

TABLE 6.—RULES FOR INDEPENDENT AGENCIES (OCTOBER, 2001–SEPTEMBER, 2002)—Continued

Agency	Rule	Information on benefits or costs	Monetized benefits	Monetized Costs
FCC .....	Ultra-Wideband Transmission Systems .....	No .....	No .....	No.
FCC .....	Assessment and Collection of Regulatory Fees for Fiscal Year 2002 .....	No .....	No .....	No.
FCC .....	Order to Permit Operation of NGSO FSS Systems Co-Frequency with GSO and Terrestrial Systems in the Ku-Band Frequency Range; Authorize Subsidiary Terrestrial Use of the 12.2–12.7 GHz Band by Direct Broadcast Satellite Licensees and Their Affiliates; and in Re-Applications of Broadwave USA, PDC Broadband Corporation, and Satellite Receivers, Ltd. in the 12.2–12.7 GHz Band.	No .....	No .....	No.
NRC .....	Revision of Fee Schedules; Fee Recovery for FY 2002 .....	No .....	No .....	No.
SEC .....	Books and Records Requirements for Brokers and Dealers Under the Securities Exchange Act of 1934.	Yes .....	Yes .....	Yes.
SEC .....	Certification of Disclosure in Companies' Quarterly and Annual Reports .....	Yes .....	No .....	Yes.
SEC .....	Acceleration of Periodic Report Filing Dates and Disclosure Concerning Web Site Access to Reports.	Yes .....	No .....	Yes.

## Chapter II. Developing Better Regulation

In addition to estimates of the cost and benefits of Federal rules and paperwork, the Regulatory Right-to-Know Act requires OMB to publish “recommendations for reform.” In response to this requirement, OMB seeks public comment in the following three areas.

### A. Guidelines for Regulatory Analysis

The evaluation of both the benefits and costs of alternative options through regulatory analysis helps agency policymakers arrive at sound regulatory decisions and also helps the public, Congress, and the courts understand those decisions. Although the preparation of such an analysis may require significant investments of agency staff and resources, carefully completed analyses will result in well-designed regulations and larger net benefits to society as a whole. To help support the development of better analysis, OMB has provided guidance to the agencies since the 1980s on how to conduct regulatory analysis. The current OMB guidelines were issued in 1996 as a “best practices” document and were revised and issued as guidance in 2000.

In order to make continued improvements in the quality of the regulatory analyses prepared by agencies, OIRA initiated in 2002 a process to refine these guidance documents. The OIRA Administrator and a member of the Council of Economic Advisers (CEA) are serving as co-chairs of this effort. OMB and CEA staff have drafted proposed revised guidelines which are presented in Appendix C. Through these proposed guidelines, we seek to establish more uniform analytic guidance for the agencies to follow in preparing their regulatory analysis. We will also incorporate new insights and recent

innovations in what constitutes a good analysis. Finally, we expect the guidelines to increase the transparency of the analysis of prospective regulations to both technical and nontechnical readers.

While these proposed guidelines include some additional requirements on the agencies in performing RIAs, we believe that adherence to the proposed revisions will yield improvements in the information provided by these analyses. Improved analyses will strengthen the regulatory development process, resulting in better designed regulations and potentially large net benefits to society as a whole.

The key changes in the proposed guidelines include the following:

- The proposal encourages agencies to perform both cost-effectiveness analysis and benefit-cost analysis of major rules because the two techniques offer regulators somewhat different but useful perspectives. In addition, however, we recognize that cost-effectiveness analysis will be feasible in certain situations where a benefit-cost analysis may not be feasible.

- The proposal recommends that agencies report analytic results based on two discount rates—3 percent and 7 percent—for major rules whose effects will be felt primarily within this generation (*i.e.*, the next 20 or 30 years). If benefits and costs are expected to last beyond the current generation, the proposal permits additional sensitivity analysis with discount rates as low as 1 percent.

- The proposal requires agencies to support rulemakings with formal probabilistic analysis of the key scientific and economic uncertainties regarding costs and benefits for rules with economic effects that exceed more than \$1 billion per year. In particular, the analysis must present a probability distribution for the estimated benefits

and costs, unless the benefits and costs are known with a high degree of certainty.

The draft guidelines are being released today for a 60-day public comment period as well as independent peer review by leading academic experts in the field of regulatory analysis. We also plan to conduct an interagency review of the draft guidelines following public and peer review comments.

We will continue to use our current guidance until we complete this review process and publish revised guidelines.

### B. Request for Comment on U.S. Approaches to Analysis and Management of Emerging Risks

Regulators often must decide on an appropriate course of action to protect public health, safety or the environment before science has resolved all the key factual questions about a potential hazard. The appropriate level of precaution in risk assessment and management is complicated by the need to balance efforts to mitigate these potential risks with countervailing risks that may arise from other sources. For example, policies to facilitate the growth of the diesel-engine market may be desirable from a global environmental and energy security perspective since diesel offers significant fuel efficiency advantages over gasoline-powered vehicles, and would likely lead to less reliance on importation of foreign oil and reduce the emission of greenhouse gases. However, diesel fuels pose greater risk to public health and environment from smog and soot caused by relatively higher emission of particles and nitrogen dioxide than conventional gasoline.

U.S. regulators rely on various science-based precautionary approaches in assessing potential hazards and taking protective actions. These