



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

OFFICE OF THE ADMINISTRATOR
SCIENCE ADVISORY BOARD

January 19, 1999

EPA-SAB-EEAC-COM-99-001

The Honorable Carol Browner
Administrator
United States Environmental Protection Agency
401 M Street, SW
Washington, DC 20460

Subject: Importance of Reinstating the Pollution Abatement and Control Expenditures (PACE) Survey

Dear Ms. Browner:

This Commentary was developed by the Environmental Economics Advisory Committee (EEAC) of the Science Advisory Board (SAB) in response to a discussion with members of the U.S. EPA's Office of Policy (OP) at the EEAC public meeting on November 18, 1998. The Committee developed this Commentary to address the importance of reinstating the Pollution Abatement and Control Expenditures survey (PACE). The survey was conducted annually from 1973 through 1994 by the U.S. Bureau of the Census, but was suspended by the Bureau for budgetary reasons. *The Committee views the reinstatement of the PACE survey or an appropriately redesigned successor as an exceptionally high priority.*

The PACE survey data provide a unique tool for evaluation of the costs of compliance with environmental regulations. The collection of these data has provided the United States with an important source of information to facilitate the evaluation of environmental programs and, in turn, to improve the design and performance of these programs. EPA has used the PACE data in its Cost of Clean reports, the Section 812 Clean Air Retrospective Cost Analysis, numerous

sector-specific studies, Regulatory Impact Analyses, analyses of recycling activities, and national studies of environmental protection activities. The relatively low cost of the PACE survey, combined with its tremendous benefits to EPA, means that a reinstated survey would provide the Agency with a tremendous return on its investment.

At once, the PACE survey provides a means to assess the costs of environmental regulations in general and individually, and it provides a means to compare the cost-effectiveness of various regulatory approaches. The systematic collection of information on the costs of regulation is essential to meet expanding legal requirements for review of the costs of regulation, and it is important for EPA's efforts to develop sound and effective regulations.

The value of any set of data of the type collected through the PACE survey is significantly enhanced as the longevity and consistency of the data series is expanded. The Agency has argued that inconsistent funding of monitoring, leading to interruptions in monitoring data, has undermined the achievement of environmental goals. The same reasoning applies to the collection of data on the costs of compliance with environmental laws and regulations. There has been only a brief interruption in the survey, and the series can be mended if the PACE survey is reinstated in the near future.

The PACE survey has significant spill-over benefits affecting the various program offices in the Agency, and a number of other agencies. Therefore, the cost of the survey should be shared with offices across and even outside the agency, rather than being concentrated in any one office or agency. The funding of the National Health and Nutrition Examination Survey (NHANES) could serve as a useful model.

At this juncture, there is an opportunity to improve the design of the survey in important ways. The PACE survey, as previously constituted, is valuable, but can be improved with little or no increase in cost. A redesign could help the survey answer the types of policy questions that are most salient today. For example, there is mounting circumstantial evidence that actual compliance costs are frequently below projected costs; the PACE survey could help greatly in this regard. Also, since process changes are increasingly important in meeting environmental goals, the survey needs to improve the accounting of costs associated with market-based approaches to environmental protection.

We hope this Commentary offers some insights into the importance of the PACE survey to EPA for achieving its mission, and we urge you to take immediate action to support the reinstatement of the PACE survey. The Committee will be pleased to answer any questions you

or your staff may have. Further, the Committee would be pleased to enter into a consultation with the Agency on PACE survey design modifications at the appropriate time. We look forward to the response of the Assistant Administrator for the Office of Policy.

Sincerely,

/signed/
Dr. Robert N. Stavins, Chair
Environmental Economics Advisory
Committee
Science Advisory Board

/signed/
Dr. Joan M. Daisey, Chair
Science Advisory Board

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November 18, 1998

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