



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-271417

March 18, 1996

The Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce
House of Representatives

Dear Mr. Dingell:

Concerned about the shift from the federal government to the states of responsibility for cleaning up hazardous waste sites, you asked us to provide data on the states' ability to take on these tasks and costs. Superfund bills currently before the Congress would cap the number of sites that the Environmental Protection Agency (EPA) could add to the National Priorities List (NPL)--the most hazardous waste sites in the nation--and would restrict EPA's authority to take action at the sites not on the NPL. Under EPA regulation, only sites on the NPL are eligible for federally financed long-term cleanup. If the number of sites that can be added to the NPL is capped, responsibility for the sites that would have qualified for the NPL would revert back to the states, although the current and proposed Superfund laws do not require that the states clean up these sites.

To aid in congressional deliberations on the proposed cap on the NPL, you asked us to provide preliminary information on the number of sites that the states could gain responsibility for nationwide under such a cap and the potential cleanup costs for these sites. You also asked us to conduct case studies to (1) estimate the number of sites and the associated cleanup costs for which the states could gain responsibility; (2) provide data on the balances available in the states' cleanup funds to address hazardous waste sites; and (3) obtain the states' views on the impact of taking on the responsibility for additional sites, given the status of their current cleanup programs. This interim report will be followed by more detailed information and analysis in a report to you later this year.

According to our preliminary estimates based on EPA's data, nationwide the states could become responsible for 1,400 to 2,300 sites and could spend between \$8.4 and \$19.9 billion to clean them up. The eight states we selected as case studies could become responsible for a total of about 385 sites and cleanup costs, over a number of years, of about \$2.2 billion to \$3.1 billion. For seven of these eight states, the funding balances available at the beginning of fiscal year 1995, primarily for cleaning up sites now in the states' inventory, totaled \$323 million. The eighth state does not have a comparable inventory or cleanup fund balance. According to officials involved with that state's hazardous waste program, the state instead accomplishes cleanups through a voluntary program that provides the parties that clean up a site with certain exemptions from further liability for the site's contamination in exchange for the cleanup.

For the cleanup costs, we developed a range of estimates. The high range of the cost estimate is based on EPA's current average costs for NPL site cleanup. The low range is based on an average cost that takes into account possible efficiencies in cleaning up sites, such as selecting less-costly cleanup methods, as suggested by other studies that have looked at Superfund cleanup costs. Program officials in seven of the eight states in our case studies also claimed that they could achieve cleanups at less cost than EPA by, for example, using more streamlined processes. Several variables could affect these estimates. For instance, states could decide not to clean all of these sites or could vary the degree and pace of the cleanups, all of which would affect the states' cleanup costs.

Given the status of their own cleanup programs and funding, as well as the responsibilities they could gain, three of the seven states with active programs said that taking on these additional cleanups would exacerbate an already difficult financial situation. Two other states said that they expect to face funding shortfalls beginning in fiscal year 1997 that will make it difficult to absorb the additional cleanup responsibilities, at least for a few years subsequent to that time. Another two states said that while they had sufficient funds to manage their own inventories, funding the additional cleanups would be difficult. As noted above, the eighth state said that it could handle the additional cleanups through its state voluntary cleanup program. Enclosure I presents the preliminary results of our work.

SCOPE AND METHODOLOGY

To respond to the objective concerning nationwide impact, we projected the number of sites that would be transferred to the states and the cleanup costs

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for these sites. To project the number of sites, we used EPA's data and historical experience with the number of sites from the agency's inventory of hazardous waste sites that are ultimately listed on the NPL. EPA officials who manage the Superfund database said that past experience was an appropriate indicator of the future rate at which sites on EPA's current inventory would be listed on the NPL because there is no objective basis to suggest that the sites not yet listed would be significantly different from those already listed. To estimate the number of undiscovered sites that could be listed, we used EPA data that acknowledge that sites may be listed at a lower rate in the future.

To respond to the objective concerning the individual states, we selected eight states that represent a cross section concerning factors such as the funding available to a state for cleanup, the size of the state's inventory of sites, the age of the state's program, and provisions for cleanup liability in the state's law. We conducted telephone surveys with and collected data from each state's cleanup program manager to determine the status of the state's cleanup programs and the manager's view on the financial impact of taking on the additional cleanup responsibilities. We did not verify the accuracy of the data provided by EPA or the states. We performed our work from September 1995 through March 1996 in accordance with generally accepted government auditing standards.

AGENCY AND STATE COMMENTS

EPA officials in the Office of Emergency and Remedial Response involved with cleanup policy and liaison with state programs commented on a draft of this report and agreed with our approach and methodology. The state cleanup program managers in the eight states we studied also commented on a draft of this report to validate the data we are reporting for their respective states, and we made changes to their data as appropriate.

One issue raised by many of the program managers, as well as by EPA, concerned assumptions about the number of cleanups that private parties would fund and the number of cleanups that the states would fund. We assumed, on the basis of EPA's data, that private parties would pay for the cleanup at 70 percent of the sites that would be transferred to the states and that the states, in turn, would pay for 30 percent of the cleanups. The program managers pointed out, however, that a major incentive for private parties to clean up sites is to avoid having their properties added to the list of the most contaminated sites in the country. Private parties also want to avoid the federal cleanup process, which can be long and costly. States are

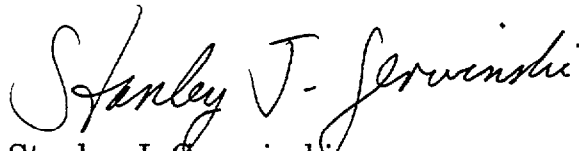
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concerned that under a cap on the NPL, private parties would be willing to fund fewer sites; therefore, the states could fund more cleanups than our estimates project.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days after the date of this letter. At that time, we will send copies to the Administrator of EPA. We will also make copies available to others on request.

Please call me at (202) 512-6520 if you or your staff have any questions about this report. Major contributors to this report were Charles W. Bausell, Jr., Mary D. Feeley, Eileen R. Larence, Catherine H. Myrick, and Mary D. Pniewski.

Sincerely yours,



Stanley J. Czerwinski
Associate Director, Environmental
Protection Issues

GAO **Costs States Could Incur If NPL Is Capped**

Sites states could gain	Number	Cleanup cost (in billions of dollars)
Current sites from EPA's inventory	1,100	\$6.5 - \$9.4
Undiscovered sites	300 - 1,200	\$1.9 - \$10.5
Total	1,400 - 2,300	\$8.4 - \$19.9

Notes: The high range of the cost estimate is based on EPA's current average cost for NPL site cleanup. The low range is based on an average cost that acknowledges possible efficiencies in cleaning up the sites, such as selecting less-costly cleanup methods, as suggested by other studies that have looked at Superfund cleanup costs. In addition, these estimates assume, as EPA does, that private parties will pay for 70 percent of the cleanups and states will pay for 30 percent. The estimates are based on current-year costs, even though the states could incur these costs over a number of years.

GAO Case Studies: Sites and Costs Eight States Could Gain If NPL Is Capped

Case study state	Additional sites to clean up	Cost range to clean up additional sites (dollars in millions)
Utah	26	\$152 - \$218
Illinois	104	\$592 - \$849
Virginia	28	\$155 - \$222
California	81	\$461 - \$661
Florida	78	\$441 - \$632
Massachusetts	10	\$ 58 - \$ 83
New Jersey	20	\$116 - \$165
Texas	38	\$214 - \$306

Notes: The source, methodology, and assumptions used to develop these estimates were cited earlier. These estimates address current sites from EPA's inventory and not undiscovered sites. State cleanup program managers reviewed the estimates of the number of sites and made changes to them on the basis of their knowledge of the sites in their states.

GAO Fund Balances in Eight States' Cleanup Programs

Case study state	State cleanup fund balances at beginning of fiscal year (dollars in millions)		
	1993	1994	1995
Utah	\$2.1	\$3.0	\$3.5
Illinois	\$8.3	\$10.4	\$9.5
Virginia	Not applicable	Not applicable	Not applicable
California	\$5.0	\$4.0	\$2.0
Florida	\$20.0	\$20.0	\$20.0
Massachusetts	\$15.0	\$13.8	\$12.0
New Jersey	\$82.7	\$42.4	\$231.7
Texas	\$40.4	\$41.1	\$44.7

Notes: The states primarily use these funds to address their own inventories. We note that the types of cleanup costs that the states account for in their fund balances may differ among the states. Virginia does not maintain a cleanup fund balance similar to that of the other states. New Jersey's fiscal year 1995 amount of \$231.7 million includes \$152.6 million from the final year of its bond authority; also, \$54.1 million was generated from funding sources that were only available in one year.

Source: State cleanup program managers.

GAO **Source and Stability of Funding in
Eight States' Cleanup Programs**

Case study state	Major sources of funding (more than 30% of total)	Stability of funding source
Utah	Appropriations	No new appropriations in FY95
Illinois	Fees/taxes, cost recovery	Amount of fees has been decreasing
Virginia	Not applicable	Not applicable
California	Fees/taxes, cost recovery	Funding base decreasing over past 5 years
Florida	Fees/taxes	Minimal change, 1993-95
Massachusetts	Bonds	Minimal change, 1993-95
New Jersey	Bonds	Needs legislative approval for new funding source
Texas	Fees/taxes	Minimal change, 1993-95; shortfall expected in near future

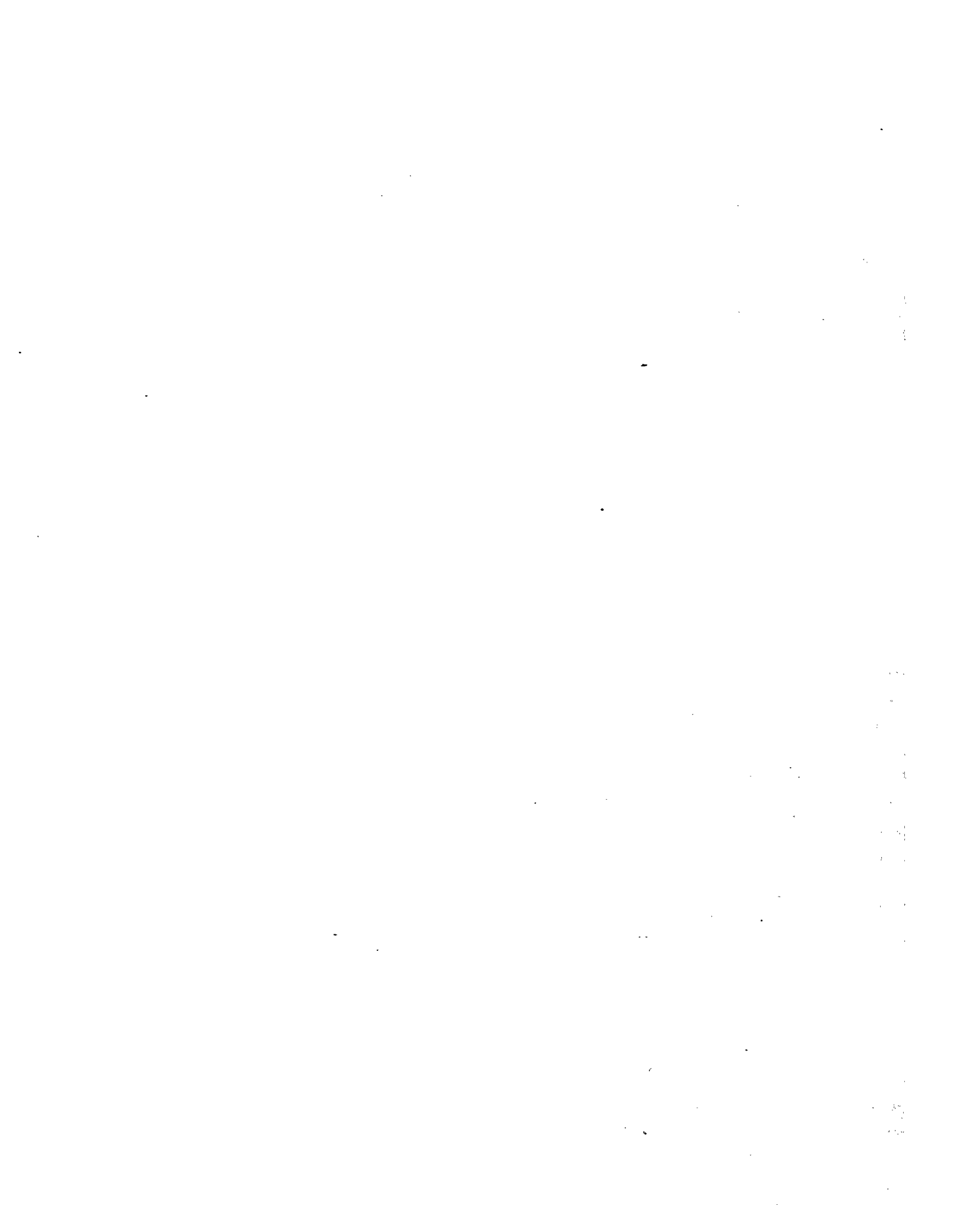
Source: State cleanup program managers. Virginia does not maintain a cleanup fund balance similar to that of the other states.

GAO Inventory of Sites in Eight States' Own Cleanup Programs

Case study state	Sites to be assessed	Sites already assessed that are being cleaned up or need cleanup
Utah	Unknown	Unknown
Illinois	No current list	No current list
Virginia	No current list	No current list
California	3,500	500
Florida	371	242
Massachusetts	7,383	3,389
New Jersey	3,170	11,559
Texas	800	56

Notes: Because each state may define its inventory differently, comparison of numbers among the states is not valid. Utah, Illinois, and Virginia do not have inventories.

Source: State cleanup program managers.



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