



Homeland
Security

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TO: COMPONENT CHIEF ECONOMISTS

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SUBJECT: Best Practices for the Treatment of a Statistical Life in
U.S. Department of Homeland Security Regulatory Analyses

This memorandum provides guidance to component Chief Economists on the use of estimates for the value of a statistical life (VSL) in Department of Homeland Security (DHS) regulatory analyses. On March 1, 2021, DHS issued interim guidance increasing the VSL from \$9.6 million (2015\$) to \$10.5 million (2020\$) using only an inflation adjustment. Since the issuance of the interim VSL of \$10.5 million, the Department of Transportation (DOT) has issued guidance supporting a VSL of \$11.6 million (2020\$) adjusting for both inflation and real income. DHS recommends adopting this updated DOT VSL of \$11.6 million for regulatory analyses with a base year of 2020.¹

As a reminder, Office of Management & Budget (OMB) Circular A-4 provides a useful background discussion on the practice of using VSLs.² When using VSLs in regulatory analyses, component regulatory economists may wish to include a brief discussion that explains that the “value of a statistical life” is not actually attempting to place a value on a human life, but is instead attempting to value the reduction of mortality risks in the context of low probability events. For example, a \$11.6 million VSL does not mean that a specific human life is worth \$11.6 million, but is instead meant to capture what people are willing to pay to reduce low-level mortality risks, or what people demand in order to face such risks (say, \$116 for a risk of 1 in 100,000). This approach to valuation of mortality risks is endorsed by OMB Circular A-4.

Component economists are also reminded that quantified benefits and costs, including those that come from a VSL, are not meant to be used as the sole basis that divides a “justified” regulation from an “unjustified” one. In some cases, for example, statutes require or forbid regulatory

¹ 2021 DOT Guidance: <https://www.transportation.gov/office-policy/transportation-policy/revised-departmental-guidance-on-valuation-of-a-statistical-life-in-economic-analysis>.

² OMB Circular A-4, “Regulatory Analysis,” pages 29-31, September 17, 2003
<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A4/a-4.pdf>.

action, regardless of the quantified benefits and costs. There also may be important unquantified values that should be considered, including (in the language of Executive Order 13563) “equity, human dignity, fairness, and distributive impacts.”

Questions regarding the use of VSL in DHS regulatory analyses should be directed to David Houser (David.Houser@dhs.gov).