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Good Morning, Chairman Smith, Senator Baucus and members of the Committee. I am Michael McCabe, Acting Deputy Administrator for the Environmental Protection Agency. Thank you for the opportunity to speak with the Committee about the important work we and our partners, the States are doing to protect public health and the environment.

Looking back over the last 30 years, we are proud of our strong track record of achievement. The public widely recognizes our work as having dramatically improved environmental conditions throughout the country. Working together, we enabled American towns to improve wastewater treatment -- one of the biggest public works efforts in U.S. history. We have cleaned up hazardous waste sites and closed unsafe local garbage dumps all over the nation. Our air, land and water are safer and visibly cleaner, even with significant economic expansion and population growth. And U.S. environmental expertise and technology are in demand worldwide.

Under the nation's environmental laws, EPA and the States each have important duties. There always has been a division of labor, and a dynamic, evolving federal-state relationship. At a minimum, EPA is charged with developing standards that provide baseline health and environmental protection for all citizens. States and Tribes, as well as local governments are the primary delivery agents, working directly with businesses, communities and concerned individuals.

Many federal environmental statutes call for EPA to authorize or delegate to States and Tribes the primary responsibility for implementing programs and designate them as co-regulators, once EPA has confirmed that a State or Tribe meets certain qualifying criteria. Over the last quarter century, most States have assumed responsibility for implementing many federal programs, with EPA retaining standard-setting responsibility and an oversight role to ensure effective implementation. In assuming responsibility for a delegated program, a State maintains legal authority, provides its share of program resources, carries out the work required to implement the program and is accountable for the federal funds allocated to support it.

States now have assumed responsibility for approximately 70 percent of the EPA programs eligible for delegation. For the past three decades, States have developed strong environmental management capacity, gained experience and expertise. States have increased their financial investment in environmental programs, and many have adopted laws and programs beyond that required by Federal statutes, covering issues ranging from erosion control to coastal management. Some States have environmental standards that are more stringent than existing Federal requirements.

Our challenge now is to build on the progress we have made. But the problems we face today are much more complex than those of the past. Though significant, past problems were easier to deal with in some ways. We could target the "point sources" of pollution, and results from our work were easily identifiable. But that is no longer the case. For example, polluted runoff -- our largest remaining water quality problem -- comes from sources far less evident and greater in number. Many issues are international in scope, such as depletion of stratospheric ozone and global climate change.

Under the unprecedented continuity of leadership provided by EPA Administrator Carol Browner and the new generation of political leadership with strong state experiences appointed by President Clinton and Vice President Gore, new ways of thinking about causes of pollution, and new approaches to controlling them, are reshaping EPA and transforming the organizational culture that marked our first two decades. Non-traditional thinking is changing and strengthening our relationship with regulated businesses, State and local governments and the American public as a whole.

Because EPA and the States share responsibility for protecting human health and the environment, a strong partnership between us is essential. States are strong environmental managers, and a new relationship with the States is emerging -- one that allows us to adapt to changing priorities and to experiment with new ideas. We each have important roles to play, and by cooperating and collaborating we are achieving better results at less cost.

Today, the States and EPA are working hard to make this new partnership succeed. Our existing regulatory structures -- reflecting the separate laws governing air quality, water quality, and waste management -- present some challenges to our efforts to find new ways of doing

business. But we are moving forward and finding ways to address environmental problems in more holistic, comprehensive ways. Together, we are making tough choices about competing priorities in the face of limited public resources, and we are developing more telling measures of environmental results.

THE NATIONAL ENVIRONMENTAL PERFORMANCE PARTNERSHIP SYSTEM

An important milestone in our collaboration was reached in May 1995, when EPA joined forces with State environmental agency leaders to establish the National Environmental Performance Partnership Systems (NEPPS).

Many of the concepts embodied in performance partnerships that had been discussed for years–such as giving States a stronger role in priority setting, focusing scarce resources on the highest priorities, and tailoring the amount and type of EPA oversight to an individual State's performance–were pulled together into a workable, understandable framework.

Performance partnerships between EPA and the States represent a new working relationship–one in which EPA and the States determine together what work will be carried out on an annual or biannual basis, and how it will be accomplished.

The centerpiece of NEPPS is a Performance Partnership Agreement (PPA), which sets expectations for performance yet offers flexibility in meeting goals. This agreement is an innovative way to identify priorities, solve problems, and make the most effective use of our collective resources. It emphasizes performance rather than process and environmental results rather than administrative details. It gives a State greater freedom to focus resources on its highest environmental priorities and to select the best strategies for getting results. Prior to

developing an agreement, a participating State assesses its environmental problems and conditions, while actively involving citizens in the process. Based on this information, the state then proposes environmental and public health objectives along with a plan of action. This forms the basis for developing the Performance Partnership Agreement with EPA. To date, 34 States have established agreements with the Agency.

Another feature of NEPPS is flexibility in administering grants. States now can consolidate a variety of individual grants into one. A Performance Partnership Grant (PPG) reduces administrative burdens by cutting paperwork and simplifying financial management. It also allows the States more flexibility to use grant money to address their most pressing environmental problems. Forty-four States have chosen this option. To enhance flexibility for States, a State can participate with a PPG without a PPA.

The positive changes resulting from NEPPS can be seen in many States:

- Maryland has seen its administrative reporting requirements cut in 13 areas, and the goals and objectives identified through NEPPS serve as the environmental component in the State's strategic plan.
- Florida's emphasis on showing results led them to develop a new performance measurement and tracking system that received an "Innovations in Government" award from the Ford Foundation and Harvard's Kennedy School of Government.
- Mississippi's interest in targeting resources to solve priority problems resulted in a reorganization around specific functions, business sectors, and geographic areas.
- Minnesota shifted staff and resources from the main state office closer to where the real problems occur - out in the districts.

- Washington saw the paperwork associated with its annual work plan for grants fall by an order of magnitude - from about 40 to 4 pages.

One of the major components of NEPPS is the use of a common set of national environmental indicators to measure the performance of our environmental programs. This limited set of national data, called Core Performance Measures, is designed to help us better understand the effectiveness of our actions and gauge progress towards protection of the environment and public health.

Core Performance Measures, based on data collected and reported primarily by States, serve the NEPPS objective of *managing for environmental results* by:

- providing States and the Nation as a whole with the information and tools to increase accountability and make policy, resource or other changes to support improvements in environmental conditions; and
- providing a benchmark upon which States and EPA can focus efforts to reduce high cost/low value reporting for public and private entities.

Core Performance Measures help paint a national picture of environmental progress.

Last year EPA and the States took a major step forward in the development of measures that rely more on environmental indicators and program outcomes rather than process and outputs by agreeing upon a set of Core Performance Measures for Fiscal Year 2000 and beyond. This agreement was the culmination of a three year effort which included the personal involvement of EPA National Program Mangers and senior State officials. This 1999 agreement demonstrated the broad support among the leadership of EPA and The Environmental Council of

the States (ECOS) for continuing and improving our joint efforts to implement the various elements of NEPPS.

Several States and EPA regions are leading the way in developing even better measures of environmental progress, using environmental data to drive planning and priority-setting, sharing their findings with the public, articulating more efficient oversight arrangements and using grant funds in more efficient ways.

The EPA/State partnership has come a long way, but we have shared challenges to confront in the near and long term. We need to jointly focus our concerted efforts on fully accomplishing NEPPS goals. Recently both EPA and ECOS reaffirmed our commitments to NEPPS. In March of this year, I signed a memorandum to senior Agency leadership detailing this reaffirmation and calling upon them to ensure all EPA employees share our focus on NEPPS. I designated our Associate Administrator for Congressional and Intergovernmental Relations as the National Program Manager for NEPPS to secure strong and consistent leadership in this effort. Last month at its Spring meeting, ECOS adopted a resolution reaffirming its support for NEPPS and reinvigorating its NEPPS subcommittee to ensure continuing attention towards making improvements.

We are developing tools to help clarify appropriate performance expectations, as well as ensure timely and clear communication in developing Performance Partnership Agreements. We are identifying what additional work is needed to move our Core Performance Measures towards more outcome based measures. We are determining what appropriate steps should be taken by EPA and the States to allow for greater use by States of the flexibility envisioned under the Performance Partnership Grant system to shift resources and funding among media programs.

Together, we are determining how effective public participation in the NEPPS process can best be ensured. And, we are developing training to strengthen EPA institutional capacity and remove cultural barriers so our staff understand how the Performance Partnership System allows them to be more effective in finding solutions to key environmental problems and better manage their programs.

ADDITIONAL COLLABORATIVE EFFORTS

In addition to our joint work through NEPPS, our partnership with the States is evolving in other areas, leading us to work in a more collaborative, coordinated manner. Together, we are applying innovate approaches to traditional environmental problems, and we have begun to see results. More importantly, we have set the stage for greater cooperation and progress in the years ahead. We are beginning to realize the benefits of our new working relationship, and the spirit of innovation now reflected in so much of our work.

EPA has several other ongoing efforts with our State partners to address today's top issues. There are on-going high level strategic interactions with the States on information, enforcement and compliance assistance, and our media programs.

Environmental Information is the foundation for improving performance in accomplishing our mission to protect public health and the environment. Better, more accurate information and the ability to integrate data across media, as well as exchange data with our State partners, allows for better decisions on priorities and approaches. This need for better use of information and for taking advantage of technological advances led to the creation of the

Agency's new Office of Environmental Information. The FY 2001 President's Budget proposes $30 million to fund the Office of Environmental Information (OEI).

OEI is working with the jointly created State-EPA Information Management Workgroup. This workgroup has developed a set of operating principles that now govern our data and information management activities. Recently, the Information Management Workgroup developed an agreement and charter for a Data Standards Council. Recently adopted by ECOS membership, the Data Standards Council is tasked to develop data standards that will ensure that EPA and State environmental programs can share data meaningfully and efficiently.

In addition, the Agency's Office of Research and Development is working with the States and Tribes to transfer new methods of measuring environmental quality and analyzing trends in the performance of their programs.

EPA's Office of Enforcement and Compliance Assurance and the States established an EPA/State Enforcement Forum to discuss enforcement and compliance issues of mutual concern. This group has been successful in areas such as identifying national priorities, the development of enforcement policies, and the design of performance measures. Our work with the Forum complements our work with media-specific state and local organizations. We look forward to continuing our collaborative relationship with the States and other Forum members.

EPA's Office of Air and Radiation has partnered with the States on development of a "National Air Quality Program: Joint Statement on Vision and Goals" which will be published in the near future. In February 2000, The Office of Air and Radiation convened its first national State and Local Air Roundtable in Florida. The purpose of this forum is to bring together leaders

in state and local air program administration three-to-four times per year to assess how we are working together to achieve air quality goals and to discuss issues of mutual concern.

EPA - STATES AGREEMENT TO PURSUE REGULATORY INNOVATIONS

While strengthening our working relationships, NEPPS set the stage for another important development between the States and EPA -- consensus about how to test new ideas that would still work hand-in-hand with Federal laws. Based on the States' growing interest in improving environmental management, we negotiated the EPA/State Regulatory Innovations agreement that expresses our joint interest in innovation and specifies how it should occur. It creates a new way for EPA and States to use the flexibility available in existing regulations -- allowing new ideas to be tested while assuring consistent levels of environmental and public health protection nationwide. It commits EPA to promote innovations and gives States room for flexibility at all levels, which we are doing. And it commits EPA to consider and respond to these ideas in a timely (90 days) manner.

To date, four Innovations Projects with States have been approved, eight are under review and more are in the early consultation phase. The projects that have been approved are:

- The Texas Natural Resources and Conservation Commission and EPA mutually agreed to use existing discretion to lower the number of trained air opacity inspectors in Texas to align more closely with the use of opacity as a compliance tool. Texas reduced the number of opacity certified inspectors from approximately 100 to 50, yet this will provide the TNRCC with a minimum of 75 more person/days a year to do facility inspections. The savings was created by using a smaller number of inspectors more often and savings hundreds of person/years lost for re-certification every 6 months.

- We agreed to do concurrent State and Federal rule making for Air permits in Michigan.
- We have an agreement to do a multi-year experiment substituting Michigan's Department of Environmental Quality's MS4 program for EPA's proposed "Phase II" storm water permits. MDEQ is going to start its program two years before EPA's Phase II storm water regulations would have gone into effect and Michigan's will cover a broader range of non-point sources than EPA's proposed regulations.
- EPA and Michigan have agreed to develop a Resource Conservation and Recovery Act (RCRA) lender liability team to conduct research on the possibility of providing lenders with liability protection for RCRA corrective action in cases of foreclosure. While both EPA and Michigan agree that liability protection would make clean-ups easier, this agreement is subject to determining a legal mechanism to allow it.

In another important arena, EPA continues to work with States and Tribes as key partners in the cleanup of Superfund hazardous waste sites. During the last two years, in fiscal years 1998 and 1999, the Agency provided approximately $225 million to States and Tribes to help manage response activities at Superfund sites. In May of 1998, EPA released the "Plan to Enhance the Role of States and Tribes in the Superfund Program." Seventeen pilot projects with States and Tribes have been initiated to help provide additional resources and promote increased State and Tribal involvement in the cleanup of hazardous waste sites. In addition, EPA provides 42 States approximately $10 million a year to support the development of effective State voluntary cleanup programs. EPA has entered into 14 Memoranda of Agreement (MOA) with States regarding these cleanup programs. The MOAs provide a work-sharing process for the cleanup of

hazardous waste sites. The Agency continues to work with States to negotiate and sign additional MOAs.

EPA also is working closely with State and local governments to assess, clean up and redevelop contaminated brownfield sites. The Agency has awarded more than 300 Brownfields Site Assessment Pilots to help large and small communities and Tribes develop brownfield programs, assess contaminated properties, and leverage public and private sector financial resources for cleanup and development. The pilots have contributed to the assessment of 1933 brownfield properties, redevelopment of 151 properties, and helped generate more than 5,800 jobs. Pilot communities have reported a leveraged economic impact of more than $2.3 billion. EPA also has awarded 68 Brownfield Cleanup Revolving Loan Fund Pilots (BCRLF) to 88 communities. The BCRLF pilots complement the Assessment Pilots by providing a source of cleanup funding for contaminated brownfield sites.

EPA has broadened its impact and effectiveness by reaching out to work in partnership with public and private sectors. Today, more than ever, EPA recognizes that it must involve everyone -- other government agencies, businesses, communities, individuals, and especially our primary partners, the States -- to meet environmental goals. The future will undoubtedly raise other challenging issues, but we are now better prepared to respond. Environmental solutions through new partnerships and new tools -- that is our expectation for the future. We will meet that expectation along side our State partners with a spirit of innovation.

Thank you, Chairman Smith. This concludes my written testimony. I'll be happy to answer any questions the Committee may have.