

Economic Issues for EPA's Proposed Construction and Development ELG (Option 2)

EPA underestimated costs

- Average project duration underestimated, various types of costs left out, cost per gallon for ATS treatment underestimated
- Actual number and acreage of construction projects per year is likely 2 ½ times EPA's estimate. (Note: this is not reflected in figures below)

EPA overestimated benefits

- Baseline sediment loads grossly overestimated
- No credit given for BMPs routinely applied currently
- Sediment load reductions attributed to ATS far too high

Benefit-cost comparison for proposed Option 2

(in millions of 2008 \$ per year)

	Costs	Benefits	Net Benefits
EPA estimate	1,891	333	- 1,558
NAHB estimate	6,934	23	- 6,911

- If Option 2 were promulgated, even using EPA's estimates, this ELG would have the worst excess of costs over benefits of any federal regulation since OMB began keeping records in 1992

BCT vs. BAT

- EPA states that Option 2 would fail the BCT cost test if TSS were the regulated pollutant – this is true even using EPA's estimates for costs (too low) and removals (too high)
- EPA should not be allowed to define turbidity as the parameter to be regulated as a way of avoiding the BCT cost test and promulgating a standard more stringent than BPT

Administrative costs for State and local governments

- Enforceable effluent standards, tight limits, monitoring requirements and ATS (all included in Option 2) will entail large administrative costs. NAHB's action level approach will avoid most of these costs

	Addl FTEs Required		Addl \$ Required (millions/yr)	
	State	Local	State	Local
EPA's Proposed Option 2	509*	107	38.0	9.7
NAHB Action Level Approach	93	86	6.9	7.4

(Note: assuming NAHB estimate for total national #, acreage of construction projects)
 * 74% increase beyond current total State staff for construction stormwater program

- 21 of 22 States and many local governments submitted comments opposing Option 2, often because of large administrative costs for little environmental benefit

Economic impacts

Option	Total Cost (in million \$/yr)	Avg. Cost/Acre	Avg. Cost/House
NAHB Option 1: Enhanced BMPs	\$439	\$1,299	\$520
EPA Option 2: 13 NTU NEL	\$7,218	\$24,211	\$10,000
NAHB: 1000 NTU Action Level	\$512	\$1,516	\$600

- \$10,000 cost per affected home translates to more than \$12,000 price increase after commissions, etc.
- This price increase would more than undo the benefits of the \$8,000 credit for first-time home-buyers that is part of the stimulus plan