



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON D.C. 20460

OFFICE OF THE ADMINISTRATOR
SCIENCE ADVISORY BOARD

January 6, 2011

MEMORANDUM

SUBJECT: Formation of Environmental Economics Advisory Committee
Augmented for Valuing Mortality Risk Reduction

FROM: Holly Stallworth, Ph.D. /signed/
Designated Federal Officer
Clean Air Scientific Advisory Committee
EPA Science Advisory Board Staff Office (1400R)

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THRU: Wanda Bright
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The U.S. Environmental Protection Agency (EPA) uses a “value of statistical life” to express the benefits of mortality risk reductions in benefit cost analyses of its rules and regulations. EPA’s National Center for Environmental Economics has provided guidance on this practice in its *Guidelines for Preparing Economic Analyses* (2000) and sought the advice of the Science Advisory Board’s Environmental Economics Advisory Committee (EEAC) on issues associated with updating its guidance on the value of statistical life. NCEE has now requested a review of a White Paper (November 2010) that highlights key topics related to the valuation of mortality risks reductions.

This memorandum documents the process and addresses the set of determinations used in forming the Environmental Economics Advisory Committee Augmented for Valuing Mortality Risk Reduction, specifically:

(A) the type of review body that will be used to conduct the review, and the nature of the review;

- (B) The list of candidates to be considered for the panel;
- (C) Financial conflict of interest considerations, including identification of parties who are potentially interested in or may be affected by the topic to be reviewed;
- (D) How regulations concerning “appearance of a lack of impartiality,” pursuant to 5 C.F.R. § 2635.502, apply to members of the Panel; and
- (E) The selection of Panel members.

DETERMINATIONS:

- (A) The type of review body that will be used to conduct the review, and the nature of this review.

The Environmental Economics Advisory Committee, augmented with additional subject-matter experts – known collectively as the Environmental Economics Advisory Committee Augmented for Valuing Mortality Risk Reduction – will conduct a peer review of the Agency’s White Paper which provides guidance on valuing mortality risk reduction.

- (B) The list of candidates to be considered for the Panel.

The SAB Staff Office announced to the public through a Federal Register Notice published on July 8, 2009 (74 FR 32607-32608) that it was soliciting nomination of experts with expertise in the valuation of mortality risk reduction, including the use of stated preference and revealed preference (i.e., hedonic wage) methods for estimating the value of mortality risk reductions. In addition, the SAB Staff Office sought nominations of nationally recognized individuals with expertise in meta-analytic techniques.

The SAB Staff Office identified 12 experts to be considered for the Panel. These candidates were identified through the public nomination process or by SAB staff, have relevant expertise, and are willing to serve on the Panel. On November 5, 2009, the SAB Staff Office posted a notice on the SAB Web site inviting public comments on the List of Candidates for the Panel, including biographical sketches, by November 26, 2009. The SAB Staff Office did not receive any comments on the candidate list from the members of the public.

- (C) Financial conflict of interest considerations, including identification of parties who are potentially interested in or may be affected by the topic to be reviewed.

- (a) Identification of parties who are potentially interested in or may be affected by the topic to be reviewed: The principal interested and affected parties for this topic are federal, state, and local government agencies who perform cost-benefit analysis for federal regulations.

(b) Conflict of interest considerations: For Financial Conflict of Interest (COI) issues, the basic 18 U.S.C. § 208 provision states that: “An employee is prohibited from participating *personally or substantially* in an official capacity in any *particular matter* in which he, to his knowledge, or any person whose interests are imputed to him under this statute has a *financial interest*, if the particular matter will have a direct and predictable effect on that interest [emphasis added].” For a conflict of interest to be present, all elements in the above provision must be present. If an element is missing the issue does not involve a formal conflict of interest; however, the general provisions in the appearance of impartiality guidelines must still apply and need to be considered.

i. Does the general charge to the SAB Environmental Economics Advisory Committee involve a particular matter? A “particular matter” refers to matters that “...will involve deliberation, decision, or action that is focused upon the interest of specific people, or a discrete and identifiable class of people.” It does not refer to “...consideration or adoption of broad policy options directed to the interests of a large and diverse group of people.” [5 C.F.R. § 2640.103 (a)(1)]. A particular matter of general applicability means a particular matter that is focused on the interests of a discrete and identifiable class of persons, but does not involve specific parties [5 C.F.R. § 2640.102(m)].

The EEAC’s charge to review the valuation of mortality risk reduction for policy analysis does not constitute a “particular matter” because it does not involve the interests of a discrete and identifiable class of people nor does it involve specific parties.

ii. Will there be personal and substantial participation on the part of Panel members? Participating personally means direct participation in this review. Participating substantially refers to involvement that is of significance to the matter under consideration. [5 C.F.R. § 2640.103(a)(2)]. For this review, the EPA Science Advisory Board (SAB) Staff Office has determined that EEAC members will be participating personally in the matter.

Panel members will be providing the Agency with advice and recommendations on valuing mortality risk reduction for policy analysis. Therefore, participation in this review will also be substantial.

iii. Will there be a direct and predictable effect on a Panel member’s financial interest? A direct effect on a participant’s financial interest exists if “...a close causal link exists between any decision or action to be taken in the matter and any expected effect of the matter on the financial interest. ...A particular matter does not have a direct effect ...if the chain of causation is attenuated or is contingent upon the occurrence of events that are speculative or that are independent of, and unrelated to, the matter. A particular matter that has an effect on a financial interest only as a consequence of its effects on

the general economy is not considered to have a direct effect.” [5 C.F.R. § 2640.103(a)(i)] A predictable effect exists if, “...there is an actual, as opposed to speculative, possibility that the matter will affect the financial interest.” [[5 C.F.R. § 2640.103(a)(ii)]

Candidates for the Panel were evaluated against the requirements of 5 C.F.R. § 2640.101(a), using each candidate’s confidential financial disclosure form (EPA Form 3110-48), to determine whether the work of the Panel will have a direct and predictable effect on his or her financial interests.

(D) How regulations concerning “appearance of a lack of impartiality,” pursuant to 5 C.F.R. § 2635.502, apply to members of the Panel

The Code of Federal Regulations at 5 C.F.R. § 2635.502(a) states that: “Where an employee knows that a particular matter involving specific parties is likely to have a direct and predictable effect on the financial interest of a member of his household, or knows that a person with whom he has a covered relationship is or represents a party to such matter, and where the person determines that the circumstances would cause a reasonable person with knowledge of the relevant facts to question his impartiality in the matter, the employee should not participate in the matter unless he has informed the agency designee of the appearance problem and has received authorization from the agency designee.” Further, § 2635.502(a)(2) states that, “An employee who is concerned that circumstances other than those specifically described in this section would raise a question regarding his impartiality should use the process described in this section to determine whether he should or should not participate in a particular matter.”

Candidates for the Panel were evaluated against the 5 C.F.R. 2635(a)(2) general requirements for considering an appearance of a lack of impartiality. Information used in this evaluation has come from information provided by potential advisory committee members (including, but not limited to, EPA 3110-48 confidential financial disclosure forms) and public comment as well as their responses to the following supplemental questions (included on the EPA 3110-48 confidential financial disclosure form):

1. Do you know of any reason that you might be unable to provide impartial advice on the matter to come before the panel/committee/subcommittee or any reason that your impartiality in the matter might be questioned?
2. Have you had any previous involvement with the review document(s) under consideration including authorship, collaboration with the authors, or previous peer review functions? If so, please identify and describe that involvement.
3. Have you served on previous advisory panels, committees or subcommittees that have addressed the topic under consideration? If so, please identify those activities.
4. Have you made any public statements (written or oral) on the issue that would indicate to an observer that you have taken a position on the issue under consideration? If so, please identify those statements.

(E) The selection of Panel members

The SAB Staff Office Director made the final decision about who serves on the Environmental Economics Advisory Committee Augmented for Valuing Mortality Risk Reduction, based on all relevant information. This included a review of the member's confidential financial disclosure form (EPA Form 3110-48) and an evaluation of an appearance of a lack of impartiality, and application of criteria to ensure a balanced panel.

As a result of a review of all relevant information including each candidate's confidential financial disclosure form (EPA Form 3110-48), the responses to the four questions above, and other relevant information, the SAB Staff Office has determined that there are no conflicts of interest or appearances of a lack of impartiality for the members of this Panel.

For the SAB Staff Office, a balanced committee or panel is characterized by inclusion of candidates who possess the necessary domains of knowledge, the relevant scientific perspectives (which, among other factors, can be influenced by work history and affiliation), and the collective breadth of experience to adequately address the general charge. Specific criteria to be used in evaluating an individual committee member include: (a) scientific and/or technical expertise, knowledge, and experience (primary factors); (b) availability and willingness to serve; (c) absence of financial conflicts of interest; (d) absence of an appearance of a lack of impartiality; (e) skills working in committees, subcommittees and advisory panels; and, for the committee as a whole, (f) diversity of scientific expertise, and viewpoints.

On the basis of the above specified criteria, the Environmental Economics Advisory Committee Augmented for Valuing Mortality Risk Reduction is as follows:

Dr. Catherine Kling, Chair, Iowa State University Ames IA
Dr. Nicholas Flores, University of Colorado, Boulder, CO
Dr. Madhu Khanna, University of Illinois, Urbana-Champaign, IL
Dr. Karen Palmer, Resources for the Future, Washington DC
Dr. George Parsons, University of Delaware, Newark DE
Dr. James Shortle, Pennsylvania State University, University Park PA
Dr. Laura Taylor, North Carolina State University, Raleigh NC
Dr. Peter J. Wilcoxon, Syracuse University, Syracuse, NY
Dr. JunJie Wu, Oregon State University, Corvallis, OR
Dr. Jinhua Zhao, Michigan State University, East Lansing, MI

Other panel members:

Dr. Trudy Cameron, University of Oregon, Eugene, OR
Dr. James K. Hammitt, Harvard University, Boston, MA
Dr. F. Reed Johnson, RTI, Research Triangle Park, NC
Dr. Maureen Cropper, Resources for the Future, Washington, DC

