EPA

United States Environmental Protection Agency
Washington, DC 20460

Work Assignment

Work Assignment Number: 0-02

☐ Other ☐ Amendment Number:

Contract Number	Contract Period	Title of Work Assignment/SF Site Name
EP-D-14-032	09/16/2014 To 09/15/2019 Base X Option Period Number	Update Income Elasticity...

Contractor: INDUSTRIAL ECONOMICS, INCORPORATED

Specify Section and paragraph of Contract SOW: 2

Purpose:
- [X] Work Assignment
- [ ] Work Assignment Amendment
- [ ] Work Plan Approval
- [ ] Work Assignment Close-Out
- [ ] Incremental Funding

Period of Performance: From 09/16/2014 To 09/15/2015

Comments:
THE WORK ASSIGNMENT INCLUDES 100 HOURS FOR PREPARATION OF THE WORKPLAN/COST ESTIMATE AND TO BEGIN THE WORK ASSIGNMENT. THE CONTRACTOR SHALL PROPOSE THE HOURS NECESSARY TO COMPLETE ALL TASKS. NO PREVIOUSLY PERFORMED WORK SHALL BE DUPLICATED. PERIOD OF PERFORMANCE WILL BE 4 MONTHS FROM DATE OF WA APPROVAL.
SEE ATTACHED SOW

☐ Superfund — Accounting and Appropriations Data — [X] Non-Superfund

SFO (Max 2) ☐

Note: To report additional accounting and appropriations date use EPA Form 1900-69A.

Line	DCN (Max 6)	Budget/FY (Max 4)	Appropriation Code (Max 6)	Budget Org/Code (Max 7)	Program Element (Max 9)	Object Class (Max 4)	Amount (Dollars)	(Cents)	Site/Project (Max 8)	Cost Org/Code (Max 7)
1										
2										
3										
4										
5										

Authorized Work Assignment Ceiling

Contract Period: 09/16/2014 To 09/15/2019 Cost/Fee: LOE:

This Action:

Total:

Work Plan / Cost Estimate Approvals

Contractor WP Dated: Cost/Fee: LOE:

Cumulative Approved: Cost/Fee: LOE:

Work Assignment Manager Name Neal Fann	(Signature) (Date)	Branch/Mail Code: Phone Number 919-541-0209 FAX Number:
Project Officer Name Carolyn Blake	(Signature) (Date)	Branch/Mail Code: Phone Number: 919-541-5256 FAX Number:
Other Agency Official Name	(Signature) (Date)	Branch/Mail Code: Phone Number: FAX Number:
Contracting Official Name Rob D. Flowers	(Signature) 10/31/2014 (Date)	Branch/Mail Code: Phone Number: 919-541-2182 FAX Number:

I. TITLE: Update Income Elasticity Estimates and BenMAP-CE Income Adjustment Factors

II. Contractor: IEc, Inc.
Contract No.: EP-D-14-032
WA No.: 0-02
Level of Effort: XXXX
Performance Period: 4 months

III. WORK ASSIGNMENT MANAGER (WAM):

Neal Fann
EPA, OAQPS, OAR
C539-07
RTP, NC 27711
919-541-0209

IV. BACKGROUND:

When quantifying the dollar value of changes in the risk of air pollution-related health impacts, EPA applies both cost of illness and willingness to pay based economic valuation estimates. Economic theory argues that the willingness to pay for the reduction in the risk of adverse health outcomes will increase with the growth in real income. When performing an air pollution benefits analysis, EPA accounts for the effect of changes in real income on willingness to pay in a two-step process: (1) projecting growth in real income to the analytical year of the benefit analysis; and (2) applying income elasticity estimates that account for the severity of the effect to adjust the willingness to pay estimate. Projections of income growth and income elasticity estimates are combined to generate income growth adjustment factors for future years.

The income elasticity estimates and projections of income growth have remained unchanged since 2004 (and perhaps earlier) and the income adjustment factors are projected to 2024. Under work assignment 2-09 (contract EP-D-09-054) the Contractor performed a review of the economics literature to identify peer-reviewed articles that could supply updated income elasticity estimates. The Contractor applied criteria described in the Science Advisory Board December 2010 White Paper on valuing mortality risk reductions for environmental policy to select a subset of these income elasticity values.

V. STATEMENT OF WORK (SOW):

The Contractor shall conduct the following tasks in accomplishing the objective of this Work Assignment.

Task #1: Develop Work Plan

The contractor shall develop a work plan for this work assignment, including a cost estimate. The contractor shall submit the proposed work plan no later than twenty (20) days following approval and receipt of this Work Assignment. In addition, the contractor shall provide monthly progress reports to be submitted with the invoice in the manner described in this contract.

Task #2. Refresh the literature review of income elasticity estimates

The Contractor shall perform a literature review of income elasticity estimates and income growth projections, building upon previous literature reviews completed in 1999, 2000 and 2004 as well as the memo submitted under work assignment 2-09. In contrast to the literature review performed under the previous work assignment, which relied primarily on previously published systematic reviews (e.g. Robinson 2008), the Contractor shall undertake a full-scale literature review.

Task #3: Recommend and document income elasticity values

In consultation with the WAM, the Contractor shall critically evaluate the income elasticity estimates identified in the literature review in task #2. When evaluating the income elasticity estimates for suitability in EPA air pollution benefits assessments, the Contractor shall consider such attributes as the study methodology and the number of times the article has been cited. The Contractor shall also consult with the WAM to ensure that the criteria used to evaluate income elasticity studies are interpreted and applied in a manner consistent with other ongoing Agency projects. Upon WAM approval of income elasticity estimates and income growth projections, the Contractor shall draft a memorandum documenting the literature review.

Task #4: Revise and finalize income elasticity memorandum

Under a separate work assignment, the memorandum developed in task 3 will be subject to independent peer review. To the extent that reviewers recommend changes to the literature review or identify further literature, the Contractor shall revise the memorandum, subject to available resources. The final version of this memorandum shall include a table of income growth adjustment factors calculated using the projected income growth values identified in Work Assignment 2-09.

VI. REPORTING REQUIREMENTS:

All reports shall be in accordance with contract specifications. The Contractor shall submit work products in electronic as well as hard copy form. In addition, the Contractor shall deliver to the WAM each draft and final report in electronic format that is readable by OAQPS's windows-based word-processing (Microsoft Word 2007), graphics (Microsoft PowerPoint 2007), spreadsheet (Excel 2007), and database (Access 2007) programs.

III. DELIVERABLES:

The Contractor shall adhere to the following schedule:

Task	Deliverable	Delivery Schedule
1	Work Plan/Cost estimate	20 days after effective date of WA
2	Literature review	8 weeks after effective date of WA
3	Elasticity memorandum	12 weeks after effective date of WA
4	Revised elasticity memorandum	16 weeks after effective date of WA