



South Coast  
Air Quality Management District  
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**Public Hearing: July 1, 2020**

**Increasing Consistency and Transparency in  
Considering Benefits and Costs in the Clean Air Act Rulemaking Process.  
Environmental Protection Agency (EPA)**

Good morning. I am Wayne Nastri, Executive Officer for the South Coast Air Quality Management District (South Coast AQMD). We are the local agency responsible for air quality in the greater Los Angeles area. Thank you for the opportunity to testify regarding the proposed rule, *Increasing Consistency and Transparency in Considering Benefits and Costs in the Clean Air Act Rulemaking Process*.

The 17 million residents in our jurisdiction breathe some of the worst air in the U.S. As an agency whose central mission is to protect public health, we strongly believe that air quality policies and regulations must be guided by the best-available science.

EPA's stated goal in this proposed rulemaking is to 1) ensure that Benefit Cost Analyses (BCA) are conducted for each significant action under the Clean Air Act, and 2) that those analyses be performed in a consistent and transparent manner, in accordance with best economic practices. We agree that BCA can be a useful tool in informing regulatory and policy decisions. However, given the extensive pre-existing framework governing BCA in the federal government and at EPA described in this proposal, it is unclear why this rulemaking is warranted. Both Circular A-4, OMB's guidance for economic analysis, and EPA's *Guidelines for Preparing Economic Analyses* are formal, peer-reviewed documents that reflect the current best practices in this field. For almost 30 years, Executive Order 12866 has required BCAs to be conducted for all significant federal actions, and these are scrutinized during White House review of the regulations. In the event EPA presented a deficient BCA, OIRA could and would require EPA to correct the deficiency.

However, EPA does not explain why this comprehensive framework is deficient, nor identify a specific problem or concern with a previous rulemaking that this action would have addressed. EPA alludes to potential concerns regarding co-benefits – for example, that the Mercury and Air Toxics rule was cost justified on the basis of the monetized co-benefits of PM reduction moreso than the fractional monetized benefits of mercury reduction. But in that case, the accompanying BCA very clearly highlighted the costs and benefits from all categories associated with the rule,

the assumptions relied upon, and the models and literature used to estimate benefits. While many stakeholders disagreed with EPA's determination in that rule, it was not due to a lack of transparency or inconsistent application of economic principles.

More concerning is language in the proposal that appears to restrict the body of literature and studies that can be used in monetizing benefits. Economics is a branch of science, and as scientists, economists use best professional judgment in evaluating the suitability of studies to inform estimates of monetized benefits. EPA's *Guidelines for Preparing Economic Analyses* – a peer-reviewed document prepared by the cadre of PhD-level economists in EPA's National Center for Environmental Economics – already provides detailed guidance as to how to monetize benefits, when it is appropriate to monetize benefits vs. a more qualitative approach, the types of studies that can be relied upon, etc. Establishing blanket restrictions from relying on certain studies – such as discounting epidemiological studies based on the age of the air quality data – would arbitrarily cut out consideration of what is considered sound science.

Finally, we are concerned that by seeking comment on whether the rule should prescribe how BCA should inform regulatory options, EPA is indicating a preference that BCA should be the controlling factor in shaping regulations. The same paper that EPA cites as support for requiring BCAs for all rulemaking also states that BCA should not be the sole basis for decision making and should not be used as necessary or even sufficient for decision making. BCA is more appropriately one input out of many in developing regulations aimed at protecting public health. And, as EPA acknowledges, there are many areas where the Clean Air Act prohibits or limits consideration of cost in establishing standards.

We therefore ask that EPA reconsider this proposed rule, and instead focus on implementing and improving existing economic guidelines and practices to ensure the development of robust, transparent BCA.