

APPENDIX A:

Social Costs and Benefits



APPENDIX A—SOCIAL COSTS AND BENEFITS

Evaluating the benefits and costs of EPA programs is extremely useful for strategic planning at EPA. Generally, we examine how we can allocate resources and target policies so as to achieve the maximum net benefits for society, given statutory and other considerations. In addition to using benefit-cost analysis in our strategic planning, Presidential Executive Order 12866, “Regulatory Planning and Review,”¹ requires EPA to use benefit-cost analysis when formulating economically significant regulations. Specifically, Executive Order 12866 directs that agencies “in choosing among alternative regulatory approaches...should select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages, distributive impacts, and equity), unless a statute requires another regulatory approach.” In a similar manner, strategic goals and objectives also should reflect approaches that maximize net benefits and provide the best investment of society’s limited resources.

EPA regularly publishes benefit-cost analyses of its proposed and final regulations, and the Office of Management and Budget also produces estimates of the economic consequences of federal regulations in its annual *Report to Congress on the Costs and Benefits of Federal Regulations*.² It is often very difficult to provide quantitative estimates of the costs, and particularly the benefits, of environmental

policies because many health and ecological benefits do not easily lend themselves to monetization. However, even when data are limited, assessing benefits and costs still can be valuable because it enumerates the types of beneficial and detrimental consequences resulting from policy actions.

Appendix 1 of EPA’s 2003-2008 *Strategic Plan* described the social costs and benefits of its programs for the year 2002. The analysis was limited largely because EPA’s economic models and tools have not been developed to estimate the aggregate costs and benefits of achieving the kind of ambitious, broad, long-term goals adopted in strategic planning.

Although new analyses have not been performed for the 2006-2011 *Strategic Plan*, EPA will separately be providing additional information on some of the social costs and benefits of its programs and policies. For example, we anticipate releasing a report by Summer 2007 on the results of our 2006 Pollution Abatement Cost and Expenditures Survey. Earlier versions of the survey support many of the estimates used in the 2003-2008 *Strategic Plan* appendix, but results from the current survey will not be available in time to be used in the 2006-2011 *Strategic Plan*. EPA’s 2003–2008 *Strategic Plan* Social Costs and Benefits Appendix can be accessed at: www.epa.gov/ocfo/plan/2003sp.pdf (pages 173-214).

NOTES

1. The Executive Order 12866—(Federal Register: September 30, 1993, Vol. 58, No. 190, Pg. 51735) can be accessed at: www.epa.gov/fedgstr/eo/eo1286.htm.
2. OMB’s annual report to Congress can be accessed at: www.whitehouse.gov/omb/inforeg/regpol-reports_congress.html.