, including, to the extent feasible, sharing of facilities and equipment on an equitable financial basis; and,

(e) provide the means for each party to advise the other of those substances that should be or are under consideration for designation as hazardous substances under Subsection 311(b) of the Act, and for communication of views as to the quantities of such substances which will be considered harmful for purposes of Subsection 311(b)(4).

4. The Administrators of the signatory agencies, or their designated representatives, shall meet annually to receive a report from the committee established under paragraph 3 of this Section. The committee's report shall include:

(a) progress reports covering completed and ongoing research on hazardous substances effects on marine organisms;

(b) summaries of consultative actions in response to Annex X of the National Oil and Hazardous Substances Pollution Contingency Plan;

(c) estimated budgets for the parties contribution to funding of the programs specified in (a) above; and

(d) areas of cooperative action as specified in paragraphs (a) and (b) of this Section.



5. When either party requires research or analyses within the expertise of the other party, it may ask the other party to undertake such work in its entirety or to participate in a joint effort. The parties will make a bonafide effort to provide such requested service, either by in-house or contract services. The cost of such work will be borne by the requesting party.

6. In the event either agency relies upon the other for information on specific hazardous substances, their effects, or areas for their disposal, that agency shall not be constrained from issuing regulations or taking other appropriate actions, based upon its own or contractors' research.

7. Each agency shall advise the other before issuing releases to the news media concerning preliminary findings and final conclusions of studies and research carried out cooperatively pursuant to this agreement.

8. Nothing contained herein shall restrict, limit, or modify in any way, the lawful exercise of the responsibilities and authorities of either party.

Done this nineteenth day of July, 1974 at the city of Washington.

For the Department of Commerce

Signed John W. Townsend

For the Environmental Protection Agency

Signed James L. Speer



ENVIRONMENTAL PROTECTION AGENCY

Washington, D.C. 20460

SEP 10 1974

Dear Mr. President:

At a recent Cabinet meeting, I understand you directed that all departments and agencies review what reductions they could make in the 1975 budget as part of the Administration's efforts to curb inflation. It is extremely difficult for me to recommend reductions in EPA's budget considering that, aside from energy research and development, the 1975 Presidential budget is about equal to the 1974 budget, despite greatly increasing workload mandated by our statutory authorities. If, however, Federal departments and agencies are required to make program reductions to help fight inflation, then I would propose reductions as set forth in this letter.

As you know, our funds are appropriated as part of the Agriculture-Environmental and Consumer Protection Appropriations Bill which was vetoed on August 3, 1974. The veto was in part based on the fact that the Bill enacted by the Congress authorized the transfer to EPA of \$175 million in funds previously made available to the Department of Housing and Urban Development. Of that amount, \$75 million was to be transferred to fund a Clean Lakes Program as authorized by the Federal Water Pollution Control Act to clean up eutrophic lakes; \$100 million was authorized for transfer to EPA to fund storm and combined sewer projects for the Great Lakes. A joint agreement between Canada and the United States on Great Lakes water quality specifically recognizes the need for measures to find practical solutions for reducing pollution from overflows of combined and sanitary sewers.

There has been and continues to be considerable interest, as well as substantive merit, in undertaking both of these programs. The Congress almost added a Clean Lakes Program in FY 1974, and last year the Congress authorized the identical transfer of \$100 million from the Department of Housing and Urban Development for the Great Lakes Program. While there is substantial merit and considerable interest in both of these programs, I would agree, if the fiscal situation dictated, to defer a start-up except for a minimal \$9 million Research and Development effort on eutrophic lakes to be conducted over a 3-year

*Send a copy of this to
Mr. & Mrs. - Oct 4 - an.*



period beginning in FY 1975. While such a Research and Development effort would not allow us to begin demonstrations of eutrophic lake restoration using existing technology, it would permit us to establish a better understanding of eutrophic conditions as well as an improved data base.

I would also propose to stretch out the programming of funds appropriated for Research and Development on energy-related environmental problems. Our budget request was for \$191 million, and the program passed by the Congress provided \$162 million. Assuming our final appropriation is at the latter level, I believe we could prudently apply some \$20 million of those funds toward our FY 1976 program requirements particularly if additional personnel are not provided for implementing the program.

Under Section 208 of the Federal Water Pollution Control Act, we are authorized to fund area-wide planning programs to control water pollution. We are authorized to obligate up to \$150 million in 1975, and I believe it would be highly desirable to continue the momentum of this high priority program. If the fiscal situation dictated, however, EPA could constrain obligations under this program to \$120 million in FY 1975. This reduction would restrict the number of area-wide planning authorities to include only those already designated, nearing designation or having expressed interest in proceeding to designate. Such a restricted program would cover only about a quarter of the major metropolitan areas.

The above actions would reduce potential EPA commitments in FY 1975 by a total of \$216 million.

I believe these reductions are in keeping with your interest in reducing Federal spending. As we proceed with our internal planning, I am attempting to meet as many of the unavoidable requirements placed on EPA by redirecting resources presently available to the agency. I am, however, particularly concerned over our ability to continue to function in a responsible manner given personnel limitations placed on this agency since FY 1973. This factor, along with the need to exercise some flexibility in providing financial assistance to the States to enable them to carry the major environmental workload burden, are of utmost concern to me as we proceed with final decisions on both the FY 1975 and 1976 budgets.

Respectfully,

151 *Russell E. Train*
Russell E. Train

The President
The White House
Washington, D.C. 20500



THE WHITE HOUSE
WASHINGTON

October 22, 1974

MEMORANDUM FOR

FRANK ZARB

FROM:

MIKE DUVAL

D

SUBJECT:

EPA'S FY '75 AUTHORIZATION

I understand that the House has adopted an amendment to the EPA Authorization which would prohibit use of their FY '75 funds for the purpose of implementing their parking ban regulations and (perhaps) the indirect source regs.

Further, I understand that Train has written an unsolicited letter to Senator Gale McGee (Chairman of the Senate Appropriations Committee) objecting to this language.

Would you be good enough to check and see if the facts as stated above are reasonably accurate, and if so, I'd like to know who cleared the Train letter. I don't recall ever having seen it.

As a general comment, I'm not certain that the legislative clearance process in the energy and environment areas is working too well. The clearance process in the transportation area works well but we are rarely given the opportunity to review agency comments on legislation outside of the transportation area. I would appreciate it if you could check into this.

cc: Jim Cavanaugh
Norm Ross ✓
Glenn Schleede

WR



4

Grand Rapids, Michigan

EPA is pleased to report that there are no major environmental problems in Grand Rapids, Michigan. In fact, pollution abatement programs in the President's home town could well serve as a model for similar communities.

There are three waste water treatment plants in the Grand Rapids area discharging into the Grand River. There is currently underway an extensive facility improvement program, which, when coupled with abatement activities of the industrial sector, will further improve water quality in the River.

Success achieved in Grand Rapids is a good example of Federal, State, and local teamwork supported by a high degree of cooperation from the private sector. Notable and innovative local programs have significantly reduced the amount of toxic materials and heavy metals being discharged directly into the Grand River or passed to the municipal sewage plants.

As cities in the midwest go, Grand Rapids enjoys fairly clean air. Again, this has been achieved due to a solid local commitment supported by State and Federal programs.

In general, the citizens of Grand Rapids are on the right pollution abatement and prevention track. Because of this, they enjoy a relatively clean environment.



10/24

October 29, 1974

Dear Girls and Boys:

Through the kindness of Mrs. Libra, I have received your thoughtful letter. I was very pleased to learn that you have dedicated in my name a redwood sprout from the tree at Muir Woods which you saved.

Your outstanding conservation efforts are an example which all of our citizens should follow. I am greatly honored to be remembered in this very meaningful way.

Your foresight and dedication have helped to insure that your children and grandchildren will be able to enjoy, as you do, the wonderful beauties of nature with which America has been so bountifully blessed.

With my deep appreciation, and with warmest good wishes to each of you and to your fine Director, Mrs. Libra.

Sincerely,

Students of Hillwood Academic Day School
2521 Scott Street
San Francisco, California 94115

GRF:MAF:RLE:aby





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

October 2, 1974

Mr. Norman Ross
218 Executive Office Building
Washington, D.C.

Dear Mr. Ross:

I have enclosed a letter from Mrs. Libra, Director of the Hillwood Academic Day School, to President Ford.

You will recall that President Ford signed an Award of Excellence certificate for the students endeavors in saving "Little Brother." This certificate was presented by Congressman John Burton in the President's behalf, September 7th, at Camp Hillwood in California.

I am also enclosing a letter to the President from the children of Camp Hillwood. You will note that the children have planted and dedicated a sprout from "Little Brother" to President Ford.

I believe it would be a nice gesture if the President sent thank you letters to the children of Camp Hillwood expressing his gratitude for planting a redwood sprout in his honor.

If you have any questions please feel free to contact me.

With kind regards,

Sincerely,

A handwritten signature in cursive script that reads "Joan Donnelly".

Joan Donnelly
Director, President's Environmental
Merit Awards Program

Enclosure



November 11, 1974

Dear Skip:

This is in further response to your letter of September 18 in which you urge that the Administration exert its influence to ensure that Mr. Train abide by the recommendation of the Administrative Law Judge in the Aldrin/Dieldrin expedited hearings.

As I am sure you are aware at this juncture, Chief Administrative Law Judge Herbert L. Perlman recommended on September 20 that the Administrator of the Environmental Protection Agency uphold the suspension of all Aldrin/Dieldrin product registrations currently under consideration in the ongoing cancellation hearings. On October 1, Mr. Train issued his final Determination and Order affirming the suspension action. I am enclosing a copy of Mr. Train's Intention to Suspend Order, Judge Perlman's findings and recommendations, and Mr. Train's Determination and Order for your review. I believe these documents thoroughly discuss every aspect of the decision to suspend the affected registrations at this time. They will in particular acquaint you with the evidence which prompted the Agency and the Administrative Law Judge to determine that an imminent hazard to the public welfare existed by the introduction of further Aldrin/Dieldrin into the environment during the pendency of the cancellation hearings.

The findings of the EPA that an imminent hazard existed were based primarily on several important facts as follows:



- a. even in very low dosages, Dieldrin causes significant increases of tumors, many of which have been diagnosed as malignant, in test animals;
- b. for Fiscal Year 1973, the Food and Drug Administration reported measurable amounts of Dieldrin in composite samples of 83% of all dairy products, 38% of all garden fruits, 96% of all meats, fish and poultry samples, and from 12 to 42% in other food composites of grain and cereal products, potatoes, leafy vegetables, oils, fats and shortenings, and fruit;
- c. EPA's human monitoring surveys indicate that in 1971, 99.5% of human tissue samples taken during surgery or at autopsy revealed detectable residues of Dieldrin in fat tissues;
- d. based on National Cancer Institute methods for estimating human cancer risk, the present average human daily dietary intake of Dieldrin subjects the human population to an unacceptably high cancer risk; and
- e. children, because of their high dairy product diets, consume considerably more Dieldrin on a body-weight basis than any other age segment of our populations.

EPA had considered suspending the registrations of Aldrin/Dieldrin products in 1971 (it did not actually do so), but felt that the evidence available at that time did not justify such action. However, the evidence that has come to light in the past several years, as mentioned above, lead to the determination that it would be most detrimental to the public health and welfare to permit the manufacture of the 1973 supply of Aldrin/Dieldrin, which was due to commence in September of this year.

Regarding the concerns of the Florida Citrus Industry, I call your attention to page 37273 of the enclosed October 18 Federal Register notice containing



3

Mr. Train's final Determination and Order. As Mr. Train noted in that document, the use of Aldrin/Dieldrin on Florida citrus introduces 120,000 pounds of the chemicals into the environment annually. Alternatives, such as Malathion, Sevin, Parathion, Furadan, Guthion, Diazinon, and Lannate, are also discussed. Should these alternatives indeed be inadequate to meet the needs of the citrus growers in your State, we urge your constituents to offer conclusive evidence to this effect in the ongoing cancellation hearings.

I again express my appreciation for your concern in this issue, and hope this discussion and the enclosures will explain the Aldrin/Dieldrin decision to your satisfaction. The Department of Agriculture, however, is appealing the EPA decision and further discussions are taking place within the Administration. Your further comments or questions would, of course, be most welcome.

Sincerely,

Max L. Friedlander
Deputy Assistant
to the President

The Honorable L. A. Scafalis
House of Representatives
Washington, D.C. 20515

Enclosures

: copies of Federal Register, Vol. 39, No. 203
Friday, October 18, 1974

✓ bcc: Norm Ross -- FYI

MLF:ROSS/ef:cmw

af
f:la



11/12

EPA?

November 12, 1974

MEMORANDUM FOR: KEN COLE
FROM: NORM ROSS
SUBJECT: Ash Memo (11/8/74) re:
EPA Municipal Construction
Grant Reimbursements for
Prior Commitments

The proposed revisions would not adversely affect EPA's programs, however there is a major consideration the President should bear in mind in making his decision which is not made clear in the Ash Memo.

The OMB proposal of not paying the "woodwork" reimbursables has an inherent inequity involved. For example, a community in New York State would be reimbursed for a project already completed because of state funding, while a community in Arkansas would receive no reimbursement. It would be very difficult from a public policy standpoint to explain as the Ash Memo reasons that since the project is already constructed payment of this money does not improve water quality even though the law states they are entitled to reimbursement. In addition, because these projects are spread throughout the country, there will be stiff Congressional opposition, especially in light of the inequities involved.

I do not, on balance, disagree with the OMB recommendation. However, in my judgment, the President must be given the benefit of a discussion of the inequities involved in the Ash recommendation.

NEROSS/ee



ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 9, 1974

Time:

FOR ACTION: Phil Buchen
✓ Ken Cole
Jack Marsh
Bill Timmons

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, November 12, 1974

Time: cob

SUBJECT:

Ash memo (11/8/74) re: EPA Municipal
Construction Grant Reimbursements for
Prior Commitments

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

NOV 8 1974

FROM: ROY-L. ASH

SUBJECT: EPA Municipal Construction Grant Reimbursements for
Prior Commitments

This memorandum outlines OMB recommendations for reduction in EPA payments to local governments for sewage treatment projects already built. This is a follow up to our discussion last week.

Background

The Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500) authorized retroactive Federal reimbursement payments for certain water pollution control projects. The Congress appropriated \$1.9 billion for retroactive reimbursements for projects approved or built between 1966 and 1972.

Reimbursements authorized by P.L. 92-500 can be grouped into three categories:

1. "Earned" Reimbursables - Projects which were approved by the Federal Government (between 1966 and 1972) as qualified for grant assistance, but were given grants for less than the maximum amount authorized by law because of limited appropriations. State governments then made up the difference to local communities in a "prefinancing" arrangement.
2. "Windfall" Reimbursables - Projects which were approved by the Federal Government and awarded grants at the legal maximum, but which P.L. 92-500 made eligible for a reimbursement payment greater than the amount legally authorized at the time of approval.
3. Woodwork Reimbursables - Projects for which no application for Federal grant was made or that were not approved by the Federal Government as eligible for grant assistance in a 50 to 55 percentage of cost basis.

The total cost of all reimbursables in the three categories is \$3 billion. Since funds amounting to only \$1.9 billion have been appropriated, the Administration proposed to use these funds to pay only the "earned" reimbursables, having a total cost of approximately \$1.9 billion.



Congress strongly opposed the Administration's proposal because 24 States would not receive any retroactive funds, and subsequently passed a law requiring that the appropriated funds be prorated among all classes of "reimbursable" projects. Some States objected to this Congressional action stating that their earned reimbursement payments were being reduced to subsidize projects in States which did not fulfill the requirements of the law in effect between 1966 and 1972.

Discussion

Our current proposal is not to pay the "woodwork" reimbursables. The "earned" reimbursables and the "windfall" retroactive grant increases would be paid. This action can be achieved by rescinding \$100 million of previously appropriated funds. These "woodwork" projects are considered the lowest priority for Federal assistance because:

- 1) They either did not apply for Federal grant assistance under the applicable law, or were of such low priority that they did not otherwise qualify.
- 2) They are already constructed, and therefore payment of this money does not improve water quality.

Attachment A shows the impact by State. Column 1 shows the distribution among the States of the \$1.9 billion appropriated for all three classes of retroactive reimbursements. Column 2 shows the awards already made, and Column 3 shows the recommended reductions from Column 1 if you approved non-payment of the "woodwork" reimbursements. Attachment B shows the percentage reduction for seven of the States affected the most.

As of this date, around \$1 million of woodwork reimbursable payments (out of a total of approximately \$100 million) have been paid. Since such a small fraction, one percent, has been paid, we have the opportunity to stop payment on the remainder without being accused of treating the others unfairly. However, since EPA is now beginning to pay the woodwork reimbursables, we must relay a decision to stop payments as soon as possible if we are going to sustain this position.

We believe the action proposed here is not only a good contribution to your 1975 outlay reduction plan, but is highly desirable for program efficiency reasons and for eliminating a precedent that can have far-reaching adverse consequences.

Recommendation

That this action be approved for inclusion in your 1975 budget restraint message to Congress.

Approve _____

Disapprove _____

See Me _____



Waste Treatment Plant Costs
Reimbursable by Federal Government
(Amounts in \$ Millions)

	(1) Reimbursements to be Paid by PL 92-500	(2) Awards Made to Date in all Three Categories	(3) Reductions from Column 1 if "Woodwork" Projects are not Reimbursed
TOTALS	1,926.3	1,245.0	107.2 *
REGION I	100.6	78.0	.3
Connecticut	74.1	58.0	.1
Maine	8.8	6.8	.1
Massachusetts	8.2	6.4	-
New Hampshire	8.7	6.3	.1
Rhode Island	.2	.1	-
Vermont	.6	.4	.0
REGION II	878.3	674.1	8.5
New Jersey	47.2	31.4	5.2
New York	828.1	641.0	3.1
Puerto Rico	2.6	1.7	-
Virgin Island	.4	.0	.2
REGION III	136.9	78.7	15.6
Delaware	12.4	8.8	-
Maryland	35.3	24.4	1.3
Pennsylvania	49.3	35.6	2.0
Virginia	36.4	8.1	12.2
West Virginia	2.2	1.4	.1
Dist. of Columbia	1.3	.4	-
REGION IV	309.6	119.1	15.4
Alabama	7.9	7.7	.3
Florida	180.8	28.4	2.5
Georgia	52.4	34.9	7.5
Kentucky	6.3	4.2	.9
Mississippi	4.2	3.2	-
North Carolina	15.2	8.2	3.2
South Carolina	12.2	9.2	.2
Tennessee	30.6	23.3	.8
REGION V	358.5	212.6	51.5
Illinois	85.7	43.1	17.0
Indiana	18.6	4.7	-
Michigan	88.2	65.1	.1
Minnesota	20.4	21.1	2.2
Ohio	86.9	45.6	24.8
Wisconsin	58.7	33.0	7.4
REGION VI	38.9	20.4	9.3
Arkansas	4.7	3.1	.1
Louisiana	7.4	2.1	3.5
New Mexico	1.0	.8	-
Oklahoma	4.5	3.2	.5
Texas	21.3	11.2	5.2



	(1) Reimbursements to be Paid by PL 92-500	(2) Awards Made to Date in all Three Categories	(3) Reductions from Column 1 if "Woodwork" Projects are not Reimbursed
REGION VII	17.0	11.4	1.3
Iowa	5.0	4.0	.1
Kansas	5.1	2.9	.1
Missouri	4.9	3.4	.6
Nebraska	2.0	1.1	.5
REGION VIII	11.6	8.1	.3
Colorado	6.5	4.5	.1
Montana	1.1	.7	.2
North Dakota	.7	.5	.1
South Dakota	1.1	.8	-
Utah	1.9	1.4	-
Wyoming	.3	.2	-
REGION IX	38.4	20.6	5
Arizona	3.6	1.4	-
California	30.2	17.0	.5
Hawaii	3.0	1.1	-
Nevada	1.6	1.1	-
REGION X	36.5	22.0	4.5
Alaska	5.4	3.0	.3
Idaho	1.9	.8	.0
Oregon	11.8	8.3	1.5
Washington	17.4	9.9	2.7

*Best current EPA estimate based on data submitted by States. We have rounded to \$100 million in the reduction memorandum.



IMPACT ON SELECTED STATES*
OF ELIMINATING WOODWORK PROJECTS

<u>State</u>	<u>Dollars</u> <u>(in millions)</u>	<u>Percent Reduction</u> <u>of Reimbursements</u>
Louisiana	3.5	47%
Virginia	12.2	33%
Ohio	24.8	29%
Texas	5.2	24%
North Carolina	3.2	21%
Illinois	17.0	20%

* Eliminating the woodwork projects reduces the total reimbursable payments to that State by 20 percent and \$1 million or more.





United States
Environmental Protection Agency
Washington, D.C. 20460

copy sent to
Bob Kelly 12/13

November 4, 1974

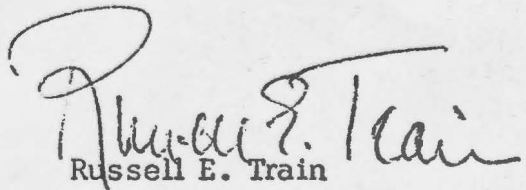
The Administrator

MEMORANDUM TO: Deputy Administrator
All Assistant Administrators
All Office Directors
All NERC Directors
All Regional Administrators

SUBJECT: President Ford's Portland (Ore.) Speech

I thought you would be interested in the attached news report of President Ford's remarks at last Friday's Portland, Oregon, White House Conference on Domestic and Economic Affairs. Note particularly his statement: ". . . I do not accept the dismal proposition that pollution is the inevitable price of prosperity nor that we must compromise the environment to gain economic growth." This was the one portion of his speech that brought a major burst of applause from the audience. Later that evening, I asked the President whether he had noticed the strong response he had received from his environmental remarks, and he laughed and said he had.

A full copy of his formal remarks are also attached.


Russell E. Train

Attachments



—
UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460
12/11/74

File

TO: NORM ROSS

FR: PAUL A. BRANDS *Paul*
DEPUTY ASSISTANT ADMINISTRATOR
FOR PLANNING AND EVALUATION

Attached is EPA's comments
on Henry Ford Letter to President
Ford.



NOTES IN RESPONSE TO THE NOVEMBER 27 LETTER
FROM HENRY FORD, II TO PRESIDENT FORD

I. Macroeconomic Impacts of the Federal Environmental Program

- . Chase Econometrics has done a study of the effects on the U. S. economy of the total Federal environmental program for 1973-82. Its findings include:
 - The Consumer Price Index will be increased by an annual average of 0.3% over the period 1973-78, with practically no discernible effect on the average price level over the decade 1973-82.
 - The Chase forecast projects that GNP growth and employment will actually be increased slightly through 1976 due to outlays for pollution control equipment though they will fall below the level which would otherwise prevail after 1976/77 (See Figures I and II attached).
- . Analysis by the Council on Environmental Quality shows that Federal environmental requirements resulted in an increase of 0.5% in the Wholesale Price Index (WPI) over the year ending April 1974, a period when the WPI increased 17%. Separate studies by the Brookings Institution and Data Resources, Inc. have reached similar conclusions.
- . These analyses indicate that EPA's program is not contributing significantly to the nation's overall problems of inflation or recession, though there may be specific capital problems in capital intensive industries with large pollution costs and insufficient profits. These industries require more microeconomic analysis to pinpoint the bottlenecks.

II. Regulations Impacting on Ford Motor Company

- . Ford claims that
 - current stationary source air and water standards on Ford plants will require \$300 million
 - total investment requirements for air and water pollution from plants as well as control of emissions from automobiles and trucks will be \$2 billion through 1980
 - a 40% fuel economy improvement will require \$600 million in investment by 1980.



FIGURE I
Projected Economic Growth, 1974-1982

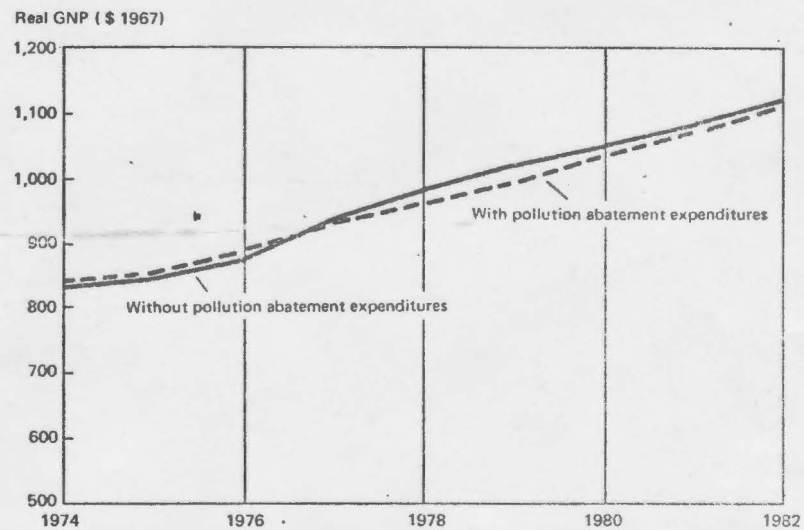
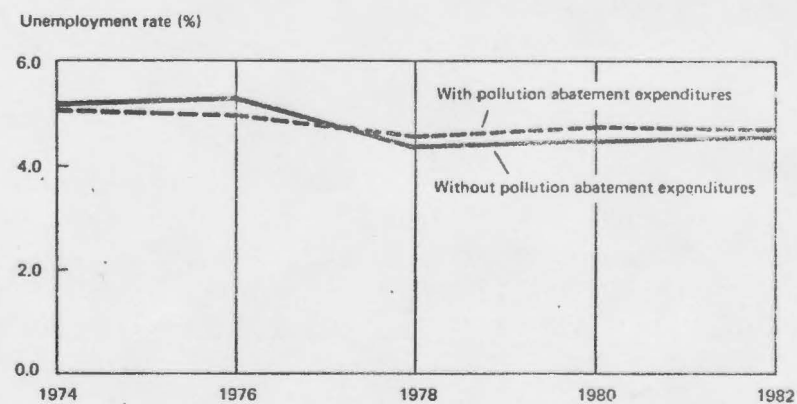


FIGURE II
Projected Unemployment Rates, 1974-1982



Source: Chase Econometrics, Inc., "The Economic Impact of Pollution Control: Macroeconomic and Industry Reports," 1974, prepared for CEQ.



- . EPA has no comparable figures for the operations of Ford Motor Company alone at this point because
 - cost projections are made industry-wide, not company by company
 - Ford has a number of different types of operations (automotive, steel, glass, foundries, electroplating, etc.), which makes company costs difficult to aggregate
- . The stationary source air costs stem largely from regulations on pollution from fuel (coal, oil) combustion, with some lesser costs for paint, steel, and foundry operations.
 - In some instances, the fuel regulations imposed by the States may be more stringent than is needed to meet Federal primary air quality standards. EPA is attempting in these cases to get the State emissions regulations relaxed to eliminate the "overkill." Michigan and Ohio are now in the process of relaxing their regulations on sulfur oxides from coal combustion.
- . The stationary source water costs stem in large part from State (particularly Michigan and Ohio) water quality standards, since EPA effluent guideline limitations for much of Ford operations have not been issued:
 - Automotive operations covered by the Machinery - not yet issued
 - Glass operations - only partially issued
 - Steel operations - only partially issued
 - Foundry operations - not yet issued
 - Electroplating operations - only partially issued
- . The Ford estimates of capital needs for auto emissions reductions (\$1.7 billion from 1976-80) disagrees with the recent report of the National Academy of Sciences (NAS) Committee on Motor Vehicle Emissions.
 - NAS estimates investment needs of \$1.04 billion from 1975-79 (there are no 1980 standards) for the entire U.S. auto industry.



- 30% of that total (Ford's approximate market share) is \$300 million.
- . The Ford estimate of \$600 million in capital needs for the 40% fuel economy improvement disagrees with the recent EPA/ DOT Report to Congress on Fuel Economy Improvement
 - The EPA/DOT report estimated Ford's investment needs to be \$250 million
- . With large discrepancies on these cost estimates there is a need for resolution of factual differences before policy conclusions are reached.

III. Ongoing EPA Economic Analysis

- . EPA is undertaking a program of economic studies as one of its Presidential-level MBO objectives.
- . These studies include separate studies of
 - Macroeconomic impacts (the Chase study referenced above; final report in two weeks)
 - Steel
 - Electric utilities
 - Chemicals
 - Pulp and paper
 - Nonferrous metals
 - Petroleum refining
 - Capital markets impacts
- . If these studies show combined impacts of EPA's regulations more serious than initially thought, changes in regulations or proposed amendments will be considered.
- . These studies are being done in addition to the annual reports to Congress on air and water costs and the economic impact study done on each regulation.

THE ECONOMIC IMPACT OF ENVIRONMENTAL PROGRAMS

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CONTENTS

1974 Abatement Cost Estimates

Distribution of Costs by Sector

Distribution over Time

Distribution between Investment and O&M Costs

Macroeconomic Impacts

Impact on Inflation

Impact on Investment, Productivity, and Economic Growth

Impact on Employment

Impact on Government Finances

Impact on Foreign Trade

Impact on the Distribution of Income

Impact on Specific Industries

References

Notes on Methodology

Other Analyses on Economic Impacts Released by CEQ



Tables

- I. Estimated Incremental Pollution Control Expenditures
- II. Investment for Air and Water Pollution Abatement by Industries, 1973
- III. Investment for Air and Water Pollution Abatement by Industries, 1974
- IV. Percentage Contribution to Price Indices with Pollution Control Expenditures
- V. Plant Closings Where Pollution Control Costs Were Alleged to be Factor, January 1971-June 1974
- VI. U.S. Budget Outlays by Function, 1973 Actual and 1974-76 Estimated
- VII. Manufacturing Energy Consumption, Selected Industries, 1967
- VIII. Pollution Control Expenditures as a Percentage of Value of Shipments, Selected Industries, 1973 and 1980

Figures

- I. Percent Contribution to Change in Wholesale Price Index, April 1973-April 1974 (by Major Commodity Groupings)
- II. Projected Economic Growth, 1974-1982
- III. Projected Unemployment Rates, 1974-1982
- IV. Pollution Abatement Expenditures for New Plant and Equipment by Selected Industries, 1973
- V. Pollution Abatement Expenditures for New Plant and Equipment by Selected Industries, 1974



THE ECONOMIC IMPACT OF ENVIRONMENTAL PROGRAMS

The Council on Environmental Quality (CEQ) has, since its inception, taken a major responsibility for assessing the economic abatement costs the Nation can expect to face as a result of current Federal environmental legislation.¹ The Council carries out other in-house analyses or contracts for studies concerning the economic impact of these programs. This memorandum summarizes CEQ's 1974 estimates and analyses. Additional supporting papers are available upon request. (See page 24.)

1974 Abatement Cost Estimates

The CEQ's estimate of abatement costs for the ten-year period 1973 through 1982 are given in Table I. These "incremental" abatement costs are those abatement costs projected to meet the requirements of Federal environmental legislation enacted since the mid-sixties, beyond what the Nation would have spent for the same purposes in the absence of this legislation. Four types of costs are shown:

- "Investment costs" (for the period 1973-1982) which are the estimated expenditures which will be made on capital equipment for pollution abatement by both public and private sectors.
- "Capital costs" which include interest charges on pollution control investments and the depreciation of the capital equipment.
- "O&M costs" which are the costs of operating and maintaining the pollution abatement processes.
- "Annual costs" which are the sum of the capital costs and the O&M costs. The last column in Table I shows the sum of annual costs projected for each of the ten years 1973, 1974,...1982.

These abatement costs are estimated primarily from data provided by the Environmental Protection Agency (EPA) and other Federal agencies. The air pollution abatement costs are based primarily



TABLE I
ESTIMATED INCREMENTAL POLLUTION
CONTROL EXPENDITURES¹

[In billions of 1973 dollars]

Pollutant/medium	1973			1982			Cumulative - 1973-82		
	O&M ²	Capital costs ³	Total annual costs	O&M ²	Capital costs ³	Total annual costs ⁴	Capital investment	O&M ²	Total ⁴ annual costs
Air pollution									
Public	.1	.1	.2	.5	.2	.7	1.7	3.8	5.4
Private									
Mobile	1.2	.2	1.4	8.4	4.9	13.3	31.3	49.9	74.4
Industrial	.5	.7	1.2	1.3	1.1	2.4	8.4	11.6	24.5
Utilities	.5	.3	.8	2.7	1.2	4.0	7.9	19.6	29.0
Total	2.3	1.3	3.6	12.9	7.4	20.4	49.3	84.9	133.3
Water pollution									
Public									
Federal	.2	NA	NA	.2	NA	NA	1.8	NA	NA
State and local	1.1	.1	1.1	1.4	1.3	2.7	14.8	12.8	24.4
Private									
Industrial	.5	.5	1.0	1.5	1.2	2.6	9.8	12.3	23.1
Utilities	0	0	.01	.4	.3	.7	4.4	2.2	3.5
Total	1.8	.6	2.1	3.5	2.8	6.0	30.8	27.3	51.0
Radiation									
Nuclear powerplants	NA	NA	NA	.05	.05	.07	.3	.08	.3
Solid waste									
Public	.1	.1	.2	.3	.1	.4	1.0	2.2	2.9
Private	.1	<.05	.1	.5	<.05	.5	< .05	2.3	2.3
Total	.2	.1	.3	.8	.1	.9	1.0	4.5	5.2
Land reclamation ⁵									
Surface mining	.3	0	.3	1.6	0	.6	0	5.0	5.0
Noise ⁶	NA	.1	NA	NA	1.0-1.4	NA	6.0-8.7	NA	NA
Grand total ⁶	4.6	2.0	6.3	18.8	10.4	28.0	81.4	121.8	194.8

^{1/} Incremental costs are expenditures made pursuant to Federal environmental legislation, beyond those that would have been made in the absence of this legislation.

^{2/} Operating and maintenance costs.

^{3/} Interest and depreciation.

^{4/} O&M plus capital costs.

^{5/} Includes coal mining only.

^{6/} Not included in grand total.

on the 1974 edition of The Cost of Clean Air,² and the private water pollution abatement costs are based primarily upon the 1973 edition of The Economics of Clean Water.³ The cost estimates predominantly assume the installation of "end-of-the-pipe" treatment for air and water pollution abatement, and thus understate potential for less costly production process modifications which also satisfy legislated abatement requirements. For this reason, and because CEQ's unit cost assumptions are generally high, the cost estimates are considered to define, on the basis of current knowledge, the maximum likely costs the Nation will experience. However, not all of the costs associated with meeting the 1983 goals of "best available technology" are included because of uncertainty about the degree of abatement that will be required for many industries.⁴

Cumulative abatement costs (in constant 1973 dollars) over the 1973-82 period are estimated to be \$194.8 billion. This estimate is approximately \$42.1 billion (28 percent) higher than last year's estimate. However, only \$10.1 billion of this increase represents a net increase in real cost estimates (primarily stationary air pollution control). The remainder of the increase resulted from:

- Changing the estimating period from 1972- 81 to 1973-82 (in essence, dropping 1972, a relatively low cost year, and adding 1983, a higher cost year). \$20.5 billion
- Inflation (changing from 1972 dollars to 1973 dollars). \$11.5 billion

Distribution of Costs by Sector: Approximately \$77 billion of the cumulative costs (mobile sources and solid waste collection costs) is paid for directly by the consumer. Another \$32 billion is initially paid by government and passed through to taxpayers. Of the remainder, \$32 billion will be paid by electrical utilities and the rest by other industries. These costs will be predominantly passed on to the consumer in the form of higher electricity and product prices.



TABLE II
INVESTMENT FOR AIR AND WATER
POLLUTION ABATEMENT BY INDUSTRIES, 1973

	Total plant & expenditures	Pollution abatement investment					
		End-of-the-pipe & process change			Process change only		
		Total	Air	Water	Total	Air	Water
All industries-----	100,076	4,938	3,176	1,762	1,169	724	444
Manufacturing-----	38,003	3,153	2,050	1,103	712	446	266
Durable goods -----	19,389	1,579	1,207	372	321	220	101
Primary metals -----	3,481	814	712	101	112	82	29
Blast furnace, steel works-----	1,407	230	163	67	75	56	19
Nonferrous-----	1,679	523	492	31	29	19	9
Electrical machinery-----	2,895	129	44	85	35	14	21
Machinery, except electrical-----	3,478	80	52	28	36	24	12
Transportation equipment-----	3,063	170	96	74	37	20	17
Motor vehicles-----	2,244	143	81	62	35	19	16
Aircraft-----	531	20	11	10	0	0	0
Stone, clay, & glass-----	1,503	144	123	22	50	42	8
Other durables -----	4,969	243	180	63	52	37	15
Nondurable goods -----	18,614	1,574	843	731	391	226	165
Food including beverage-----	3,048	152	68	84	49	25	24
Textile-----	787	29	9	20	11	3	8
Paper-----	1,893	355	174	181	14	7	7
Chemical-----	4,324	416	203	213	149	88	61
Petroleum-----	5,409	555	352	203	151	94	57
Rubber-----	1,567	48	26	23	12	6	6
Other nondurables -----	1,586	19	12	7	5	4	1
Nonmanufacturing-----	62,073	1,785	1,126	659	457	278	179
Mining-----	2,759	91	41	50	20	15	5
Railroad-----	1,939	16	5	11	5	3	2
Air transportation-----	2,413	15	12	4	2	2	0
Other transportation-----	1,605	11	6	5	4	3	1
Public utilities-----	19,087	1,451	921	530	386	226	160
Electric-----	16,250	1,409	906	503	372	223	149
Gas & other -----	2,837	42	15	27	14	3	11
Communication, commercial, & other -----	34,270	201	142	58	41	31	10

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, vol. 54, July 1974.



Distribution over Time: In terms of the timing of expenditures, investments are expected to increase steadily up to a peak in 1976 in order to meet the 1971 goals of the Clean Air Act and the Federal Water Pollution Control Act. Annual costs are expected to increase at a rapid rate through 1977 after which they will level off.

Distribution between Investment and O&M Costs: In terms of real resource costs, CEQ estimates that there will be \$81.4 billion invested in capital equipment and \$121.8 billion spent on operation and maintenance costs over the 10-year period. As noted earlier, this estimate of investment costs is thought to be too high because of the emphasis placed on "end-of-the-pipe" capital investments as opposed to less investment-intensive process charges. The Bureau of Economic Analysis (Department of Commerce) in a recent survey of pollution abatement investments (see Tables II and III) found them to be somewhat lower than the CEQ estimates.⁵

As Tables II and III indicate, the BEA survey provides the first information about the relative importance of process change as opposed to "end-of-the-pipe" treatment for pollution abatement. In 1973 and 1974, 23 percent of the total investment for pollution abatement was expected to be allocated for process changes.

Macroeconomic Impacts

The macroeconomic impacts of environmental expenditures were analysed by CEQ, with the help of the Chase Econometrics, Inc., macroeconomic model.⁶

In 1974, the estimated incremental real resource (investment plus O&M) abatement costs amounted to approximately 0.7 percent of the U.S. Gross National Product. This proportion is expected to increase to approximately 1.4 percent in 1976, and then decrease thereafter as investment costs decrease and GNP continues to grow.



TABLE III
INVESTMENT FOR AIR AND WATER POLLUTION
ABATEMENT BY INDUSTRIES; 1974

	Total plant and expenditures	Pollution abatement investment					
		End-of-the-pipe & process change			Process change only		
		Total	Air	Water	Total	Air	Water
All industries-----	112,114	6,543	4,346	2,196	1,465	1,003	462
Manufacturing-----	44,404	4,446	2,929	1,517	1,042	721	321
Durable goods-----	22,611	2,063	1,523	540	499	397	102
Primary metals-----	4,337	1,003	841	163	250	239	11
Blast furnace, steel works-----	1,712	381	304	78	114	109	4
Nonferrous-----	2,156	553	469	83	118	111	6
Electrical machinery-----	3,179	175	53	122	46	16	30
Machinery, except electrical-----	3,975	118	74	44	42	27	15
Transportation equipment-----	3,570	195	112	83	29	17	12
Motor vehicles-----	2,682	178	103	75	28	17	12
Aircraft-----	580	13	7	6	0	0	0
Stone, clay, & glass-----	1,683	282	244	39	58	48	10
Other durables-----	5,867	290	200	90	73	50	23
Nondurable goods-----	21,793	2,383	1,406	977	543	324	220
Food including beverage-----	3,276	230	112	118	67	35	32
Textile-----	773	43	17	26	7	3	4
Paper-----	2,484	500	326	174	31	16	15
Chemical-----	5,249	608	293	316	188	109	79
Petroleum-----	6,888	926	610	316	239	153	86
Rubber-----	1,580	51	33	18	8	6	2
Other nondurables-----	1,543	24	16	9	5	2	2
Nonmanufacturing-----	67,710	2,097	1,418	679	423	283	140
Mining-----	3,143	100	53	47	28	22	6
Railroad-----	2,272	19	3	16	3	2	2
Air transportation-----	2,160	9	4	5	1	0	0
Other transportation-----	1,617	17	10	7	5	3	2
Public utilities-----	22,163	1,696	1,179	518	307	200	107
Electric-----	18,808	1,651	1,160	491	295	197	98
Gas & other-----	3,355	46	19	27	11	2	9
Communication, commercial, & other-----	36,355	256	170	87	80	57	23

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Vol. 54, July 1974.



Estimated private pollution control investments (excluding mobile sources) amount to approximately 3 percent of gross private domestic investment and 6 percent of business investment in plant and equipment in 1974. These ratios are expected to remain approximately constant through 1976 after which they will fall.

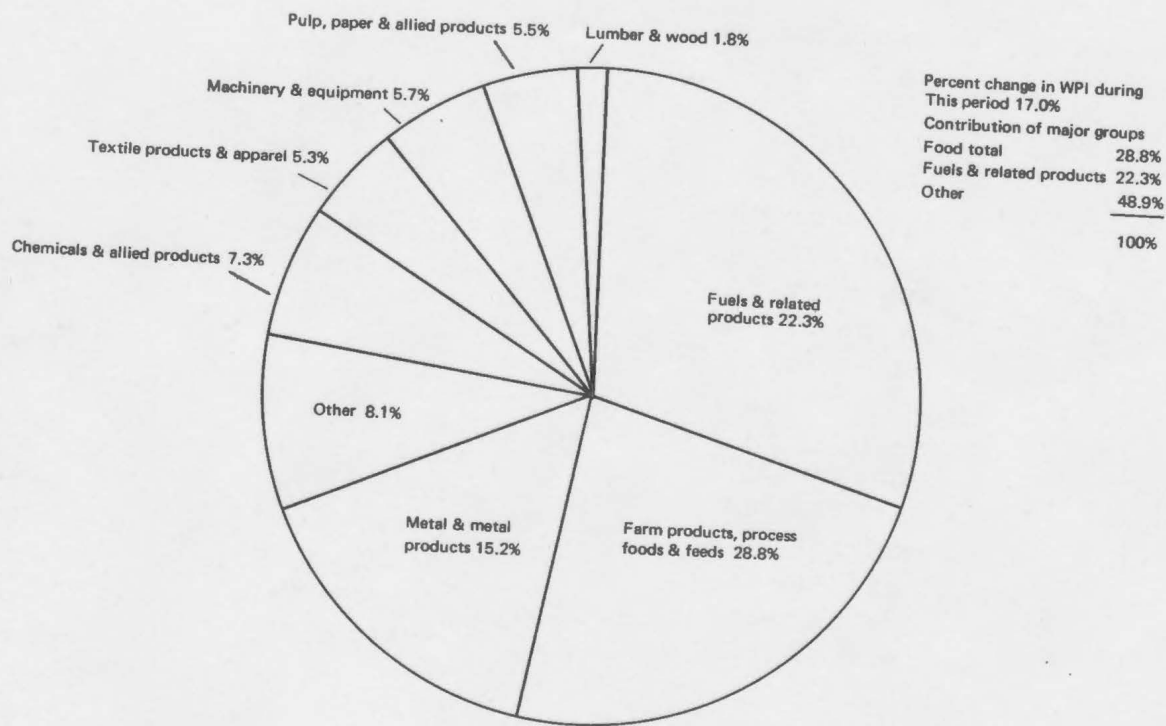
Impact on Inflation: The impact of these expenditures on the rate of inflation has been estimated in two ways. One estimate compares the price increases expected in different economic sectors as a result of pollution control expenditures with the contribution of these expenditures to the rate of inflation. As Figure I indicates, much of the increase in the wholesale price index (WPI) over the past year has occurred because of increased energy (predominantly oil) and food prices. The cost of producing crude oil and unprocessed food is virtually unaffected by pollution control expenditures. Calculating the impact of the remaining sectors involved weighting the contribution of each to the increase in the WPI by the price increase expected in each sector as a result of direct and indirect pollution control costs. These calculations indicate that pollution control expenditures were responsible for approximately 0.5 percent (one-fortieth of the total increase of 17 percent) in the WPI from 1973 to 1974.

This result was confirmed by three separate analyses using sophisticated macroeconomic computer models. The first was the 1973 Chase Econometrics macroeconomic analysis which predicted an increase in the WPI of 0.5 percent during 1974 as a result of pollution control expenditures.⁷ Two other similar analyses have been run by the Brookings Institution and by Data Resources, Inc.⁸ Both show inflation rates of 0.3 percent to 0.5 percent per year resulting from pollution control expenditures. The Chase projections of price increases resulting from pollution control expenditures are given in Table IV.

Impact on Investment, Productivity, and Economic Growth: One of the concerns currently being expressed about environmental programs is that the substantial investments they require will displace investments that firms would otherwise be making to expand or modernize their production capacity. Such a substitution, if it were to occur widely, could have an adverse impact on the rate of increase in labor productivity because firms



FIGURE I
Percent Contribution to Change in Wholesale Price Index,
April 1973-April 1974
(by Major Commodity Groupings)



Source: Cost of Living Council, 1974, based on Bureau of Labor Statistics data.



TABLE IV

PERCENTAGE CONTRIBUTION
OF POLLUTION ABATEMENT EXPENDITURES
TO PROJECTED CHANGES IN PRICE INDICES

	CPI	WPI	GNP deflator
Increase 1975/76	0.5%	2.0%	0.9%
Cumulative increase to 1976	0.8%	2.6%	1.2%
Average increase 1973/76	0.3%	0.9%	0.4%
Increase 1981-82	-0.2%	-0.1%	0.0%
Cumulative increase to 1982	0.3%	2.4%	0.9%
Average increase 1973/82	.03%	0.2%	0.1%

CPI = Consumer price index

WPI = Wholesale price index

Source: Based on Chase Econometrics, Inc., (1974) estimates.

would be operating with older, less productive equipment. And this reduced productivity growth would result in a lower rate of economic growth for the Nation.

The available data indicate that such effects are likely to be minimal. The maximum projected investment for environmental purposes by U.S. industries is unlikely to exceed 6 percent of their total plant and equipment expenditures in any one year, and should average approximately 3 percent of these expenditures over the 10-year estimating period.

The pollution control expenditures will, of course, place increased demands on the capital market and will displace some private investment, but the Chase Econometrics analyses conclude that the displacement will predominantly be in areas other than plant and equipment expenditures, such as residential construction.⁹

This conclusion is at least partially confirmed by the results of the first Bureau of Economic Analysis survey of pollution control expenditures, in which only 2 percent of the firms sampled claimed that pollution control expenditures had displaced any of their planned investments for expanding or modernizing their production capacity.



FIGURE I

Projected Economic Growth, 1974-1982

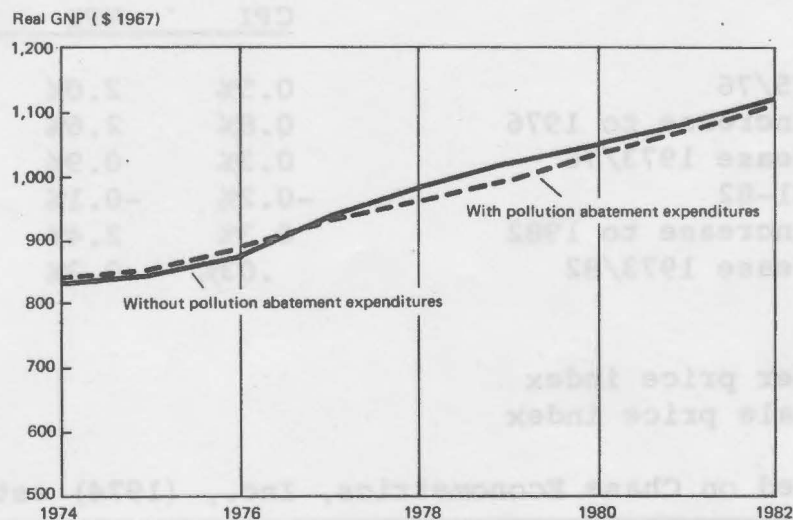
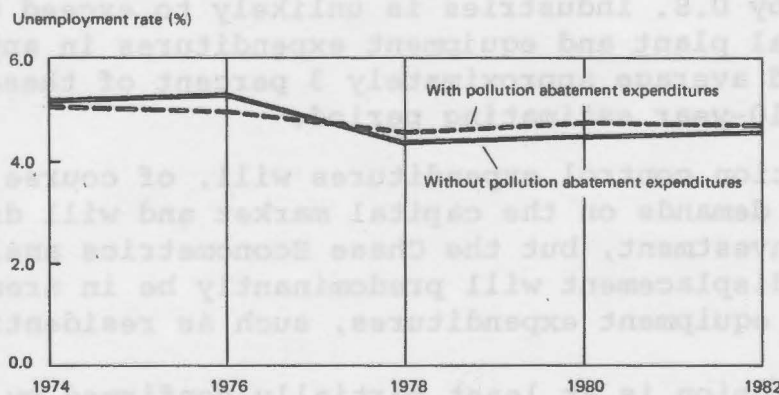


FIGURE II

Projected Unemployment Rates, 1974-1982



Source: Chase Econometrics, Inc., "The Economic Impact of Pollution Control: Macroeconomic and Industry Reports," 1974, prepared for CEQ.

The BEA report concluded, "While it is possible that in some industries pollution abatement restrictions have caused a reduction in investment, the low level of positive response to this question indicates that business as a whole does not think of pollution abatement regulations as reducing investment in new plant equipment."¹⁰

In light of these findings, pollution control expenditures are not expected to delay significantly the expansion or modernization of industrial capacity for producing goods and services, and therefore are not expected to have a measurable adverse impact on labor productivity.

If environmental expenditures have an insignificant impact on plant and equipment expenditures and therefore on productivity, they will have virtually no impact on the rate of growth of the "full employment GNP." However, according to the 10-year forecast by Chase Econometrics, the anticipated peaking of environmentally related expenditures prior to 1978 will create a minor business cycle which will affect the actual growth rate in GNP. These expenditures are expected to stimulate the economy prior to 1976 so that the GNP in current and constant dollars will be higher than it otherwise would have been. After 1976 the slightly higher prices resulting from pollution control expenditures will have a minor depressing effect on the economy, causing the real GNP to dip below the level expected without environmental expenditures. By 1982 this depressing effect is expected to disappear, so that the GNP will be at the same level as it would have been without environmental improvement programs. The projected GNP levels are summarized in Figure II.

Impact on Employment: The impact of environmental expenditures on employment is projected to be insignificant. In the macroeconomic analyses the impact of unemployment is expected to mirror the impact on GNP: before 1976 there will be less unemployment than there otherwise would have been, from 1977 to 1980 there will be somewhat more; but by the end of the decade there will be no significant impact on unemployment. Projected employment rates are given in Figure III.

These macroeconomic analyses do not take account of plant closings caused by environmental regulations, however. EPA, which maintains an "Economic Dislocation Early Warning System" on such closings, had received reports of 69 firms which claimed that they had been

TABLE V

PLANT CLOSINGS WHERE POLLUTION CONTROL COSTS WERE ALLEGED
TO BE FACTOR, JANUARY 1971-JUNE 1974

REGION \ INDUSTRY									TOTAL
	Paper & allied products	Primary metals	Chemicals & allied products	Food products	Stone, clay, glass & concrete products	Mining & quarrying non-metal minerals	Textile mill products	Other industries	
I Plants	2						3	1	6
I Employees	1,013						-	95	1,108
II Plants	3	1	3	1		1	1	8	18
II Employees	1,536	44	1,450	102		25	133	1,308	4,598
III Plants			2	2				3	7
III Employees			610	105				390	1,105
IV Plants		1	1						2
IV Employees		148	78						226
V Plants	2	5		3	3			1	14
V Employees	500	1,379		165	235			-	2,279
VI Plants		3						1	4
VI Employees		540						45	585
VII Plants									
VII Employees									
VIII Plants			1			2			3
VIII Employees			-			208			208
IX Plants		2		2	2	1		2	8
IX Employees		400		-	148	35		529	1,112
X Plants	3			1				2	6
X Employees	833			38				250	1,121
TOTAL Plants	10	12	7	9	5	4	4	18	68
TOTAL Employees	3,882	2,511	2,138	410	383	268	133	2,617	12,342

1/ Dislocation involving less than 25 jobs is not reported.

2/ "Other industries" includes all dislocations where the combined "actual" and "threatened" plants amount to fewer than six.

Source: Environmental Protection Agency, Office of the Administrator, 1974 Second Quarter Report of the Economic Dislocation Early Warning System.

forced to close plants from January 1971 through June 1974, at least in part because of environmental regulations. These plants represented a total of approximately 12,000 jobs (about .015 percent of the current labor force). The details on these closures are given in Table V.

It should be noted that the increase in unemployment caused by these plant closings will be less than the 12,000 jobs that the plants themselves represented. The lost production will be shifted to other plants, sometimes within the same firm, and as a result more jobs will be created at these other plants. There is probably some net loss in jobs because the plants which increase production are likely to be more efficient than the plants which close. It is the relative inefficiency of these plants -- they are likely to be older, smaller facilities which are only marginally profitable even without the requirement that they install environmental controls -- that leads the firm to conclude that they should be closed rather than modernized. In many instances they would have been closed soon anyway, and environmental regulations tend only to accelerate an otherwise inevitable process.

However, the problem of plant closures should not be understated. As Table V indicates, there is some geographical concentration of the plants which have closed. Many of these plants are also often located in older, industrial towns already suffering relatively high unemployment rates. Their closures can be a serious blow to the local economy and particularly to the workers who may have serious difficulty finding other employment.

Impact on Government Finances: The major sources of government expenditures associated with the implementation of Federal environmental legislation are for municipal sewage treatment plants, solid waste collection and disposal, and air and water pollution abatement from publicly owned facilities. At the Federal level, the EPA sewage treatment grants program has become the second largest public works activity exceeded only by the Federal highway program. Nevertheless, as indicated in Table VI, environmental expenditures still account for only 1.0 percent of total Federal outlays in FY '74 and 1.3 percent in FY '75.

On the state and local levels, because the Federal Government is presently paying a large proportion (up to 75 percent) of the investments required for municipal sewage collection and treatment works, CEQ projects local government environmental expenditures to be lower than they would have been in the absence

TABLE VI

U.S. BUDGET OUTLAYS BY FUNCTION
1973 ACTUAL AND 1974-76 ESTIMATED

[in billions of dollars]

Description	1973 actual	1974 estimate	1975 estimate	1976 estimate
Function:				
National defense	76.0	80.6	87.7	94.8
International affairs & finance	3.0	3.9	4.1	4.3
Space research & technology	3.3	3.2	3.3	3.4
Agriculture & rural development	6.2	4.0	2.7	4.1
NATURAL RESOURCES & ENVIRONMENT	.6	.6	3.1	4.1
Commerce & transportation	13.1	13.5	13.4	13.7
Community development & housing	4.1	5.4	5.7	7.4
Education & manpower	10.2	10.8	11.5	12.3
Health	18.4	23.3	26.3	28.6
Income security	73.1	85.0	100.1	107.2
Veterans benefits & services	12.0	13.3	13.6	13.8
Interest	22.8	27.8	29.1	30.4
General government	5.5	6.8	6.8	6.9
General revenue sharing	6.6	6.1	6.2	6.3
Allowances	--	.3	1.6	4.4
Undistributed intragovernmental transactions	-8.4	-10.0	-10.7	-11.6
Total	246.5	274.7	304.4	329.4

DETAILS FOR NATURAL RESOURCES AND ENVIRONMENT

[in billions of dollars]

	1973 actual	1974 estimate	1975 estimate
Pollution control and abatement	\$1.1	\$2.6	\$4.0
Recreational resources	.6	.8	.8
Water resources and power	2.9	2.9	3.0
Land management	.9	1.0	1.1
Mineral resources	.1	.3	.3
Other natural resource programs	.2	.2	.2
subtotal all programs	5.8	7.8	9.4
Deduction for offsetting receipts	-5.2	-7.2	-6.3
Net total	\$0.6	\$0.6	\$3.1

Source: Office of Management and Budget, The Budget of the United States Government: Fiscal Year 1975 (U.S. Government Printing Office, 1974), p. 86.

of Federal legislation. The fiscal impact of local expenditures will also be reduced by the fact that many of these costs -- e.g., for sewage treatment and solid waste collection -- are likely to be financed out of user charges rather than general revenues.¹¹

Impact on Foreign Trade: Analyses conducted by the Department of Commerce, other Federal agencies, and independent analysts have not succeeded in identifying any significant impact of our environmental regulations on our foreign trade and balance of payments.¹² Some U.S. exports will become slightly more expensive, and some imports will become more competitive, but the total effect is small. This is largely attributable to a) the relatively small price increases for U.S. goods as a result of environmental requirements; b) the lack of import competition for many commodities which may experience price increases because of the weight, bulk, or U.S. quality requirements for those goods; and c) the enactment by many competing countries of stringent environmental regulations that will reduce any comparative advantage their industries might have over U.S. firms.

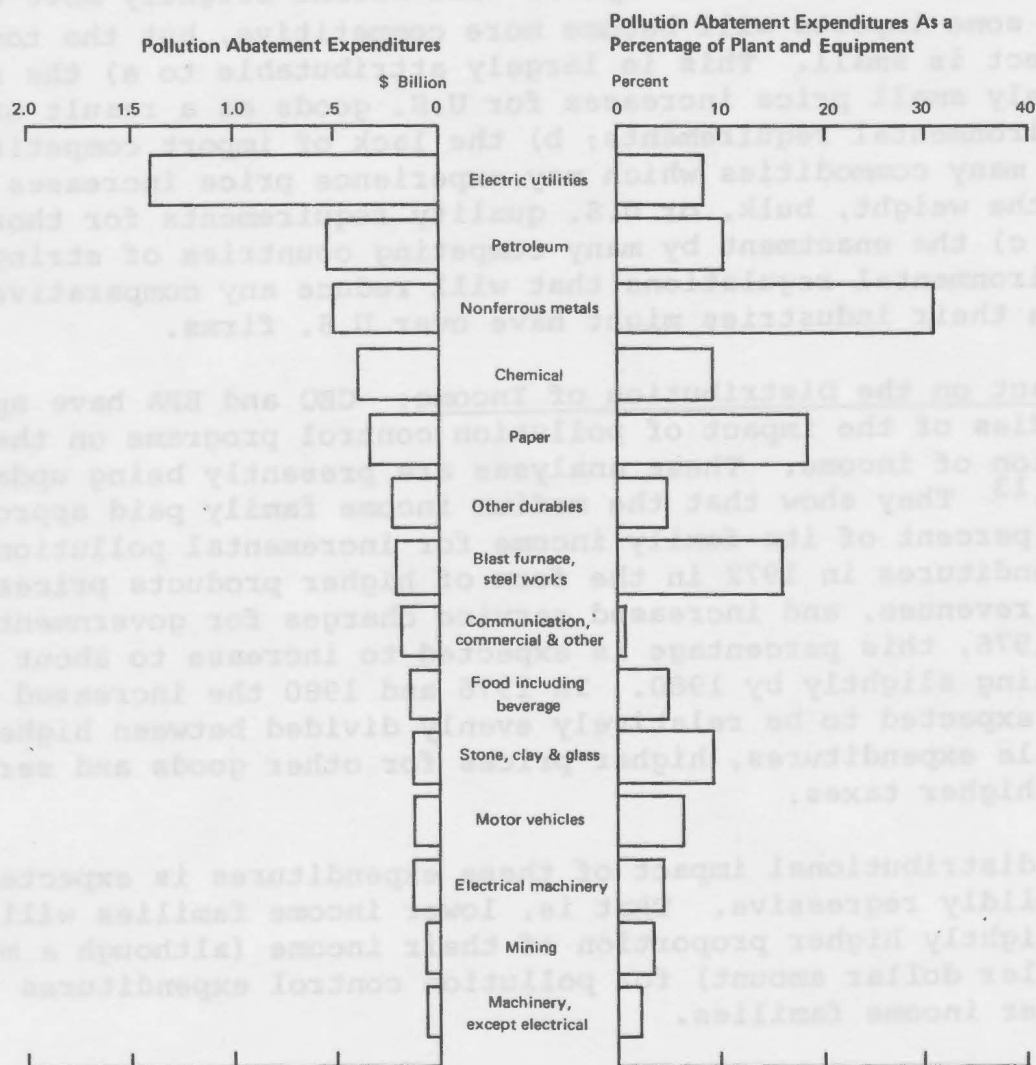
Impact on the Distribution of Income: CEQ and EPA have sponsored studies of the impact of pollution control programs on the distribution of income. These analyses are presently being updated by CEQ.¹³ They show that the medium income family paid approximately 0.5 percent of its family income for incremental pollution control expenditures in 1972 in the form of higher products prices, higher tax revenues, and increased service charges for government services. In 1976, this percentage is expected to increase to about 2.0 percent, falling slightly by 1980. In 1976 and 1980 the increased costs are expected to be relatively evenly divided between higher automobile expenditures, higher prices for other goods and services, and higher taxes.

The distributional impact of these expenditures is expected to be mildly regressive. That is, lower income families will pay a slightly higher proportion of their income (although a much smaller dollar amount) for pollution control expenditures than higher income families.

Impacts on Specific Industries

The previous analyses indicated that there was unlikely to be any significant macroeconomic impact of environmental programs. However, the impacts are not spread evenly across all sectors.

FIGURE IV
Pollution Abatement Expenditures for New Plant and Equipment by Selected Industries, 1973



Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, vol. 54, July 1974



Some industries pollute much more heavily than others and will therefore have to undertake significantly greater efforts to abate their pollution to acceptable levels. Figures IV and V summarize the BEA findings about the relative level of investments being made for pollution control among different industries. Clearly, the industries which would appear to be most significantly affected are:

- Electric utilities
- Petroleum refining
- Iron and steel
- Pulp and paper
- Nonferrous and primary metals
- Stone, clay, glass, and cement
- Chemicals
- Food and kindred products

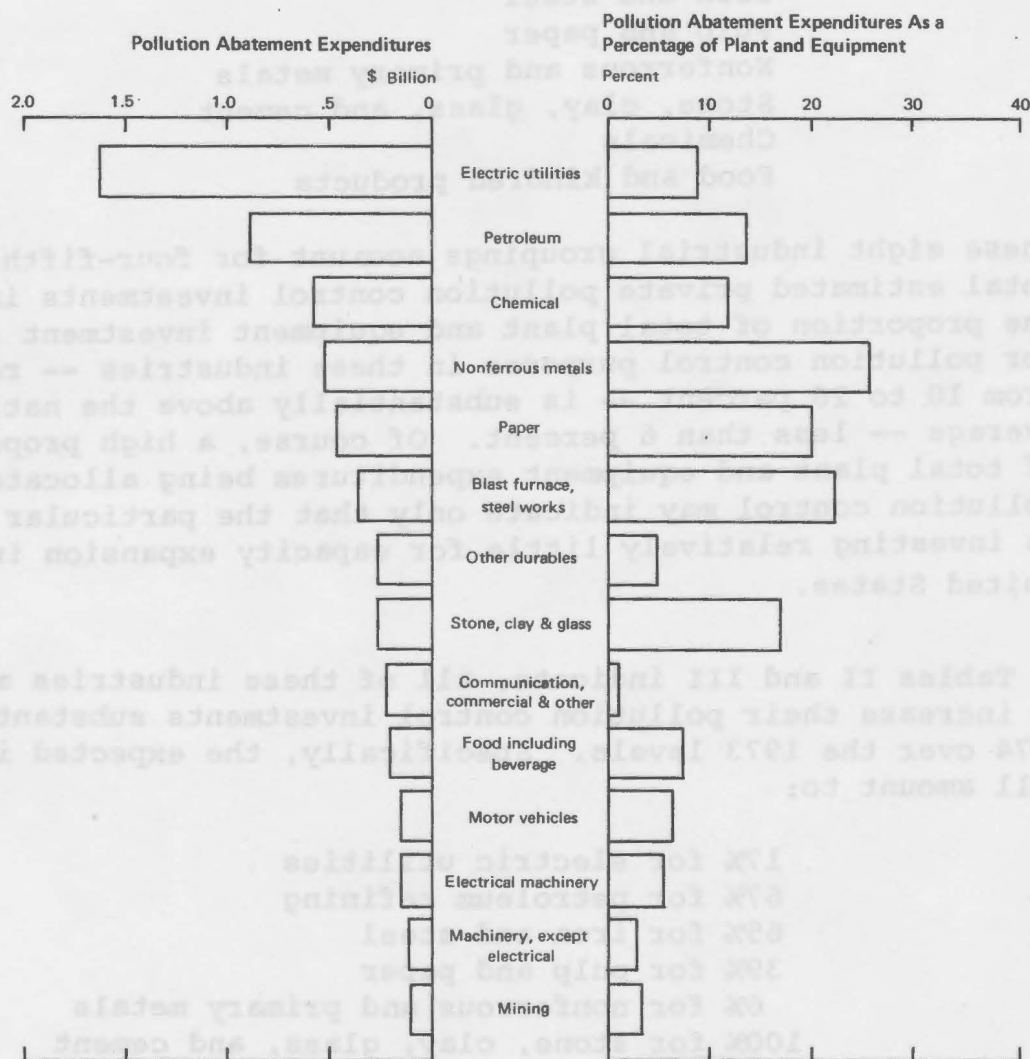
These eight industrial groupings account for four-fifths of the total estimated private pollution control investments in 1974. The proportion of total plant and equipment investment spent for pollution control purposes in these industries -- ranging from 10 to 20 percent -- is substantially above the national average -- less than 6 percent. Of course, a high proportion of total plant and equipment expenditures being allocated to pollution control may indicate only that the particular industry is investing relatively little for capacity expansion in the United States.

As Tables II and III indicate, all of these industries are expecting to increase their pollution control investments substantially in 1974 over the 1973 levels. Specifically, the expected increase will amount to:

- 17% for electric utilities
- 67% for petroleum refining
- 65% for iron and steel
- 39% for pulp and paper
- 6% for nonferrous and primary metals
- 100% for stone, clay, glass, and cement
- 20% for chemicals
- 52% for food and kindred products

CEQ and EPA estimates indicate that these industries will continue to experience relatively heavily pollution control expenditures throughout the decade.

FIGURE V
Pollution Abatement Expenditures for New Plant and Equipment by Selected Industries, 1974



Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, vol. 54, July 1974



Other important characteristics of the industries are that:

- they are all "basic industries," which means that these price and supply problems ripple through the economy.
- they are generally energy-intensive industries and (excluding electric utilities) account for more than 73 percent of all energy consumed by all industries, and nearly 20 percent of total U.S. energy consumption. In these industries energy is a significant cost element accounting for nearly 14¢ per dollar of value added, compared to the average of all industries of 4¢ per dollar of value added.¹³ Therefore these industries face serious cost problems because of high energy prices in addition to the costs added by environmental regulations (see Table VII).

Table VIII, however, indicates that even in those relatively most seriously affected industries, environmental expenditures are not a large proportion of total value added in the industry and therefore should not have a substantial impact upon prices or output.

Such projected increases and output reductions would not normally be cause for alarm. However, because of the importance of these industries to the functioning of the economy, the possibility of very tight capital markets' limiting the availability of investment funds, and in some cases, a recent history of depressed profits, further analysis is clearly required. CEQ and EPA are presently in the process of sponsoring such studies.



TABLE VII
MANUFACTURING ENERGY CONSUMPTION, SELECTED INDUSTRIES, 1967

Industry	Energy consumed per \$ of output (MBTU/\$)	Total energy consumption (Trillion Btus)	% Manufacturing Consumption	% U. S. Consumption
Cement	463.0	463	3.1%	0.9%
Petroleum	495.2	2537	17.4	5.0
Metals	250.1	4080	27.9	8.1
Paper	140.1	1156	7.9	2.3
Chemicals	138.3	<u>2460</u>	<u>16.8</u>	<u>4.9</u>
Subtotal		10,596	73.3	21.2
All other manufacturing	20.9	3914	26.7	7.7
Total industrial	(69.7) ^{1/}	14,608	100%	28.9%

^{1/} Represents the average.

Source:

Energy and Environmental Analysis, Inc., "Energy Management in Manufacturing, 1967-1990," 1974, prepared for CEQ.



TABLE VIII

POLLUTION CONTROL EXPENDITURES AS A PERCENTAGE
OF VALUE OF SHIPMENTS, SELECTED INDUSTRIES, 1973 and 1980

SIC	Industrial sector	Value of shipments (\$ million) ^{1/}		Costs ^{2/} as a percentage of value of shipments	
		1973	1980	1973	1980
26	Paper & pulp	\$28,167.4	\$39,715.5	0.42%	0.88%
28	Chemical	57,061.5	80,456.7	0.40	0.86
29	Petroleum refining	28,602.2	40,329.1	0.43	0.99
32	Stone, clay & glass	21,430.0	30,216.3	0.25	0.56
33	Primary metals	58,276.5	82,169.9	0.80	2.00
	(Five industry average)			0.50	1.00
	(All manufacturing average)			0.20	0.50

-21-

^{1/} 5% annual increase 1973-80.

^{2/} Calculated on basis of annual costs.

Sources: Value of shipments figures for 1973 are from the Department of Commerce.

References

1. See the CEQ annual reports, Environmental Quality-1970; Environmental Quality-1971, Ch. 4; Environmental Quality-1972, Ch. 8; Environmental Quality-1973, Ch. 3: (U.S. Government Printing Office).
2. Environmental Protection Agency, The Cost of Clean Air, Ch. 3: (U.S. Government Printing Office, 1974).
3. Environmental Protection Agency, The Economics of Clean Water-1973 (U.S. Government Printing Office, 1974).
4. A list of items providing a more extended description of data sources and assumptions made in estimating abatement costs appears on page 24.
5. John E. Cremeans, "Capital Expenditures by Business for Air and Water Pollution Abatement, 1973 and Planned 1974," Survey of Current Business, Vol. 54, July 1974), pp. 58-64.
6. Chase Econometric Associates, Inc., "The Economic Impact of Pollution Control," prepared for CEQ and EPA, 1974.
7. Chase Econometric Associates, Inc., "The Economic Impact of Pollution Control: Macroeconomic and Industry Results - Executive Summary," prepared for EPA, 1973.
8. Charles L. Schultze and Allen V. Kneese, Pollution: Prices and Public Policy (Washington, D.C.: The Brookings Institution, 1974), to be released in December; and information provided by Charles L. Schultze.
9. The Chase analyses conclude that for every dollar of pollution control investment made, 40¢ of other private domestic investment will be displaced, and most of this displacement will occur in the residential housing sector because it is particularly sensitive to the higher interest rates which would result from increased demands on the capital market.
10. John E. Cremeans, supra note 5, p. 64.



11. The 1972 Amendments to the Federal Water Pollution Control Act, for instance, require industries disposing of their wastes in municipal systems to reimburse the municipality fully for all costs incurred. The municipality will be able to keep out those revenues representing its own expenditures but also some portion of the revenues covering Federal expenditures.
12. Department of Commerce, The Effects of Pollution Abatement on International Trade (U.S. Government Printing Office, 1973 and 1974).
13. Nancy Dorfman and Arthur Snow, "Who Bears the Cost of Pollution Control?" prepared for CEQ and EPA by Public Interest Economics Center, Inc., 1973, available from the National Technical Information Service, Department of Commerce (PB-226 447). The CEQ update is expected soon.

Notes on Methodology

Incremental costs were assumed to equal total costs in the following areas: noise, radiation, land reclamation, utilities, thermal water pollution control, control of air pollution from public sources (solid waste and sewage sludge incineration), and mobile sources.

The selection of the discount rates to be used in amortizing capital costs affects the annual cost estimates. In general, a rate of 8 percent has been used for private investment, 10 percent for mobile sources, and 6 percent for public investment. All three rates are probably below the economists' estimates of the "opportunity costs" of investment funds, and they are below interest rates experienced during the past year. Using these rates tends to understate the financial costs of investments made during such high interest rate periods. However, not all investments are financed by borrowing. The assumption that they all are, which underlies the CEQ cost analyses, tends to overstate the financial costs.



Other Analyses on Economic Impact of Environmental Programs
Released by CEQ

Available from the Council*

Date

"Cost of Pollution Abatement"
(from 1974 CEQ Annual Report),
pp. 173-197 1974

"Calculating Abatement Costs"
(from 1974 CEQ Annual Report),
pp. 219-226 1974

"The Economic Impact of Pollution
Control: Macroeconomic and Industry
Reports," by Chase Econometrics, Inc.
(Executive Summary) 1974

Impact of Pollution Abatement on
Income Distribution 1975

Available from the U.S. Government
Printing Office

1973 CEQ Annual Report, Environmental
Quality: 1973, "Economics and Environ-
mental Management," Chapter 3, pp. 73-
117 1973

1972 CEQ Annual Report, Environmental
Quality: 1972, "The Costs and Eco-
nomic Impacts of Environmental Improve-
ment," Chapter 8, pp. 269-309 1972

1971 CEQ Annual Report, Environmental
Quality: 1971, "The Economy and the
Environment," Chapter 4, pp. 99-153 1971

The Economic Impact of Pollution Control - A Summary of
Recent Studies. Prepared for the Council on Environmental
Quality, Department of Commerce, and Environmental Protection
Agency. 1972.

CEQ also has a few copies of the results of the BEA survey
on pollution abatement costs reprinted from the July 1974
Survey of Current Business.



Available from NTIS*

The Economic Impact of Pollution Control - A Summary of Recent Studies. Prepared for the Council on Environmental Quality, Department of Commerce, and Environmental Protection Agency. 1972. (PB-207 205, \$3.75; microfiche, \$2.25)

The Economic Impacts of Meeting [Automobile] Exhaust Emission Standards, 1971-1980. Chase Econometric Associates, Inc.

Part I. Executive Summary. (PB-207 200, \$3.25; \$2.25)

Part II. Baseline Forecasts of Economic Performance. (PB-207 201, \$3.75; \$2.25)

Part III. The Economic Impact of Pollution Abatement. (PB-207 202, \$3.75; \$2.25)

Part IV. Appendix. Presentation of Baseline and Alternative Impact Forecasts of Macroeconomic and Industry Performance. (PB-207 203 \$5.75; \$2.25)

Analysis of Economic Impacts of Environmental Standards on the Bakery Industry. Ernst & Ernst.

Part I. Executive Summary. (PB-207 169; \$3.25; \$2.25)

Part II. [A descriptive analysis of the bakery products industry detailing industry trends and characteristics relevant to economic impact analysis of environmental standards]. (PB-207 170, \$3.25; \$2.25)

Part III. [A study of the impact of pollution standards and charges on the bakery industry]. (PB-207 171, \$3.75; \$2.25)

The Cement Industry: Economic Impact of Pollution Control Costs. The Boston Consulting Group, Inc.

Volume I. Executive Summary. (PB-207 150, \$3.25; \$2.25)

Volume II. [Industry description, pollution problems, market structure, financial resources, demand, foreign trade, and employment impact]. (PB-207 151, \$7.00; \$2.25)

* Prices as of November 15, 1974. Prepaid orders should be sent to the National Technical Information Service, U.S. Department of Commerce, Springfield, Virginia 22151.

Possible Impact of Costs of Selected Pollution Control Equipment on the Electric Utility Industry and Certain Power Intensive Consumer Industries. National Economic Research Associates, Inc.

Volume I. Executive Summary. (PB-207 168, \$3.25; \$2.25)

Volume II. [Introduction, structure of the electric utility industry, and the economic impact of pollution abatement upon the industry and upon selected power intensive consumer industries]. (PB-207 167, \$5.25; \$2.25)

Economic Impact of Environmental Controls on the Fruits and Vegetable Canning and Freezing Industries. Agri Division, Dunlap and Associates, Inc.

Part I. Executive Summary. (PB-207 140; \$3.25; \$2.25)

Part II. Industry Structure. (PB-207 141, \$5.75; \$2.25)

Part III. Impact Analysis. (PB-207 142, \$6.25; \$2.25)

Part IV. Statistical Supplement. (PB-207 143, \$5.75; \$2.25)

Study of the Economic Impacts of Pollution Control on the Iron Foundry Industry. A.T. Kearney & Company, Inc.

Part I. Executive Summary. (PB-207 147, \$3.25; \$2.25)

Part II. The Structure of the Industry. (PB-207 148, \$5.25; \$2.25)

Part III. The Economic Impact of Pollution Abatement upon the Industry. (PB-207 149, \$4.25; \$2.25)

The Leather Industry: A Study of the Impact of Pollution Control Costs. Urban Systems Research & Engineering, Inc.

Volume I. Executive Summary. (PB-207 152, \$3.75; \$2.25)

Volume II. Description of the Industry. (PB-207 153, \$6.25; \$2.25)

Volume III. Impact of Pollution Control Costs on the Tanning Industry. (PB-207 154, \$3.75; \$2.25)

The Effects of Pollution Control on the Nonferrous Metals Industries. Charles River Associates Incorporated.

Aluminium: Part I. Introduction and Executive Summary. (PB-207 164, \$3.75; \$2.25)

Part II. Structure of the Industry. (PB-207 165, \$5.25; \$2.25)

Part III. The Economic Impact of Pollution Abatement on the Industry. (PB-207 166, \$3.75; \$2.25)



Copper: Part I. Introduction and Executive Summary.
(PB-207 161, \$3.75; \$2.25)

Part II. Structure of the Industry. (PB-207 162,
\$5.25; \$2.25)

Part III. The Economic Impact of Pollution Abatement
on the Industry. (PB-207 163, \$3.75; \$2.25)

Lead: Part I. Introduction and Executive Summary.
(PB-207 155, \$3.75; \$2.25)

Part II. Structure of the Industry. (PB-207 156,
\$4.75; \$2.25)

Part III. The Economic Impact of Pollution Abatement
on the Industry. (PB-207 157, \$3.75; \$2.25)

Zinc: Part I. Introduction and Executive Summary.
(PB-207 158, \$3.75; \$2.25)

Part II. Structure of the Industry. (PB-207 159,
\$4.75; \$2.25)

Part III. The Economic Impact of Pollution Abatement
on the Industry. (PB-207 160, \$3.75; \$2.25)

Economic Impact of Anticipated Paper Industry Pollution-
Abatement Costs. Arthur D. Little, Inc.

Part I. Executive Summary. (PB-207 144, \$3.25; \$2.25)

Part II. Industry Structure. (PB-207 145, \$4.25; \$2.25)

Part III. Economic Analysis. (PB-207 146, \$4.25; \$2.25)

The Impact of Costs Associated with New Environmental
Standards upon the Petroleum Refining Industry. Stephen
Sobotka & Company.

Part I. Executive Summary. (PB-207 197, \$3.25; \$2.25)

Part II. Structure of the Industry. (PB-207 198, \$4.25;
\$2.25)

Part III. The Impact of Environmental Control Costs.
(PB-207 199, \$4.25; \$2.25)



A study of the Economic Impact on the Steel Industry of the Costs of Meeting Federal Air and Water Pollution Abatement Requirements. Booz-Allen Public Administration Services, Inc. Volume I. Executive Summary. (PB-211 917, \$3.25; \$2.25) Volume II. The Structure of the Steel Industry. (PB-211 918, \$5.25; \$2.25) Volume III. Economic Analysis. (PB-211 919, \$5.75; \$2.25) Volume I, II, III. (PB-211 920, \$12.00)

The Chase Econometrics Macroeconomic and Inter-Industry Forecasting Models. Chase Econometric Associates, Inc. (PB-207 204, \$5.25; \$2.25)

Who Bears the Cost of Pollution Control?: The Impact on the Distribution of Income of Financing Federally Required Pollution Control. Public Interest Economics Center. 1973. (PB-226 447, \$5.75; microfiche, \$2.25)



STATEMENT OF
HONORABLE RUSSELL E. TRAIN
ADMINISTRATOR
ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE
JOINT ECONOMIC COMMITTEE
UNITED STATES CONGRESS
NOVEMBER 22, 1974

Mr. Chairman and members of this Committee:

I welcome this opportunity to discuss with you the economic impact of Federal environmental regulations.

The Council on Environmental Quality forecasts the Federal environmental program will cost \$195 billion over the decade 1973-1982. In a recent survey by the Department of Commerce, U. S. industry reported capital investment for pollution control of \$4.9 billion in 1973. There are some who view these expenditures as inherently inflationary and non-productive and say that, in a time when inflation is high and capital hard to come by, these expenditures should be stretched out or cut back.

In order to put this matter in its proper perspective, I would like to briefly touch on the overall impacts of environmental programs on the economy, the impacts on particular plants and industries, and finally the actions we have taken and will be taking to insure that environmental and economic objectives are balanced appropriately. In



addition to my remarks this morning I am providing the Committee with a more detailed statement addressing the questions in the Chairman's letter.

Environmental regulations are alleged to contribute to inflation in two ways. First, it is said that the rise in prices to cover all or part of the cost of pollution controls is inflationary. I think this allegation is incorrect. Inflation only occurs when prices rise more than the value of increased output. As long as price increases resulting from pollution control costs are matched or exceeded by the value of the improved product resulting from these controls, the inflationary label is inappropriate. Were the various inflation indices and GNP to adequately measure the beneficial results of pollution control, we would not have to deal with erroneous assertions that the costs of this control were non-productive or inflationary.

It is true that in certain specific instances pollution expenditures may be larger than the benefits to be derived. What we are really talking about in these cases are bad investments in pollution control and not inherently inflationary effects. It is exceedingly difficult to compare costs and benefits of each element of our program because of the difficulty of putting a price tag on life, death, pain, or beauty. At this point we can only assess the



quantifiable benefits and costs and make judgments about the rest.

Several studies which have been done comparing quantifiable costs and benefits have supported our standards. For example, the National Academy of Sciences study of the automotive emissions standards for the Senate Committee on Public Works found that benefits would be commensurate with expected costs, if the statutory nitrogen oxide emission standard were eased as I recommended to Congress last year. Furthermore, EPA research has shown that measurable damages of \$11.2 billion annually from sulfur oxide and particulates are more than double the annual expenditures needed for control.

Of course, as the NAS automotive emissions cost/benefit study also points out, even if the total benefits of a major program are greater than the total costs, the program still may not be optimal. There may be specific parts of the program for which the benefits exceed the costs. In theory, we would like to make sure that the marginal benefits exceed the marginal costs for each action that we take. While the ability to estimate marginal costs and economic impacts of our standards is well developed, the ability to assess the marginal benefits of individual standards is not nearly as advanced. Hence, we must use qualitative judgments in making these marginal tradeoffs.

It has been suggested that we could ensure that marginal benefits exceed marginal costs by using economic incentives



such as emissions charges as the chief regulatory approach. --an approach requiring the incorporation of the cost of environmental damages into market prices. Of course, much more accurate information on benefits is needed before this step could be used as the sole approach for optimizing environmental quality. Since we have made tremendous progress in implementing an effective regulatory program for environmental control, I think it would be a mistake to substitute an economic approach at this time. I do believe that economic incentives can be an effective supplement to our regulatory program. I have supported the sulfur tax proposal and would support other approaches which would result in market prices reflecting the environmental costs of goods; that is, their true cost.

It is also claimed that pollution expenditures cause inflation by creating excess demand for scarce resources. While this statement is technically correct, it is not correct to assert that pollution control costs are more inflationary than any other demand on scarce resources, whether it be spending for highways or defense or medical care.

The real question then becomes: which expenditures should be cut when the cure of inflation requires some



lessening of total demand. There is no reason to give environmental spending the lowest priority. To put environmental demands last in line among competing demands is like refusing to admit a critically ill man to an overcrowded hospital without first comparing his needs with those of the patients currently treated. And to take the analogy one step further, to blame environmental demands for our inflation is akin to blaming the last patient admitted for the hospital's overcrowded condition.

Analysis of the inflationary impact of environmental expenditures shows just how apt this analogy is. Preliminary results of a study by Chase Econometrics Associates which was sponsored jointly by EPA and CEQ forecast that pollution programs will add about 0.3 percent to the Consumer Price Index over the period 1973-1978, with practically no discernible effect on the average price level over the decade 1973-1982. To me these results indicate that any conceivable alteration of the environmental program would not make a dent in our inflationary problem, because more fundamental causes are involved in inflation. Yet by drastically cutting the program, we would be tacitly accepting continued environmental damages of very large magnitudes. Furthermore, the unusual mixture of inflationary and recessionary tendencies in the economy means that some depressed sectors, such as the construction sector, would be hurt rather than helped by a broad easing of environmental controls.



Another significant criticism of the Federal environmental program is that it hurts employment and production by shutting down many existing plants. The argument that many plants have been shut down at a time when capacity is needed and unemployment high is just not supported by hard evidence. Since January 1971, EPA has learned of only 69 industrial plant closings, involving 12,000 jobs, for which pollution control was cited as a significant factor. Of these, only 14 closings involved Federal enforcement action, five of which involved State action as well. I am concerned about the impacts these closings have on employees, their families, and communities; and we are working to ensure that these people get the full benefit of various assistance programs available to them. While the local impacts may be quite serious, I do not think anyone could claim that this level of impact has significantly affected the nation's productive capacity or its unemployment problem. Furthermore, most of the plants involved have been small, old marginal plants whose demise may have been accelerated slightly by pollution standards, but which would have closed soon anyway due to more fundamental economic problems.

Several positive employment impacts must be considered along with the negative impacts. Based on a 1973 study by



the Bureau of Labor Statistics, approximately 20,000 on-site, year-long jobs are generated for each billion dollars of sewage treatment facility construction activity. Of this figure, 13,000 jobs were in the construction trades, which include bricklayers, electricians, operating engineers, iron workers, carpenters, and plumbers, and 7,000 were laborer jobs. Excluded from the study was the off-site manpower required to produce or transport the materials and equipment used in the actual construction of a project as well as the engineering and technical manpower required to design, plan and evaluate the operational performance of sewage treatment facilities.

We believe that the Bureau's figure is useful for the purpose of gauging the impact that our program can have on unemployment. Based on the total Federal and municipal outlays under this program of approximately \$2.3 billion during fiscal year 1974, there are more than 50,000 persons working on-site to build sewage treatment plants at this time. More important, this number can be expected to increase by about 50 percent per year for the next three fiscal years as outlays for sewage treatment facility construction increase. This means that by June 30, 1977, we can look forward to approximately 125,000 persons engaged in EPA-financed construction activity. Jobs are also being



created in the pollution control abatement equipment industry. According to a 1972 Arthur D. Little study, approximately 75,000 jobs will be created as a result of the Federal legislation of this decade.

Preliminary results of the Chase Econometrics study show that the combined impact of these various employment effects is likely to be an initial stimulus to employment in the next several years due to the increased investment for pollution control. The unemployment rate is projected to be 0.4 percent lower in 1975 due to pollution controls, to be offset by a 0.4 percent increase in unemployment by 1979, with no change in the overall average unemployment rate for the decade 1973-1982.

This review of inflationary and employment effects of pollution control leads me to conclude that those who accuse the environmental program of having serious detrimental effects on the overall economy are mistaken. I think the primary focus of attention in this discussion should be on specific industrial and regional sectors of the economy which may be significantly impacted by environmental programs even if these impacts do not have large effects on overall rates of inflation, growth, or employment.

The strongest argument is that certain capacity-constrained industries such as steel, paper, and chemicals



must expand their capacity to meet demand in order to lessen inflationary pressures and that EPA regulations divert capital away from this necessary capacity expansion. We know that this is not likely to be a problem throughout the economy, as only 2 percent of the firms included in the Department of Commerce survey I mentioned earlier state that they have reduced plant and equipment expenditures due to pollution control.

Nonetheless, we must be concerned with this problem on a case-by-case basis as we set standards. It may not be a problem for an industry which generates enough funds through retained earnings to finance investment in both capacity expansion and pollution control or for an industry which has low capital needs for expansion. But it could be a problem for industries facing high capital requirements, high capital costs, high pollution control expenditures, and low profits. Identification of these problem areas requires careful analysis of each individual case.

EPA has responded in several ways to this problem. We perform economic analyses of the impact of all of our significant actions, and we have used the results of those analyses in several ways. We have tried to balance environmental and economic objectives to the extent dictated by our legislation, and we have suggested legislative changes where



we think they are justified on economic grounds.

Let me cite just a few examples where our concern for balancing of environmental and economic concerns has been reflected in EPA's actions:

- . A number of effluent guideline limitations on industrial water pollution have been modified on the basis of EPA studies and public comments.
- . The steel industry effluent guidelines are currently under review to determine if industry projections of major impacts on the Mahoning Valley region of Ohio are valid. If they are, a separate set of guidelines may be issued for that region.
- . The thermal effluent guidelines for the electric utility industry underwent a very thorough review of the practicability of alternative levels of control for the utility industry and its customers, with the final guidelines reflecting substantially lower costs commensurate with effective environmental protection.
- . A Clean Air Act amendment has been sought to ease the statutory nitrogen oxide automotive emissions standard now scheduled for imposition in 1978. The major factor in this decision was the likelihood that the required technology would not be available in time.



- . EPA has sought to persuade States whose sulfur oxides emissions standards are more stringent than required to meet health-related standards to eliminate the "overkill." This would allow the continued use of available fuels by each fuel user until acceptable control is available. This policy has been supplemented by the use of extended compliance schedules to allow the continued use of available coal. Together these efforts will ensure that all available domestic coal can continue to be used if progress is being made put in place necessary environmental control. Naturally, we are using our enforcement program to make sure that controls needed to prevent health damages are installed as rapidly as possible in order to minimize the risk of health damages in the interim.
- . Nondegradation regulations have been structured to mesh with State economic development planning without posing unreasonable constraints on necessary development while at the same time fully protecting the integrity of Federal air quality standards.
- . The low-lead gasoline regulations contain a delay in imposition upon small refiners who need more time to finance and arrange the installation of octane-boosting equipment.



In addition to the normal analysis of economic impacts of our individual regulations on industry, EPA is currently assessing the combined impact of all of its regulations upon six industries most seriously affected by pollution control regulations, as well as examining the effects of its regulations upon capital markets and the cost of capital for these industries. Hopefully, these studies will help us identify the tradeoffs I mentioned earlier between expenditures for pollution control and for capacity expansion.

All in all, EPA is trying to steer a middle course between our environmental needs on the one hand and the clear requirement for caution in levying spending requirements on the other hand.

I think we must proceed carefully, weighing the consequences and alternatives for each separate decision. We cannot afford a position that accepts any environmental improvement as mandatory, without regard for the consequences; nor can we afford blanket condemnation of every costly environmental improvement.

I would be pleased to answer any questions you may have at this time.





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

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DEC 31 1974

OFFICE OF
PLANNING AND MANAGEMENT

Mr. Chester D. Warner
Committee Management Secretariat
Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Dear Mr. Warner:

In my letter to you of December 3, 1974, we advised that two of our statutory committees--the President's Air Quality Advisory Board and the Water Pollution Control Advisory Board--which were reported as continuing in our August 1974 report were being re-evaluated.

The existence of these boards will terminate effective January 5, 1975, pursuant to Section 14(a)(1)(B) of the Federal Advisory Committee Act (Public Law 92-463). We do not recommend legislative action to continue the existence of these boards since we believe that their advisory functions can be accomplished through other means.

Sincerely yours,

/s/ Alvin L. Alm

Alvin L. Alm
Assistant Administrator
for Planning and Management

cc: Mr. Dircks

Mr. Agee
Mr. Strelow
Mr. Quarles (Jack Flynn)
Mr. Norm Ross ✓
Mr. McDonald
Mr. Joseph Zorc



113



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

January 16, 1975

File

OFFICE OF THE
ADMINISTRATOR

MEMORANDUM FOR MR. NORMAN ROSS
Domestic Council

SUBJECT: Status of the EPA/City of Atlanta Grant for a Solid
Waste Railhaul Demonstration Project

The City of Atlanta and EPA are continuing negotiations on the demonstration grant. Since the full, complete, and legal withdrawal of Southern Railroad, the City is attempting to interest another rail company in the project. The City will notify EPA by February 2, 1975, of its success. If the City is unable to locate another company to provide railhaul, then EPA will void the grant. The Agency will, of course, honor its monetary commitments to the City, under the grant, which were obligated prior to the withdrawal of Southern Railroad.

EPA has also notified the City that if it is unsuccessful in finding a substitute railhaul company, then the Agency will consider a new grant proposal that does not specify railhaul. It appears that EPA cannot simply modify the existing grant to eliminate the railhaul requirement, because the grant is based wholly on demonstrating the economics of railhaul of solid wastes.

Bill

William J. Dircks
Executive Assistant
to the Administrator



117

THE WHITE HOUSE
WASHINGTON



Date January 27

TO: Phyllis

FROM: John G. Carlson's Connie

FYI:

While shopping in the
Springfield Mall this
weekend, stopped at a
booth, selling fruit,
by the Springfield Jaycees
(see attached).

Even though their ecology
center is not yet opened,
they gave me the following
name, who accepts all items:

Wm. Rosenow
Ecocycle Systems Inc.
Alex. or Arlington
524-5604

e

CITRUS SALE TO BENEFIT RECYCLING CENTER

The proceeds from this sale will be used to establish a recycling center in the Springfield area. It will be open 24 hours a day, 7 days a week. Initially, tin and aluminum cans (labels removed) and glass jars and bottles (tops and metal rings removed, separated by color) will be accepted. Due to low prices, there is no market outlet for paper at this time. When the economic situation allows, paper will also be included. Future plans call for the acceptance of soft plastics and used oil. The opening date and site of the center will be announced.

Any revenue generated through the sale of the recyclable material will be used to finance ecology programs in the Greater Springfield Area.

We can no longer afford to be a throw-away society. Do your part to help preserve our resources and environment.

RECYCLE!
It makes sense.



NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Lumber Co.*, 200 U.S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

TRAIN, ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY *v.* CITY OF NEW YORK ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR
THE DISTRICT OF COLUMBIA CIRCUIT

No. 73-1377. Argued November 12, 1974—
Decided February 18, 1975

The Federal Water Pollution Control Act Amendments of 1972 provide a comprehensive program for controlling and abating water pollution. Title II of these Amendments makes available federal financial assistance for municipal sewers and sewage treatment works. Section 207 of Title II authorizes the appropriation of "not to exceed" specified amounts for each of three fiscal years, and § 205 (a) provides that the "[s]ums authorized to be appropriated pursuant to § 207 . . . shall be allotted by the Administrator" of the Environmental Protection Agency. The President directed the Administrator not to allot among the States § 207's maximum amounts but instead to allot no more than \$2 billion of the \$5 billion authorized for fiscal year 1973 and no more than \$3 billion of the \$6 billion authorized for fiscal year 1974; and the Administrator complied with this directive. Thereupon respondent city of New York brought this class action seeking a declaratory judgment that the Administrator was obligated to allot to the States the full amounts authorized by § 207 for fiscal years 1973 and 1974, and an order directing him to make those allotments. The District Court granted the respondents' motion for summary judgment, and the Court of Appeals affirmed, holding that "the Act requires the Administrator to allot the full sums authorized to be appropriated in § 207." *Held*: The 1972 Amendments do not permit the Administrator to allot to the States under § 205 (a) less than the entire amounts authorized to be appropriated by § 207. Pp. 6-13.



Syllabus

(a) That § 205 (a) directs the allotment of only "sums"—not "all sums" as originally provided when the legislation went to Conference—and that the Conference Committee added the "not to exceed" qualifying language to § 207, which authorized the appropriation of specific amounts for the three fiscal years, show no congressional intention of giving the Executive discretionary control over the rate of allotments under the Title II programs. The "not to exceed" qualifying language to § 207 has meaning of its own, apart from § 205 (a), and reflects the realistic possibility that approved applications for grants from funds already allotted would not total the maximum amount authorized to be appropriated. And the word "sums" has no different meaning and can be ascribed no different function in the context of § 205 (a) than would the words "all sums." Pp. 6-10.

(b) The modified position taken by petitioner in this Court that §§ 205 (a) and 207 merely give the Administrator discretion as to the timing of expenditures, not as to the ultimate amounts to be allotted and obligated, as was urged in the lower courts, does not alter this Court's conclusion. The Administrator's power to allot under § 205 (a) extends only to "sums" authorized to be appropriated under § 207, and since, even assuming some sort of power in the Executive to control outlays under the Act, the legislative history indicates that the power to control was to be exercised at the obligation phase, rather than the allotment stage, of the process. Pp. 10-13.

— U. S. App. D. C. —, 494 F. 2d 1033, affirmed.

WHITE, J., delivered the opinion of the Court, in which BURGER, C. J., and BRENNAN, STEWART, MARSHALL, BLACKMUN, POWELL, and REHNQUIST, JJ., joined. DOUGLAS, J., concurred in the result.



NOTICE: This opinion is subject to formal revision before publication in the preliminary print of the United States Reports. Readers are requested to notify the Reporter of Decisions, Supreme Court of the United States, Washington, D.C. 20543, of any typographical or other formal errors, in order that corrections may be made before the preliminary print goes to press.

SUPREME COURT OF THE UNITED STATES

No. 73-1377

Russell E. Train, Administrator,
United States Environmental
Protection Agency, :
Petitioner,
v.
City of New York et al.

On Writ of Certiorari
to the United States
Court of Appeals for
the District of Co-
lumbia Circuit.

[February 18, 1975]

MR. JUSTICE WHITE delivered the opinion of the Court.

This case poses certain questions concerning the proper construction of the Federal Water Pollution Control Act Amendments of 1972, 86 Stat. 816, 33 U. S. C. § 1251 *et seq.* [1972 Act], which provide a comprehensive program for controlling and abating water pollution. Title II of the 1972 Act, §§ 201-212,¹ makes available federal

¹The provisions of Title II of the 1972 Amendments chiefly involved in this case are, in pertinent part, as follows:

Section 205 (a), 33 U. S. C. § 1285 (a) (Supp. II 1972):

"Sums authorized to be appropriated pursuant to section 1287 of this title for each fiscal year beginning after June 30, 1972, shall be allotted by the Administrator not later than the January 1st immediately preceding the beginning of the fiscal year for which authorized, except that the allotment for fiscal year 1973 shall be made not later than 30 days after October 18, 1972. . . ."

Section 207, 33 U. S. C. § 1287 (Supp. II 1972):

"There is authorized to be appropriated to carry out this subchapter . . . for the fiscal year ending June 30, 1973, not to exceed \$5,000,000,000, for the fiscal year ending June 30, 1974, not to



financial assistance in the amount of 75% of the cost of municipal sewers and sewage treatment works. Under § 207, there is "authorized to be appropriated" for these purposes "not to exceed" \$5 billion for fiscal year 1973, "not to exceed" \$6 billion for fiscal year 1974, and "not to exceed" \$7 billion for fiscal year 1975. Section 205 (a) directs that "[s]ums authorized to be appropriated pursuant to § 207" for fiscal year 1973 be allotted "not later than 30 days after October 18, 1972." The "[s]ums authorized" for the later fiscal years, 1973 and 1974, "shall be allotted by the Administrator not later than the January 1st immediately preceding the beginning of the fiscal year for which authorized. . . ." From these al-

exceed \$6,000,000,000, and for the fiscal year ending June 30, 1975, not to exceed \$7,000,000,000."

Section 203, 33 U. S. C. § 1283 (Supp. II 1972):

"(a) Each applicant for a grant shall submit to the Administrator for his approval, plans, specifications, and estimates for each proposed project for the construction of treatment works for which a grant is applied for under section 1281 (g) (1) of this title from funds allotted to the State under section 1285 of this title and which otherwise meets the requirements of this chapter. The Administrator shall act upon such plans, specifications, and estimates as soon as practicable after the same have been submitted, and his approval of any such plans, specifications, and estimates shall be deemed a contractual obligation of the United States for the payment of its proportional contribution to such project.

"(b) The Administrator shall, from time to time as the work progresses, make payments to the recipient of a grant for costs of construction incurred on a project. These payments shall at no time exceed the Federal share of the cost of construction incurred to the date of the voucher covering such payment plus the Federal share of the value of the materials which have been stockpiled in the vicinity of such construction in conformity to plans and specifications for the project.

"(c) After completion of a project and approval of the final voucher by the Administrator, he shall pay out of the appropriate sums the unpaid balance of the Federal share payable on account of such project."



lotted sums, § 201 (g) authorize the Administrator "to make grants to any . . . municipality . . . for the construction of publicly owned treatment works . . .," pursuant to plans and specifications as required by § 203 and meeting the other requirements of the Act, including those of § 204. Section 203 (a) specifies that the Administrator's approval of plans for a project "shall be deemed a contractual obligation of the United States for the payment of its proportional contribution to such project."²

The water pollution bill that became the 1972 Act was passed by Congress on October 4, 1972, but was vetoed by the President on October 17. Congress promptly overrode the veto. Thereupon the President, by letter dated November 22, 1972,³ directed the Administrator "not [to] allot among the States the maximum amounts provided by Section 207" and, instead, to allot "[n]o more than \$2 billion of the amount authorized for the

² The Act thus established a funding method differing in important respects from the normal system of program approval and authorization of appropriation followed by separate annual appropriation acts. Under that approach, it is not until the actual appropriation that the government funds can be deemed firmly committed. Under the contract authority scheme incorporated in the legislation before us now, there are authorizations for future appropriations but also initial and continuing authority in the Executive Branch contractually to commit funds of United States up to the amount of the authorization. The expectation is that appropriations will be automatically forthcoming to meet these contractual commitments. This mechanism considerably reduces whatever discretion Congress might have exercised in the course of making annual appropriations. The issue in this case is the extent of the authority of the Executive to control expenditures for a program that Congress has funded in the manner and under the circumstances present here.

³ Letter from President Nixon to William D. Ruckelshaus, Administrator, Environmental Protection Agency, Nov. 22, 1972, App., at 15-16.



fiscal year 1973, and no more than \$3 billion of the amount authorized for the fiscal year 1974. . . ."⁴ On December 8, the Administrator announced by regulation⁵ that in accordance with the President's letter he was allotting for fiscal years 1973 and 1974 sums not to exceed \$2 billion and \$3 billion respectively."

This litigation, brought by the city of New York and similarly situated municipalities in the State of New York followed immediately.⁶ The complaint sought judgment against the Administrator of the Environmental Protection Agency declaring that he was obligated to allot to the States the full amounts authorized by § 207 for fiscal years 1973 and 1974, as well as an order directing him to make those allotments. In May 1973, the District Court denied the Administrator's motion to dismiss and granted the city's motion for summary judgment. The Court of Appeals affirmed, holding that "the Act requires the Administrator to allot the full sums authorized to be appropriated in § 207." *City of New York v. Train*, — U. S. App. D. C. —, —, 494 F. 2d 1033, 1050 (1974).

Because of the differing views with respect to the proper construction of the Act between the federal courts in the District of Columbia in this case and those of the Fourth Circuit in No. 73-1378, *Train v. Campaign Clean Water*, *post*, —, we granted certiorari in both cases, 416 U. S. 909 (1974), and heard them together. The sole issue⁷ before us is whether the 1972 Act

⁴ Although the allotment for fiscal year 1975 is not directly at issue in this case, on January 15, 1974, the Administrator allotted \$4 billion out of the \$7 billion authorized for allotment for that fiscal year. Brief of Petitioner 6.

⁵ 37 Fed. Reg. 26282 (Dec. 8, 1972).

⁶ The District Court ordered the action to proceed as a class action under Fed. Rule Civ. Proc. 23(b)(1) and (2) and also allowed the city of Detroit to intervene as a plaintiff.

⁷ The petition for a writ of certiorari also presented the question whether a suit to compel the allotment of the sums in issue here is



permits the Administrator to allot to the States under § 205 less than the entire amounts authorized to be appropriated by § 207. We hold that the Act does not permit such action and affirm the Court of Appeals.⁸

barred by the doctrine of sovereign immunity, but that issue was not briefed and apparently has been abandoned. The Administrator concedes that, if § 205 (a) requires allotment of the full amounts authorized by § 207, then "allotment is a ministerial act and the District Courts have jurisdiction to order that it be done." Brief of Petitioner 14.

⁸ On July 12, 1974, while this case was pending in this Court the Congressional Budget and Impoundment Control Act of 1974, Pub. L. 93-344, 88 Stat. 297, became effective. Title X of that Act imposes certain requirements on the President in postponing or withholding the use of authorized funds. If he determines that certain budget authority will not be required to carry out a particular program and is of the view that such authority should be rescinded, he must submit a special message to Congress explaining the basis therefor. For the rescission to be effective, Congress must approve it within 45 days. Should the President desire to withhold or delay the obligation or expenditure of budget authority, he must submit a similar special message to Congress. His recommendation may be rejected by either House adopting a resolution disapproving the proposed deferral.

These provisions do not render this case moot or make its decision unnecessary, for § 1001 provides that:

"Nothing contained in this Act, or in any amendments made by this Act, shall be construed as—

"(3) affecting in any way the claims or defenses of any party to litigation concerning any impoundment."

The Act would thus not appear to affect cases such as this one, pending on the date of enactment of the statute. The Solicitor General, on behalf of the Administrator, has submitted a supplemental brief to this effect. The city of New York agrees that the case has not been mooted by the Impoundment Act and no contrary views have been filed.

Although asserting on the foregoing and on other grounds that the Impoundment Act has no application here, the Executive Branch



I

Section 205 provides that the "sums authorized to be appropriated pursuant to § 207 . . . shall be allotted by the Administrator." Section 207 authorizes the appropriation of "not to exceed" specified amounts for each of three fiscal years. The dispute in this case turns principally on the meaning of the foregoing language from the indicated sections of the Act.

The Administrator contends that § 205 directs the allotment of only "sums"—not "all sums"—authorized by § 207 to be appropriated and that the sums that must be allotted are merely sums that do not exceed the amounts specified in § 207 for each of the three fiscal years. In other words, it is argued that there is a maximum, but no minimum, on the amounts that must be allotted under § 205. This is necessarily the case, he insists, because the legislation, after initially passing the House and Senate in somewhat different form, was amended in Conference and the changes, which were adopted by both Houses, were intended to provide wide discretion in the Executive to control the rate of spending under the Act.

included among the deferrals of budget authority reported to Congress pursuant to the new Act:

"Grants for waste treatment plant construction (\$2 billion). Release of all these funds would be highly inflationary, particularly in view of the rapid rise in nonfederal spending for pollution control. Some of the funds now deferred will be allotted on or prior to February 1, 1975."

In connection with that submission, the President asserted that the Act "applies only to determinations to withhold budget authority which have been made since the law was approved," but nevertheless thought it appropriate to include in the report actions which were concluded before the effective date of the Act. 120 Cong. Rec. S 17, 155 (daily ed. Sept. 23, 1974). Other than as they bear on the possible mootness in the litigation before us, no issues as to the reach or coverage of the Impoundment Act are before us.

"Sums"
vs.
"All sums"



The changes relied on by the Administrator, the so-called Harsha amendments, were two. First, § 205 of the House and Senate bills as they passed those Houses and went to Conference, directed that there be allotted "all sums" authorized to be appropriated by § 207.⁹ The word "all" was struck in Conference. Second, § 207 of the House bill authorized the appropriation of specific amounts for the three fiscal years. The Conference Committee inserted the qualifying word "not to exceed" before each of the sums so specified.

The Administrator's arguments based on the statutory language and its legislative history are unpersuasive. Section 207 authorized appropriation of "not to exceed" a specified sum for each of the three fiscal years. If the States failed to submit projects sufficient to require obligation, and hence the appropriation, of the entire amounts authorized, or if the Administrator, exercising whatever authority the Act might have given him to deny grants, refused to obligate these total amounts, § 207 would obviously permit appropriation of the lesser amounts. But if, for example, the full amount provided for 1973 was obligated by the Administrator in the course of approving plans and making grants for municipal contracts, § 207 plainly "authorized" the appropriation of the entire \$5 billion. If a sum of money is "authorized" to be appropriated in the future by § 207, then § 205 directs that an amount equal to that sum be allotted. Section 207 speaks of sums authorized to be appropriated, not of sums that are required to be appropriated; and as far as § 205's requirement to allot is concerned, we see no difference between the \$2 billion the President directed to be allotted for fiscal year 1973 and the \$3

⁹ Section 205 of the Senate Bill directed the Administrator to "allocate" rather than to "allot." The difference appears to be without significance.



billion he ordered withheld. The latter sum is as much authorized to be appropriated by § 207 as is the former. Both must be allotted.

It is insisted that this reading of the Act fails to give any effect to the Conference Committee's changes in the bill. But, as already indicated, the "not to exceed" qualifying language to § 207 has meaning of its own, quite apart from § 205, and reflects the realistic possibility that approved applications for grants from funds already allotted would not total the maximum amount authorized to be appropriated. Surely there is nothing inconsistent between authorizing "not to exceed" \$5 billion for 1973 and requiring the full allotment of the \$5 billion among the States. Indeed, if the entire amount authorized is *ever* to be appropriated, there must be approved municipal projects *in* that amount, and grants for those projects may *only* be made from allotted funds.

As for striking the word "all" from § 205, if Congress intended to confer any discretion on the Executive to withhold funds from this program at the allotment stage, it chose quite inadequate means to do so. It appears to us that the word "sums" has no different meaning and can be ascribed no different function in the context of § 205 than would the words "all sums." It is said that the changes were made to give the Executive the discretionary control over the outlay of funds for Title II programs at either stage of the process. But legislative intention, without more, is not legislation. Without something in addition to what is now before us, we cannot accept the addition of the few words to § 207 and the deletion of the one word from § 205 as altering the entire complexion and thrust of the Act. As conceived and passed in both Houses, the legislation was intended to provide a firm commitment of substantial sums within



a relatively limited period of time in an effort to achieve an early solution of what was deemed an urgent problem.¹⁰ We cannot believe that Congress at the last

¹⁰ The Act declares that "it is the national goal that the discharge of pollutants into the navigable waters be eliminated by 1985," § 101 (a) (1), 33 U. S. C. § 1251 (a) (1) (Supp. II 1972). Congress intended also to apply to publicly owned sewage treatment works "the best practicable treatment technology over the life of the works consistent with the goals of the Act by July 1, 1983." Section 201 (g) (2) (A), 33 U. S. C. § 1281 (g) (2) (A) (Supp. II 1972). See § 301 (b) (1) (B), 33 U. S. C. § 1311 (b) (1) (B) (Supp. II 1972). The congressional determination to commit \$18 billion during the fiscal years 1973-1975 is reflected in the following remarks of Senator Muskie, the Chairman of the Senate Subcommittee concerned with the legislation and the manager of the bill on the Senate floor:

"[T]hose who say that raising the amounts of money called for in this legislation may require higher taxes, or that spending this much money may contribute to inflation simply do not understand the language of this crisis.

"The conferees spent hours and days studying the problem of financing the cleanup effort required by this new legislation. The members agreed in the end that a total of \$18 billion had to be committed by the Federal Government in 75 percent grants to municipalities during fiscal years 1973-1975. That is a great deal of money; but that is how much it will cost to begin to achieve the requirements set forth in the legislation.

"[T]here were two strong imperatives which worked together to convince the members of the conference that this much money was needed: first, the conviction that only a national commitment of this magnitude would produce the necessary technology; and second, the knowledge that a Federal commitment of \$18 billion in 75-percent grants to the municipalities was the minimum amount needed to finance the construction of waste treatment facilities which will meet the standards imposed by this legislation.

"Mr. President, to achieve the deadlines we are talking about in this bill we are going to need the strongest kind of evidence of the Federal Government's commitment to pick up its share of the load. We cannot back down, with any credibility, from the kind of investment in waste treatment facilities that is called for by this bill. And



minute scuttled the entire effort by providing the Executive with the seemingly limitless power to withhold funds from allotment and obligation. Yet such was the Government's position in the lower courts—combined with the argument that the discretion conferred is unreviewable.

The Administrator has now had second thoughts. He does not now claim that the Harsha amendments should be given such far-reaching effect. In this Court, he views §§ 205 and 207 as merely conferring discretion on the Administrator as to the timing of expenditures, not as to the ultimate amounts to be allotted and obligated. He asserts that although he may limit initial allotments in the three specified years, "the power to allot continues" and must be exercised, "until the full \$18 billion has been exhausted."¹¹ Brief of Petitioner 13; Tr. of Oral Arg. 16-17. It is true that this represents a major modification of the Administrator's legal posture,¹² but our conclusion that § 205 requires the allotment of sums equal

the conferees are convinced that the level of investment that is authorized is the minimum dose of medicine that will solve the problems we face." 118 Cong. Rec. 33693-33694 (1972).

Both Houses rejected authorization-appropriation funding in favor of the contract authority system, which was deemed to involve a more binding and reliable commitment of funds. See 117 Cong. Rec. 38799, 38846-38853 (1971); 118 Cong. Rec. 10751-10761 (1972). Congressman Harsha, the House floor manager of the bill, explained the preference for the contract authority approach and indicated that it was essential for orderly and continuous planning. 118 Cong. Rec. 10757-10758 (1972).

¹¹ The Administrator goes on to argue that under his present view of the Act, there is little if any difference between discretion to withhold allotments and discretion to refuse to obligate, for under either approach the full amounts authorized will eventually be available for obligation. The city of New York contends otherwise. Our view of the Act makes it unnecessary to reach the question.

¹² The Administrator now indicates that the Act is presently being administered in accordance with his view of the Act asserted here. Brief of Petitioner 13.

*Interpreted by
of the Harsha
Amendments.*



to the total amounts authorized to be appropriated under § 207 is not affected. In the first place, under § 205 the Administrator's power to allot extends only to "sums" that are authorized to be appropriated under § 207. If he later has power to allot, and must allot, the balance of the \$18 billion not initially allotted in the specified years, it is only because these additional amounts are "sums" authorized by § 207 to be appropriated. But if they are "sums" within the meaning of § 205, then that section requires that they be allotted by November 17, 1972, in the case of 1973 funds and for 1974 and 1975 "not later than the January 1st immediately preceding the beginning of the fiscal year for which authorized."¹³ The November 22 letter of the President and the Administrator's consequent withholding of authorized funds cannot be squared with the statute.

Second, even assuming an intention on the part of Congress, in the hope of forestalling a veto, to imply a power of some sort in the Executive to control outlays under the Act, there is nothing in the legislative history of the Act indicating that such discretion arguably granted was to be exercised at the allotment stage rather than or in addition to the obligation phase of the process. On the contrary, as we view the legislative history, the indications are that the power to control, such as it was, was to be exercised at the point where funds were obligated and not in connection with the threshold function of allotting funds to the States.¹⁴ The Court of Appeals

¹³ Under § 205 (b), any funds allotted to a State that remain unobligated at the end of a one-year period after the close of the fiscal year for which funds are authorized become available for reallocation by the Administrator in accordance with a formula to be determined by the Administrator. These provisions for reallocation, as well as the reallocation formula, plainly apply only to funds that have already been allotted.

¹⁴ Senator Muskie, who was the senior majority conferee from



carefully examined the legislative history in this respect and arrived at the same conclusion, as have most of the other courts that have dealt with the issue.¹⁵ We thus

the Senate, gave his view of the meaning of the Harsha amendments on the floor of the Senate:

"The conferees spent hours and days studying the problem of financing the cleanup effort required by this new legislation. The members agreed in the end that a total of \$18 billion had to be committed by the Federal Government in 75-percent grants to municipalities during fiscal years 1973-75.

"Under the amendments proposed by Congressman William Harsha and others, the authorizations for obligational authority are 'not to exceed' \$18 billion over the next 3 years. Also 'all' sums authorized to be obligated need not be committed, though they must be allocated. These two provisions were suggested to give the Administration some flexibility concerning the obligation of construction grant funds." 118 Cong. Rec. 33693; 33694 (1972).

He repeated his views in the course of Senate proceedings to override the President's veto. 118 Cong. Rec. 36871 (1972). Nothing was said in the Senate challenging the Senator's view that executive discretion did not extend to allotments.

In the House, the power to make allotments under § 205 was not mentioned in terms. The impact of the Harsha amendments was repeatedly explained by reference to discretion to obligate or to expend. Typical was Representative Harsha's remarks that the amendments were intended to "emphasize the President's flexibility to control the rate of spending . . .," and that "the pacing item" in the expenditure funds was the Administrator's power to approve plans, specifications, and estimates. 118 Cong. Rec. 33751 (1972). See also 118 Cong. Rec. 33751-33755, 33693, 33701, 33715-33716, 36873-36874, 37056-37060 (1972).

¹⁵ *City of New York v. Train*, — U. S. App. D. C. —, 494 F. 2d 1033 (1974), aff'g 355 F. Supp. 669 (DC 1973). Other District Courts have reached the same result: *Ohio v. Environmental Protection Agency*, Nos. C. 73-1061 & C. 74-101 (ND Ohio June 26, 1974); *Maine v. Train*, Civ. No. 14-51 (Me. June 21, 1974); *Florida v. Train*, Civ. No. 73-156 (ND Fla. Feb. 25, 1974); *Texas v. Ruckelshaus*, No. A-73-CA-38 (WD Tex. Oct. 2, 1973); *Martin-Trigona v. Ruckelshaus*, No. 72-C-3014 (ND Ill. June 29, 1973);



73-1377—OPINION

TRAIN v. CITY OF NEW YORK

13

reject the suggestion that the conclusion we have arrived at is inconsistent with the legislative history of §§ 205 and 207.

Accordingly, the judgment of the Court of Appeals is affirmed.

So ordered.

MR. JUSTICE DOUGLAS concurs in the result.

Minnesota v. Fri. No. 4-73, Civ. 133 (Minn. June 25, 1973). The only District Court in which the issue was actively litigated which held to the contrary was *Brown v. Kuckleshaus*, 361 F. Supp. 258 (CD Cal. 1973).



Camp

NOTICE: This opinion is subject to formal revision before publication in the preliminary print of the United States Reports. Readers are requested to notify the Reporter of Decisions, Supreme Court of the United States, Washington, D.C. 20544, of any typographical or other formal errors, in order that corrections may be made before the preliminary print goes to press.

SUPREME COURT OF THE UNITED STATES

No. 73-1378

Russell E. Train, Administrator,
United States Environmental Protection Agency,
Petitioner,

v.

Campaign Clean Water, Inc.

On Writ of Certiorari to
the United States Court
of Appeals for the
Fourth Circuit.

[February 18, 1975]

PER CURIAM.

On January 15, 1973, respondent filed a complaint in the District Court seeking to compel the petitioner, as Administrator of the Environmental Protection Agency, to allot among the States the full sums authorized to be appropriated for fiscal years 1973 and 1974 by § 207 of the Federal Water Pollution Control Act Amendments of 1972, 33 U. S. C. § 1287 (Supp. II 1972), for federal grants to municipalities for construction of publicly owned waste treatment works. Although conceding in the trial court that the Administrator had a measure of discretion in making the allotments authorized by § 205 of the Act, 33 U. S. C. § 1285 (Supp. II 1972), respondent asserted that the Administrator had abused his discretion by allotting only 45% of the sums authorized to be appropriated by § 207. In sustaining respondent's position, the District Court rejected the holding by the United States District Court for the District of Columbia in *City of New York v. Ruckelshaus*, 358 F. Supp. 669 (DC 1973), that the Administrator has no discretion to allot less than the full amounts authorized by the Act. The Court of Appeals proceeded on the premise that there



was discretion to control or delay allotments but concluded that further proceedings were essential to determine whether the Administrator's discretion had been abused. The Administrator petitioned for certiorari, asserting that the exercise of his discretion to allot funds under § 205 is not subject to judicial review.* We granted certiorari, 416 U. S. 969, and heard the case with *City of New York v. Train*, ante.

We held in *City of New York v. Train* that the Administrator has no authority under § 205 to allot less than the full amounts sought to be appropriated under § 207. Because this holding is at odds with the premise underlying the judgment of the Court of Appeals, we vacate the judgment of the Court of Appeals and remand the case for further proceedings consistent with this opinion and with the opinion in *City of New York v. Train*.

So ordered.

MR. JUSTICE DOUGLAS concurs in the result.

*The petition also asserted that the doctrine of sovereign immunity foreclosed ordering the Administrator to allot funds that he had withheld in the course of exercising his discretion under the Act. In light of *City of New York v. Train*, ante, and our disposition of the instant case, we need not address this question.



8/21/75

James Cannon

/s/ James L. Mitchell

EPA
file

Per your request to Paul O'Neill, attached is a list of statutes and Executive Orders administered by EPA which contain its powers and authorities.

cc: Paul O'Neill
✓ Tod Hullin
Don Crabill



Mr Cannon

2. Question

List the statutes administered by your Agency as of June 1, 1975.*

Answer

1. The Clean Air Act, as amended, 42 U.S.C. §1857 et seq.
2. The Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251 et seq.
3. The Marine Protection, Research, and Sanctuaries Act, 33 U.S.C. §1401 et seq.
4. The Solid Waste Disposal Act, as amended, 42 U.S.C. §3251 et seq.
5. The Federal Insecticide, Fungicide, and Rodenticide Act, as amended, 7 U.S.C. §§135-135k, 136-136y.
6. The Noise Control Act of 1972, 42 U.S.C. §4001 et seq.
7. The Safe Drinking Water Act, PL 93-523, 42 U.S.C. 300f et seq.
8. Other provisions of law as set out in Reorganization Plan No. 3 of 1970, 5 U.S.C. Appendix--Reorg. Plan No. 3 of 1970 (1970), including:
 - a. Certain provisions of the National Environmental Policy Act of 1969, 42 U.S.C. §4321 et seq.
 - b. Certain provisions of the 1954 Atomic Act, as amended, 42 U.S.C. §2011 et seq.
 - c. Certain provisions of the Public Health Service Act, as amended, 42 U.S.C. §201 et seq.
 - d. Certain provisions of the Federal Food, Drug, and Cosmetics Act, as amended, 21 U.S.C. §301 et seq.

*This question was amended per telephone notification to include Executive Orders administered by this Agency. This information will be provided at a later date.



2. List the statutes* and Executive Orders administered by your agency as of June 1, 1975.

Executive Orders administered by EPA, under which EPA has sole or primary responsibility for administration:

E.O. 11735 of Aug. 3, 1973, Assignment of Functions under Section 311 of the Federal Water Pollution Control Act, as amended (38 F.R. 21243, Aug. 7, 1973).

E.O. 11738 of Sept. 10, 1973, Providing for Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans (38 F.R. 25161, Sept. 12, 1973).

There are also Executive Orders administered by EPA under which EPA does not have the sole or primary responsibility for administration, including:

E.O. 11246 of Sept. 24, 1965, as amended, Equal Employment Opportunity (30 F.R. 12319, Sept. 28, 1965, as amended by E.O. 11375, 32 F.R. 14303, Oct. 17, 1967; E.O. 11478, 34 F.R. 12985, Aug. 12, 1969).

E.O. 11296 of Aug 10, 1966, Evaluation of Flood Hazard in Locating Federally Owned or Financed Buildings, Roads and other Facilities, and in Disposing of Federal Lands and Properties (31 F.R. 10663, Aug. 11, 1966).

E.O. 11514 of Mar. 5, 1970, Protection and Enhancement of Environmental Quality (35 F.R. 4247, Mar. 7, 1970).

E.O. 11643 of Feb. 8, 1973, Environmental Safeguards on Activities for Animal Damage Control of Federal Lands (37 F.R. 2875, Feb. 9, 1972) (This executive order was modified after June 1, 1975).

E.O. 11644 of Feb. 8, 1972, Use of Off-road Vehicles on the Public Lands (37 F.R. 2877, Feb. 9, 1972).

E.O. 11667 of Apr. 19, 1972, Establishing the Presidents Advisory Committee on the Environmental Merit Awards Program (37 F.R. 7763, Apr. 20, 1972).

E.O. 11752 of Dec. 17, 1973, Prevention, Control and Abatement of Environmental Pollution at Federal Facilities (38 F.R. 34793, Dec. 19, 1973).

E.O. 11807 of Sept. 28, 1974, Occupational Safety and Health Programs for Federal Employees (39 F.R. 35559, Oct. 2, 1974).

E.O. 11821 of Nov. 27, 1974, Inflation Impact Statements (39 F.R. 41501, Nov. 29, 1974).

*A list of the statutes administered by the Environmental Protection Agency was submitted July 31, 1975.

