

# HF 936: Cost-Benefit Analysis

## Improving Accountability and Transparency in State Agencies

### Framework of HF 936

House File 936 is designed to strengthen legislative oversight of Minnesota's rulemaking process by requiring agencies to provide clearer, more consistent fiscal analyses and by enhancing procedural transparency. The bill responds to longstanding concerns about the adequacy of cost estimates, the scope of agency discretion, and the limited mechanisms available for legislative review once rules are adopted.

### Under Current Law

- Agencies must prepare a Statement of Need and Reasonableness (SONAR) when proposing rules, which includes a general description of the rule's purpose and anticipated impact.

### HF 936 Proposal

- HF 936 builds on this requirement with a formal cost-benefit analysis that demonstrates the rule's net benefits.
- Agencies must identify projected costs and benefits for all relevant parties, including local governments, small businesses, and other stakeholders.
- These analyses must use standardized methods developed by the Office of Administrative Hearings and be published in a transparent, replicable format.

### Agency Transparency

While Minnesota law already requires agencies to cite statutory authority when proposing rules, HF 936 strengthens this expectation by requiring agencies to explicitly identify the legal basis for each individual rule provision. This added specificity helps prevent agencies from relying on broad or ambiguous statutory language to justify expansive regulations by making rule development more traceable and reviewable. It also serves as a deterrent to regulatory overreach and reduce the risk of fraud, waste, and abuse by requiring agencies to publicly justify both the legal and economic rationale for their actions. By embedding these checks earlier in the rulemaking process, HF 936 helps ensure that administrative rules are not only lawful and necessary, but also fiscally responsible.

### Post-Adoption Oversight of Rules

Additionally, HF 936 strengthens the role of the legislature in post-adoption oversight. It authorizes declaratory judgment proceedings when a rule's cost-benefit analysis is found to be significantly deficient, and it allows courts to invalidate rules that lack adequate justification or exceed statutory authority.

***These reforms reflect a balanced approach to rulemaking oversight. HF 936 does not eliminate agency discretion but seeks to ensure that such discretion is exercised transparently, with clear fiscal accountability and within the bounds of legislative authority. By improving the quality of fiscal information and reinforcing the legislature's role in rule development and review, the bill promotes a more accountable and responsive regulatory framework.***

### **Current Fiscal and Administrative Implications**

Minnesota's rulemaking process has long faced scrutiny over the adequacy of fiscal analysis and the administrative burden placed on stakeholders. HF 936 addresses these concerns by requiring agencies to produce more detailed and transparent cost-benefit analyses. These reforms are intended to reduce regulatory uncertainty, prevent unfunded mandates, and improve the quality of legislative oversight.

### **Agency Estimates without CBA**

According to the MN Office of the Legislative Auditor (2018), some agencies failed to account for indirect costs, such as compliance burdens on small businesses or administrative expenses for local governments. In other cases, cost projections were based on limited data or assumptions that were not publicly disclosed. These gaps hinder the legislature's ability to evaluate the true impact of regulatory proposals.

- HF 936 would require agencies to submit cost-benefit analyses that include implementation costs, compliance costs, enforcement costs, and any anticipated economic effects on affected sectors.
- These analyses must apply standardized methods developed by the Office of Administrative Hearings and be published in a transparent, replicable format.
- Agencies must also justify key assumptions, disclose uncertainties, and compare alternative scenarios.

### **Safeguards Against Regulatory Overreach**

A final cost-benefit analysis is significantly deficient if the agency's analysis:

- Fails to consider a relevant and significant cost or benefit
- Significantly underestimates costs or significantly overestimates benefits in a manner that affects the outcome of the analysis.
- Fails to adequately justify any modification of the preliminary cost-benefit analysis

### **From an Administrative Standpoint**

- HF 936 may increase the workload for agencies during the rule development phase; however, state agencies already conduct many of these analyses as part of existing rulemaking requirements. This bill simply requires that this work be clearly documented, standardized, and publicly justified.
- However, this front-loaded effort is expected to reduce downstream costs by minimizing legal challenges, improving stakeholder engagement, and ensuring that rules are better aligned with legislative priorities.
- The bill also promotes interbranch collaboration by creating clearer channels for communication between agencies and the legislature.

**By enhancing fiscal transparency and clarifying administrative responsibilities, HF 936 supports a more accountable and efficient rulemaking process. These reforms aim to protect taxpayers, reduce unintended consequences, and ensure that Minnesota's regulatory framework remains responsive to both economic realities and legislative oversight.**

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- *Office of the Legislative Auditor. Evaluation Report: Administrative Rules. March 1993.*
  - *HF 936, proposed § 14.051 – Cost-Benefit Analysis Requirements.*
  - *HF 936, proposed amendment to § 14.15, subd. 4 – Legislative Review of Rules with Unestablished Net Benefits.*
  - *Minnesota Statutes § 14.131 – Statement of Need and Reasonableness.*



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## Historical Examples of SONAR Failure Without CBA

Minnesota's Statement of Need and Reasonableness (SONAR) process requires agencies to provide basic fiscal impacts and justifications for proposed rules. However, without mandatory, standardized cost-benefit analyses (CBAs), agencies often rely on vague or optimistic assumptions, leading to underestimated costs, overestimated benefits, and massive taxpayer losses.

**HF 936 addresses this by requiring transparent, replicable CBAs with realistic projections, uncertainty disclosures, and stakeholder input.**

### **SONAR shortcomings and how CBAs could prevent them:**

#### **Southwest Light Rail (Green Line Extension):**

Initiated in 2011 with an estimated cost of \$1.25 billion, the project's budget has more than doubled to \$2.86 billion as of 2024, with projections reaching \$3.2 billion and an opening delayed to 2030. Original ridership forecasts were optimistic at 28,800 daily linked trips by 2035, but audits cite poor planning and inadequate alternatives analysis as key factors in overruns. Revised estimates suggest ridership could fall 20–30% short due to post-pandemic shifts.

HF 936's CBA requirements would demand data-driven alternatives, multi-year horizons, and uncertainty reporting, potentially avoiding \$1.7 billion+ in excess costs by scaling or redesigning early.

#### **North Star Line (Commuter Rail):**

Launched in 2009 with a projected cost of \$317 million and anticipated ridership of up to 5,000 daily passengers, the line's costs rose to over \$357 million, with actual ridership plummeting to around 800–1,000 daily post-pandemic (from pre-COVID highs of ~700,000 annual rides, or ~1,917 daily). Service ended in January 2026 due to low usage and high subsidies (up to \$116 per ticket). Overestimated benefits ignored alternatives like buses.

HF 936's 5-year horizon and requirement for justified assumptions would flag viability issues upfront, potentially saving millions in overruns and ongoing subsidies.

#### **MNIT Projects (e.g., MNsure and MNLARS):**

MNsure, Minnesota's health insurance exchange, was developed with federal grants totaling \$189 million but faced errors costing up to \$271 million in improper payments, per a 2016 audit. Total overruns pushed costs beyond \$500 million against initial estimates around \$150 million, due to technical flaws and inadequate testing.

Similarly, MNLARS (vehicle registration system) escalated from \$37 million to over \$100 million by 2018, with a 2019 audit citing sloppy governance.

**HF 936 standardizes analyses to promote smarter, waste-resistant regulations. HF 936 requires justification of projections and stakeholder roles, preventing overruns through evidence-based scrutiny.**

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- <https://kstp.com/kstp-news/top-news/lawmakers-lay-into-met-council-after-new-audit-of-southwest-light-rail-cost-overruns>
  - <https://www.auditor.leg.state.mn.us/sreview/SWLRTbudgettimeline.pdf>
  - <https://www.auditor.leg.state.mn.us/sreview/mnlarsaccuracy.pdf>
  - <https://www.cbsnews.com/minnesota/news/mnlars-review-inconsistent-tax-charges>
  - <https://www.trains.com/pro/passenger/commuter-regional/minneapolis-to-end-northstar-commuter-service-in-january>

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## Comparative Analysis – Lessons from Other States (Part I & II)

### Lessons from Other States

Across the country, states have adopted a variety of mechanisms to improve transparency, fiscal accountability, and legislative oversight in administrative rulemaking. HF 936 reflects many of these best practices, particularly in its emphasis on independent fiscal review and statutory clarity.

#### Colorado

Colorado requires agencies to submit cost-benefit analyses for proposed rules, which are reviewed by the Department of Regulatory Agencies (DORA). The legislature receives annual summaries of regulatory impacts, helping lawmakers assess cumulative burdens and economic effects.

#### California

California mandates a Standardized Regulatory Impact Assessment (SRIA) for any proposed regulation expected to have an economic impact exceeding \$50 million. These assessments are reviewed by the Department of Finance and must include detailed economic modeling, including employment effects and business costs.

#### North Carolina

North Carolina uses a centralized review system through its Office of State Budget and Management (OSBM), which evaluates regulatory impact analyses for proposed rules. These analyses must quantify expected costs and benefits and are published for public review alongside the rule.

#### Indiana

Indiana requires agencies to submit regulatory analyses to both the Office of Management and Budget and the State Budget Agency. If a rule is expected to cost more than \$1 million over two years, it must also be reviewed by the Budget Committee (a bipartisan, bicameral committee) before proceeding.

#### Michigan

Michigan mandates a Regulatory Impact Statement and Cost-Benefit Analysis (RISCBA) for all proposed rules. Agencies must estimate the impact on small businesses and justify the rule's necessity, with oversight from the Office of Regulatory Reinvention.

***These states demonstrate that rigorous fiscal analysis and executive-legislative coordination are achievable without undermining agencies' ability to implement rules. HF 936 builds on these models by formalizing fiscal review and clarifying statutory authority, ensuring Minnesota's rulemaking process remains both responsive and accountable.***

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- Colorado Department of Regulatory Agencies. *Annual Rulemaking Impact Report.*
  - California Department of Finance. *Standardized Regulatory Impact Assessment Guidelines.*
  - North Carolina Office of State Budget and Management. *Regulatory Impact Analysis Overview.*
  - Indiana Office of Management and Budget. *Administrative Rulemaking Process Overview.*
  - Michigan Office of Regulatory Reinvention. *RISCBA Guidelines.*

**In addition to fiscal review mechanisms, many states have adopted legislative oversight tools that reinforce accountability in rulemaking.**

### **Texas**

Texas requires agencies to cite specific statutory authority for each rule and assess impacts on small businesses and local governments. The Governor’s Office reviews proposed rules for consistency with legislative intent, and legislative committees may delay or reject rules deemed excessive.

### **Virginia**

Virginia mandates economic impact analyses for all proposed regulations, reviewed by the Department of Planning and Budget. These analyses must include compliance costs and employment effects, ensuring early-stage fiscal scrutiny.

### **Oregon**

Oregon requires agencies to complete impact analyses and notify the legislature during rulemaking. The Legislative Assembly may review rules for compliance with statutory authority and procedural requirements.

### **Ohio**

Ohio has a formal procedure for reviewing administrative rules through its Legislative Service Commission (LSC). The LSC provides independent fiscal analysis and oversees sunset reviews of agencies and programs, ensuring rules align with legislative priorities.

### **Illinois**

Illinois has a Joint Committee on Administrative Rules (JCAR) that reviews all proposed rules for compliance with legislative intent and statutory authority. JCAR can object to or suspend rules, and its bipartisan structure ensures broad legislative input.

### **Florida**

Florida empowers its legislature to reject rules through a joint resolution process and requires agencies to submit detailed economic impact statements. The legislature also maintains a centralized rule tracking system to monitor regulatory activity across agencies

### **And Many More are Following...**

Wisconsin, Kansas, and Utah have adopted REINS-style laws (Regulations from the Executive in Need of Scrutiny), requiring legislative approval for major regulations with significant economic impact. These laws restore legislative control over high-cost rules and ensure elected officials, not just agencies make final decisions on major regulatory actions.

**These examples show that Minnesota is not alone in seeking to rebalance administrative authority. HF 936’s provisions for fiscal transparency, statutory clarity, and legislative review are consistent with national trends and reflect a growing consensus that rulemaking should be both evidence-based and democratically accountable.**

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- *Texas Administrative Code. Rulemaking Procedures and Oversight.*
  - *Virginia Department of Planning and Budget. Economic Impact Analysis Guidelines. Updated 2024.*
  - *Oregon Legislative Policy and Research Office. Agency Rulemaking and Legislative Oversight. February 2025.*
  - *Ohio Legislative Service Commission. Chapter 7: Legislative Oversight.*
  - *Pacific Legal Foundation. Legislative Oversight of Regulations: A 50-State Survey. July 2025.*



# HF 936: Cost-Benefit Analysis

## Understanding the Need for Cost-Benefit Analysis

### Improving a Flawed System

Minnesota's rulemaking process plays a critical role in translating legislative intent into enforceable regulations. However, longstanding concerns about transparency, fiscal accountability, fraud/waste/abuse, and agency discretion have prompted renewed interest in reform. House File 936 proposes targeted changes to improve oversight and ensure that rulemaking reflects both statutory authority and sound fiscal analysis.

### Background and Context

Minnesota's administrative rulemaking system allows executive branch agencies to adopt rules that carry the force of law. While this delegation is essential for implementing complex statutes, it also raises questions about transparency, fiscal impact, and legislative oversight. The Minnesota Administrative Procedure Act (MAPA), first enacted in 1975, established procedural safeguards including public notice, comment periods, and review by the Office of Administrative Hearings. Yet over time, concerns have emerged about whether these safeguards sufficiently constrain agency discretion.

### According to the MN Office of the Legislative Auditor

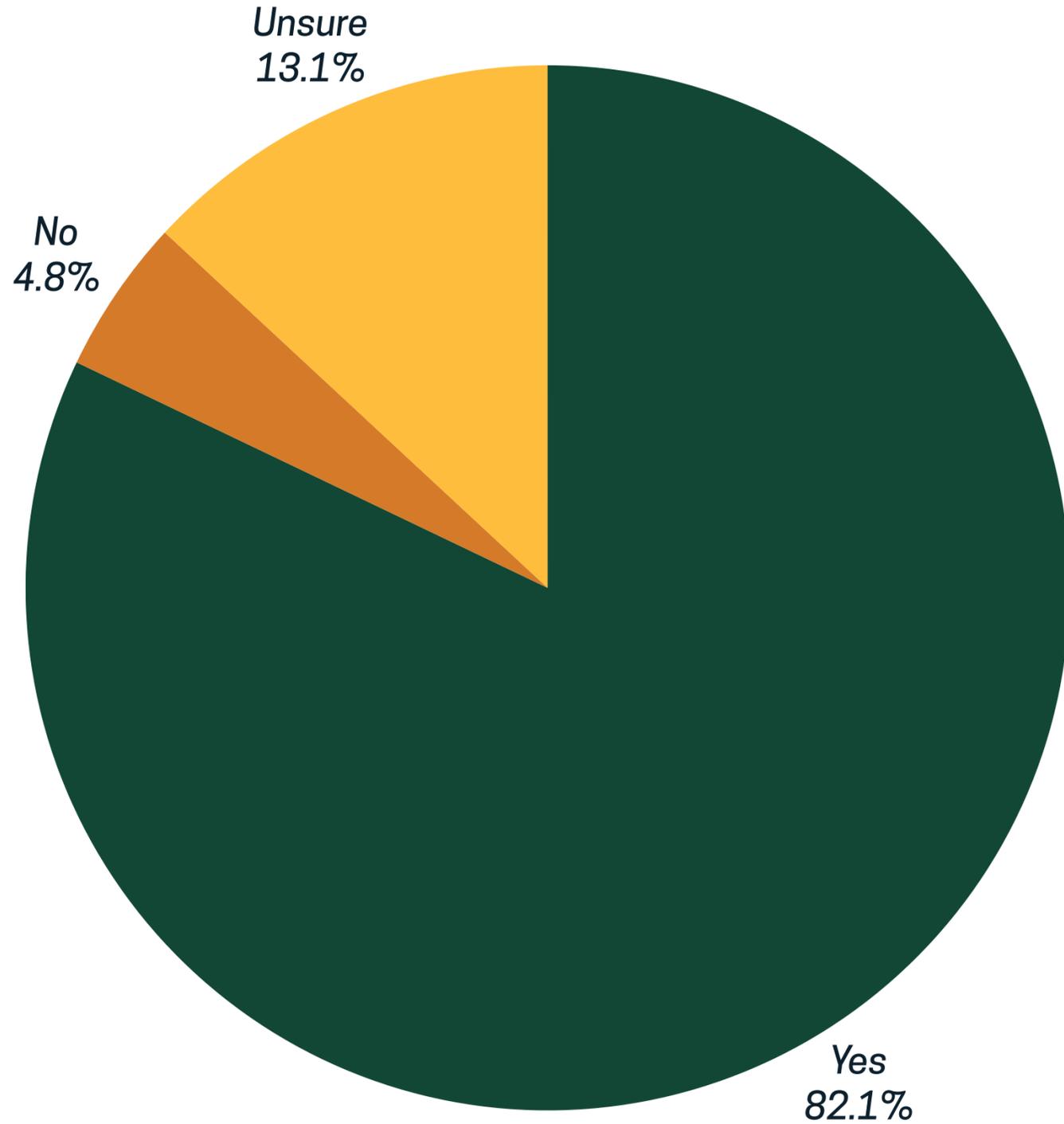
Minnesota's rulemaking process lacked consistent legislative oversight, particularly in evaluating the fiscal implications of proposed rules. The audit found that agencies often provided limited or inconsistent cost estimates, making it difficult for lawmakers and stakeholders to assess the true economic impact of regulatory changes. These findings contributed to subsequent reforms, including the 1995 creation of the Legislative Coordinating Commission's Subcommittee on Rulemaking, which aimed to improve transparency and accountability.

Despite these efforts, challenges persist. Agencies retain broad authority to interpret statutory mandates, and fiscal notes accompanying proposed rules are not always subject to independent verification. This has led to concerns about regulatory overreach, unfunded mandates, and insufficient cost-benefit analyses. For example, a 2018 review by the MN OLA found that some agencies implemented rules with significant fiscal consequences for local governments and businesses, without clear legislative guidance or robust fiscal scrutiny.

**HF 936 seeks to address these issues by requiring agencies to submit more detailed fiscal analyses and by enhancing legislative review mechanisms. The bill reflects a broader national trend toward rebalancing administrative authority with legislative oversight. By improving transparency and ensuring that fiscal impacts are clearly communicated, Minnesota can strengthen public trust in its rulemaking process and promote more accountable governance.**

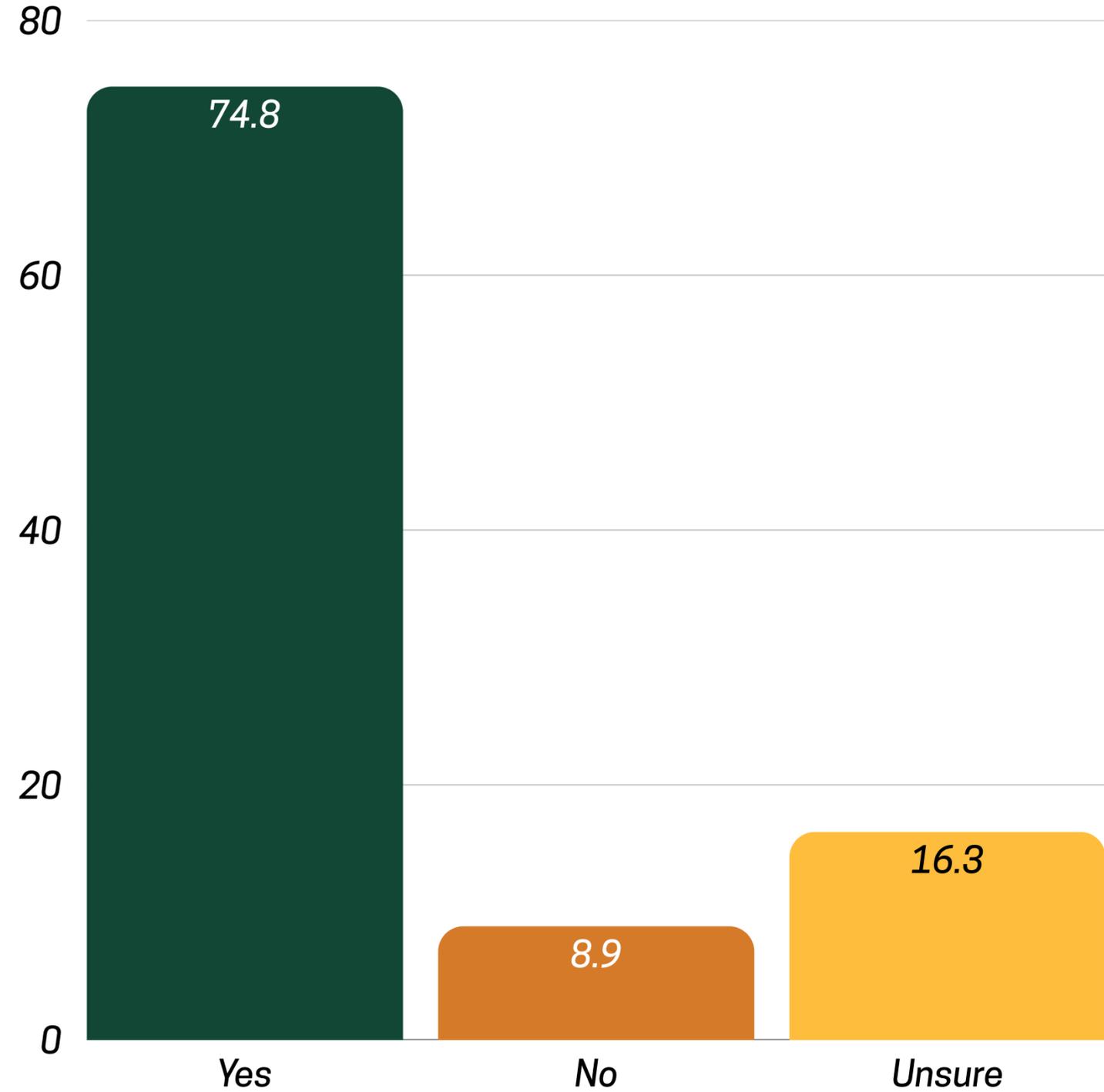
# Voters Knocked Statewide: 109,821

*"Do you support transparency and making State Government show costs and benefits to taxpayers before passing new regulations?" (HF 936/CBA)*



*"Do you feel that there is a high cost of living in Minnesota?"*

● Yes ● No ● Unsure



March 23, 2026

Chairs Jim Nash, Ginny Klevorn, Kristin Bahner, and Ben Davis  
State Government Finance and Policy Committee  
Minnesota House of Representatives

Re: H.F. 936

Dear Chairs Nash, Klevorn, Bahner, Davis, and Members of the Committee:

I am writing to offer my opinion, as a regulatory economist and expert in regulatory analysis, on the merits of Minnesota H.F. 936. I am a research fellow at Stanford University's Hoover Institution and a visiting research fellow at the Pacific Legal Foundation. I have spent much of my career studying regulation, regulatory accumulation, and the quality and impact of the economic analysis of regulations. My basic view is straightforward: the value of cost-benefit analysis is that it helps government write better rules. With economic analysis performed prior to creating a new regulation, you are more likely to get rules that are aimed at solving real problems and calibrated to evidence, and less likely to create large unintended costs. For the reasons discussed below, I contend that H.F. 936 would improve the quality, transparency, and effectiveness of Minnesota's regulatory process.

Best practices in regulatory analysis sound like common sense. When considering a new rule, regulators should understand the nature and cause of the problem, develop alternative solutions, and assess the benefits and costs of each alternative before selecting a preferred approach. Each of these steps matters. For example, an examination of the data around the problem itself can sometimes reveal that the problem is relatively rare, meaning a regulation would not be likely to yield much on the benefits side of the ledger. Evaluating alternative approaches and their costs and benefits prior to deciding on the best course of action is, in effect, data-driven optimization. And with artificial intelligence becoming more capable of performing these analyses, an economic analysis of each rule is no longer the fiscal burden that it once was.

The recurring lesson from my research is that regulatory analysis works best when it is early, comparative, transparent, and consequential. H.F. 936 would move Minnesota's rulemaking process in those directions.

First, the bill requires a preliminary cost-benefit analysis when an agency publishes notice of proposed rules and a final analysis when the agency publishes notice of adoption. Analysis created only after the agency is fully committed to a preferred rule often resembles advocacy designed to justify a decision that was already made. Analysis produced early enough can still change the design of the rule, should data push it in that direction.

Second, Minnesota's existing framework already asks agencies to discuss less costly or less intrusive methods and alternative methods in the statement of need and reasonableness. H.F. 936 strengthens that framework by requiring agencies to demonstrate projected net

benefits and to explain important changes between the preliminary and final analyses. It also requires disclosure of assumptions, methods, data, supporting calculations, discount-rate choices, and significant uncertainties, and it requires public posting in an accessible, replicable format. These features combine to create a data-driven, transparent process. A clear projection of net benefits, accompanied by all underlying assumptions and calculations, removes doubt as to why an agency made a specific decision and allows affected parties, analysts, and lawmakers to test the agency's reasoning and propose better alternatives.

Third, the analysis would become part of the statement of need and reasonableness, part of the public hearing record, and subject to review when it is significantly deficient. The review component is particularly important as a way to ensure higher quality. No statute can guarantee perfect analysis, and the success of this bill would depend on disciplined implementation. Review should focus on analytically significant defects, not trivial technical imperfections. On that point, H.F. 936's emphasis on a "significantly deficient" analysis is directionally consistent with what I have recommended elsewhere: scrutiny should be aimed at material omissions, materially biased estimates, and other deficiencies that could affect the outcome of the rulemaking decision.

It is not hard to find examples of regulations that were improved because of economic analysis prior to finalization, especially at the federal level where such analysis has been required for decades. Occasionally, that means a rule is not pursued at all. More frequently, economic analysis leads to a more calibrated rule that preserves substantial benefits while avoiding unnecessary costs.

For example, the Federal Aviation Administration's flightcrew duty-and-rest rule illustrates how analysis can narrow a rule. The agency determined that the benefits of applying the rule to all-cargo operations were substantially lower than for passenger operations and therefore excluded cargo carriers from mandatory coverage. It also simplified certain provisions after determining that earlier proposals were unnecessarily burdensome and poorly targeted.

Similarly, the U.S. Environmental Protection Agency's cooling-water intake structures rule for existing facilities demonstrates how analysis can improve regulatory design. After evaluating more prescriptive national standards, EPA concluded that a uniform requirement was not appropriate and instead adopted a more flexible, site-specific approach that could achieve environmental benefits at lower cost.

In other cases, economic analysis contributes to decisions not to proceed. For example, EPA's reconsideration of a national drinking water standard for perchlorate reflected updated evidence about risks and benefits and led the agency to determine that a costly national regulation was not warranted.

In conclusion, cost-benefit analysis does not serve only one purpose. Sometimes it improves a rule. Sometimes it narrows and simplifies a rule. Sometimes it reveals that a rule should not be adopted. In every case, the public benefits when agencies are required to confront tradeoffs openly, compare alternatives seriously, and explain why their preferred option is better than the available alternatives.

For these reasons, I believe H.F. 936 would lead to better regulatory outcomes in Minnesota. It would not solve every weakness in the regulatory process, and it is not a substitute for retrospective review of rules already on the books. But it would improve prospective rulemaking in a fundamental way: by requiring agencies to show their work, test alternatives, respond to evidence, and adopt rules only when expected benefits exceed expected costs.

Respectfully submitted,

Patrick A. McLaughlin, Ph.D.  
Research Fellow, Hoover Institution, Stanford University  
Visiting Research Fellow, Pacific Legal Foundation

March 24, 2026

Chairs Nash and Klevorn and Members of the Committee,

Pacific Legal Foundation is a nonprofit, public interest law firm with 18 U.S. Supreme Court wins on behalf of Americans' constitutional rights—including 4 past two years. We are dedicated to defending and promoting equality and opportunity for all, protecting private property rights, and ensuring the constitutional separation of powers in courtrooms and capitols around the country.

Founded in 1973, PLF has litigated over 2400 constitutional cases, many of which address the same issue that brings us here today—separation of powers and regulatory accountability. Thank you for considering House File 936—a simple bill with a significant impact.

First, it creates greater transparency and accountability in rulemaking by requiring critical cost-benefit analyses of the impact rules will have on regulated parties, local governments, and other stakeholders. Virginia provides an excellent example of how impactful cost-benefit analysis can be with its Office of Regulatory Management review process which includes review of every rule and guidance document, a streamlined form for agencies to efficiently submit information, and consideration of impact on the economy. In just a few years, the Office saved the economy \$1.2 billion annually[i].

And, they implemented online engagement and information for the public that is similar to the second feature of HF 936 - increasing transparency in the rule making process. For example, the bill mandates that agencies prepare both preliminary and final cost-benefit analyses, which must be published and made accessible to the public. These analyses should include projected costs and benefits for all relevant parties, including stakeholders, local governments, and state agencies, and must be conducted using standardized methods.

A third feature of this bill is the requirement that agencies notify legislative committees of certain rule adoptions and amendments, enhancing transparency and legislative oversight. Greater engagement with citizens and better management of rulemaking that affects them should be a crucial concern of both the legislative and executive branches, and this bill provides concrete steps to do so.

This bill promotes the proper separation of powers by ensuring elected representatives are involved in rulemaking with the effect of law and create parameters for unelected government agents to follow. Thank you for your time and consideration,

Kileen Lindgren  
Senior State Policy Manager

[i] <https://www.orm.virginia.gov/>



March 23, 2026

Co-Chair Jim Nash  
State Government Finance and Policy Committee  
Minnesota House of Representatives

RE: Opposition to House File 0936

Co-Chair Nash and Members of the Committee:

Center for Energy and Environment (CEE) respectfully offers the following comments on House File 0936. CEE is a nonprofit organization whose mission is to discover and deploy the most effective energy solutions that strengthen the economy and improve the environment. A core part of that work has been developing and advancing building energy codes that affordability and energy efficiency.

House File 0936 would apply to all rulemaking processes across Minnesota state agencies, requiring agencies to conduct cost-benefit analyses on proposed rules and prohibiting rule changes that do not meet a five-year payback timeline.

From the perspective of building energy codes, House File 0936 does not reflect typical horizons for building investments or how Minnesotans experience energy costs. Many building components, such as insulation, windows, and HVAC systems, last 20 to 30 years or more. Evaluating them on a five-year payback effectively prohibits the state from adopting modern, cost-effective standards that align with Minnesota's long-term goals, including those in the state's Climate Action Framework. Efficient buildings are a cornerstone of the state's strategy to reduce energy costs and meet statutory greenhouse gas emission reduction goals. HF 0936 would undermine these goals.

This bill also treats immediate cost return as the only meaningful value of rulemaking. However, building codes protect life safety, ensure structural integrity, reduce fire risk, and support community resilience. These benefits are essential, even if they do not appear in a five-year cost-benefit analysis.

Finally, House File 0936 would also create significant administrative complications. Minnesota already has a rigorous, transparent rulemaking process with multiple layers of review, public input, and checks on agency authority, including evaluation of the cost of adopting a rule and the cost of not adopting it. Adding new cost-effectiveness analysis and procedural requirements will slow down every rule, including electrical codes, plumbing codes, mechanical codes, fire codes, and energy codes that are essential to public safety and wellbeing.

In short, this bill will not improve affordability. It will increase administrative burden, delay critical safety updates, and prevent Minnesota from adopting cost-effective best practices and advancements. For these reasons, CEE opposes House File 0936.

Respectfully,

Angela Peterson  
Codes Program Manager  
Center for Energy and Environment