

Review of Requirements and Program Design to Accomplish Them

Regulatory Impact Analysis

Background:

The reauthorization of the Safe Drinking Water Act (SDWA) and issuance of a number of other statutory directives (e.g. Small Business Regulatory Enforcement Fairness Act (SBREFA) and the Unfunded Mandates Reform Act (UMRA)) have expanded the analyses to be performed and consultations to be undertaken in support of the Agency's drinking water regulations. An attachment to this paper attempts to summarize some of the main statutory provisions relevant to regulatory impact assessment. In addition, there have been several executive orders issued requiring consideration of additional factors such as children's health and environmental justice.

In response to these requirements and long-standing stakeholder concerns with certain aspects of the program, a set of projects is being undertaken to improve our modeling capabilities, create better opportunities for stakeholder involvement, and also to establish consistent paradigms for application across rulemakings. From among the various projects, some have been identified as higher priority to ensure that results are available in time to apply them in the upcoming arsenic, radon and ground water disinfection rules. Comment is being sought on both our ability to meet the statutory needs and also on whether the highlighted programs address the greatest needs.

Activities:

A number of projects are being conducted to respond to statutory requirements and to enhance our modeling capability. In particular, we have efforts relating to:

Data Quality Objectives Development- Evaluating our models and analytical effort in support of cost analysis to identify the critical input variables from sensitivity and uncertainty standpoints. The goal of this effort is to establish targets for data development efforts.

Treatment Technology Costing- Defining the components and cost factors associated with the estimation of compliance costs.

Model System Development-The basic building block of national regulatory analysis is the selection and definition of a manageable number of model water systems to represent the impacts of various regulatory alternatives on a large class of water systems.

Baselines Definition- One of the new SDWA requirements is for incremental analysis of costs and benefits. This effort seeks to create profiles for utilities, governmental units, and consumers.

Benefits Modeling- A wide range of non-health impacts of regulation are being explored.

Interest Rates Modeling- Effort being conducted identify appropriate rates for application to different sizes and classes of ownership.

State Resource Modeling - UMRA establishes a requirement to evaluate the potential burden of various regulatory approaches on State governments. This effort is being conducted to develop a model for estimating the associated costs.

National Affordability Criterion Establishment- The affordability of treatment technologies to small water suppliers is a critical factor in deciding whether compliance will ultimately be achieved through Best Available Technologies or whether variances will need to be offered to some small water systems. This effort seeks to define a reasonable level that balances costs to states and utilities.

Development of Decision Tree Model- The decision tree attempts to estimate what portion of the utilities will respond to various levels of rules with which technologies. It is a critical component of National cost estimation. This effort will attempt to replace the current Delphi based process.

Compliance Cost Retrospective- Models will ultimately be validated by attempting to gather information relating to the actual costs which were experienced in complying with past rules.

Schedule:

A report on National Affordability Criterion Establishment is proposed for Spring of 1998 publication. Application of the criterion would be in conjunction with the revisits of Best Available Technologies due in September of 1998. With the exception of the Benefits Modeling and Compliance Cost Retrospective efforts, all other programs are targeting a September, 1998 completion. We also will be initiating a large number of stakeholder involvement efforts as part of the radon, arsenic and ground water disinfection regulatory development efforts. Additional consultative needs are an item for discussion at this stakeholder meeting.

Questions:

1. Have we identified the key statutory and Executive Order requirements?
2. Have we identified the major areas of needed improvements?
3. Do the programs under development for the 1998 timeline address the areas of greatest concern to stakeholders?