

**1989 FEDERAL REGULATORY BUDGETS AND STAFFING:
EFFECTS OF THE REAGAN PRESIDENCY**

by

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I. Highlights

Although President Reagan will submit one more budget to Congress, for all practical purposes, the recently-released fiscal year 1989 Budget is this administration's final attempt to put its stamp on the federal bureaucracy. Thus, this is an appropriate time to assess how the face of federal regulation has been affected by this administration.

Several key conclusions can be drawn from the analysis of Reagan regulatory budgets. First of all, there are two distinct phases. In the first phase, represented by the 1981 through 1983 budgets, the administration achieved spending and staffing cuts across the board. In the second phase, from 1983 through the current budget, expenditures (but not staffing) grew at nearly the same annual rate that characterized the Carter years.

Secondly, a notable change in the composition of regulatory spending is evident. Environmental outlays in the second phase of Reagan regulatory budgeting have outpaced the 1975-1980 growth rates, while worker and consumer programs have continued to receive far less attention. Likewise, deregulation has continued to reduce spending at "industry-specific" agencies but the growth of agencies concerned with finance and banking and with international trade has rebounded to the pace of the late 1970s.

Overall, both supporters and opponents of regulatory reform will likely view the Reagan years with mixed emotions. This administration succeeded in cutting the size of the general regulatory establishment from 118,000 in 1980 to 106,000 in 1989. Following the initial (Phase I) budget cuts, however, federal regulatory spending has now reached a new high. Although the fiscal 1989 Budget calls for virtually no real growth, regulatory expenditures will have increased 11 percent overall during the Reagan years. Federal regulatory expenditures will top the \$10 billion mark in the next fiscal year.

The 1989 budgets of the regulatory agencies appear to be a last ditch effort to tug on the purse strings of the regulatory bureaucracy. After 10 percent and 5 percent increases in real spending in 1987 and 1988, this budget looks more like the Phase I Reagan budgets of the 1981 to 1983 period. It remains to be seen if Congress ratifies this zero growth proposal or if, as seems more likely, it substitutes its own "business as usual" budget for the regulatory agencies along the lines of the Phase II growth pattern.

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