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While President Trump Calls For Regulatory Cuts, The Cost Of Regulating Increases

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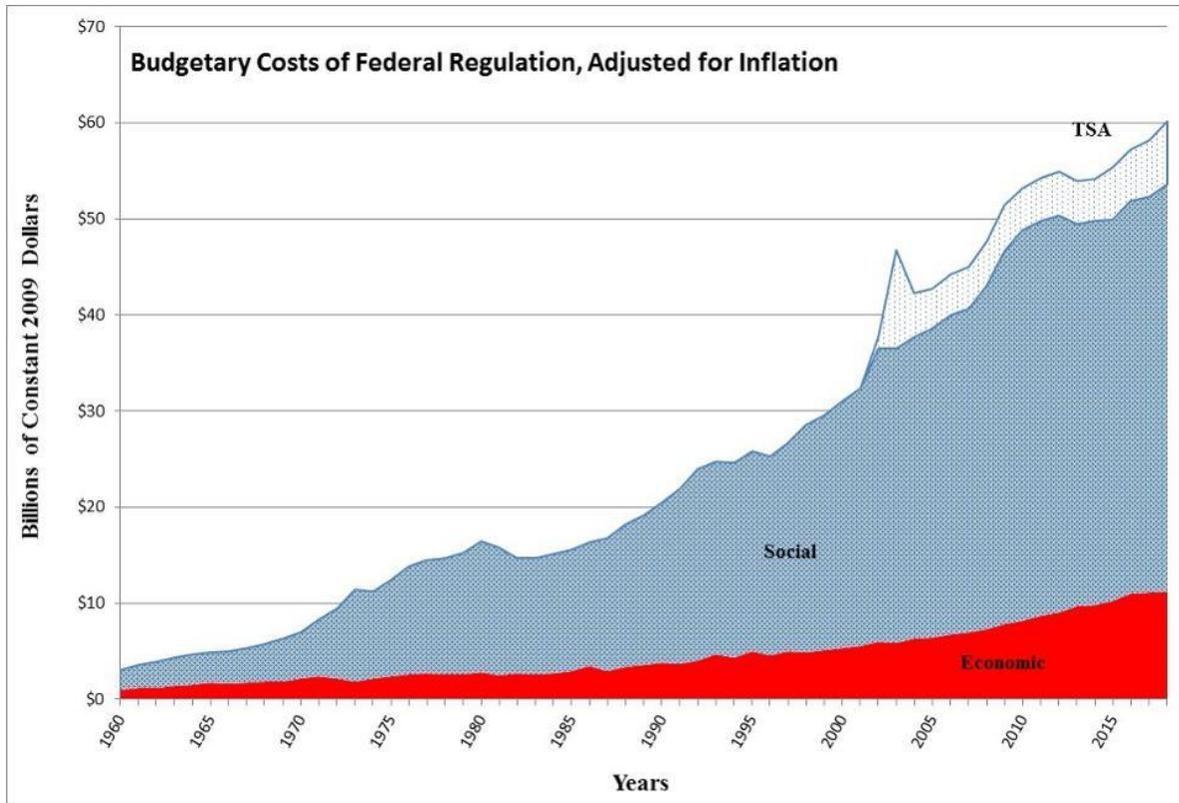
By Susan E. Dudley and Melinda Warren

President Trump has made reducing regulatory burdens a top priority, and his early actions—including disapproval of 14 recent Obama-administration regulations and his directive requiring two regulations to be eliminated for every new one issued—suggest he is serious. And yet, our new study shows his proposed budget for fiscal year 2018 would increase funding for regulatory agencies.

Our [analysis](#) of the fiscal budget, released today, reveals that the president’s requested 3.4% increase in expenditures for federal regulatory departments and agencies is two times the increase President Obama received for those same regulators in 2017. If congress appropriates the requested amounts, the “regulators’ budget” will reach nearly \$70 billion in 2018. In contrast to spending, the president’s proposed budget would reduce staffing levels by 3,100 in 2018, to just fewer than 280,000 regulators.

The “Regulators’ Budget”

Every year, when the president submits his proposed [Budget of the United States Government](#) to congress, we examine it to identify the government spending and personnel involved in writing and enforcing regulations. This year’s regulators’ budget includes 59 years of data—from 1960 to 2018 (see figure). While these data do not provide information on regulations’ benefits nor their full cost to society, they offer insights into the growth and changing composition of regulation over the last six decades.



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Budget Composition Reflects Priorities

The composition of the proposed 2018 regulators’ budget reveals more than the totals. Some agencies are budgeted for significant increases in both expenditures and staff, while others face dramatic cuts. For example, regulators who focus on immigration, such as those at the Coast Guard, Immigration and Customs Enforcement, Customs and Border Control, and the Transportation Security Administration, are budgeted for increases of around 10% or more next year. Overall, the Department of Homeland Security’s regulatory agencies would receive an additional \$4.1 billion to spend on developing and enforcing regulations in 2018. DHS is also budgeted to gain more than 3,000 additional people.

In contrast, the Environmental Protection Agency (EPA) is targeted for sharp reductions in both expenditures and staffing. The Budget proposes to slash EPA’s outlays by more than 25%, to \$4.1 billion in 2018. If implemented, this would be EPA’s smallest budget (in real terms) since 1987. EPA’s staff under the proposed 2018 budget would decline by almost 4,000 employees—a reduction of almost 25%. The last time EPA employed fewer regulators was 1984.

Trends in the Regulators’ Budget over Time

President Trump’s budget request continues the trend toward increasing regulatory agency budgets over the 59-year period that we have been tracking them. During President Obama’s two terms in office, regulatory expenditures increased by more than 13% or \$6.8 billion; while staff levels

increased 7%, the addition of more than 19,000 people. His pace of growth in both regulatory outlays and staffing was slower than during President George W. Bush's eight years in office, likely due to fiscal constraints and congressional appropriators.

The data also reflect different priorities across administrations and periods. The focus of budget resources and the rates at which they increase have varied with perceptions of public policy issues at different times and with the philosophies of elected officials in the executive and legislative branches of the federal government. For example, growth in economic forms of regulation slowed in the 1960s and 1970s, while spending and staffing on homeland security regulations ballooned after September 11, 2001.

User Fees Help Agencies Avoid Fiscal Austerity

Some agencies contributing to the rising overall regulators' budget are not as constrained by fiscal austerity as others. For example, the Food and Drug Administration, the Patent and Trademark Office, the Consumer Financial Protection Bureau, and the Securities and Exchange Commission have significantly increased their outlays in recent years. These agencies are at least partially funded by fees on the entities they regulate. Since they don't rely exclusively on appropriations from general funding, their spending is generally growing at a faster rate than other agencies.

A Note about Methodology

Our report focuses on agencies whose regulations primarily affect private-sector activities. It expressly excludes budget and staffing associated with regulations that govern taxation, entitlement, procurement, subsidy, and credit functions. For example, the Internal Revenue Service, the Social Security Administration and the Department of Defense are not included, although they issue regulations. We have traditionally excluded the Department of Health and Human Services Center for Medicaid and Medicare Services (CMS), even though it issues about one-third of the final regulations published in a typical year. This is because its regulations have primarily addressed the allocation of entitlements, however, the Patient Protection and Affordable Care Act of 2010 granted CMS new responsibilities, many of which (such as the regulation of private insurance markets) are within the scope of this report. Unfortunately, the annual budget has not allowed us to distinguish spending and staffing for those activities from CMS's traditional responsibilities, so they are not included here.

Conclusion

Regulatory agency spending has increased 20-fold since we first started monitoring the regulators' budget in 1960. Despite President Trump's promise to roll back regulation, his first budget would continue that growth; it calls for a 3.4% increase in spending by regulatory agencies. The largest proposed increases are for agencies responsible for immigration and those able to charge user fees to cover expenses. On the other hand, environmental regulators would see significant reductions in both budgets and personnel under the president's plan.

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