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EPA CONSTRUCTION GRANT PROGRAM  
with Jack Marsh  
Tuesday, March 30, 1976

8:30 a.m.

THE WHITE HOUSE  
WASHINGTON

March 25, 1976  
4:18 p.m.

J...

Jack Marsh would like Mr. Cannon to attend a meeting in his office after the Senior Staff Meeting on Monday, March 29, 1976 to discuss EPA's Construction Grant Program. Other attendees will be Paul O'Neill, Russ Rourke, and of course Jack Marsh.

*Jmes.*

p

THE WHITE HOUSE

REQUEST

WASHINGTON

March 23, 1976

MEMORANDUM FOR: THE PRESIDENT  
FROM: JIM CANNON *signed by Cannon*  
SUBJECT: EPA CONSTRUCTION GRANT PROGRAM

We have looked into the question raised with you on March 18 by some members of Congress about the possibility that EPA is slowing down waste treatment grant applications so that money is not moving.

The answer is that EPA definitely has not slowed up the flow of funds. In fact, grant awards have averaged \$250 million per month in the first eight months of FY 1976 compared to an average of \$153 million per month for the first eight months of FY 1975. Russell Train is continuing to press his headquarters and field staffs to expedite the handling of applications, an effort he launched on March 10, 1975.

There are several factors that may have given the impression of a slow down in funding. These factors are discussed in the paper at Tab A. Russ Train's directive of March 10, 1975 is attached at Tab B.

On a related topic, a problem is developing concerning progress payments for ongoing construction. EPA will run out of cash to liquidate contract authority about April 15 and a request for a supplemental of \$300 million was sent to Congress on March 8. The Congressional Committees have been wanting to include this request in a consolidated supplemental that would be ready about May 1. EPA has urged the committees to move on the EPA request earlier to avoid adverse public reaction from having to stop payments.

We will follow up with Max Friedersdorf and Russ Train on the latter issue.

Attachment

## EPA Construction Grant Application Process

EPA is not slowing down the grant application process.

- Grant awards averaged \$250 million per month for the first eight months of FY 1976 compared to an average of \$153 million per month for the first eight months of FY 1975.
- Administrator Train is continuing to press the Headquarters and Regional staffs to expedite the handling of applications.

There are a number of factors that could give the impression that there is a slowdown.

- The House Public Works Committee recently asked EPA for a list of the applications in process but not awarded. This list totaled about \$0.5 billion a year ago, and totals about \$1 billion now. At first glance, one could conclude that the backlog is building up because the processing is slowing down. This is not the case. The ratio of the backlog to the average monthly award rate is roughly the same this year as last year.
- The 1976 budget estimated \$5.2 billion obligations (awards) for 1976. The 1977 budget shows \$4.5 billion for 1976. However, this change was due to normal difficulties in a large public works program, and was in spite of an intensive effort to speed up the process.
- The \$5.2 billion was divided among the regions on a quota or target basis. The lower estimate of \$4.5 billion looks like the target is being reduced when in fact it is all that can be achieved. The budget estimate of \$4.5 billion does not appear to be a constraint. Through February, obligations total \$2 billion.
- Although the 1977 budget estimates 1977 obligations to be \$6.1 billion, the fact that the budget contains no new budget authority for the program could be misconstrued to mean that a phaseout or slowdown is intended. The answer to this is that there is plenty of money available for 1977 and no new money will be needed until 1978.

- Without new budget authority in 1977 some States will not have money for new awards.
  - . We addressed this issue in the 1977 budget decision process. At that time EPA was estimating that 22 States would run out. That estimate is now down to 12 States.
  - . Some of these States, however, are making awards but not getting started on construction.
  - . Nationwide, 23% of the funds awarded have not been put under construction.
  
- The possibility of a grant moratorium which was considered in the 1977 budget deliberations to hold down outlays probably leaked out. Although the moratorium plan was dropped, there probably are a lot of people who suspect the idea and the intent are still alive.
  
- The Administration's legislative reform package for this program does not include a firm recommendation for future funding levels, although it does estimate that the cost would be about \$48 billion in addition to the \$18 billion already available. At the same time, it does reduce the total Federal commitment, which could be interpreted as an intent to slow down the process.
  
- EPA tells us that States in Regions 10 and 4 may be trying to stretch out their money until the level of new funding is firmed up. If so, this is a State decision and not an EPA policy.
  
- In the 1977 budget deliberations Administrator Train agreed to manage the program in such a way as to meet a 1978 outlay target of \$4.6 billion. So far it has not been necessary to take any management steps of this sort, but word of the agreement may have leaked out.

On a related topic, a problem is developing as far as construction progress payments are concerned. EPA will run out of cash to liquidate contract authority about April 15. The Administration sent up a supplemental for \$300 million on March 8. If the supplemental is delayed until May 1 or later for inclusion in a consolidated supplemental package as the Congressional Committees would prefer, there will be some adverse reaction when the payments stop after April 15.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

MAR 10 1975

MEMORANDUM TO REGIONAL ADMINISTRATORS

THE ADMINISTRATOR

SUBJECT : GETTING THE CONSTRUCTION GRANTS PROGRAM MOVING

I have watched our performance in the Construction Grants Program with growing concern over the past few months. It is clear to me that we must act quickly to get the program moving. Four factors have led me to this conclusion:

- ~~The report of the Construction Grants Review Group which indicated that cost-effectiveness, fiscal integrity, and environmental considerations should be upgraded;~~
- o The Supreme Court decision which released \$5 billion in additional funds for the program;
- o The fact that our national monthly obligation rate is far below what I expect it to be (see attached) and that projects once obligated are not being constructed expeditiously;
- o Our performance in the preparation of Environmental Impact Statements.

This memo outlines the action plan I have adopted to get the Construction Grants Program moving.

Accountability

The National Program Manager for this program is Jack Rhett, who reports to me via Jim Agee. Jack coordinates all construction grants matters at Headquarters, supported by the other offices. You Regional Administrators, in turn, are directly and personally responsible to me for upgrading the performance of the program in your regions. I expect results.

Our goal in upgrading performance must be not only to increase dramatically and permanently the obligation rates, but also to enhance the cost-effectiveness and environmental soundness of the projects, while protecting against fraud and other irregularities.

WALD R. FORD III

### Obligation Quotas

I have directed that Jack Rhett, as National Program Manager, establish monthly minimum obligation quotas for each region for the remainder of the fiscal year. The quota system will continue into FY 76 if that is necessary. I expect you to cooperate with Jack in this effort, and I expect Jack to report to me periodically on our progress. I have also asked him to review selected projects to ensure that cost-effectiveness and environmental analyses are adequate.

### Resources

I recognize that the resources currently available to you are not sufficient over the long run to ensure that we accomplish all of the objectives of this program. I have, therefore, requested from the Director of OMB another significant increase in EPA positions for the Construction Grants Program. I will followup this request with personal visits to Mr. Lyan and to the President, if that becomes necessary.

In the meantime, I remind you that my memo of February 21 regarding the Regional Guidance and the Intermedia Priorities Ranking gives you authority to reallocate resources from lower priority national objectives to the highest priority objectives, including the Construction Grants Program. I expect you to reallocate as necessary.

### Administrator's Special Task Force

I have directed Jim Agee and Jack Rhett, with the assistance of Al Alm, to establish the Administrator's Special Construction Grants Task Force. The Task Force will visit every region on my behalf to review current administrative practices and recommend changes which will keep the program moving. The Task Force will report to me by May 31, 1975.

### Don't Wait for the Task Force

I realize that no Task Force is going to solve all of the national or specific regional problems in such a short time frame. To help get the program moving right now, I strongly urge you adopt the single project manager approach for all projects. This "cradle to grave" approach -- which begins at the pre-Step I application phase and carries through to complete construction -- would ensure that the applicant, the





consultants, the States, the Regional Administrator, and the National Program Manager know exactly who in EPA is accountable for the successful completion of every project.

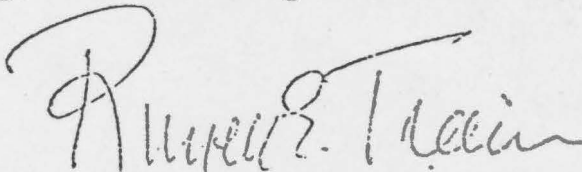
I further recommend that you combine the project manager approach with a State-orientation so that one project manager and one State team are responsible for all of the applications for all projects for all Steps from the several States in your region. The plain fact is that we are not going to get this program moving unless more of you and your staffs get out of the regional offices and into the States and communities to ensure that all of the affected people understand what is required by the Title II regulations.

#### Followup RA's Meeting

The next RA's meeting will deal with the Construction Grants Program. I expect all of the RA's and DRA's to attend. The morning of the first day will be devoted to reports from you on the steps taken to get this program moving in your region. John and I will want to know which Governors and Mayors you have talked to, and what you've done about their problems. John and I will also want to know what steps you've taken to delegate important responsibilities for parts of this program to the States. The afternoon of the first day will be devoted to a meeting between us and a small group of consultants, contractors, manufacturers, and union representatives to review the results of the meetings held with them in each region over the past months. I want to know what their problems are, and what we plan to do about them.

#### Action

I will be calling each of you and visiting some of you in the very near future to follow-up on this memo. Nothing but our best effort will get this program moving. Let's do it right.

  
Russell E. Train

cc: Assistant Administrators  
Office Directors  
Deputy Assistant Administrators



PL 92-500 CONTRACT FUNDS FOR FY 74 and 75

(in billions of dollars)

	<u>FY 74 Funds</u>	<u>FY 75 Funds</u>	<u>Total FY 74 and FY 75</u>
Amount Available as of 30 Jun 74	2.10	3.92	6.02
Amount Obligated as of 28 Feb 75	1.00	0.25	1.25
Amount Available as of 28 Feb 75	1.10 *	3.67	4.77
Average FY 75 Monthly Obligation Rate thru 28 Feb 75	0.125	0.031	0.153**

\*The \$1.1 billion must be obligated by 30 Jun 75 or it will be reallocated.

\*\*The Administrator's goal is \$500 million per month from now on.

