

estimates presented in this chapter are based on agency information or transparent modifications of agency information performed by OIRA. We have not provided new information on the impacts of Federal regulation on State, local, and tribal government, small businesses, wages, and economic growth in this draft report. The 2002 Report issued in December 2002 includes discussions of these issues (see pages 41 to 46). We request public comment and any additional information on these impacts for this year's final report.

We also include in this chapter a discussion of major rules issued by independent regulatory agencies, although OMB does not review these rules under Executive Order 12866. This discussion is based on data provided by these agencies to the General

Accounting Office (GAO) under the Congressional Review Act.

*A. Estimates of the Total Benefits and Costs of Regulations Reviewed by OMB<sup>3</sup>*

Table 1 presents estimates by agency of the costs and benefits of major rules reviewed by OMB over the period October 1, 2001 to September 30, 2002. We reviewed 31 final major rules over that period. These 31 rules represent less than ten percent of the 330 final rules reviewed by OMB and less than one percent of the 4,153 final rules documents published in the **Federal Register** during this 12-month period. However, OIRA believes that the costs and benefits of major rules are quantitatively more important than all other rules combined.

Of the 31 rules, 25 implemented Federal budgetary programs, which

caused income transfers from one group to another. The remaining six regulations were "social regulations", requiring substantial additional private expenditures and/or providing new social benefits.<sup>4</sup> Four of these six "social regulations" imposed mandates on State and local entities or the private sector. The other two "social regulations" were enabling regulations that did not impose mandates.

Of the six "social regulations," we are able to present estimates of both monetized costs and benefits for three rules.<sup>5</sup> We did not include the 3 other rules that did not have monetized estimates for either costs or benefits or both. Three agencies, DOE, DOT, and EPA issued 3 major regulations adding a combined \$2.0 billion to \$6.5 billion in annual benefits and \$1.6 billion to \$2.0 billion in annual costs.

TABLE 1.—ESTIMATES OF THE ANNUAL BENEFITS AND COSTS OF MAJOR FEDERAL RULES, OCTOBER 1, 2001 TO SEPTEMBER 30, 2002  
[Millions of 2001 dollars]

Agency	Benefits	Costs
Energy .....	710 .....	636.
Transportation .....	409 to 944 .....	749 to 1,206.
Environmental Protection Agency .....	913 to 4,818 .....	192.
Total .....	2,032 to 6,472 .....	1,577 to 2,034.

Table 2 presents an estimate of the total costs and benefits of all regulations reviewed by OMB over the ten-year period from October 1, 1992 to September 30, 2002 that met two conditions.<sup>6</sup> Each rule generated costs or benefits of at least \$100 million annually, and a substantial portion of its costs and benefits were quantified and monetized by the agency or, in some cases, monetized by OMB. The estimates are therefore not a complete accounting of all the costs and benefits of all regulations issued by the Federal government during this period. We have expanded the number of years covered by our estimates to ten from the six and half years presented in last year's report. We provide estimates of the cost and benefits of social regulation (health, safety and environmental regulation) for each rule for the periods covering October 1, 1992 to March 31, 1995 and October 1, 2001 to September 30, 2002 in Appendix A.<sup>7</sup> OMB has chosen a 10-

year period for aggregation because pre-regulation estimates prepared for rules adopted more than ten years ago are of questionable relevance today. The estimates of the costs and benefits of Federal regulations over the period October 1, 1992 to September 30, 2002 are based on agency analyses subject to public notice and comments and OMB review under E.O. 12866.

In last year's report, the aggregate costs of regulations fell within the range of the estimated benefits—albeit at the lower end of the range. The aggregate benefits reported in Table 2, however, are roughly three to five times the aggregate costs and are substantially larger than the aggregate benefits reported in our 2002 report. There are two reasons for this. First, the additional rules added to cover a 10-year period included EPA's rule implementing the sulfur dioxide limits of the acid rain provisions in the 1990 Amendments to the Clean Air Act. This rule adds

calculated benefits of over \$70 billion per year to the aggregate benefits estimate. Second, in reviewing our estimates, we inadvertently subtracted incorrect cost estimates for EPA's rules establishing National Ambient Air Quality Standards for Ozone and Particulate Matter. This correction reduces the aggregate cost of the rules covered over the 10-year period by roughly \$20 billion per year.

It is important to note that four EPA rules—two rules limiting particulate matter and NO<sub>x</sub> emissions from heavy duty highway engines, the Tier 2 rule limiting the emissions from light duty vehicles, and the Acid Rain rule cited above—account for a substantial fraction of the aggregate benefits reported in Table 2. These four EPA rules have estimated benefits of \$96 to \$113 billion per year and costs of \$8 to

<sup>3</sup>In previous reports, we presented detailed discussions about the difficulty of estimating and aggregating the costs and benefits of different regulations over long time periods and across many agencies. We do not repeat those discussions here. Our previous reports are on our Web site at <<http://www.whitehouse.gov/omb/inforeg/regpol.html>>.

<sup>4</sup>Rules that transfer Federal dollars among parties are not included because transfers are not social costs or benefits. If included, they would add equal amounts to benefits and costs.

<sup>5</sup>We used agency estimates where available. If an agency quantified estimates but did not monetize, we used standard assumptions to monetize as explained in Appendix A.

<sup>6</sup>We calculated Table 2 estimates by adding the estimates in Table 1 above and the estimates from Table 6 in Appendix A to Table 8 of the 2002 OMB report.

<sup>7</sup>Agency estimates of the cost and benefits of major regulations for October 1, 1992 to March 31, 1995 are provided in Appendix B. Appendix A contains revised estimates.