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

JUN 25 1993

OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

OSWER Directive No. 9355.3-20

MEMORANDUM

SUBJECT: Revisions to OMB Circular A-94 on Guidelines and Discount Rates for Benefit-Cost Analysis

FROM: Henry L. Longest II, Director
Office of Emergency and Remedial Response

TO: Waste Management Division Directors
Regions I, IV, V, VII
Emergency and Remedial Response Division Director
Region II
Hazardous Waste Management Division Directors
Regions III, VI, VIII, IX
Hazardous Waste Division Director
Region X

PURPOSE

This memorandum revises the discount rate used in cost estimation for Superfund activities to 7%. This discount rate should be used in estimating the present worth value for potential alternatives in the remedial investigation/feasibility study and for remedial actions.

BACKGROUND

The Office of Management and Budget (OMB) revised Circular A-94 which provides guidance on conducting benefit-cost, cost-effectiveness, and lease-purchase analyses. Circular A-94 also revises the discount rates to be used in conducting such analyses. The previous OMB guidance, issued in 1972, directed federal agencies to use a 10% discount rate; the current guidance, issued on October 29, 1992, directs agencies to use a 7% discount rate.

In the preamble to the National Oil and Hazardous Substances Contingency Plan (March 8,1990), EPA stated that it would follow

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Circular A-94 and that if OMB revised Circular A-94, then EPA would address the matter in program guidance to ensure consistency with Circular A-94. Therefore, the Office of Emergency and Remedial Response (OERR) is revising the Guidance for Conducting Remedial Investigations and Feasibility Studies (1988) to reflect the use of the 7% discount rate instead of the 5% discount rate published in the 1988 guidance.

OBJECTIVE

OERR recommends that the 7% discount rate be adopted for the present worth calculations to determine the cost-effectiveness of potential remedies in the RI/FS to be consistent with the OMB directive and other federal agencies.

IMPLEMENTATION

The 7% discount rate will apply to sites which have a Record of Decision (ROD) targeted for FY 94 and thereafter. Fiscal year 1993 is to be considered a transition year -- where the cost-effectiveness analysis is underway and the discount rate can be changed or for those cost-effectiveness analyses that have not yet been initiated, the 7% rate should be used. If a ROD is ready to be signed, then the cost-effectiveness analysis does not have to be revised.

The revised OMB Circular A-94 is enclosed for your reference. If you have any questions concerning the circular or the discount rate, please call Sherri Gill of the Remedial Operations Guidance Branch at (703) 603-9043.

enclosure

cc: Bruce Diamond
Sally Mansbach
David Bennett
Superfund Regional Branch Chiefs
Superfund Regional Section Chiefs

Superfund Document Center