



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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JUN 15 1977

The Honorable Jack Brooks, Chairman  
Committee on Government Operations  
House of Representatives

Dear Mr. Chairman:

This is in response to your request for our [views on H.R. 351], 95th Congress, a bill to establish national policies to promote the adoption of Government programs which can be expected to provide the greatest net public benefit and to prevent Government programs from having unreasonable public costs; to establish a system requiring regulatory cost/benefit assessments to be prepared for any proposed legislation or regulation which may have a significant economic impact; and for other purposes.

The bill would require that Federal agencies prepare, in consultation with the Office of Management and Budget cost/benefit assessments on any legislation or regulation proposed by the agency which may have significant impact on costs to the public. Section 8 of the bill would also require that congressional committees cause cost/benefit assessments to be prepared for legislation which they report.\*/ The assessments are required to set forth direct and indirect costs and benefits to the public, evaluate the relationship of the costs and the benefits, and provide reasonable alternatives to the proposals including an evaluation of their respective costs and benefits to the public.

We believe that the basic intent of the bill--to promote programs which provide the greatest net public benefit and to prevent these programs from having unreasonable public costs--is commendable and desirable. However, the bill is unclear as to the criteria to be used to determine whether particular proposed legislation or regulations would have a "significant impact on costs to the public" and thereby require the preparation of cost/benefit assessments. We believe that the inclusion of such criteria is essential, in view of the large volume of legislation and regulations proposed each year which might reasonably be considered as having a significant impact on costs to the public.

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\*/ It appears that the reference in section 8 (page 11, line 10) should be to "section 4(a)" of the bill.

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OK

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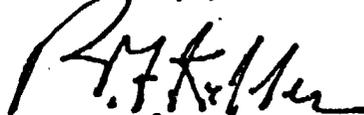
Under sections 3(4) and 3(5) of the bill, respectively, the benefits and costs to be assessed include short- and long-term effects on the public or any segment thereof; benefits and costs which may be quantified or measured in some appropriate manner; and those which may not lend themselves to appropriate measurement or quantification but which may still be deemed significant to consumers, the public, or any segment thereof. Section 6 of the bill provides for promulgation of guidelines "sufficiently detailed to insure the preparation of complete, comprehensive, and objective" regulatory cost/benefit assessments.

However, even with the provision for guidelines, we question whether the state-of-the-art, with respect to determining both costs and benefits stemming from a proposed regulation, is sufficiently developed to justify full implementation of the proposed assessments at the present time. Accordingly, we believe that the Committee should consider initially requiring one agency to experiment with and further develop the state-of-the-art of regulatory cost/benefit assessments before requiring all agencies to prepare these assessments. Such an experimental approach might place particular emphasis on ways to evaluate the significance of, and distinguish between: (1) real costs which involve the use of scarce resources, and (2) transfers which involve the redistribution of income from one segment of the public to another. These transfers are costs to one segment of the public, but benefits to another segment.

The foregoing comments as to the difficulty of preparing cost/benefit assessments apply equally to legislative proposals. Therefore, an experimental approach may be appropriate here as well.

Finally, we note that section 4(b)(4) of the bill would, in effect, provide a mechanism for enforcement of the requirements for cost/benefit assessments with respect to regulations by making compliance with such requirements an element in judicial review of regulations. The Committee might wish to specifically provide an enforcement mechanism in the case of proposed legislation. This could be accomplished by including a provision, in the exercise of the rulemaking power of each House of Congress, that it shall not be in order for either House to consider a bill subject to cost/benefit assessment requirements absent compliance with such requirements. Compare, for example, sections 311(a) and 401(a) and (b) of the Congressional Budget Act of 1974, 31 U.S.C. §§ 1332(a), 1351(a) and (b) (Supp. V, 1975).

Sincerely yours,



Comptroller General  
of the United States

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