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Memorandum

To United States Judiciary Committee

From Charles E. Bates, PhD

Date February 1, 2006

Re Response to question from Senator Graham

Response to Senator Graham's question

Question 1:

In response to the first portion of the question, I do not have an opinion as to whether or not different treatment of citizens from different vermiculite sites is justified. We did not study this issue in our work on S.852.

In response to the second portion of your question, my analysis shows that even without any compensation going to citizens living in proximity to vermiculite sites, the Trust Fund is insolvent. The FAIR Act would create entitlements in excess of $300 billion, which substantially exceed the $140 billion in proposed funding. Including the vermiculite sites would only exacerbate this shortfall.

Furthermore, many of the potential vermiculite sites have large populations. Given the magnitude of the populations surrounding many of the potential vermiculite sites, the costs of the entitlements created outside of Libby would dwarf the costs of the entitlements created for Libby. I am not aware of any studies that provide an actual assessment of the costs that would be associated with these potential vermiculite sites. However, because of the combination of population size of these locals, background cancer incidence rates, and the payment levels specified in the trust, the costs clearly would be substantial.

Finally, in its report on the FAIR Act, the CBO assigns zero cost to the compensation of claims from Libby or any of the other vermiculate sites. Under any reasonable assumptions, the likely cost of the potential entitlement associated with vermiculate sites would be

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substantial. Clearly CBO's approach is not appropriate in a report that portrays itself as a "cost estimate" of the FAIR Act, as it assigns zero cost to this and other risk factors that have substantial cost.