A new White House study concludes that environmental regulations are well worth the costs they impose on industry and consumers, resulting in significant public health improvements and other benefits to society. The findings overturn a previous report that officials now say was defective.

The report, issued this month by the Office of Management and Budget, concludes that the health and social benefits of enforcing tough new clean-air regulations during the past decade were five to seven times greater in economic terms than were the costs of complying with the rules. The value of reductions in hospitalization and emergency room visits, premature deaths and lost workdays resulting from improved air quality were estimated between $120 billion and $193 billion from October 1992 to September 2002.

By comparison, industry, states and municipalities spent an estimated $23 billion to $26 billion to retrofit plants and facilities and make other changes to comply with new clean-air standards, which are designed to sharply reduce sulfur dioxide, fine-particle emissions and other health-threatening pollutants.

The report provides the most comprehensive federal study ever of the cost and benefits of regulatory decision-making. It has pleasantly surprised some environmentalists who doubted the Bush administration would champion the benefits of government regulations, and fueled arguments that the White House should continue pushing clean-air standards rather than trying to weaken some.

"I'm sure the true believers in the Bush administration will brand this report as true heresy because it defies the stereotype of burdensome, worthless regulations," Sen. Richard J. Durbin (D-Ill.) said yesterday. "They clearly don't understand that the government regulations are there to protect you -- and they work."

John D. Graham, director of OMB's Office of Information and Regulatory Affairs, which produced the study, said: "Our role at OMB is to report the best available estimates of benefits and costs, regardless of whether the information favors one advocacy group or another. In this case the data show that the Environmental Protection Agency's clean-air office has issued some highly beneficial rules."

But an industry official said the report may have greatly understated the costs associated with environmental regulations. Jeffrey Marks, a clean-air policy expert with the National Association of Manufacturers, said EPA "has traditionally underestimated the costs of regulations on industry. . . . The tendency to choose benefit numbers to correspond to favorable policy choices is strong within the agency."

The findings are more startling because a similar OMB report last year concluded that the cost of compliance with a given set of regulations was roughly comparable to the public benefits. OMB now says it had erred last year by vastly understating the benefits of EPA's rules establishing national ambient air quality standards for ozone and for particulate matter -- a major factor in upper respiratory, heart and lung disorders. Also, last year's report covered the previous six years and did not account for the beneficial effects of the 1990 amendments to the Clean Air Act that sharply reduced the problem of acid rain.
Many environmentalists had initially expressed fears that Graham, founder of a Harvard University-based risk analysis institute, would lead a Bush administration assault on regulatory safeguards. But Graham has sided with environmentalists on several key issues, including new rules to sharply reduce diesel engine emissions and the fine airborne particles that contribute to asthma and other serious respiratory ailments. The activists were quick to embrace this month's report.

"The bottom line is that the benefits from major environmental rules over the past 10 years were [five to seven] times greater than the costs," said Kevin Curtis of the National Environmental Trust. "And that's a number that can't be ignored, even by an administration that has blamed 'excessive' environmental regulations for everything from the California energy crisis to last month's blackout to job losses to the failing economy."

Environmental groups and some lawmakers assert that the administration has begun to chip away at clean-air regulations and safeguards just when the country is beginning to see the fruits of decades of tough enforcement efforts. Earlier this month, the EPA issued its annual air trends report showing that, since 1970, emissions of the six principal air pollutants have declined by 48 percent. At the same time, EPA officials put the finishing touches on a "New Source Review" rule change that will enable utilities to extend the lifespan of older, dirtier power plants without installing new anti-air pollution equipment.

But White House officials and Republicans say the administration deserves credit for some of the improvement. They noted that the EPA has approved the new diesel emission standards affecting trucks, buses and off-road machinery in the coming years.

The OMB is required to report annually to Congress on the costs and benefits of federal regulations and unfunded mandates on states and American Indian tribes. This year's report provided cost-benefit analysis on 107 major federal rules approved during the past decade dealing with agriculture, education, energy, health and human services, housing, labor, transportation and the environment. In all cases, the benefits far exceeded the costs of implementing the rule. But the most dramatic showing involved environmental protection.

Previous reports have been controversial because of the unavoidably imprecise methodology used to assess the costs and benefits of a variety of government regulations. In the absence of solid data or documentation, analysts often must rely on educated guesses or long-term impact projections that were prepared when the rules were put into effect.

"The data is prospective rather than retrospective," said Gary Bass of OMB Watch, a watchdog organization. "We don't have an adequate data set. My guess is that if we did, the benefits would exceed the cost in a wider spread than the OMB report shows."

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