

ENVIRONMENTAL PROTECTION AGENCY
ENVIRONMENTAL FINANCIAL ADVISORY BOARD
STRATEGIC ACTION AGENDA
FISCAL YEARS 2008-2009

BACKGROUND

The nation has made huge investments in, and significant progress toward, controlling pollution discharges and restoring environmental quality. Much of the credit for this success is due to EPA's use of regulatory and enforcement tools, and to the transfer of significant resources from the federal government to state and local governments to help construct environmental infrastructures.

Two trends challenge our ability to maintain and improve our standard of environmental quality. First, needs and expectations for environmental protection continue to grow. Second, federal deficits, tax reduction initiatives, and growing overall demands on state resources constrain traditional public sources of environmental funding. The result is an increasing tension between the costs of environmental protection and the resources available to meet those costs.

To address these environmental and resource challenges in a sustainable manner, EPA will need to consider that full range of finance-related alternatives available. This effort will include traditional regulatory and enforcement tools and federal assistance programs. It will also require innovative projects and technologies, improved efficiencies, creative financing techniques, and leveraged public-private partnerships.

The Environmental Financial Advisory Board (EFAB) and Environmental Finance Center (EFCN) Network look to be an integral part of this EPA effort. EFAB is chartered under the Federal Advisory Committee Act to advise EPA on environmental finance issues, options proposals, and trends. EFAB seeks practical ways of lowering costs and increasing investments in public purpose environmental facilities and services. The EFC Network consists of nine university-based programs that deliver traditional and innovative financial outreach services to the regulated communities.

EFAB is supported by EPA's Office of the Chief Financial Officer, Office of Enterprise, Technology and Innovation. The Chair of the Board is A. James Barnes, Professor of Public and Environmental Affairs at Indiana University. EFAB's Designated Federal Official is A. Stanley Meiburg, National EPA Liaison, Center for Disease Control. EFAB's plans and operation are aligned with the major environmental goals presented in EPA's strategic plan.

EPA GOALS AND EFAB ISSUES

EFAB's work is organized in support of the five major goals in EPA's *Strategic Plan 2003-2008*:

- **Clean Air and Global Climate Change:** Protect and improve the air so it is healthy to breathe and risks to human health and the environment are reduced. Reduce green house gas intensity by enhancing partnerships with businesses and other sectors.
- **Clean and Safe Water:** Ensure drinking water is safe. Restore and maintain oceans, watersheds, and their aquatic systems to protect human health, support economic and recreational activities, and provide healthy habitat for fish, plants, and wildlife.
- **Land Preservation and Restoration:** Preserve and restore the land by using innovative waste management practices and cleaning up contaminated properties to reduce risks posed by releases of harmful substances.
- **Healthy Communities and Ecosystems:** Protect, sustain, or restore the health of people, communities, and ecosystems using integrated and comprehensive approaches and partnerships.
- **Compliance and Environmental Stewardship:** Improve environmental performance through compliance with environmental requirements, preventing pollution, and promoting environmental stewardship. Protect human health and the environment by encouraging innovation and providing incentives for governments, businesses, and the public that promote environmental stewardship.

In its own strategic planning process, EFAB annually applies these thematic EPA goals in the context of the requirement in its charter to provide advice and recommendations on the following issues:

- **Reducing the costs of financing environmental facilities and discouraging polluting behavior;**
- **Creating incentives to increase private investment in the provision of environmental services and removing or reducing constraints on private involvement imposed by current regulations;**
- **Developing new and innovative environmental financing approaches and supporting and encouraging the use of effective existing approaches;**
- **Identifying approaches specifically targeted to small community financing;**
- **Assessing government strategies for implementing public-private partnerships, including privatization, operations and maintenance issues, and other alternative financing mechanisms;**
- **Improving government principles of accounting and disclosure standards and how they affect environmental programs;**

- **Increasing the capacity of state and local governments to carry out their respective environmental programs under current Federal tax laws;**
- **Increasing the total investment in environmental protection of public, and private environmental resources to help ease the environmental financing challenge facing our nations; and**
- **Removing barriers and increasing opportunities for the U.S. financial services and environmental goods and services industries in other nations;**

Based on these goals and objectives and input from the Agency, EFAB develops its Strategic Action Agenda describing the workgroup structure and listing completed, ongoing, and new projects. Given the number, scope, and nature of the issues, workgroups take the lead in developing projects for consideration and approval by the Full Board.

CURRENT EFAB WORKGROUPS

- ▶ **Sustainable Watershed Financing:** Chaired by Langdon Marsh, National Policy Consensus Center, Portland State University, Portland, OR
- ▶ **Incentives for Air Emission Reduction:** Chaired by Michael Curley, The International Center for Environmental Finance, Towson, MD
- ▶ **Financial Assurance Mechanisms:** Chaired by Mary Francoeur, Financial Guaranty Insurance Co., New York, NY
- ▶ **Environmental Management Systems:** Chaired by Rachel Deming, Scarola Ellis, LLP, New York, NY
- ▶ **Leveraging the State Revolving Funds:** Chaired by George Butcher, Goldman Sachs & Co., New York, NY
- ▶ **Public-Private Partnerships:** Chaired by John Boland: The Johns Hopkins University, Baltimore, MD

On-Going Projects FY 2008

1. ***Sustainable Watershed Financing***
EPA Strategic Goals: Clean and Safe Water and Healthy Communities & Ecosystems
Primary Customer: Office of Water
2. ***Financial Assurance Mechanisms***
EPA Strategic Goals: Land Preservation and Restoration and Compliance and Environmental Stewardship
Primary Customers: Office of Solid Waste and Emergency Response and Office of Enforcement and Compliance Assurance
3. ***Environmental Management Systems***
EPA Strategic Goal: Cross-Cutting Strategy: Innovation
Primary Customer: Office of Policy, Economics and Innovation
4. ***Incentives for Air Emission Reduction***
EPA Strategic Goals: Clean Air and Global Climate Change
Primary Customer: Office of Air and Radiation
5. ***Leveraging the State Revolving Funds***
EPA Strategic Goal: Clean and Safe Water
Primary Customer: Office of Water
6. ***Public-Private Partnerships***
EPA Strategic Goal: Clean and Safe Water
Primary Customer: Office of Water

STATUS OF EFAB PROJECTS

Completed Projects FY 2008

1. ***Innovative Finance Programs for Air Pollution Reduction***, November 2007
EPA Strategic Goal: Clean Air and Global Climate Change
Primary Customer: Office of Air and Radiation

Completed Projects FY 2007

1. ***Sustainable Watershed Financing***, January 2007
EPA Strategic Goals: Clean and Safe Water and Healthy Communities & Ecosystems
Primary Customer: Office of Water
2. ***Expanded Definition of State Revolving Fund Financial Assistance***, January 2007
EPA Strategic Goal: Clean and Safe Water
Primary Customer: Office of Water
3. ***Captive Insurance as a Financial Assurance Mechanism***, March 2007
EPA Strategic Goal: Clean and Safe Water
Primary Customer: Office of Water
4. ***Support for Private Activity Bonds Proposal***, April 2007
EPA Strategic Goal: Clean and Safe Water
Primary Customer: Office of Water
5. ***Combined Sewer Overflows – Guidance for Financial Capability Assessment and Scheduled Development (1997)***, May 2007
EPA Strategic Goal: Clean and Safe Water
Primary Customer: Office of Water

- ▶ This Strategic Action Agenda is a flexible planning tool and it will be updated during the fiscal year as needed. All revisions will be shown on the Board's home page at: <http://www.epa.gov/efinpage/efab.htm>
- ▶ The spring meeting of the Full Board will be held March 10-11, 2008 in Washington, DC. The primary purpose of this meeting is to hear from informed speakers on environmental finance issues, proposed legislation, Agency priorities, and to discuss progress with current workgroup projects.
- ▶ EFAB members also contribute their time to assisting other EPA initiatives, most notably the Environmental Finance Center (EFCN) Network. The EFC Directors serve as expert witnesses to the Board and provide key assistance to EFAB. The home page for the EFC Network is: <http://www.epa.gov/efinpage/efc.htm>
- ▶ Your comments are important and welcome. Please call or e-mail Vanessa Bowie, Environmental Finance Program, at (202) 564-5186 or bowie.vanessa.bowie@epa.gov