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## **BRAC Public Policy Commentary: Eighteen of Twenty Top-Performing Metro Economies at Risk from New Ozone Standards**

All but two of the nation’s top twenty metropolitan area economies, as ranked by the Brookings Institution’s assessment of performance through recession and recovery, would fall into “ozone nonattainment” status if the Obama administration moves forward with its more aggressive regulatory plans for air quality, according to an analysis completed by the Baton Rouge Area Chamber (BRAC)

The proposed National Ambient Air Quality Standards (NAAQS) for ground level ozone rule, issued by the Environmental Protection Agency (EPA) on December 17, 2014, is designed to lower the current NAAQS of seventy-five parts-per-billion (ppb) to a range between sixty-five and seventy ppb. Should the Obama administration push forward with a standard of sixty-five ppb, eighteen of the U.S.’s twenty top-performing metropolitan economies would find themselves in a regulatory posture of “nonattainment,” and all the regulatory consequences that entails.

<b>Brookings Institute Metro Monitor - September 2014</b>			
<b>City/Area</b>	<b>State</b>	<b>Overall Rank (Recession + Recovery)</b>	<b>Ozone Design Value 2011-2013</b>
Austin	Texas	1	73
Harris/ Houston	Texas	2	82
San Antonio/Bexar	Texas	3	81
Dallas	Texas	4	84
Oklahoma County	Oklahoma	5	79
Davidson/Nashville	Tennessee	6	70
Provo/Orem	Utah	7	73
San Jose/Silicon Valley (Santa Clara)	California	8	68
Delaware/Columbus	Ohio	9	80
El Paso	Texas	10	72
Denver/Boulder	Colorado	11	79
Portland	Oregon	12	56
Salt Lake	Utah	13	76
Raleigh/Durham	North Carolina	14	71
Omaha	Nebraska	15	67
Charleston	South Carolina	16	63
Pittsburgh	Pennsylvania	17	76
Spartanburg/Greenville	South Carolina	18	72
Grand Rapids	Michigan	19	74
<b>Baton Rouge</b>	<b>Louisiana</b>	<b>20</b>	<b>75</b>

[Brookings' Metro Monitor](#) tracks the performance of the one hundred largest U.S. metropolitan areas on four indicators: jobs, unemployment, output (gross product), and house prices. The analysis of these indicators is focused on change during three time periods: the recession, the recovery, and the combination of the two (recession + recovery).

Using the rankings from the Brookings combination assessment (recession + recovery), BRAC then cross-matched those metropolitan areas with their respective ozone design values (average of fourth highest readings over a period of three years), as compiled by the EPA. For instance, the Baton Rouge Area ranks as the twentieth best-performing metropolitan economy in the U.S., with an ozone design value of seventy-five ppb (parts per billion).\*

It should also be noted that, while this analysis makes use of the design value computed for the three-year period covering 2011 through 2013, the Baton Rouge Area was determined to meet the current standard (seventy-five ppb) in 2013 and again in 2014, and has continued to measure below seventy-five ppb throughout its statistical area. **Yet while the Baton Rouge Area continues to make this positive environmental progress, it also has firsthand experience with what it means to be in nonattainment – a status that could soon apply to almost all other top-performing metros.**

A [report](#) published by the National Association of Manufacturers in July 2014 assessed the potential economic impact of the proposed new ozone standards, but it also touched upon what “nonattainment” means in practical terms. As the report explained:

“The greatest costs to comply with ozone regulations generally occur in nonattainment areas. The consequences for nonattainment are severe and can include a loss of industry and economic development resulting from increased costs, delays and uncertainties from restrictive permitting requirements; loss of federal highway and transit funding; requirements that any new emissions in the area be offset or the facility cannot be built; and technical and formula changes for commercial and consumer products.”

Mary Martin, who serves as Energy, Clean Air and Natural Resources Policy counsel for the U.S. Chamber, has [described](#) how these restrictions translate into consequences:

“[F]ailure to comply with existing ozone standards can lead to non-attainment designation, which are often viewed as a death knell for economic and business development in an area.

“Indeed, severe repercussion[s] result almost immediately from non-attainment designation, such as increased costs to industry, permitting delays, restrictions on expansion, as well as impacts to transportation planning. There are significant adverse consequences to being designated a non-attainment area, making it substantially harder for a community to attract new business or expand existing facilities. Furthermore, in non-attainment areas, EPA is able to revise existing air permits, which can cause tremendous uncertainty, delays, and increased costs in the permitting process for businesses.”

While the Baton Rouge Area Chamber believes in and stands for cleaner air and an improved environment, it continues to vehemently oppose the proposed reductions in ambient air quality standards from the current level of seventy-five ppb.

Since the EPA first proposed lowering the ozone standard in December, the Baton Rouge Area has seen four major industrial projects totaling 2,000 direct and indirect jobs, and more than \$7 billion in capital investment, either put on hold or redirected elsewhere. These losses are in direct correlation with the uncertainty created by the newly proposed ozone standards rule. The direct impact on the Baton Rouge Area, in terms of new payroll created from the projects themselves, would have been over \$86 million

annually in wages for the local economy. Also, because these projects included foreign direct investment projects, they also represented new investment from multi-national corporations into the country. **Federal regulations concerning NAAQS are having a direct, negative effect on competing U.S. goals for increasing foreign direct investment and exports.**

In the Baton Rouge Area case outlined above, these consequences came about merely from the regulation being *proposed*. Imagine the losses if it is actually implemented, losses not only for Baton Rouge but for other top-performing metros across the country. The implication is that U.S. government policy toward ozone, as proposed, runs in direct contradiction to America's economic goals. More time should be taken to plan solutions that avoid the negative effects on the national economy, and especially on the top-performing regional economies in the United States.

*\*EPA recommends using the [Core Based Statistical Area \(CBSA\)](#) as the starting point to determine boundaries of ozone nonattainment. Based on this approach the highest monitored value of ozone in a CBSA was provided.*

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