

# Circular A-4: A Comparison between the 2023 Draft and the 2003 Circular

Sarah Hay & Zhoudan Xie | June 16, 2023

On April 6, the Office of Management and Budget (OMB) issued proposed revisions to Circular A-4. The [current Circular](#), issued in 2003, has provided guidance to federal agencies on the development of regulatory analysis for 20 years. Pursuant to [Executive Order 14094](#) (Modernizing Regulatory Review), OMB proposed to revise the Circular to reflect new developments in economic and other scientific understanding. The 91-page [revised draft](#) of Circular A-4, along with a [preamble](#), includes revised and expanded guidance on various aspects of regulatory analysis, such as scope of analysis, alternative regulatory approaches, developing benefit and cost estimates, distributional effects, treatment of uncertainty, and discount rates. This Regulatory Insight provides a section-by-section comparison between the 2023 draft and 2003 Circulars and a descriptive discussion about major changes in each section.

## Scope of Analysis

<b>2023 Draft Circular A-4:</b>	Section 3. Scope of Analysis (pp. 9-11)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / General Issues / 1. Scope of Analysis (p. 15)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>Expands guidance for geographic scope of analysis to include international effects of a regulation, including effects of regulation on noncitizens living abroad</li></ul>

The 2003 Circular A-4 instructs agencies to focus their analysis on “benefits and costs that accrue to citizens and residents of the United States.” For regulations that may have effects “beyond the borders of the United States, these effects should be reported separately.”

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The proposed revisions to Circular A-4 include new guidance on the geographic scope of analysis. While the revised Circular states that the primary analysis should focus on U.S. citizens and residents “in many circumstances,” it recommends that agencies also consider the international effects of regulations. It encourages agencies to consider how a regulation affects U.S. citizens living abroad, as well as noncitizens abroad, in certain contexts. When the primary analysis studies a regulation’s global effects, the revised Circular also suggests that analysts may not need to separate the effects of U.S. citizens if “such effects cannot be separated in a practical and reasonably accurate manner, or that the separate presentation of such effects would likely be misleading or confusing.”

Additionally, the revised Circular suggests that agencies consider indirect effects “from a regulation’s impact on foreign entities” and the way a regulation may affect U.S. strategic interests. The proposed Circular also encourages agencies to include the foreign effects of a regulation when that analysis would help inform “cooperative efforts with foreign regulators” to reduce differences in regulations between the U.S. and other countries.

## Developing an Analytic Baseline

<b>2023 Draft Circular A-4:</b>	Section 4. Developing an Analytic Baseline (pp. 12-15)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / General Issues / 2. Developing a Baseline (pp. 15-16)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>• Retains many ideas from the original Circular</li><li>• Recommends a post-statutory baseline in certain circumstances</li></ul>

The proposed revisions retain many of the same ideas on analytic baselines from the 2003 Circular. Both versions encourage agencies to consider a range of factors—such as evolutions in the market, changes in external factors that affect benefits and costs, changes in regulations, and the degree of compliance with existing regulations—when developing an analytic baseline. Both versions encourage agencies to use a “no-action” baseline when assessing the potential effects of a regulation, and encourage them to forecast what the world without the regulation would look like.

The proposed Circular places more of an emphasis on how future conditions might change in the absence of regulation and recommends that agencies pay “particular attention” to changes in conditions that “will significantly affect the estimated effects of the regulation.” As an example, the revisions state that “if a harm addressed by a regulation is expected to become more severe over time,” the baseline should reflect harms becoming more severe over time.

The Circular A-4 revisions are more favorable to a post-statutory baseline than the 2003 Circular A-4. For cases where substantial portions of a rule restate statutory requirements that may be self-implementing, the 2003 Circular recommends using a pre-statute baseline. If it is possible to

“separate out the areas where the agency has discretion,” then the regulatory analysis may use a post-statutory baseline to assess the discretionary elements of the action.

Under the revised Circular A-4, agencies may use a post-statutory baseline in the regulatory analysis when a regulation restates statutory requirements “that are self-implementing even in the absence of the regulatory action or over which an agency clearly has little ... regulatory discretion.” The revised Circular recommends that, in that circumstance, agencies should focus “on the discretionary elements of the action.”

## Identifying the Need for Federal Regulatory Action

<b>2023 Draft Circular A-4:</b>	Section 5. Identifying the Need for Federal Regulatory Action (pp. 15-22)
<b>2003 Circular A-4:</b>	Section B. The Need for Federal Regulatory Action (pp. 3-7)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>• Increases focus on behavioral biases as a justification for federal regulation</li><li>• Puts more emphasis on potential costs of leaving regulation to state, local, territorial, and tribal governments</li></ul>

Both the 2003 and 2023 Circulars rely on the regulatory philosophy in Executive Order 12866, stating that agencies “should promulgate only such regulations as are required by law, are necessary to interpret the law, or are made necessary by compelling need.” Both versions state that agencies should describe the need for regulation qualitatively and, where possible, quantitatively. The documents diverge in their discussions of the specific needs for federal regulatory action, and how to determine if federal regulation is the best way to address an issue.

## Certain Needs for Federal Regulatory Action

The draft Circular expands upon the 2003 Circular’s discussion of externalities, common property resources, and public goods. The draft adds club goods—goods that are non-rivalrous and excludable<sup>1</sup>—to its discussion of externalities. It also offers a different characterization of public goods, as goods whose benefits “fall on a large number of people while their costs often fall only on a few.” In contrast, 2003 Circular characterized public goods primarily by their non-excludable nature, stating that the “provision of the good to some individuals cannot occur without providing the same level of benefits free of charge to other individuals.”

The revised Circular uses a broader definition of market power than the 2003 Circular. The 2003 Circular states that firms, collectively or unilaterally, have market power “when they reduce output

<sup>1</sup> An example of a club good is cable television: as a consumer, someone else consuming cable television does not affect one’s own consumption (non-rivalrous), but one must pay a fee to access television services (excludable).

below what would be offered in a competitive industry in order to obtain higher prices.” The revised document includes this definition, and expands it to when firms can influence or determine the wages or prices paid for goods and services they buy, as well as when firms can influence the markets through non-price means, such as through decreasing product quality.

Both versions of Circular A-4 discuss how imperfect and asymmetric information can lead to market failures. They also both state that even when markets “supply less than the full amount of information,” the amount supplied may be sufficient and may not require government intervention. The versions differ when it comes to information processing: the 2003 Circular states that “the mere possibility of poor information processing is not enough to justify regulation.” The revised Circular removes this sentiment, instead focusing on behavioral biases as justification for regulation. Behavioral biases include limitations on information processing and decision-making biases. The revised Circular suggests that people use heuristics, or rules of thumb, to make decisions about complex problems, and “[s]uch heuristics can lead to inefficient outcomes when they produce systematic errors.” The draft Circular also encourages agencies to “consider the degree to which the evidence ... indicates that behavior reflects rational preferences,” or whether the behavior is due to decision-making biases. If the behavior is due to a decision-making bias, the revised Circular suggests that analysts include data about “private undervaluation or overvaluation” in their quantification of regulatory effects.

The revised Circular expands upon the 2003 Circular’s “Other Social Purposes” category for regulation by introducing three new categories: improving government operations and service delivery; promoting distributional fairness and advancing equity; and protecting civil rights and civil liberties or advancing democratic values. All of these sentiments are expressed in the 2003 Circular, but are expanded with more detail in the revisions.

## **Integration of Assessments of Need for Federal Regulatory Action into the Regulatory Analysis**

This new section in the revised Circular explains that “[o]bserving the possibility of market failure, failure of public institutions, or behavioral biases” is only the beginning of a regulatory analysis, and analysts must consider why the phenomenon is happening, and attempt to quantify the extent of any market failure, failure of public institutions, or behavioral biases. It also instructs analysts to continually assess whether their analysis maintains internal consistency.

## **Showing Whether Regulation at the Federal Level is the Best Way to Solve the Problem**

Compared to the original document, the draft Circular is less deferential to state, local, and territorial governments, and to other ways to address the identified problem. The 2003 Circular states that the analyst “should consider other means of dealing with the failure before turning to

Federal regulation.” The revised version merely states that “[i]t can be informative to consider other means of addressing the need for regulatory action you have identified in addition to, or instead of, Federal regulation.”

Both documents discuss the benefits and costs of encouraging regulation at the state and local levels. Leaving regulatory decisions to state and local governments would allow for different states to enact different policies based on local preferences, and states may “serve as a testing ground for experimentation” with different regulatory actions. In terms of costs, both documents also discuss how “duplicative regulation” can be costly for firms who work across states.

The revised Circular goes further in emphasizing the potential costs of leaving regulation to state, local, territorial, and tribal governments. The revised document suggests that, even if they are able to do so, state and local governments may not effectively address an issue. The document states that “analysis may indicate that Federal action is the best approach” if state and local governments “are failing to appropriately address a problem,” and in order to prevent a “race to the bottom” between jurisdictions.

## Alternative Regulatory Approaches

<b>2023 Draft Circular A-4:</b>	Section 6. Alternative Regulatory Approaches (pp. 22-27)
<b>2003 Circular A-4:</b>	Section C. Alternative Regulatory Approaches (pp. 7-9)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>• Includes more prescriptive discussion about regulatory alternatives that agencies should assess</li><li>• Adds “nudges” as a regulatory approach</li></ul>

This section expands on the guidance provided in the 2003 Circular. The revised section starts by recommending that agencies analyze at least three options in a regulatory analysis: their selected option; an option that would yield additional benefits, but likely at a higher cost; and an option that would cost less, but likely result in fewer benefits. It also encourages agencies to consider how different alternatives may result in different distributional effects.

The proposed Circular’s guidance about different alternatives remains similar to the 2003 Circular, with some changes in various subsections. Some sections offer increased flexibility for regulatory alternatives. The revised Circular allows for consideration of “discretionary provisions” for increased stringency above the regulated minimum, and consideration of pilot programs as a way to test which policy option would be optimal.

The revised Circular also adds “nudges”—changes to default settings or changes to the way information is presented—to the discussion of informational measures. It suggests nudges as a

means for addressing behavioral biases by “improv[ing] consumer welfare without restricting choice.”

## Developing Benefit and Cost Estimates

<b>2023 Draft Circular A-4:</b>	Section 7. Developing Benefit and Cost Estimates (pp. 27-52)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / Developing Benefit and Cost Estimates (pp. 18-31)
<b>Major Changes:</b>	<ul style="list-style-type: none"> <li>• Suggests WTP and WTA as equal frameworks</li> <li>• Changes “Ancillary benefits and countervailing risks” to “Additional benefits, costs, and transfers”</li> <li>• Allows more flexibility for not monetizing every effect of a regulation</li> </ul>

The proposed Circular breaks from the 2003 Circular by suggesting “willingness-to-pay” (WTP) and “willingness-to-accept” (WTA) as equal frameworks for measuring opportunity cost. The 2003 Circular is clear that WTP is the “most appropriate” framework for measuring opportunity cost, with WTA as a valid secondary method. The draft Circular also suggests that the observed WTP or WTA may need to be adjusted to account for behavioral biases that could affect the “true valuation.”

Keeping with the original Circular, the revised Circular continues to recommend revealed preference methods for measuring the value of goods and services. Its discussion of indirect uses of market data diverges from the original Circular by expanding the definition of “use values” to include value, whether or not the resource is “consumed or degraded” during its use; it also states that “doing nothing can be the ‘action’ that generates the greatest welfare.” The revised Circular recommends using revealed preference models that are “up-to-date [on] economic theory and the best available economic science,” whereas the original Circular favors models that “adhere to economic criteria that are consistent with utility maximizing behavior.”

Despite recommending revealed preference methods, the draft Circular offers more flexibility on using stated preference studies in regulatory analysis. While the original Circular recommends that, all else equal, any revealed preference study should be preferred over stated preference, the draft Circular recommends “[giving] less credence to a lower-quality revealed preference study than a higher-quality stated-preference study.”

The proposed Circular changes the original document’s section titled “Ancillary Benefits and Countervailing Risks” to “Additional Benefits, Costs, and Transfers.” While the text of the original and revised sections is similar, OMB’s preamble discussing the revised A-4 suggests a new tone for this section. The original Circular considers ancillary benefits and countervailing risks to be

relevant but separate from the primary analysis. The preamble suggests that, rather than being separate, the additional benefits and costs are “not meaningfully different for analytical purposes” from the primary analysis (p. 7).

In the discussion of how to treat benefits, costs, and transfers that are difficult or impossible to quantify or monetize, the revised Circular provides explicit flexibility for not monetizing certain effects of a regulation. For some of those effects, the draft Circular says that it makes more sense to quantify them, without monetizing them.

The revised Circular introduces two new sections: one regarding partial and general equilibrium analysis, and another that addresses accounting for benefits and costs from environmental services, ecosystem services, and natural capital. The former explains when each type of analysis is useful in assessing regulatory impacts, and provides some methodological recommendations for conducting general equilibrium analysis. The latter recommends that an analysis should identify environmental systems potentially affected by the proposed regulation, since many regulations may “influence environmental and ecosystem services that directly impact the welfare of relevant populations.”

## Other Key Considerations

<b>2023 Draft Circular A-4:</b>	Section 8. Other Key Considerations (pp. 52-57)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / Other Key Considerations (pp. 37-38)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>• Suggests that assuming full compliance may be inappropriate in certain circumstances</li><li>• Provides more guidance on the issues with informational approaches</li></ul>

The draft Circular maintains the original’s discussion about how technology may affect a regulation’s benefits and costs over time, and how the regulation’s design may affect how technology and other economic and social conditions may evolve.

The proposed Circular introduces new sections on a variety of topics: compliance, business cycle dynamics, market power, and imperfect and asymmetric information. When dealing with compliance, the revised Circular suggests that “assuming full compliance may be inappropriate” when imperfect compliance is likely. It recommends incorporating evidence about incomplete compliance into the analytical baseline for analysis. Regarding business cycle dynamics, the proposed Circular suggests studying how a regulation’s benefits and costs may differ depending on whether the economy is in a recession or a recovery. It also recommends accounting for market power and how it affects the proposed regulation. It highlights that a regulation on a separate issue



could have indirect effects on market power and competition, as well. Finally, it recommends considering that simply providing information may not solve the issues of imperfect or asymmetric information by causing “information overload, producing a degree of confusion, or raising the cost of interpreting information.”

## Transfers

<b>2023 Draft Circular A-4:</b>	Section 9. Transfers (pp. 57-61)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / Other Key Considerations / 2. The Difference between Costs (or Benefits) and Transfer Payments (p. 38); Section G. Accounting Statement / Separate Reporting of Transfers (p. 46)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>• Includes an alternative approach to accounting for transfers</li><li>• Discusses behavioral changes induced by transfers</li><li>• Discusses the use of the marginal cost of public funds</li></ul>

The proposed Circular expands guidance on the treatment of transfers. The 2003 Circular suggests that agencies should generally report transfers separately from benefits and costs. The proposed revisions keep this approach and provide more illustrative examples to help agencies distinguish between transfers and benefits or costs. In addition, the proposed Circular recommends an alternative approach that agencies may take. The new approach is to account for transfers as both benefits and costs such that the transfers are treated systematically in the net benefit estimate. Mathematically, this approach would not create any difference from the original approach. However, OMB notes that an advantage of this approach is to “provide greater clarity in documenting the impacts on different parties,” especially when distributional effects are considered.

The draft Circular also includes discussions about two issues that the 2003 Circular does not address. One is behavioral changes induced by transfers. The draft notes that a regulation that implements transfer payments may cause behavioral changes in affected individuals or external impacts on parties not directly receiving payments, which could have large implications for benefits and costs and therefore should be considered in the regulatory analysis. The second is applying the marginal cost of public funds to “estimating welfare effects associated with transfers from the government to other entities.” However, OMB suggests that agencies generally should not use this factor in the analysis because regulations implementing spending programs “typically do not make offsetting changes to tax policy.”



## Distributional Effects

<b>2023 Draft Circular A-4:</b>	Section 10. Distributional Effects (pp. 61-66)
<b>2003 Circular A-4:</b>	Section D. Analytical Approaches / Distributional Effects (p. 14)
<b>Major Changes:</b>	<ul style="list-style-type: none"><li>• Emphasizes the distribution of conditions and dynamics in the baseline</li><li>• Elevates the role of distributional analyses of regulatory alternatives</li><li>• Offers approaches for applying weights to the benefits and costs accruing to different groups</li></ul>

The 2003 Circular directs agencies to “provide a separate description of distributional effects ... so that decision makers can properly consider them along with the effects on economic efficiency.” However, it provides little guidance on specific approaches to conducting distributional analysis, other than stating that “the effects of various regulatory alternatives should be described quantitatively to the extent possible, including the magnitude, likelihood, and severity of impacts on particular groups.”

The proposed revisions to Circular A-4 put more emphasis on the consideration of distributional effects and include expanded guidance on distributional analysis. First, the draft guidance stresses the importance of assessing and presenting “the distribution of conditions in the baseline.” When establishing the baseline for a given group, agencies need to consider particular dynamics, such as whether the demographics of the group are likely to change over time in the absence of the regulation.

Second, the proposed revisions direct agencies to “conduct distributional analyses for each of the regulatory alternatives presented in the regulatory analysis.” While the 2003 guidance also states that “the effects of various regulatory alternatives” should be described, the revisions tend to elevate the role of this analysis in regulatory decision making. As stated in the draft Circular, such analysis “may lead an agency to select a regulatory alternative with lower monetized net benefits over another with higher monetized net benefits because of the difference in how those net benefits are distributed in each alternative.”

Third, the revised guidance suggests that agencies could apply weights to the benefits and costs accruing to different groups when estimating aggregate net benefits. Such weights, according to OMB, would account for the diminishing marginal utility of goods. In determining the weights, OMB recommends a constant-elasticity approach for subgroups defined by annual income. Specifically, the weight for each subgroup is calculated as:

$$\omega_i = \left( \frac{I_i}{I_{US}} \right)^{-\gamma}$$

where  $\omega_i$  is the weight for subgroup  $i$ ,  $I_i$  is the median income for subgroup  $i$ ,  $I_{US}$  is the U.S. median income, and  $\gamma$  is the elasticity of marginal utility. OMB recommends a constant elasticity of marginal utility of 1.4 based on a survey of empirical literature, as described in the preamble for the proposed Circular. When using weights for aggregating benefits and costs, the proposed guidance directs agencies to also present traditionally-weighted (i.e., “unweighted”) estimates, but agencies may treat weighted estimates as their primary estimates of net benefits.

Aside from the detailed guidance on methodological approaches, the draft guidance acknowledges agency discretion in determining when to produce distributional analyses in regulatory impact analyses and which groups to examine in a distributional analysis. That is based on the consideration that rules address a wide variety of issues and have different concerns about distributional effects. Therefore, the proposed Circular only directs agencies to maintain consistency across their regulations addressing similar concerns.

## Treatment of Uncertainty

<b>2023 Draft Circular A-4:</b>	Section 11. Treatment of Uncertainty (pp. 66-74)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / Treatment of Uncertainty (pp. 38-42)
<b>Major Changes:</b>	<ul style="list-style-type: none"> <li>• Abandons the presumption of “risk neutrality” in measuring the value of uncertain outcomes</li> <li>• Suggests two alternative approaches to incorporating risk aversion into a regulatory analysis</li> </ul>

Both the 2003 and revised Circulars discuss general principles regarding the treatment of uncertainty, quantitative analysis of uncertainty, economic values of uncertain outcomes, and alternative assumptions. The proposed revisions keep many of the elements from the 2003 Circular, such as the principle of full disclosure and transparency, the need to balance thoroughness with practical limits, suggested analytical approaches of analyzing uncertainty (e.g., sensitivity analysis and probabilistic analysis), and consideration of alternative assumptions. The major changes concentrate on determining economic values of uncertain outcomes.

The 2003 guidance specifies that agencies should in general assume “risk neutrality” in measuring the value of uncertain outcomes. The revised guidance changes that default assumption, requiring agencies to “determine how to account for risk preferences, including risk aversion,” especially when risk preferences are material to the analysis. The rationale is that risk aversion is widespread, as people generally prefer more certain outcomes to less certain outcomes with the same expected

value. The revised Circular therefore recommends taking risk aversion into account when developing an analysis. Nevertheless, it also notes that not all parties are risk averse, and agencies should employ different assumptions when appropriate.

To incorporate risk aversion into a regulatory analysis, the draft Circular suggests two alternative approaches. One is to determine individuals’ certainty-equivalent valuations for relevant benefits or costs through their revealed or stated willingness to pay. Such willingness to pay reflects individuals’ valuation of the protection from a risk that may be achieved by regulation. The alternative approach is to determine certainty-equivalent valuations by modeling individual preferences. Agencies would convert the estimates of possible outcomes into certainty-equivalent values using an assumed utility function, such as a constant elasticity utility function.

## Discount Rates

<b>2023 Draft Circular A-4:</b>	Section 12. Discount Rates (pp. 74-83)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / Discount Rates (pp. 31-37)
<b>Major Changes:</b>	<ul style="list-style-type: none"> <li>• Suggests a default social rate of time preference of 1.7 percent and an alternative approach of using the Ramsey model</li> <li>• Recommends a shadow price approach to account for effects on capital</li> <li>• Recommends dynamic discount rates for long-term discounting</li> </ul>

The 2003 Circular directs agencies to estimate benefits and costs using two discount rates: 3 percent and 7 percent. The 3 percent discount rate applies to the social rate of time preference, reflecting the intertemporal preference of consumption. It is approximated by the real rate of return on long-term U.S. government debt. Over the period of 1973-2002, the average yield on 10-year Treasury notes minus the average rate of change in the consumer price index (CPI) is approximately 3 percent.

The 7 percent discount rate reflects the rate of return on capital, or the opportunity cost of capital. It is based on a 1992 estimate of the average before-tax rate of return to private capital in the U.S. economy. The Circular also recommends using other discount rates to show the sensitivity of net benefit estimates to the discount rate assumption.

The revised Circular proposes changes to both the social rate of time preference and return on capital. It recommends a social rate of time preference of 1.7 percent. This number is based on the same method using the real rate of return on 10-year Treasury notes as in the 2003 guidance. However, OMB uses the most recent 30-year (1993-2022) average of the yield on 10-year Treasury

notes and the rate of change in the CPI, which results in the lower discount rate.<sup>2</sup> OMB recommends using this rate for all effects from the present through 30 years into the future.

Meanwhile, the revised Circular also suggests an alternative approach to determining the social rate of time preference—using the Ramsey model. This approach would require agencies to make a number of assumptions to calibrate or select the parameter values in the model.

As for the return on capital, the proposed revisions take a shadow price approach instead of setting a discount rate based on an estimate of the rate of return to private capital. Under the shadow price approach, agencies would convert all the benefits and costs into consumption-equivalent values and then discount them using the social rate of time preference. OMB did not recommend this approach in 2003 because it considered that “[t]hese shadow prices [were] not well established for the United States” and “the distribution of impacts from regulations on capital and consumption [were] not always well known.” In the 2023 draft, OMB recommends consideration of a range of shadow prices from 1.0 to 1.2 to account for these technical difficulties, as well as sensitivity analyses using different assumptions on the extent to which benefits and costs fall on capital. These changes lead to a single rate for discounting (i.e., the recommended social rate of time preference of 1.7 percent) for both effects on capital and consumption in regulatory analysis.

Another major change concerns the long-term or intergenerational discounting. The 2003 Circular suggests using either the same discounting techniques (i.e., using 3 and 7 percent) or a lower rate (ranged from 1 to 3 percent). The recommendation of lower rates is based on considerations of ethical issues about the utility of future generations and uncertainty about the appropriate rate over a longer time horizon. For the same reasons, the revised Circular recommends lower but dynamic discount rates over time. Agencies could generate a discount rate schedule by using data from historical interest rates in financial markets or using an economic model for welfare analysis. Although the draft Circular does not include specific values of long-term discount rates, OMB states in the preamble that it is considering adding a default schedule of rates that range from 1.7 percent for the near term to 1.0 percent for 150 years into the future.

## Quality, Objectivity, Transparency, and Reproducibility of Results

<b>2023 Draft Circular A-4:</b>	Section 13. Quality, Objectivity, Transparency, and Reproducibility of Results (pp. 83-86)
<b>2003 Circular A-4:</b>	Section E. Identifying and Measuring Benefits and Costs / General Issues / 4. Transparency and Reproducibility of Results (p. 17)

<sup>2</sup> More precisely, the proposed revision calculates the social rate of time preference using the yield on 10-year Treasury notes and the rate of change in the CPI for 1993-2002 and the yield of 10-year Treasury Inflation Protected Securities for 2003-2022. If using the 10-year Treasury rate and CPI for the entire period (1993-2022), the social rate of time preference would be 1.4 percent.

<b>Major Changes:</b>	<ul style="list-style-type: none"> <li>• Acknowledges agency discretion to define whether a regulatory analysis is “influential”</li> <li>• Provides more details on what supporting documents need to be made publicly available</li> </ul>
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The revised Circular retains the general principles regarding quality, objectivity, transparency, and reproductivity of results from the 2003 guidance. Both documents acknowledge that “it is appropriate to set minimum quality standards for regulatory analysis” given its potentially influential nature and role in the rulemaking process. The proposed Circular adds that agencies have the discretion to define whether a regulatory analysis or the information contained in the analysis is “influential” under the *Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility and Integrity of Information Disseminated by Federal Agencies*.

Both the 2003 and proposed Circulars stress the requirements of transparency and reproducibility of regulatory analysis. The proposed guidance provides more details on what supporting documents need to be made publicly available, including “the specific methods, design parameters, equations or algorithms, parameters, and assumptions” and computer code used to generate results.

## Specialized Analytical Requirements

<b>2023 Draft Circular A-4:</b>	Section 14. Specialized Analytical Requirements (pp. 86-89)
<b>2003 Circular A-4:</b>	Section F. Specialized Analytical Requirements (pp. 42-44)
<b>Major Changes:</b>	<ul style="list-style-type: none"> <li>• Adds discussions on “health and environmental impacts on minority and low-income populations”</li> </ul>

The revised Circular makes minor changes with respect to specialized analytical requirements. One notable revision is a new section on “health and environmental impacts on minority and low-income populations.” This section includes language from Executive Order 12898, directing agencies to “determine whether their programs, policies, and activities have disproportionately high and adverse human health or environmental effects on minority populations and low-income populations” and address such impacts to the extent possible.

## Accounting Statement

<b>2023 Draft Circular A-4:</b>	Section 15. Accounting Statement (pp. 89-91)
<b>2003 Circular A-4:</b>	Section G. Accounting Statement (pp. 44-47)
<b>Major Changes:</b>	<ul style="list-style-type: none"> <li>• Changes the applicability to economically significant rules as defined by Executive Order 14094</li> </ul>

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|  | <ul style="list-style-type: none"><li>• Removes certain language on the treatment of uncertainty and premature mortality risk</li></ul> |
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The guidance on accounting statements in the 2003 Circular applies to major final rules as defined in the Congressional Review Act, which is largely equivalent to economically significant rules under Sec. 3(f)(1) of the original Executive Order 12866 (which set a threshold of \$100 million in benefits, costs, or transfers). Executive Order 14094 amended that threshold to \$200 million, and the draft Circular would use that same threshold for determining when an accounting statement is required. As a result, the requirement would apply to a narrower set of rules.

Revisions to specific accounting statement requirements are minimal. The revised Circular removes language on the treatment of uncertainty and premature mortality risk, no longer requiring agencies to “present alternative primary estimates where [they] use different estimates for valuing reductions in premature mortality risk.” The Circular also moves the discussion about the accounting of transfers to the new Transfers section, as discussed above.