

Environmental Watch

Examining Environmental Claims and Their Costs • November-December 2009

Stimulus Rules Slow Environmental Progress and Job Creation

by Todd Myers

Claim

“Weatherization program goals are ‘...to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential expenditures, and improve their health and safety, especially low-income persons who are particularly vulnerable such as the elderly, persons with disabilities, families with children, high residential energy users, and households with high energy burden.’”

Low Income Weatherization Program, ARRA Risk Mitigation, June 4, 2009

<http://performance.wa.gov/recoveryact/RecoveryAct111809/Weatherization/Weatherization/Documents/Wx%20Risk%20Mgt%20Document%206-4-09.doc>

“...the purpose of the ARRA provisions was to stimulate economic recovery by funding current infrastructure construction, not to delay projects that are already shovel ready by requiring entities, like the City [of Ocean Shores], to revise their design and potentially choose a more costly and less efficient project.”

Federal Register /Vol. 74, No. 155 /Thursday, August 13, 2009, FR Doc. E9-19492

Facts

The American Recovery and Reinvestment Act (ARRA), more commonly known as the “stimulus” package, was intended to pour federal dollars into government construction projects, including projects designed to reduce environmental impact. Along with those projects come numerous rules that add costs, like the “buy American” provision and prevailing wage requirements.

The goal of the stimulus package is to quickly create jobs, focusing on “shovel ready” projects. Some of ARRA’s environmental projects in Washington state, however, are a case study in the failure of government to improve environmental sustainability and reduce environmental impact. Comparing the results of stimulus programs like these to the success of businesses and individuals at reducing their environmental impacts is more evidence that the consistent focus on government-chosen and government-funded projects is likely to continue to fall short of the opportunities to promote environmental sustainability.

“Buy American” Delays Jobs and Environmental Protection in Ocean Shores

One of the elements of the ARRA is that stimulus funding must be spent on American products. Projects can apply for a waiver, but the applicant must go through a process to prove that “manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality.”¹ That process is supposed to take only two weeks to ensure that “shovel ready” projects are not delayed.

One such project is the construction of a water filtration plant in Ocean Shores. The plant is designed to treat water that “contains problematic levels of iron, manganese, hydrogen sulfide,

¹ Federal Register, Volume 74, No. 155, Thursday, August 13, 2009, p. 40817

WPC’s Center for the Environment wishes you a Merry Christmas and a Happy 2010. Thank you for your support and interest in our environmental policy work this year.



Todd Myers
Environmental Director
PO Box 3643
Seattle, WA 98124-3643
(206) 937-9691

tmyers@washingtonpolicy.org
www.washingtonpolicy.org

ammonia, organic nitrogen, and organic carbon.”² The project requires filtration equipment that is only constructed in Australia, so the city applied for a waiver.

The waiver requires the City to meet three tests:

1. Applying the “buy American” provisions would be “inconsistent with public interest.”
2. Iron, steel and other necessary materials are not produced in the US in sufficient quantities.
3. The inclusion of iron, steel or other American-made goods would increase the cost of the project by 25 percent.

After a month, the EPA granted the waiver. The EPA’s goal is to make a determination of such waivers in two weeks or less. The agency found that “the capital costs are significantly lower, the electrical consumption is significantly less, and there is much less water wasted during the treatment process.”³ The EPA even hired a consulting contractor to determine that there were, in fact, no alternative sources available. Rather than find the best way to improve water quality, the EPA, ironically, was put in the position of trying to determine whether the project would meet a set of political goals.

This case is a great example of the weaknesses of government solutions. Government programs invite those with political priorities to use legislation as a vehicle to achieve a variety of goals, weakening and undermining the original intent of the project. Supporters of these types of compromises might have two responses.

First, they might argue that one month is a short period of time. The problem, however, is that such delays can compound, as we shall see with the funding for weatherization projects. Despite the fact that the EPA has had to manage only a small number of such applications, the process still took twice the length allotted.

Second, they might argue that the “buy American” provision is worthwhile. Beyond the simple fact that such rules are inherently costly (if the American products were less expensive, such rules wouldn’t be necessary), the unintended consequences of the rules are significant. This instance demonstrates that the provision can have the perverse result of delaying 10 jobs for Americans because the 11th is Australian. At a time when unemployment is high, there is a strong sympathy for programs that create jobs immediately. But jobs that rely on government subsidies are tenuous. The problem with relying on government is that you can’t rely on it. A number of people relying on state funding soon find that their funding is in jeopardy. Such a house of cards is no basis for a growing, prosperous economy or stable jobs.

Weatherization Project Hits Stormy Weather

Another effort using ARRA funds is the weatherization of low-income houses in Washington state to reduce their energy use. The program is allowed to spend up to \$6,500 per unit “to increase the energy efficiency of dwellings owned or occupied by low-income person.”⁴

According to the Energy Information Administration, the average total household energy cost for those under 150 percent of the federal poverty level is \$1,548. Washington’s average is lower, and we have some of the lowest energy costs in the country. If the program cut energy costs by one-third, it would take about thirteen years to recover the costs. This, however, is a charity program, with the benefits accruing to those who might have difficulty paying their energy bills,

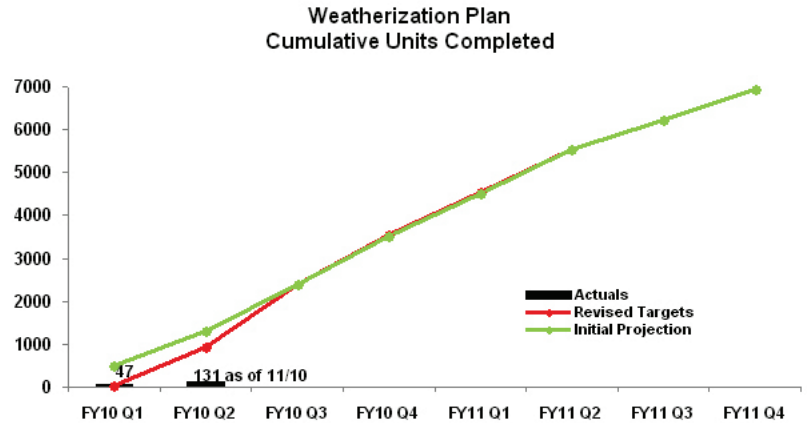
² Ibid.

³ Ibid.

⁴ *Low Income Weatherization Program, ARRA Risk Mitigation, June 4, 2009, <http://performance.wa.gov/recoveryact/RecoveryAct111809/Weatherization/Weatherization/Documents/Wx%20Risk%20Mgt%20Document%206-4-09.doc> (Accessed 11/29/09)*

so the question of return-on-investment is secondary. This is another case of political goals superseding environmental goals. The environmental goal becomes a useful ribbon to put on the package, but is secondary in the implementation.

Whatever the goal, the weatherization project is a dramatic example of the way political goals impede the implementation of the law. At the outset of the project, the state promised they would “make the administration of the program very transparent.”⁵ Part of that transparency is setting goals and reporting to the state’s Government Management Accountability and Performance (GMAP) meetings. At the November 18, 2009 meeting, the state noted that the weatherization projects were significantly behind schedule, and had only upgraded 107 units of the 935 units planned for the first quarter of the program. The agency noted that production was slow because “Davis-Bacon and state prevailing wage issues had not been fully resolved.”⁶ As a result, questions about how much to pay workers delayed nearly 90 percent of the projects to be completed.



The Governor herself noted the problems that political goals imposed on the spending of the stimulus funding. As WPC’s Center for Government Reform Director Jason Mercier notes, at the GMAP meeting, “The Governor commented that the accountability states are being held to for the stimulus funds is ‘mind boggling’ and only 1/10 of what the big banks were required to do under TARP.”⁷

Now that instructions and training on prevailing wage has resolved the issue of Davis-Bacon, the state hopes to catch up, as the graph above shows. Of course they hope to do the work of two quarters in only one, which is aggressive considering the current rate. It is all the more ironic since the goal was to create jobs quickly. Now jobs are being pushed back several months due to questions about implementation.

The delays are a good example of what can happen when agencies have to deal with a range of political rules that are unrelated to the goal at hand. Such is the baggage that comes with all government programs and should be kept in mind when we expect public agencies to promote environmental stewardship.

Costs

These two results are emblematic of the results of similar programs. On Earth Day last year we noted that the state was opening up salmon habitat behind stream culverts at only one-third the rate proposed by the state.⁸ These delays, for salmon or energy savings, have real environmental impacts. Salmon populations suffer from lack of habitat that could have been provided.

⁵ Ibid.

⁶ Washington State Department of Commerce, “How many units will be preserved through Weatherization (Recovery Act)?,” 11/3/09, <http://performance.wa.gov/recoveryact/RecoveryAct111809/Weatherization/Weatherization/Pages/default.aspx> (Accessed 11/29/09)

⁷ Jason Mercier, “Governor to Commerce Director: “This is not acceptable’,” http://washingtonpolicyblog.typepad.com/washington_policy_center_/2009/11/governor-to-commerce-director-this-is-not-acceptable-.html (Accessed 11/29/09)

⁸ Todd Myers, “Earth Day -- But Then Again, Salmon Don’t Live on the Earth,” April 21, 2008, http://washingtonpolicyblog.typepad.com/washington_policy_center_/2008/04/earth-day---bu.html (Accessed 11/29/09)

Thousands of tons of CO₂ were emitted that might have been avoided. Time and resources that should have been dedicated to creating clean drinking water, opening salmon habitat or reducing energy use were spent instead on managing bureaucracy.

If businesses had such a dismal record of environmental protection, meeting only 10 percent of their cleanup targets, the outrage would be palpable. Environmental groups, however, do not express that outrage when government falls so dramatically short. What emerges is that in the same way environmental legislation is undermined by political goals, environmental groups remain silent because they have political goals that lead them to overlook serious failures by government that they would find unforgivable by others.

As long as we count on government to take the lead in promoting environmental protection, competing political priorities will always interfere and we will fall far short of achieving real environmental sustainability.