



COMMONWEALTH of VIRGINIA

Joint Legislative Audit and Review Commission
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October 10, 1995

MEMORANDUM

TO: Philip A. Leone, Director

FROM: Robert B. Rotz, Division Chief ^{RRR}

SUBJECT: **Assessment of DPB's Methodology to Review the Impact of Regulations**

The purpose of this memorandum is to describe JLARC staff's current assessment of the Department of Planning and Budget (DPB) methodology for analyzing the impact of regulations. The 1995 Appropriation Act required DPB to submit its methodology for analyzing environmental regulations to JLARC by September 1, 1995 (see Attachment A). The assessment contained in this memorandum is based on the methodology DPB describes in its September 1, 1995 document and in subsequent material submitted to JLARC staff. The assessment is also based on a review of the limited number of actual impact analyses which DPB has formally completed to date. The review of actual analyses was conducted to obtain information about how DPB's approach has appeared to work in practice in the recent past.

There are four main findings that resulted from the JLARC staff assessment and are addressed in this memorandum.

- (1) DPB has made progress in establishing its regulatory impact analysis function and in developing concepts and potential tools for use in analyzing the impact of complex regulations;
- (2) DPB's submitted plan to analyze regulations emphasizes more sophisticated

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techniques, but its materials submitted to date do not provide much attention to how the agency will be addressing what it refers to as "small impact" regulations -- or what may actually constitute the majority of the regulations DPB receives for analysis;

(3) Although DPB staff have made a good faith effort to document their intended use of microeconomic tools to analyze what they refer to as "large impact" regulations, their documentation at this point is fairly theoretical, and practical implementation remains somewhat unclear; and

(4) Given these unknowns and a lack of a substantial body of evidence concerning actual implementation of the methodology by DPB, it is too early to conclude with certainty that DPB has an appropriate and workable plan for examining the impact of regulations in general and environmental regulations in particular. However, DPB appears to be moving in a direction toward that end.

Background: DPB's Methodology and the JLARC Staff Assessment

In 1994, the General Assembly added a subsection to Virginia's Administrative Process Act (APA) requiring DPB to perform economic impact analyses of regulations. Prior to this time, and since 1977, the APA had required the regulatory agency submitting the regulation to estimate the impact of its own regulation. Under the 1994 changes, the regulatory agency is to deliver its proposed regulation to DPB, and DPB, in coordination with the regulatory agency, is required to prepare an analysis of the regulation within 45 days. The regulatory agency is required to respond to DPB's economic impact analysis when the proposed regulation is published, in its statement of the "basis, purpose, substance, issues, and estimated impact" of the regulation.

The 1995 Appropriation Act requires DPB to "conduct a comprehensive analysis of the cost and benefits of environmental regulations as such new regulations are

proposed and as existing regulations are revised." The Appropriation Act required that DPB submit its methodology to conduct this analysis to JLARC by September 1, 1995.

On September 1, 1995, DPB submitted a document to JLARC staff entitled Economic Impact Analysis of Virginia Regulations (available at the JLARC offices). The DPB document discusses DPB's approach to analyzing the costs and benefits of regulations. The document addresses DPB's general approach to any type of regulation, and is not specific to environmental regulations. DPB staff indicate that their general approach is the same regardless of the subject area of the regulation.

JLARC staff met with DPB staff on September 18, 1995 and provided a preliminary assessment of the September 1 DPB document. JLARC staff's initial assessment was that while the DPB document identifies an intent to use micro-economic theory and tools to perform the analysis, how and when these tools will be applied was not addressed in detail. JLARC staff indicated that without additional information, it would not be possible to state with confidence or certainty whether DPB had an appropriate and workable plan to perform its analysis of regulatory impact.

DPB staff agreed to furnish additional information about its methodology to address these concerns. During the time period that DPB was developing this information, JLARC staff reviewed the regulatory impact statements which DPB had formally completed as of September 18, 1995. The purpose of this review was to examine to the extent possible how DPB is conducting its analysis in practice. Then on September 28, DPB staff provided additional information. This information was contained in a report entitled Economic Impact Analysis: Supplementary Methodology (available at the JLARC offices). JLARC staff reviewed this additional material.

DPB's Progress in Establishing the Analysis

DPB has made progress in developing a capability to analyze the costs and benefits of regulations. It has recently formed an economic and regulatory analysis section. The responsibilities of this section include the review of regulatory impacts, as well as other technical analysis

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responsibilities such as prison and jail forecasting and reviewing Medicaid forecasts. Including the manager of the section, the section has five full-time staff. Two of the full-time staff in the section are Ph.D. economists hired in June and July of 1995, and another full-time staff member is a policy analyst hired in June 1995. Of these staff, the full-time Ph.D. economists have an on-going lead responsibility for reviewing regulatory impacts.

DPB has also identified in its September 1 document the general theory it intends to employ in its analysis. It plans to apply micro-economic theory. A basic premise is that a regulation can be viewed as establishing or changing the cost or value of certain activity. People adjust their behavior in response to the incentives of the regulation. It is possible to make inferences about the value of resources affected by the regulation based on measuring supply and demand relationships.

DPB has further identified some of the tools it intends to apply in conducting its analysis. These tools are some of the key concepts from benefit-cost literature. The tools DPB discusses in its September 1 document are summarized in Exhibit 1. DPB's September 28 document also notes other types of progress being made, such as: the purchase of economic data for all cities and counties in Virginia and surrounding states; obtaining access to databases with complete coverage of economics, business, and legal literature as well as ready access to data and studies published by governmental agencies; and construction of a database on the costs and benefits of environmental regulations to be updated and expanded as required.

Another indicator of DPB progress to date is that DPB has formally completed impact analyses for six regulations. These regulations were reviewed by JLARC staff to consider the type of information provided by DPB, and how that information differed from the information provided by the regulatory agency. This review indicates that in general, DPB appears to be providing information and analysis that can contribute to public knowledge of the

Exhibit 1

**Summary of Key Tools Identified by DPB
for Potential Use in Analyzing Regulatory Impact**

Equilibrium analysis -- although not explicitly identified in DPB's document as such, partial equilibrium analysis appears to be the centerpiece of DPB's analysis for regulations with "large impacts." Equilibrium analysis may involve the use of supply and demand curves to trace the effect of the regulation for each of the "markets" affected by the regulation.

Input-output analysis -- DPB plans to use models of the statistical relationships between various types of economic inputs and outputs, as a way to trace the potential impact of a regulation through the economy. DPB indicates this analysis would be used in situations where "policies, relative prices, and technology are not changing to any noticeable extent."

Travel cost method and hedonic pricing -- these are two tools sometimes used to assess the value of a resource that is not traded in a market (such as an environmental or public recreation asset), by inferring value from observable choices that individuals make. The travel cost method infers the value of a resource such as a recreational site based on the costs people are willing to incur to use that site. Hedonic pricing involves inferring value from observable differences in prices. For example, the value that individuals place on owning property with a view might be assessed by examining differences in property values; or the value that individuals place on reducing personal risk might be assessed by examining differences in salaries between mostly similar occupations for which occupational risk levels are different.

Contingent valuation -- another tool is to survey individuals and ask about their willingness to pay with respect to certain nonmarket goods or resources. This could potentially be used in cases where a value needs to be attached to a resource for which there is no market, and no observable consumer choices from which a value can be inferred. As with travel cost and hedonic pricing, DPB's most likely use of this method may be the identification and application of studies done by others.

Source: JLARC staff summary based on DPB's September 1, 1995 document Economic Impact Analysis of Virginia Regulations.

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impacts of regulations, beyond the information provided by the regulatory agency. For example:

A regulatory agency's impact statement identified one significant financial impact of its regulation, a three to five percent savings for developers in the design and construction of new subdivision streets. The method used to obtain this estimate was not identified in the agency's statement, and a dollar value of these savings was not given by the agency.

DPB's economic impact analysis for this regulation provided a detailed assessment of how the costs savings were calculated and placed a dollar value on the developer savings, or an estimated \$11.2 million in savings when discounted over a 30-year period. Further, DPB identified a potential impact of the regulation which the agency statement did not identify -- an increase in projected fiscal costs to the Commonwealth. DPB estimated that a \$6.2 million fiscal cost (discounted over the 30-year period) to the State could result from providing the greater flexibility and cost relief for the developers. The regulatory agency concurred with DPB's analysis.

* * *

Another regulatory agency's impact statement indicated that a regulation could be implemented with minimal cost to the agency. The agency said that this was because it would be using the time of eleven positions that were already established at the agency. DPB's statement raised a valid concern that there is an "opportunity cost" of using existing staff time, if existing staff are being used effectively. These opportunity

cost implications were not addressed in the regulatory agency's statement.

There Are Still Factors Regarding the Implementation of the Economic Impact Analysis That Are Unknown

DPB's September 1 document states an objective to "describe in detail" the method the agency will use to analyze the impact of regulations. While the document identifies some key concepts or tools that may be used, how and when these concepts will be applied by DPB is not addressed in detail.

The full degree of complexity and sophistication of the approaches described in the DPB September 1 document may not be required for regulations regarded as having a "small impact". In fact, JLARC staff review of the regulations formally completed by DPB to date indicates a substantial difference between the analysis conducted and the degree of complexity and sophistication described in the DPB September 1 document. The broad outline of DPB's approach to "small impact" regulations is not known with certainty. Further, DPB's implementation of its approach in its more sophisticated form is not fully described and therefore practical implementation is unclear.

With regard to environmental regulations, the special area of concern raised in the Appropriation Act mandate, DPB's documentation addresses some of the major tools that are used to address environmental benefits, such as travel costs, hedonic pricing, and contingent valuation. DPB staff also identify some of the difficulties that are entailed in obtaining good benefit information. An unknown at this point is whether DPB will be able to obtain good, comprehensive, and relevant data to address environmental benefit issues, especially within its time and resource constraints.

Planned Approach for Regulations Deemed by DPB as Having "Small Impact" is Unclear. As indicated, the analytical tools mentioned in the DPB document (see previous Exhibit 1) can be fairly involved and technical. It may not be feasible or appropriate to apply these tools in their more sophisticated form to many regulations, for reasons

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such as the limited impact of the regulation or data availability problems. This can be exemplified in the limited number of regulations DPB has assessed to date:

One of the impacts of a regulation reviewed by DPB was to reduce from 22 to four the number of Virginia localities included in a wind zone where anchoring of homes is required for manufactured homes. DPB's statement on this regulation noted: "The primary economic impact of this change is a small reduction in the costs associated with locating manufactured homes in the localities or cities formerly covered by the regulation. There is insufficient data at this time, however, to quantify the magnitude of this impact."

For another provision of this regulation, DPB indicated that "there are two economic consequences of this change - first, it will reduce the likelihood of injury resulting from children falling through guardrails, and second, it will increase the costs associated with new home construction." DPB's assessment again, however, was that "there is insufficient data to completely quantify the magnitude of either consequence."

DPB's September 1 document does not clearly document what its approach will be to address these "small impact" regulations. Further, how DPB will make its judgements distinguishing small impacts from large impacts is unclear. Therefore, to examine how DPB might be handling such regulations in practice, JLARC staff reviewed DPB's approach to the regulations it has formally completed to date.

As previously mentioned, DPB have formally completed assessments for six regulations. Although the APA was amended in 1994 to give DPB the responsibility to conduct this analysis, the provisions did not apply to "any promulgation of regulations initiated prior to January 1, 1995."

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Regulations are initiated through the publication of a Notice of Intended Regulatory Action (NOIRA) in the Virginia Register of Regulations. Between January 1, 1995 and September 18, 1995, 40 regulations were initiated by NOIRA and were published in the Register by agencies subject to the APA. As of September 18, four of these NOIRAs, all from between January and March, were followed by a proposed regulation published in the Register (the remainder represent potential pending workload for DPB's impact assessment). For two of these regulations (regulations proposed in April and June) DPB did not make any statement of regulatory impact, and for two regulations (proposed in July) it did. In addition, DPB elected to analyze one regulation that had been initiated prior to January 1, 1995, submitted an analysis in mid-September to the Registrar's Office that was published on October 2, and has completed two more analyses for regulations that are about to be published in proposed form. In addition, one proposed regulation, with a February 1995 NOIRA, was published in the October 2 Register, but DPB still needs to complete a regulatory impact statement for that regulation.

The nature of DPB's analysis and comments on these regulations substantially differs from what one might expect from the content of DPB's September 1 documentation. One of the six regulations was assessed using input-output analysis, but otherwise the more sophisticated applications in its September 1 document were not used in the other five regulations.

Yet, as previously discussed, DPB did address the issue of regulatory impact for these regulations. The analysis and discussion provided by DPB for some of these regulations appears to contribute to public knowledge of the impact of the regulations. Thus, the problem seems to be that DPB has not yet clearly documented the approach it is taking for analyzing "small impact" regulations. It appears that the outlines of the approach, and some of the issues involved, can be constructed, however, from examining the limited number of regulations that have been performed to date.

Judgement and Less Elaborate Analyses Appear to Have an Important Role in Actual Implementation to Date by DPB.
Important components of the actual approach taken to date by

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DPB appear to be judgement and a form of analysis that is less elaborate than the tools it documents in their more sophisticated form. The approach depends heavily on judgements concerning issues such as the regulation's type and scope of change, the availability and quality of data available to address the regulation, and the availability and practicality of using a systematic technique to estimate the impact of the regulation.

This judgement can lead to a range of outcomes. For example: (1) from its judgement or qualitative assessment alone, DPB may decide it is feasible to determine with some confidence that the regulation has no substantive impact; (2) if it appears that there is some substantive impact, but DPB's judgement is that it is not feasible to independently quantify the effects, then DPB may report expert opinion or available anecdotal information; (3) in some cases when DPB's judgement is that there are costs and benefits but the effects appear to be limited (for example, no major effects on the economy), then DPB may provide an estimate of the regulation's impact through simple mathematical calculation, using concepts such as number of units affected, unit prices, and discount rates; and (4) if DPB's judgement is that there appear to be significant economic effects that need to be captured, then one or more tools outlined by DPB in its September 1 and September 28 documents may be used in their more sophisticated form.

For example, the first three of these outcomes are exemplified by the following examples from analyses DPB has completed to date:

For one of the regulations, DPB simply stated that "these standards impose no apparent extra-contractual costs on the private vendor. In addition, because [of two qualitative reasons given], the standards are not anticipated to have a fiscal impact on the Commonwealth. Given these conditions, it is the opinion of DPB that this regulation will have no economic impact."

* * *

For another regulation, DPB indicated that it was not possible to completely quantify the consequences of the regulation, but that "anecdotal evidence indicates that the increase in new home construction costs will be minor - on the order of approximately \$50 per new home." A DPB footnote on this point indicates that the anecdotal estimate was confirmed with a representative of a builder's association.

* * *

For another regulation, DPB obtained its estimates of developer savings and fiscal costs to the Commonwealth by seeking a number of data estimates and through a series of mathematical calculations. For example, the data were largely obtained from the best estimates of the regulatory agency. The agency's estimates were in part based on empirical data such as surveys and prior State contracts. The mathematical calculations performed by DPB included multiplying a base (miles of street) times various estimated percentages of the base that would be affected; and multiplying a number of units (sidewalk footage) times average per unit construction and maintenance costs. DPB then discounted the result of these calculations over a 30-year period.

Potential Impacts of DPB's Not Addressing Judgement and Less Elaborate Analyses in Its Documentation. There are at least three potential impacts of leaving the role and need for judgement and the less elaborate analyses undocumented. First, DPB's external audience may not get an accurate perspective of how the microeconomic tools fit within the "big picture" of DPB's analysis. Second, insufficient attention to these issues may lead to inconsistent implementation. Third, consistently exercised skepticism, objectivity, and aggressiveness in this aspect of its work will probably be key to DPB's credibility, which may be more open to question without such documentation.

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Prior to applying its microeconomics techniques, DPB staff need to be sure that they have identified the salient changes in the proposed regulation. They must understand the nature of these changes well enough to permit them to trace the incentives that those changes may present. They must determine how much credibility they can place in the information and findings of the regulatory agency, and the extent to which they need to receive input from other parties. They must assess the existing availability of data. They must reach a decision as to what level of effort can and in their opinion should be committed to obtaining the data for use in conducting the analysis. They must decide if they are willing to incur the additional costs or expend additional effort if there is a difference in the degree of difficulty for estimating either the benefit or the cost.

The actual regulations processed to date by DPB, and not its documentation, make it clear that these judgement calls are critical and could involve some of the thorniest issues that DPB will be facing, as it seeks to implement its new responsibility. DPB's documentation focuses on sophisticated tools that DPB would ideally like to use in its analyses. The reader must guess about the nature of analysis DPB might conduct when the ideal is not applicable or cannot be realized. Given the fact that many regulatory changes may be limited in scope, the likely data limitations that DPB may face, and DPB's 45-day time span for analysis, DPB's approach in these less ideal situations is not clear.

Without clear documentation, there is the potential for inconsistency in DPB's impact statements if some of these issues are not treated in a more standardized way. For example:

In one of its regulatory impact statements, DPB stated that because the department "anticipates that enforcement of these standards can be accomplished using current certification/audit staff, the standards are not expected to have a fiscal impact on the Commonwealth." The issue of opportunity costs was not raised. In a statement published the following month, DPB criticized

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an agency for failing to identify the "opportunity cost" issue of using existing staff to perform a new function, citing it as an inappropriate way to measure staff resources. DPB staff indicate that with regard to this particular inconsistency, the earlier regulation was one of their first, and they believe their future analyses will consistently address this issue.

Another problem with not documenting the judgemental aspect of their analysis is that some key issues that may define DPB's credibility in its new role are not adequately addressed. DPB's analyses, which will be published in the Register and will be otherwise available to interested parties, may receive scrutiny from disparate entities. These entities may range from the regulatory agency itself to the regulated community to environmental and other interested groups. If DPB's analysis shows a pattern of varying or inconsistent assumptions, or varying degrees of skepticism and effort, then its credibility could be damaged.

For example, a key credibility issue which receives little attention in DPB's documentation is the interaction between DPB and the regulatory agency. The APA requires DPB to work "in coordination" with the regulatory agency, but the practical interpretation given to this by DPB is not clear. To the extent that DPB addresses the regulatory agency's role in its documentation, it is to provide advice to the regulatory agencies on how to perform their job. That is, pages 7 to 14 of DPB's September 1 submission describe the conditions under which DPB considers government regulation to be justified, the range of options other than regulation which DPB thinks the agency should consider, and DPB's view of the elements of good regulatory design.

A potential benefit in giving an agency such as DPB the responsibility to analyze the impact of regulations is to obtain an estimate that is independent of the regulatory agency's presumably favorable view of its own regulation. When regulatory agencies seek to extend their regulatory requirements, the independent agency is available to test whether the asserted public benefits of the regulation exceed the costs to the regulated community. When

regulatory agencies seek to retract their regulations, the independent agency is available to test whether the asserted cost savings to the regulated community exceed the reduced value of the public benefits that the regulation had previously provided.

A problem in exercising such independent assessment is that many regulations are highly specialized and technical in nature. Thus, the important changes in the regulation and the potential impacts may not be obvious. The incentive to the regulatory agency may be to minimize attention to the less favorable aspects of the regulatory action. Critical questions therefore arise that are not adequately addressed in the DPB documentation. For example:

- Are DPB staff expected to generally give credence to regulatory agency assertions and information, or to be skeptical and cross-check agency assumptions and data?
- What is DPB's plan for obtaining technical subject matter input needed to challenge the regulatory agency's assumptions, if it appears the regulatory agency's assumptions are suspect?
- Will regulation changes for which regulatory agencies promise cost savings receive strict scrutiny by DPB for potentially lost benefits?

DPB's Planned Approach for "Large Impact"

Regulations is Unclear and Effectiveness is Uncertain. The material submitted by DPB has identified a range of possible tools that could be used in conducting an analysis of the impact of regulations. However, few details have been provided on how DPB would actually implement these tools. The document explicitly commits DPB to very little pertaining to the specifics of its actual analysis. DPB seldom references itself or its staff in its September 1 document, leaving the reader to make assumptions about which concepts will be implemented, who will implement them, and how they will be implemented. Consequently, there is a considerable potential for misunderstanding between DPB and its outside audience. For example:

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DPB's September 1 document contains a discussion of general equilibrium analysis. The document indicates that "for regulations with broader impacts, it becomes necessary to construct a model that reflects the structure of the entire economy... Such a model is called a general equilibrium model. The decision about whether a partial or general equilibrium model should be used in calculating economic well-being is ultimately a matter that must be left to the informed judgement of the analyst."

It was not until the September 28 document was received that it became clear that DPB's discussion was meant in theoretical terms, and DPB in fact has no such model and therefore its analysts will not need to make such a judgement. The latter document indicates: "although theoretically preferable in some cases, [general equilibrium modeling] is not currently available to DPB due to the significant costs of producing a general equilibrium model of the Virginia economy."

The effectiveness of the microeconomic tools in their sophisticated form for meeting DPB's responsibility is uncertain, in part because the availability of appropriate data is unclear and examples as completed by DPB are not yet available. The practicality of DPB's belief that it will be able to meaningfully apply these tools to assess the impact of many regulations has not yet been demonstrated.

Quality of Benefit Data DPB Will Obtain is an Unknown. The Appropriation Act mandate requires DPB to "conduct a comprehensive analysis of the cost and benefits of environmental regulations." It is the "methodology for conducting this analysis" that DPB has been required to submit to JLARC.

One of the special issues pertaining to environmental regulations is the difficulty of placing a

value on commodities that are traded in markets. Another special issue is that environmental benefits arise in a wide variety of forms.

DPB's September 1 submission raises the issue of valuing resources not traded in markets, and discusses some of the methods in the literature to try to address this problem, such as travel costs, hedonic pricing, and contingent valuation. Also, in response to JLARC staff feedback, DPB provided some additional information on its plans to estimate environmental benefits on pages 7 to 11 of its September 28 submission. This submission recognizes that environmental benefits take a variety of different forms; however, DPB does not believe it to be appropriate to present a framework of the different types of benefits it intends to address in its assessments.

In addressing the special difficulty of measuring the benefits impacts, DPB's September 28 submission states that:

since environmental commodities are not usually traded in markets, it will generally be harder to estimate benefits; harder in the sense of taking more time and expense but also in the sense of having wider error bands for a given level of effort in estimating the benefits... given the current level of resources available, DPB will generally not carry out an independent statistical estimate of the value of environmental benefits.

To address this problem, DPB staff indicate they will "concentrate on locating good studies in analogous situations and adapting the results to the regulation under study." The extent to which DPB will be able to routinely locate high-quality, objective, and fully relevant and appropriate studies is another important unknown.

Reasons Why More Implementation Detail is Needed

In summary, DPB's written submissions on its methodology for conducting impact analyses were generated in response to an Appropriation Act requirement. The Appropriation Act requires a JLARC review of that methodology. Thus, the mandate has an evaluation component.

Much of the material submitted by DPB for this review discusses microeconomic theory, and so it may appear to be good in theory from an economist's general perspective. However, as indicated in this memorandum, there are fundamental aspects of the analysis which are unknown, relating to how this theory will apply in DPB's actual practice. These fundamental aspects include:

- the role of judgement prior to formal analysis;
- the consistency with which criteria and concepts such as opportunity costs will be applied;
- the aggressiveness and skepticism which will be applied to regulatory agency assumptions;
- the approach for securing adequate technical subject matter and regulation interpretation input during the time frame for assessment;
- the availability and quality of data needed for the analysis;
- the practicality of the approach in its more sophisticated form to the bulk of regulations subject to analysis; and
- the level of effort to be exerted to overcome difficulties in addressing benefit issues, as well as the extent to which the different types of benefits will be recognized and the likelihood of success in locating applicable studies to quantify benefits.

From an evaluation perspective, such aspects need to be addressed before a conclusion can be reached that the approach is fully appropriate and workable.

Conclusions and Recommendations

JLARC staff review of DPB's submission pursuant to the Appropriation Act leads to two broad conclusions and two recommendations. The first conclusion is that DPB is making progress in establishing its regulatory impact assessment function, has added value to the process, and has the potential to continue to add value to the process by contributing to public knowledge about the impact of regulations. The second conclusion, however, is that more needs to be known and documented about the DPB approach before it can be stated with certainty that DPB has an appropriate and workable approach, with rigorous and impartial implementation. The Appropriation Act mandate's expressed interest in how the approach will work with regard to environmental regulations has been partly addressed. However, DPB's success in locating and adapting "good studies in analogous situations" will be a key factor in DPB's performance and is an important unknown.

With regard to recommendations, first, DPB should continue to work on written documentation of its methodology. It should focus this work on documenting issues pertaining to the practical implementation of its approach, including a discussion of the qualitative assessment that is needed prior to the application of some of the more sophisticated tools that are available.

Second, the General Assembly may wish to consider requiring DPB to report on the progress it makes in documenting the practical implementation of this methodology, and in the actual implementation of its methodology. The General Assembly may wish to receive this report at a time after DPB has had an additional opportunity to further develop its documentation and obtain more experience in the actual application of the approach to Virginia agency regulations.

Attachment A

Item 332 of the 1995 Appropriation Act

G. The Department of Planning and Budget shall conduct a comprehensive analysis of the cost and benefits of environmental regulations as such new regulations are proposed and as existing regulations are revised. The analysis shall include but not be limited to: benefits to the general public in terms of health, welfare and safety protection; expansion of tourism and assistance to local governments and regional entities; cost to implement the regulation by the regulated entity; and the public and private costs avoided by each regulation analyzed. The Department shall submit its methodology for conducting this analysis to the Joint Legislative Audit and Review Commission for its review by September 1, 1995.

