

**TESTIMONY OF
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**BEFORE THE
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES**

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Chairman Oberstar, Ranking Member Mica, and Members of the Committee, thank you for the opportunity to appear before you today to discuss the U.S. Environmental Protection Agency's (EPA's) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Background

As Members of this Committee well know, we are in the midst of one of the most severe economic crises our Nation has seen. In response, the President acted quickly with Congress to pass the American Recovery and Reinvestment Act. The purpose of the Recovery Act is to create and save jobs, jumpstart the economy, and build the foundation for long-term economic growth. The Recovery Act invests in projects that will modernize the nation's critical infrastructure, encourage America's energy independence, expand educational opportunities, increase access to healthcare, provide tax relief, and protect those in greatest need.

The Recovery Act provides \$7.22 billion for specific programs administered by EPA: the Clean Water State Revolving Fund (CWSRF), the Drinking Water State Revolving Fund

(DWSRF), Superfund, Brownfields, Underground Storage Tanks, and the Clean Diesel Programs. The majority of these funds, totaling \$4.7 billion, are specified for programs under the jurisdiction of this Committee: the Clean Water State Revolving Fund (\$4 billion), Superfund (\$600 million), and Brownfields (\$100 million). The programs targeted by EPA's portion of Recovery Act funding address location-specific, community-based public health and environmental needs. Investing in these areas ensures that job creation, economic growth, and beneficial environmental results occur at the local level.

Of the \$7.22 billion dollars made available to EPA thus far, we have already obligated more than \$5.8 billion (nearly 82 percent). I am pleased to report that EPA's obligations have nearly quadrupled since Administrator Jackson appeared before this Committee three months ago. Of this figure, more than \$5 billion has been obligated through the Clean Water and Drinking Water State Revolving Funds, more than \$400 million through the Superfund program, more than \$200 million for the Clean Diesel Program, and nearly \$140 million for the Leaking Underground Storage Tank Program. In addition, the Brownfields Program grant awards are being finalized and obligations are beginning to occur.

Funding these programs will help our economic recovery while promoting a safer and healthier environment. In addition, these funds will protect and increase the number of green jobs, sustain communities, restore and preserve the economic viability of property, and promote scientific advances and technological innovation. These programs were chosen carefully, both for their ability to put people to work and for their environmental benefit. Grants and contracts are being awarded quickly, and progress and results will be monitored and reported in detail to

ensure that American workers and taxpayers reap the economic and social benefits of these investments.

Oversight, Accountability, and Transparency

I serve as the Agency's Senior Accountable Official. In this role, I am responsible for meeting the Recovery Act's requirements for oversight, results, and unprecedented transparency. I established a Stimulus Steering Committee comprised of senior managers from across the Agency to monitor Recovery Act planning and implementation on a weekly basis including the EPA Inspector General, and Office of Management and Budget representatives are routinely included. This structure for managing Recovery Act activities was identified as a management best practice by OMB.

To ensure that Recovery Act funds are managed and spent effectively, EPA established the following accountability objectives:

- funds are awarded and distributed in a prompt, fair, and reasonable manner;
- recipients and uses of all funds are transparent to the public;
- the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- funds are used for authorized purposes and instances of fraud, waste, error, and abuse are identified and addressed;
- projects avoid unnecessary delays and cost overruns; and
- program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

When recipient reporting begins in October 2009, we will be able to provide spending details, and more importantly, tangible results.

EPA is undertaking a series of important steps to ensure that these accountability objectives are met. EPA offices ensure that internal financial and management processes expedite the flow of Recovery Act funds to qualified grant recipients and contractors. EPA gives funding preference to recipients with a demonstrated or clear potential ability to produce desired programmatic results, and for projects that can be started and completed expeditiously, will stimulate economic growth, and will achieve long-term public benefits. Transparency is achieved through regular reporting to the Agency's Recovery Web site and the government wide Recovery site.

EPA developed quantifiable outputs, performance measures, and reporting requirements to ensure that funds are spent as directed and achieve the economic and environmental goals authorized by the Recovery Act. In order to avoid cost delays and overruns, EPA developed and implemented a Stewardship Plan, providing a framework for managing common risk areas. In addition, EPA will report on economic and environmental results achieved through the Recovery Act and will make these results available to the public through Recovery.gov.

EPA programs receiving Recovery Act dollars put specific measures in place to ensure oversight, accountability, and transparency. For example, the Clean Water State Revolving Fund program is examining Intended Use Plans with greater scrutiny and conducting on-site reviews of states' management of Recovery Act funds on an ongoing, rather than annual, basis. EPA

monitors progress through the quarterly reports required of each Brownfields grant recipient and administers reviews to ensure that recipients are making sufficient progress. EPA will report Superfund progress through program performance measures. In addition, the Agency has established reporting mechanisms to collect the information necessary to ensure accountability and transparency. EPA will evaluate both Superfund resource utilization on a monthly basis and performance progress quarterly and will hold additional mid-year and annual reviews.

We are also ensuring that our actions under the Recovery Act are in full compliance with the National Environmental Policy Act (NEPA) and are working closely with the Council on Environmental Quality to ensure the timely reporting to Congress on NEPA compliance status.

Finally, as I mentioned earlier, EPA's Office of the Inspector General (OIG) is committed to conducting performance audits, financial audits, and investigations in order to monitor the Agency's adherence to its accountability objectives. The OIG is taking a number of actions to alert Agency managers of potential risks and is recommending cost effective controls to ensure accurate reporting and transparency while helping to prevent fraud, waste, and abuse. Our work is being closely coordinated with the Recovery Act Accountability and Transparency Board.

I would now like to provide some additional insight on how we are implementing the Recovery Act and some of the successes thus far.

Clean Water State Revolving Fund

As the nation's largest water quality financing program, the Clean Water State Revolving Fund supports the overarching goal of protecting aquatic systems throughout the country, including lakes, rivers, coastal water, and wetlands. Since 1987, the Clean Water SRF has provided more than \$68 billion through more than 22,000 individual loans. Projects include wastewater treatment, nonpoint source pollution control, and watershed and estuary management.

The Recovery Act provided the Clean Water SRF with \$4 billion to help states finance high priority infrastructure projects needed to ensure clean water. To date, EPA has awarded more than \$3.4 billion in Recovery Act funds to 45 state Clean Water SRF programs across the nation. As EPA works with our state and local partners to use these Recovery Act dollars in the most effective way, we strive to focus on the basic principles of pollution prevention and sustainability. We can build infrastructure that minimizes the environmental footprint we leave for future generations and leverage these investments to maximize environmental progress.

One of the most exciting, yet challenging, aspects of the Recovery Act is the requirement that the states allocate 20 percent of their SRF dollars to promote the implementation of green infrastructure projects. These green infrastructure projects are an effective response to environmental challenges that is cost effective, sustainable, and provides multiple environmental benefits. These SRF funds should promote water and energy efficiency and environmentally innovative projects, such as those that support low impact development, water harvesting and reuse, and efforts to establish or restore riparian buffers, floodplains, wetlands and other natural

features. Although meeting the 20 percent goal has been challenging for some states, we have been impressed with the creativity and innovations put forward. These types of projects will support the development of a green workforce and can provide long-term benefits that exceed those associated with traditional environmental infrastructure projects.

The Recovery Act places new and challenging requirements on the SRF programs. The Buy American provision of ARRA has been especially challenging. The Recovery Act requires that, with limited exceptions and consistent with U.S. international obligations, funded projects use only iron, steel, and manufactured goods produced in the United States. This requirement particularly affects SRF programs. EPA has worked closely with the Office of Management and Budget to ensure that guidance on the Buy American provision can work within the structure of our existing programs. The Agency is working closely with industry and municipal representatives to gain a better understanding of the nature of needed equipment and materials and the costs involved in complying with the provision.

Consistent with the Recovery Act directives to ensure expeditious SRF construction, EPA has issued, to date, national public interest waivers for projects that were initially financed or had bids solicited on or after October 1, 2008 and prior to the passage of the Act, and for *de minimus* incidental project components. The Agency has also issued a number of project specific waivers because US made products meeting project specifications justified by local conditions and requirements were not available. We expect additional project specific waiver requests in the coming months as projects plans and specifications are reviewed. We have made significant progress on this issue and we will continue to closely monitor its implementation.

Congress intended Recovery Act funds to boost infrastructure improvements, job growth, and environmental and public health protection. The Recovery Act directed that preference be given to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after the date of enactment. The State of Maine provides an excellent example of how hard the states have been working to meet this objective. Maine's municipal bond bank, the Department of Environmental Protection (Clean Water State Revolving Fund) and the Department of Health (Drinking Water State Revolving Fund) worked aggressively and by mid June, only 120 days after the Recovery Act was signed, Maine achieved this goal. The combined programs in Maine include 43 projects under construction, 11 projects out to bid, and 14 projects where contracts are awarded with construction to begin. Maine has obligated 100 percent of its allocation for both the Clean Water and the Drinking Water SRFs.

EPA recently implemented an innovative reporting pilot in cooperation with the Office of Management and Budget and State SRF programs. As part of the pilot, states will use the existing Clean Water and Drinking Water SRF Benefits Reporting Systems to collect project level data elements in order to measure the environmental benefits associated with Recovery Act funded SRF projects. States will have the option of entering required information into either of the two systems. This option immediately provides states with a single Recovery Act data entry mechanism to improve data quality and consistency of reported information. The reporting pilot will provide EPA the necessary information to manage the SRF programs and provide timely insight into recipients' responsiveness to the overall Recovery Act reporting process.

Brownfields

Brownfields cooperative agreements facilitate the leveraging of economic investment and the creation and retention of jobs while helping to prevent, assess, safely clean up, and sustainably reuse Brownfields. Since 1995, grantees have leveraged more than \$13.1 billion in federal, state, local, and private sector cleanup and redevelopment resources; leveraged more than 54,500 jobs; and supported assessments at more than 13,900 properties.

The Recovery Act provides \$100 million for Brownfields projects. EPA Regional offices will award Recovery Act funded Cooperative agreements for the Assessment, Cleanup and Revolving Loan Fund (RLF) projects to high ranking applicants under a 2008 competition provided the applicants scored well on criteria related to Recovery Act objectives such as a commitment to environmental sustainability principles, project readiness, and job creation. In addition, EPA will use Recovery Act funds for Brownfields Job Training grants, for supplemental funding for existing RLF recipients, and to conduct targeted assessments of Brownfields sites. Through continued federal, state and local partnership, the Brownfields Recovery Act funds are being used to allow problem properties to become productive assets in communities across the country.

Brownfields projects funded by the Recovery Act are already seeing success. EPA awarded the St. Paul Port Authority a \$200,000 grant for cleanup at the Minnehaha Lanes Redevelopment Project and cleanup work began in June, as soon as the Port Authority learned of their selection. The Port Authority indicated that this project would not have moved forward as quickly as it did without Brownfields Recovery Act funding, and future redevelopment plans for

the site include commercial or light industrial buildings, greenspace and a new stormwater system.

Superfund

The EPA Superfund program protects citizens from the dangers posed by abandoned or uncontrolled hazardous waste sites. Two thirds of the sites listed on the National Priorities List (NPL) have had cleanup construction completed. In addition to completing construction on the remaining sites on the NPL, the program is focused on ensuring that these sites are ready to be returned to beneficial use by the community, putting both people and property back to work.

The Superfund remedial program has continued to evolve over the years. While the Agency has been able to achieve construction completion at most of its sites, there are remaining sites that require cleanups that will take decades to complete. In addition, new and challenging sites have been added to the NPL.

On April 15, 2009, EPA announced \$600 million in Recovery Act funds for Superfund remedial activities at 50 sites in 28 states around the country. With this funding, EPA can continue Superfund program progress by starting new cleanup projects, accelerating cleanup projects already underway, increasing the number of workers and activities at cleanup projects, and returning sites to more productive use.

Cleanup activities at Superfund sites receiving Recovery Act funds will also yield significant economic benefits, including improved site property values and job opportunities.

Superfund sites are often located in the areas hardest hit by unemployment and downturns in the economy. EPA anticipates that the Recovery Act funding for the Superfund remedial program will leverage jobs in communities across the country while also increasing demand for construction materials such as steel and concrete. EPA developed an implementation plan that will obligate funds ahead of statutory requirements and we expect work to accelerate at many sites where construction is already underway.

At the Iron Mountain Mine site in Redding, California, Superfund Recovery Act funds are being used to accelerate the dredging, treatment and disposal of heavy metal contaminated sediment located in the Spring Creek Arm of the Keswick Reservoir. Manufacturing contractors have recently begun the initial work to build treatment systems and sediment pumps for installation this summer. The Recovery Act funds will reduce long-term costs and accelerate project construction, with project completion in 18 months instead of the original schedule of three years.

Conclusion

EPA looks forward to continuing to work with this Committee, our federal, state, and tribal partners, and members of the public as we work to effectively implement the American Recovery and Reinvestment Act of 2009 with oversight, accountability, and transparency. Thank you again for inviting me to testify here today and I look forward to answering your questions.