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Assessing the Benefits of U.S. Customs and Border Protection Regulatory Actions to Reduce Terrorism Risks

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Prepared for the U.S. Department of Homeland Security and Industrial Economics, Inc.



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Summary

Executive Order (E.O.) 12866, as supplemented by E.O. 13563, requires federal agencies to evaluate the benefits, costs, and other impacts of major regulations prior to promulgation. For regulations intended to confer benefits under circumstances of extreme uncertainty, such as commonly arise in the context of homeland security, this requirement has proven especially challenging. To assist U.S. Customs and Border Protection (CBP), a key component of the U.S. Department of Homeland Security (DHS), in meeting these challenges, the RAND Corporation and Industrial Economics, Incorporated, conducted a workshop in November 2011, titled “Assessing the Benefits of U.S. Customs and Border Protection Regulatory Actions to Reduce Terrorism Risks,” that drew together leading experts in the field of regulatory analysis and terrorism risk.

Most of the ideas that emerged from the workshop pertained to either qualitative modeling, quantitative modeling, or data collection. Participants also considered a set of cross-cutting issues, specifically those of analytical capacity, transparency, and presentation. A distillation and synthesis of the emerging ideas, recurring themes, and (albeit few in number) points of contention among the participants suggested several recommendations to assist CBP in meeting the challenges of improving the benefit-cost analysis of terrorism security regulations:

- **Aim for break-even work that is more descriptive.** Comprehensive or “full” benefit-cost analysis is likely neither attainable nor desirable, given the extent of uncertainty and related analytical challenges, but break-even analysis can be used to explore the implications of uncertainty and describe conditions under which benefits could exceed costs for particular regulations.
- **Incorporate “storytelling” into regulatory analysis and consider adopting logic modeling as part of the regulatory development process.** Logic models can be used to support benefit-cost analysis, break-even analysis, and regulatory development, more generally, by helping to identify and articulate plausible links between regulatory actions and outcomes.
- **Strengthen internal modeling capacity and leverage existing risk assessment methods, when possible, including DHS/Office of Risk Management and Analysis (RMA) and computable general equilibrium (CGE) models.** A varied, multidisciplinary toolkit can be used to assess big effects and shed light on uncertainty. For example, CGE models can be used to calculate welfare effects; DHS/RMA’s risk assessment models to estimate risk; and, as already noted, logic models to “tell the story” of a regulatory action and its effects.
- **Develop and adopt DHS-wide standards for reliable expert elicitation.** Learning more about best practices—to better understand the technique’s strengths, weaknesses, and

applicability to benefit-cost analysis—and establishing criteria based on those practices would help to ensure that expert elicitation throughout DHS produces reliable results.

- **Improve basic science in potentially important but under-explored areas of terrorism consequences, including behavioral responses, mental health, and fear.** Not only does fear have behavioral implications that can impact the probability or magnitude of effects, it may have direct bearing on an individual's mental health, well-being, and happiness.
- **Incorporate pilot studies and other natural experiments into regulatory design.** Regulatory rollouts that create natural experiments, e.g., through pilot programs, interim final rules, or phased implementation, may yield data and enable analysis that provides insight to the effects of final rules.
- **Improve transparency.** It may be possible to improve the transparency of benefit-cost analysis, e.g., by sharing information when doing so would not jeopardize security and expanding verification and validation.