The Daily Dish

Assessing Trump's Regulatory Budgeting

DAN BOSCH | OCTOBER 5, 2020

Eakinomics: Assessing Trump's Regulatory Budgeting
Guest authored by Dan Bosch, AAF's Director of Regulatory Policy

Last week the Trump Administration wrapped up its fourth regulatory budget cycle. For the uninitiated, a regulatory budget is similar to a fiscal budget; each executive agency is given a budget cap on the total amount of estimated economic impacts from their rules. This cap can be either positive (net costs) or negative (net savings).

The Trump Administration has used regulatory budgeting to drive its deregulatory agenda, and in terms of net economic impact, it has delivered impressive results. From fiscal year (FY) 2017-2019 the administration achieved $50.9 billion in total savings, according to the Office of Management and Budget. The recent projection of year four that my colleague Dan Goldbeck and I did shows the administration more than tripling that total in a single year, with $171.7 billion in net savings.

So, is the Trump version of regulatory budgeting a success? Yes and no.

The regulatory budget has been successful in getting agencies to look over their stock of existing regulatory requirements to see what might be cut back, rather than solely focusing on where they can extend their authority. This is an important change in direction after decades of steady regulatory increases. It has also focused agencies on adding new regulations only when necessary.

But as AAF's recent projection shows, focusing entirely on the net economic impact can mask significant costly regulations. For example, more than the entire sum of the $171 billion in net savings comes from one massive rule. That rule helps cover up some big regulatory costs, including more than $27 billion from two rules tightening immigration.

There are also a number of significant rules exempt from the regulatory budget due to national security reasons and the COVID-19 health emergency. The five largest of these added up to more than $140 billion in net costs in FY 2020.

Perhaps the biggest weakness of Trump's regulatory budget is that it has limited applicability and enforcement because it was implemented through an executive order. The regulatory budget does not cover independent agencies, and the enforcement mechanism is weak. It can also be gone with a stroke of a pen – maybe as soon as the early afternoon on January 20, 2021.

A legislative solution is needed. Congress needs to give serious consideration to legislating a regulatory budget that is durable, applies to all agencies, provides limited exemptions only in the most dire situations, has clear rules for how the accounting of costs (and perhaps benefits) should be conducted, and requires detailed public accounting. The Trump Administration has shown that the idea of regulatory budgeting has merit. It is up to

Congress to decide whether a forward-looking regulatory budget should continue to be a priority in years to come.