

**Opening Statement of Chairman Doug Ose
How to Improve Regulatory Accounting:
Costs, Benefits, and Impacts of Federal Regulations – Part II
February 25, 2004**

In Fall 2001, the Small Business Administration (SBA) estimated that, in 2000, Americans spent \$843 billion to comply with Federal regulations. SBA's report concluded, "Had every household received a bill for an equal share, each would have owed \$8,164." The report also found that, in the business sector, those hit hardest by Federal regulations are small businesses. It stated, "Firms employing fewer than 20 employees face an annual regulatory burden of \$6,975 per employee, a burden nearly 60 percent above that facing a firm employing over 500 employees." Regulations add to business costs and decrease capital available for investment and job creation.

Because of Congressional concern about the increasing costs and incompletely estimated benefits of Federal rules and paperwork, in 1996, Congress required the Office of Management and Budget (OMB) to submit its first regulatory accounting report. In 1998, Congress changed the report's due date to coincide with the President's Budget so that Congress and the public could simultaneously review both the on-budget and off-budget costs associated with each Federal agency imposing burdens on the public. In 2000, Congress made this a permanent annual reporting requirement. The law requires OMB to estimate the total annual costs and benefits for all Federal rules and paperwork in the aggregate, by agency, by agency program, and by major rule, and to include an associated report on the impacts of Federal rules and paperwork on certain groups, such as small business.

Today, we will examine OMB's draft seventh annual regulatory accounting report, which was released on February 13, 2004, i.e., 11 days after the statutory deadline with release of the President's Budget. Unfortunately, this late submission prevented Congressional Subcommittees from submitting fully informed recommendations for this year's Budget Resolution. In addition, we will again discuss how to improve compliance with the substantive statutory requirements.

Data by agency and by agency program are important for the public to know the aggregate costs and benefits associated with each agency and each major regulatory program. For example, what are the aggregate costs and benefits of the requirements imposed by the U.S. Department of Agriculture (USDA) and the Labor Department's Occupational Health and Safety Administration (OSHA)? Is there an alternative approach for USDA or OSHA to more effectively, with less burden on and cost to the public, accomplish their intended objectives?

To date, OMB has issued six final and one draft regulatory accounting reports. All seven did not meet some or all of the statutorily-required content requirements. However, OMB has progressively made improvements, such as adding agency level detail for eight agencies in March 2002, and adding agency program level detail for seven major regulatory programs in February 2003. And, its just-issued draft report includes a thoughtful discussion of how Federal regulations affect the manufacturing sector. In addition, on September 17, 2003, OMB issued a new OMB Circular A-4 to standardize future agency cost-benefit analyses.

For the President's fiscal Budget and OMB's Information Collection Budget (ICB), OMB tasks agencies annually with submitting budgetary and paperwork estimates, respectively, for each agency bureau and program. In contrast, for Federal regulations, OMB does not similarly task agencies annually with submitting cost-benefit estimates for each agency bureau and regulatory program. On June 11, 2003, I introduced the "Paperwork and Regulatory Improvements Act" (H.R. 2432). Section 6 of this bi-partisan bill includes requirements to improve regulatory accounting, such as: requiring agencies to submit information, where available, for OMB's annual regulatory accounting statements; requiring the annual regulatory accounting statement and associated report to be submitted "as part of" (versus "with") the President's Budget; and, requiring OMB to conduct a multi-agency study of regulatory budgeting.

Currently, the huge off-budget expenditures (these are hidden taxes) to comply with Federal regulations receive much less scrutiny than proposed on-budget expenditures and the Federal deficit. Regulatory accounting is a useful way to improve the cost-effectiveness of government. Both Presidents Reagan and Clinton issued executive orders requiring cost-benefit analyses so that policymakers could see the strengths and weaknesses of alternative approaches and could make choices to ensure that benefits to the public are maximized. I support these requirements and want to make sure that the Government is doing everything it can to minimize the burden of Federal regulations on the American public.

I look forward to the testimony of our witnesses. They include: Dr. John D. Graham, Administrator, Office of Information and Regulatory Affairs (OIRA), OMB; Thomas M. Sullivan, Chief Counsel for Advocacy, SBA; William Kovacs, Vice President, Environment, Technology and Regulatory Affairs, U.S. Chamber of Commerce; Susan Dudley, Director, Regulatory Studies Program, Mercatus Center, George Mason University; Dr. Richard B. Belzer, President, Regulatory Checkbook; Joan Claybrook, President, Public Citizen; and, Robert R.M. Verchick, Ruby M. Hulen Professor of Law, University of Missouri at Kansas City School of Law, representing the Center for Progressive Regulation.