

accurately characterize future compliance costs of the proposed rule.

In analyzing disproportionate impacts, the Agency considered the impact on (1) different regions of the United States, (2) State, local, and Tribal governments, (3) urban, rural and other types of communities, and (4) any segment of the private sector. This analysis is presented in section 7 of Economic Analysis for the LT2ESWTR (USEPA 2003a).

EPA has concluded that the LT2ESWTR will not cause a disproportionate budgetary effect. This rule imposes the same requirements on systems nationally and does not disproportionately affect any segment. This rule will treat similarly situated systems (in terms of size, water quality, available data, installed technology, and presence of uncovered finished storage facilities) in similar (proportionate) ways, without regard to geographic location, type of community, or segment of industry. The LT2ESWTR is a rule where requirements are proportionate to risk. Although some groups may have differing budgetary effects as a result of LT2ESWTR, those costs are proportional to the need for greater information (monitoring) and risk posed (degree of treatment required). The variation in cost between large and small systems is due to economies of scale (a larger system can distribute cost across more customers). Regions will have varying impacts due to the number of affected systems.

d. *Macro-economic effects.* Under UMRA section 202, EPA is required to estimate the potential macro-economic effects of the regulation. These types of effects include those on productivity, economic growth, full employment, creation of productive jobs, and international competitiveness. Macro-economic effects tend to be measurable in nationwide econometric models only if the economic impact of the regulation reaches 0.25 percent to 0.5 percent of Gross Domestic Product (GDP). In 2000, real GDP was \$9,224 billion, so a rule would have to cost at least \$23 billion to have a measurable effect. A regulation with a smaller aggregate effect is unlikely to have any measurable impact unless it is highly focused on a particular geographic region or economic sector.

The macro-economic effects on the national economy from the LT2ESWTR should not have a measurable effect because the total annual costs for the proposed option range from \$73 million to \$111 million based on median *Cryptosporidium* occurrence distributions from the ICRSSL and Information Collection Rule data sets

and a discount rate of 3 percent (\$81 to \$121 million at a 7 percent discount rate). These annualized figures will remain constant over the 25-year implementation period that was evaluated, while GDP will probably continue to rise. Thus, LT2ESWTR costs measures as a percentage of the national GDP will only decline over time. Costs will not be highly focused on a particular geographic region or sector.

e. *Summary of EPA consultation with State, local, and Tribal governments and their concerns.* Consistent with the intergovernmental consultation provisions of section 204 of UMRA, EPA has already initiated consultations with the governmental entities affected by this rule. A variety of stakeholders, including small governments, were provided the opportunity for timely and meaningful participation in the regulatory development process. EPA used these opportunities to notify potentially affected governments of regulatory requirements being considered.

The Stage 2 M-DBP Federal Advisory Committee included representatives from State government (Association of State Drinking Water Administrators, Environmental Commissioners of States), local government (National League of Cities), and Tribes (All Indian Pueblo Council (AIPC)). Government and Tribal representatives on the Advisory Committee were generally concerned with ensuring that drinking water regulations are adequately protective of public health and that any additional public health expenditures due to new regulations achieve significant risk reduction. The proposed LT2ESWTR reflects the consensus recommendations of the Advisory Committee, as stated in the Agreement in Principle (65 FR 83015, December 29, 2000). Consequently, EPA believes that the risk-targeted approach for additional *Cryptosporidium* treatment requirements and other provisions in today's proposal satisfies the concerns of the government and Tribal representatives on the Advisory Committee.

As described in section VII.C of this preamble, the Agency convened a Small Business Advocacy Review (SBAR) Panel in accordance with the Regulatory Flexibility Act (RFA) as amended by the Small Business Regulatory Enforcement Fairness Act to address the concerns of small entities, including small local governments specifically. Small entity representatives (SERs) to the SBAR panel, including representatives of small local governments, were concerned about the cost of the rule, the technical capability of small systems to

implement requirements, and flexibility in regulatory requirements and in the compliance schedule. SERs also emphasized that EPA needs to balance the control of known microbial risks with the risks associated with DBPs.

Today's proposal is responsive to these concerns, as stated in section VII.C. The LT2ESWTR will impose costs for additional treatment on only the fraction of systems identified through monitoring as being at higher risk, and overall monitoring costs for small systems will be greatly reduced through use of the *E. coli* screening to waive small systems from *Cryptosporidium* monitoring. The microbial toolbox of treatment options will provide significant flexibility to systems to identify cost-effective solutions for meeting additional *Cryptosporidium* treatment requirements. The compliance schedule for small systems is delayed in relation to large systems, which will allow small systems additional time to become knowledgeable about and prepare to implement the LT2ESWTR. The intent of the proposed disinfection profiling provisions is to ensure that when systems make treatment changes to control DBP formation, they maintain protection against pathogens.

EPA held a meeting on the LT2ESWTR in February 2001 with representatives of State and local governments. Representatives of the following organizations attended: Association of State Drinking Water Administrators (ASDWA), the National Governors' Association (NGA), the National Conference of State Legislatures (NCSL), the International City/County Management Association (ICMA), the National League of Cities (NLC), the County Executives of America, and health departments. Representatives asked questions regarding how *Cryptosporidium* gets into the water, whether EPA would add laboratory approval for *Cryptosporidium* to State certification programs, the effectiveness of ozone and UV, and the development of ambient water quality criteria for *Cryptosporidium*.

EPA has largely addressed these questions in this preamble. Section II characterizes sources of *Cryptosporidium*. As described in section IV.K, EPA is currently carrying out a laboratory approval program for *Cryptosporidium* analyses but expects that this will be included in State laboratory certification programs in the future. In section IV.C., EPA describes the effectiveness of ozone and UV for *Cryptosporidium* inactivation and provides criteria for how these technologies may be used to comply with the treatment requirements in