CICERO INSTITUTE

Cost Benefit Analysis Model Language

Sec. 1. Purpose

The purposes of this Act are:

1. To require agencies to perform cost-benefit analysis for new rules, at the renewal of rules, or upon re-approval to promulgate any rule;
2. To require that projected costs of a proposed regulation must not exceed the projected benefits;
3. To require agencies to make the results of their cost-benefit analyses publicly available, with methods that are transparent and data-driven; and
4. To guarantee the right of citizens to challenge a proposed rule on the basis of the cost-benefit analysis.

Sec. 2. Definitions

1. “Cost” refers to any value loss that results from a proposed regulation. The lost value should be converted to a monetary sum.
2. “Benefits” refers to any value gain that results from a proposed regulation. The gained value should be converted to a monetary sum.
3. “Agency” has the same definition as [CITE AGENCY DEFINITION IN STATE APA].
4. “Direct Benefit” refers to a benefit that occurs as an immediate result of the stated goals of the regulation, in accordance with the purpose of the authorizing statutory provision, without any intervening steps or actions.
5. “Indirect Benefit” refers to a benefit that occurs because of the regulation but is unrelated to its stated goals.
6. “Indirect Cost” refers to a cost that occurs because of the regulation but is unrelated to its stated goals.
7. “Stakeholder” refers to any group, individual, or entity subject to the proposed regulation, such as consumers, citizens, small businesses, or large businesses.
8. “Stakeholder specific cost” refers to any cost that affects one stakeholder group but not another, such as small business compliance costs which differ from costs for larger businesses or unique compliance costs for rural or urban entities.
9. “Stakeholder specific benefit” refers to any benefit that one stakeholder group may gain while another does not.
10. “Monetized” refers to any costs or benefits represented as dollar amounts.
11. “Best practice” refers to theoretically and empirically justified methods that are state-of-the-art and widely used within a given scientific discipline (e.g., statistics and economics).

Sec. 3. Analysis Requirements

1. All agencies must include a cost-benefit analysis that clearly demonstrates that the benefits exceed the costs in every proposed regulation.
2. All agencies must include a cost-benefit analysis when proposing and publishing final rules. The final rule cost-benefit analysis must explain:
    a. All differences in the final cost-benefit analysis from the analysis that accompanied the proposed rule; and
    b. Any decision not to make changes to the proposed rule or the cost-benefit analysis in response to public comments.
3. All documentation, assumptions, methods, and data for the cost-benefit analysis shall be published on an easily accessible public website and, where relevant, in a machine-readable format, including sufficient supporting calculations, documents, and data for replication. Uncertainties must be reported.
4. Standardized analytic methods and metrics must be applied to all regulations and updated in accordance with best practices. Updates must be approved by [Attorney General, Secretary of State, or other executive authority].
5. Stakeholders may challenge any final rule, subject to the statute of limitations, on the basis of significant deficiency in the cost-benefit analysis. Courts shall stay the rule and remand it for additional analysis if:
    a. The analysis fails to consider relevant and significant costs or benefits;
    b. The analysis significantly underestimates costs or overestimates benefits, altering results;
    c. The analysis was not provided to the public with sufficient time for scrutiny; or
    d. The analysis fails to justify changes from the proposed rule.
6. Retrospective cost-benefit analyses are required for rule renewal, with a comparison between initial projections and actual outcomes. Accurate assumptions must inform future analyses.

Sec. 4. Timeline of Analysis and Discount Rate

1. Cost-benefit analysis should align with [State's] periodic review cycle or default to a 5-year timeline. Longer periods may be included with justification.
2. Discount rates, if applied, must be justified. Analysis must compare outcomes with varied discount rates.
3. Non-dollar factors of life shall not be monetized or compounded at marginal rates of return.

Sec. 5. Effective Date

1. This legislation goes into effect on [DATE].