



THE LOCAL IMPACTS OF ENVIRONMENTAL REGULATIONS

Affordable and reliable energy allows us to travel quickly, feed large populations, provide modern health care, and keep our homes warm in the winter and cool in the summer. Yet, the energy we use to create higher standards of living can negatively impact our environment. Measuring environmental costs can be challenging, and policymakers assigned to understand and mitigate those costs face a difficult task.

When policymakers address the environmental costs of energy production and use, they face tradeoffs. Because we have limited resources to draw upon, using time, money, and other resources to fix an environmental problem means that those same resources cannot be used for other publicly-financed programs, regardless of how equally deserving they may be. Thus, when state and local policymakers must expend resources to comply with environmental regulations enacted by the Environmental Protection Agency (EPA) or by other government agencies, they lose the opportunity to devote those same resources to addressing other pressing concerns.

During the Obama administration, EPA issued a series of regulations targeting fossil-fuel fired power plants. EPA's representation of the costs and benefits of these regulations, however, is not even-handed. Though EPA presented both the costs and benefits in terms of dollars, EPA also expressed the benefits in a relatable, human way that it did not do with the costs.

This study answers the following question: What are the tradeoffs that local government leaders face when budgeting for more expensive electricity? To do this, we examine EPA's projections of how five of its regulations will affect the price of electricity. We then compare the increase in the amount a city must budget for electricity to the alternative uses of that same amount of money.



We examine five EPA regulations: the Cross-State Air Pollution Rule, the Coal Combustion Residuals Rule, the Cooling Water Intake Structures Rule, the Mercury and Air Toxics Standards, and the Clean Power Plan. We use estimates from the EPA to calculate how much a city’s electricity costs may increase because of these five regulations.

To understand how an EPA policy may limit local-level public services, we chose six ways to show how cities might have otherwise used the money they spend on more expensive electricity due to regulations. These alternative uses, which are some of the opportunity costs of the environmental regulations we examine, are the number of teachers, police officers, and firefighters that local governments could have hired, the number of potholes that could have been filled, and the number of days that shelters could have housed a homeless individual or pet.¹ Though a loss of a few police officers in a city with thousands of police may seem insignificant, we intend to conceptualize the tradeoffs required by an increase in electricity prices and to show what those tradeoffs mean in terms of the services provided by local governments.

Table 1 below shows our estimates of the combined opportunity costs of the five EPA regulations in seven cities. For clarity, we walk through the opportunity costs of Houston, Texas as an example. If the City of Houston did not have to pay the higher costs of electricity for public buildings, the city could employ 57 additional teachers, 53 police officers, or 68 firefighters. Alternatively, they could provide shelter for a homeless person for about 251 years, shelter a homeless pet for 877 years, or repair 147,015 potholes. Detailed breakdowns of these opportunity costs, sorted by regulation for each city, are included in the full report.

Table 1: Estimated opportunity costs of five EPA regulations

	Teachers	Police	Firefighters	Years of Shelter for a Homeless Person	Years of Shelter for a Homeless Pet	Repaired Potholes
Houston, TX	57	53	68	251	877	147,015
Chicago, IL	108	100	129	472	1,653	276,984
Los Angeles, CA	36	34	43	159	558	93,491
Denver, CO	29	27	34	126	442	74,103
Miami, FL	13	12	15	55	193	32,376
Logan, UT	2	2	2	9	32	5,281
Mobile, AL	3	3	3	12	41	6,927

Though the opportunity costs of EPA regulations presented in this report may not be the actual tradeoffs that local policymakers choose, these estimates provide a benchmark for thinking about the human costs and benefits of regulation.

EPA does a disservice to policymakers and the public by presenting the benefits of a regulation in relatable terms and failing to do the same for the costs of the regulation. Further, by ignoring the opportunity costs of a regulation, they fail to recognize the full cost of the regulation. When EPA does this, it highlights those who benefit and leaves unseen those who will be negatively affected by a regulation. No matter how well intended environmental regulations are, policymakers should carefully consider the opportunity costs of a policy before imposing its costs on the American people.

1 For an example of tradeoffs in the New York City budget, see pages 5-6 of “Understanding New York City’s Budget: A Guide,” found at: <http://www.ibo.nyc.ny.us/iboreports/understandingthebudget.pdf>

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