

Digesting the Federal Government's Annual Report on the Benefits and Costs of Federal Regulations

By: Dylan Desjardins | January 6, 2025

In brief...

OMB's draft annual report shows that federal regulations measured in FY2023 brought the nation an estimated \$48 to \$79 billion in benefits at an estimated cost of \$15 to \$19 billion.

In early November, the Office of Management and Budget (OMB) released for comment a draft [report](#) on the benefits and costs of federal regulation issued in fiscal year (FY) 2023. Based on past patterns, the final version could be released in early 2025.

This report acts to fulfill an annual requirement that OMB prepare a report for Congress on the [annual costs and benefits](#) of federal regulation, as well as recommendations for reform. Specifically, the FY 2001 Treasury and General Government Appropriations Act states that the report should contain estimates of the costs and benefits of “major” regulations in the aggregate, by agency, and by agency program among other information.¹

Benefit-cost analysis is a difficult and often contested activity, and any attempt to describe total costs and benefits of all regulations to an entire nation will be tenuous at best. The draft report itself notes that its estimates involve the aggregation of analytical results which may not be comparable, nodding to the fact that attempts to determine benefits and costs likely differ by approach and rigor across agencies. (Additionally, most of the insights below refer only to executive branch agencies, not independent agencies, which are held to different standards).

¹ OMB includes in this definition final rules that are (1) designated as meeting the criteria set forth in the Congressional Review Act, (2) designated as meeting the analysis threshold under the Unfunded Mandates Reform Act of 1995, or (3) designated as “significant” under § 3(f)(1) of Executive Order 12866 as amended by E.O. 14094.

Because this is an annual report, OMB can transpose elements of the report from one year to another. However, differences in the report from year to year do illustrate changing priorities and regulatory impacts. The rest of this commentary highlights several insights gathered from this year's draft report.

Looking at regulations for which both benefits and costs have been estimated, benefits are significantly larger than costs for the most recent year

For FY 2023 (FY23), estimates range from approximately \$48 to \$79 billion in benefits and \$15 to \$19 billion in costs in 2022 dollars. Estimated benefits are billions higher even if you look at the lower bound estimate for benefits and upper bound estimate for costs. Looking at previous years shows a similar estimated effect. Summing across FY20, FY21, and FY22, OMB estimated \$41 to \$89 billion in annual benefits and \$9 to \$20 billion in annual costs in 2022 dollars.

Historically, large estimates of benefits from environmental regulation contribute heavily to an aggregate estimated benefit of regulation for the entire year. This is true for the current year as well: for five rules for which the Environmental Protection Agency (EPA) calculated benefits and costs, they expect total benefits ranging from approximately \$21 to \$37 billion. Expected costs are roughly \$13 billion (both in 2022 dollars).

There are both encouraging and cynical interpretations of this result. A positive interpretation is that agencies are adept at pursuing rules for which benefits outweigh costs. However, some observers have offered alternative explanations including that OMB's report includes estimates for a small fraction of the total number of rules issued, and that benefits estimates (especially those related to reducing certain pollutants that comprise the majority of the monetized benefits) can be [highly uncertain](#).

The number of major rules estimating both benefits and costs steadily increased in the last four years, while the number of rules not attempting to estimate either steadily decreased

The number of major rules OMB reviewed pursuant to Executive Order (E.O.) [12866](#) declined in each of the last four years. OMB reviewed 108 major final regulations in FY20, 96 in FY 21, 62 in FY22, and 58 in FY23 (the current draft report). This year's decline may be partially attributable to E.O. [14094](#), which modified E.O. 12866 in April 2023 to [change the criteria](#) for designating a regulation as significant.

At the same time, both the total number and share of regulations for which agencies calculated benefits and costs increased. In the draft report, 19 of the 58 rules included agency estimates of cost and benefit while only six contained no estimates of costs or benefits. (See table below).

This doesn't mean that analysis of these regulations was accurate or rigorous. But proponents of benefit-cost analysis may be encouraged that it seems to be attempted more consistently in recent years.

Counts of Agency Rules in Relation to Benefit-Cost Analysis, Fiscal Year 2020-24 (Independent Agency Rules Excluded)

	Number of Major Rules OMB Reviewed	Number of Major Rules with Estimates of Benefit and Cost	Number of Major Rules with No Estimates of Benefit or Cost
2020	208	9	32
2021	96	8	29
2022	62	14	9
2023	58	19	6

The number of rules explicitly addressing COVID continues to decline

To track the number of regulations related to the COVID-19 pandemic, we searched for the terms “COVID,” “Coronavirus,” “pandemic,” and “Paycheck Protection Program” (a significant rule meant to assist in economic recovery from COVID-19) in the titles of all rules featured in the reports.²

FY20 includes 32 COVID-related regulations and FY21 includes 16. FY22 includes five regulations and the draft report for FY23 includes only two. This downward trend speaks to COVID's perceived diminishment as an emergency needing agency response, or perhaps as a less compelling justification for new rules.

The impacts of changes to Circular A-4 are not yet visible, but the report's Recommendations for Reform chapter illustrates new priorities

On November 9, 2023, OMB published a [revised Circular A-4](#) that superseded the previous version and provided new guidance on regulatory analysis. For some regulatory analyses, the updated guidance would change how benefits and costs would be calculated, potentially raising or lowering estimates based on new assumptions. However, as this year's draft report notes, agencies relied on the 2003 version of the guidance to calculate the benefits and costs analysis for all regulations in this report, with the new version expected to apply to future editions.

While the previous year's [draft report](#) discusses the importance of an updated Circular A-4 in its section on improving regulatory analysis (the update was finalized by the report's actual release), the newest version highlights different opportunities. These include:

- Updating the social cost of greenhouse gas estimates, based on a determination that an estimate by the EPA in 2023 reflects the best available evidence of correct monetization of greenhouse gas impacts.

² We searched in the titles of independent agency rules included in each report as well. This methodology may fail to capture COVID-19 related rules that did not feature these terms in the title. However, it can still give us a sense of the overall trend.

- Guidance on how agencies may enhance distributional analyses performed under incomplete information.
- Greater consideration of indirect effects of regulations on labor markets, even for regulations which are not explicitly labor market related. Consonant with the Administration's focus on monopolistic practices, this section argues that in markets characterized by substantial employer labor market power, regulations that counteract that labor market power can be welfare-enhancing.

With a new Administration entering office in January, it will be interesting to see which recommendations are followed up on—and what other changes are in store for regulators in the next four years.