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**TESTIMONY OF
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**BEFORE THE
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE,
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
UNITED STATES HOUSE OF REPRESENTATIVES**

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Chairwoman Johnson, Ranking Member Boozman, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the progress and accomplishments that the U.S. Environmental Protection Agency (EPA) has made in the implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Background

The Recovery Act provided \$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 subcommittee: 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.

I am pleased to report that since appearing before the Transportation and Infrastructure Committee in July to discuss EPA's implementation of the Recovery Act, EPA has made great progress in distributing funding and in providing support and assistance to recipients, who are now working on Recovery Act funded projects. EPA has obligated more than \$7.1 billion (over 99 percent) of the \$7.22 billion dollars made available to EPA thus far. Of this figure, nearly \$6 billion has been obligated through the Clean Water and Drinking Water State Revolving Funds, more than \$570 million through the Superfund program, more than \$290 million for the Clean Diesel Program, more than \$190 million for the Leaking Underground Storage Tank Program, and more than \$85 million for the Brownfields Program.

As I will discuss, Recovery Act work is underway across the country, and we are already starting to realize these benefits.

Oversight and Assistance

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. As I discussed at the Transportation and Infrastructure Committee hearing in July, I lead a Stimulus Steering Committee comprised of senior managers from across the Agency to monitor Recovery Act implementation on a weekly basis. At these weekly meetings, EPA senior management discusses implementation issues and identifies solutions to these challenges. I am

pleased to report that this Steering Committee has been successful in navigating a number of critical issues, including providing guidance on Davis-Bacon and Buy American Acts requirements.

EPA has taken steps to ensure that accountability and transparency objectives are met throughout the implementation of the Recovery Act. The majority of Recovery Act funds appropriated to the Agency were for grants where statute and formulas direct funding to States (such as the State Revolving Funds). As funds were distributed, EPA offices ensured that internal financial and management processes expedited the flow of Recovery Act funds to qualified grant recipients and contractors. Where EPA had discretion, EPA gave funding preference to recipients with a demonstrated or clear potential ability to produce desired programmatic results, and for projects that could be started and completed expeditiously, would stimulate economic growth, and would achieve long-term public benefits. Transparency is achieved through regular reporting to the Agency's Recovery Web site, the government wide Recovery site, and the Agency's Intranet Recovery Web site. As EPA works with funding recipients, we continue to focus on accountability and transparency in all of our projects.

In addition to ensuring appropriate oversight and accountability, EPA has been proactive in providing assistance to states in Recovery Act implementation. For example, in September, Administrator Jackson sent a letter to all state governors expressing her commitment to assist and partner with states to achieve the goals of the Act. She offered EPA's assistance in facilitating the expenditure of funds.

Personally, I have reached out to states to offer guidance and assistance in implementing the Recovery Act. Last month, I met with representatives from the National Governors Association to listen to their concerns about the challenges they face in accomplishing the goals of the Recovery Act. I also sent an email to Recovery Act leads in each state regarding the funding requirements associated with Drinking Water and Clean Water State Revolving Funds. In these emails, I reminded states of the February 17, 2010 statutory deadline requiring that the funds be under contract or construction, as well as the steps that need to be taken to fulfill this requirement. The email also offered assistance from EPA in answering their questions or overcoming any issues, in order to ensure that states are able to meet the deadline.

Lastly, I have concern about the ability of some states to meet the February 17, 2010 deadline. I placed personal calls to officials in several states that appear to be facing challenges in meeting the deadline. During these calls, I explained the process for meeting this requirement and listened to their concerns. In addition, I provided guidance and offered additional assistance to each state. EPA is working diligently to assist states in meeting the deadline, in order to avoid having to reallocate funds.

At this point, I would like to acknowledge all of the hard work that states have done since the passage of the Recovery Act. They have navigated through complex requirements and have been instrumental in its implementation. I look forward to continuing this partnership between EPA and states to accomplish the vital goals of the Act.

Recovery Act Recipient Reporting

Recovery Act recipient reporting, which began in October 2009, requires recipients of ARRA resources to report information on funded projects and activities. The information submitted helps define each project and progress made. Reported information includes who is receiving ARRA dollars and in what amounts, what projects are being funded, the completion status of projects, and the impact the projects have on job creation and retention.

As envisioned by the Act, recipient reporting through FederalReporting.gov with public access through Recovery.gov ensures the goals of transparency and accountability are met. This is achieved by public posting of quarterly reported information to the federal Recovery.gov site.

Each agency and department must review data reported by funding recipients. To carry out its review responsibilities, EPA has implemented an internal agency process, which includes an initial informal review of information followed by a more detailed review when the Recovery Board makes all recipient reporting information available to us. As discrepancies or missing data are identified, we work with recipients to rectify these issues.

I would now like to provide some additional insight on our progress in implementing the Recovery Act and highlight some of the successes we have achieved in the three months since I appeared before the Transportation and Infrastructure Committee.

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 \$3.9 billion in Recovery Act funds to all 51 state Clean Water SRF programs across the nation (including Puerto Rico). As of today, nearly 20 percent, or \$800 million of the funds appropriated for the Clean Water SRF are under contract, an increase of approximately 20 percent in the last four weeks. 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.

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. In order to assist our state partners and other funding recipients, EPA developed implementation guidance and created a waiver process for when exceptions are needed. Consistent with the Recovery Act directives to ensure expeditious SRF construction, EPA has issued, to date, three 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. To date, the Agency has issued 23 project specific waivers because US made products meeting project specifications justified by local conditions and requirements were not available or not available in sufficient quantities. EPA expects additional project specific waiver requests in the coming months and continues to closely monitor its implementation through weekly workgroup calls and project specific on-site compliance reviews.

Another challenge has been the requirement that the states allocate 20 percent of their SRF dollars to promote the implementation of green infrastructure projects. To date, 14 states have awarded 20 percent or more of their Recovery Act funds for green infrastructure projects, totaling more than \$355 million. Based on what we have heard from states, we anticipate that the rest of the states will, by February 17, 2010, also meet the 20 percent requirement for green infrastructure projects. These types of projects support the development of a green workforce and can provide long-term benefits that exceed those associated with traditional environmental infrastructure projects. Although meeting this requirement has been difficult for some states, they have found innovative solutions to meet the objective.

Congress intended Recovery Act funds to boost infrastructure improvements, job growth, and environmental and public health protection. The Recovery Act specifically requires for the Clean Water SRF program that all funds be under contract or construction by February 17, 2010. EPA has been providing extensive assistance to states in meeting this deadline, and the Agency continues to work collaboratively with states. The state of Minnesota provides an excellent example of how hard the states have been working to meet this deadline. Minnesota's Public Facilities Authority and Pollution Control Agency (Clean Water State Revolving Fund) and the Department of Health (Drinking Water State Revolving Fund) worked aggressively and today have 88% of their available Clean Water State Revolving funds under contract for construction, equal to over \$70 million. Construction has begun on 18 different projects around the state. This work not only will provide significant improvements to Minnesota's water infrastructure, but also provides jobs for its citizens.

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 use the Clean Water and Drinking Water SRF Benefits Reporting Systems (CBR and PBR respectively) to collect project level data elements in order to measure the environmental benefits associated with Recovery Act funded SRF projects. States 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 provides EPA the necessary information to manage the SRF programs and provide timely insight into recipients' responsiveness to the overall Recovery Act reporting process. This system has been working smoothly, with most States opting to use the internal EPA reporting systems. Using the output of the CBR and PBR, all States were able to seamlessly transfer data from the EPA systems to FederalReporting.gov. This pilot represents another example of how EPA is working with states to

minimize their reporting burden, while at the same time providing critical information used in the oversight of the Recovery Act implementation.

EPA has also been working directly with State SRF programs to ensure that funds are being placed into contracts at the local level. Workshops were held in numerous States to guide communities and their contractors through the new requirements of the program. EPA staff are actively involved in reviewing every State program and have already visited 49 of the programs to assess individual project status. Additionally, EPA contract support has been made available to States, in order to directly assist communities in need.

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 report leveraging more than \$13.3 billion in federal, state, local, and private sector cleanup and redevelopment resources; leveraged more than 57,100 jobs; and supported assessments at more than 14,400 properties.

The Recovery Act provides \$100 million for Brownfields projects. EPA Regional offices have awarded Recovery Act funded cooperative agreements for the Assessment, Cleanup and Revolving Loan Fund (RLF) projects to high ranking applicants that 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 is using Recovery Act funds for Brownfields Job Training grants, for supplemental funding to existing RLF recipients, and to conduct targeted assessments of brownfields sites. Through continued federal, state, tribal, 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. For example, EPA awarded \$1.8 million in Recovery Act RLF supplemental funds to the California Department of Toxic Substances Control RLF Coalition, who then issued a \$1.675 million low-interest loan to Martin Building Company to clean up contaminated property in the San Francisco Bay Area. Redevelopment plans include apartments, retail shops, a day care center, and a park. This project brings jobs to the Bay Area.

Superfund

The EPA Superfund program protects citizens from the dangers posed by abandoned or uncontrolled hazardous waste sites. In addition to cleaning up the remaining sites on the National Priorities List (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.

Cleanup activities at Superfund sites receiving Recovery Act funds not only protect human health and the environment, but 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. As of October 1, 2009, EPA has obligated \$573 million or 98.5 percent of its

Recovery Act Superfund construction funding. We remain on track to obligate 100 percent of the funds and expend 70 percent of those funds by September 30, 2010.

I am happy to report that EPA has already made progress at a number of Superfund sites using Recovery Act funding. 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. Construction of the sediment dewatering and disposal cell is underway, and two pump stations have been installed. 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. The funding of this project has created new construction jobs.

At the Welsbach/General Gas Mantle site in New Jersey, EPA's Recovery Act funded work began in June 2009. To date, more than 8,000 tons of radiologically contaminated soils have been excavated using Recovery Act dollars. The cleanup of the site will serve as a catalyst for redevelopment of the area.

In addition, the Recovery Act funded work at the New Bedford Harbor site in Massachusetts started in June 2009, and EPA has since dredged approximately 25,000 cubic yards of contaminated sediments. The Recovery Act funds at this site are accelerating an ongoing cleanup, which will help facilitate the City's plans to develop shoreline public access, recreational boating, competitive rowing, and wetland restoration in the upper and lower harbor areas.

Conclusion

Since I appeared at the full committee hearing in July, EPA has made progress and had significant accomplishments in its implementation of the Recovery Act. Due to the hard work of EPA and our funding recipient partners, we are already seeing benefits from Recovery Act funding in the form of jobs and improved public health and environmental protection. We continue to assist our state partners and other recipients to fulfill the goals of the Recovery Act in an efficient and timely manner. EPA looks forward to continuing to work with this subcommittee, our federal, state, and tribal partners, and members of the public as we continue to provide oversight, accountability, and transparency in our implementation of the American Recovery and Reinvestment Act of 2009. Thank you again for inviting me to testify here today and I look forward to answering your questions.