



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 2 2004

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

MEMORANDUM FOR THE PRESIDENT'S MANAGEMENT COUNCIL

FROM: John D. Graham, Ph.D. *JDG*
Administrator

SUBJECT: OMB's Circular No. A-4, New Guidelines for the Conduct
of Regulatory Analysis

On January 1, 2004, the Office of Management and Budget's (OMB's) new Guidelines for the Conduct of Regulatory Analysis, which was issued as OMB Circular No. A-4 on September 17, 2003, became effective for economically significant proposed rules. It becomes effective for economically significant final rules on January 1, 2005. Economically significant rules generally are rules that have an annual effect on the economy of \$100 million or more. OMB developed the guidelines pursuant to the Regulatory Right-to-Know Act and in collaboration with the President's Council of Economic Advisors. After publishing proposed guidelines in the *Federal Register*, OMB revised the guidelines based on substantial public comments and peer review. OMB also convened a group of agency experts and practitioners to review and offer suggestions to improve the guidelines.

The final guidelines are designed to help analysts in the regulatory agencies by encouraging good regulatory impact analysis and standardizing the way that benefits and costs of Federal regulations are measured and reported. They include several significant changes from previous OMB guidance. For example, they include (1) more emphasis on cost-effectiveness analysis, (2) formal probability analysis for rules with more than a billion-dollar impact on the economy, and (3) more systematic evaluation of qualitative as well as quantified benefits and costs. OMB analysts are now reviewing for compliance with Circular No. A-4 the regulatory analyses prepared under Executive Order No. 12866. OMB may return a rule to an agency if its regulatory analysis does not conform to Circular No. A-4.

We request that you remind the rulemaking offices in your Department or agency of the new Guidelines. If you have any questions about implementation of the Guidance, please feel free to contact me.