

**Chairman Doug Ose**  
**Opening Statement**  
**How to Improve Regulatory Accounting: Costs, Benefits, and Impacts of Federal Regulations**  
**March 11, 2003**

In Fall 2001, the Small Business Administration released a report, which estimated that, in 2000, Americans spent \$843 billion to comply with Federal regulations. This 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.

In September 2002, another study, entitled "Compliance Costs of Federal Workplace Regulations: Survey Results for U.S. Manufacturers," revealed that, in 2000, manufacturers spent an average of \$2.2 million per firm (or \$1,700 per employee) just to comply with Federal workplace regulations.

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 annual report's due date to coincide with the President's Budget. Congress established this simultaneous deadline so that Congress and the public could be given an opportunity to simultaneously review both the on-budget and off-budget costs associated with each Federal agency imposing regulatory or paperwork 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 sixth annual regulatory accounting report, which was published on February 3, 2003, the same day as release of the President's Budget. In addition, we will discuss how to improve compliance with the statutory requirements for an accounting statement by agency and by agency program and for an associated report on impacts.

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 Environmental Protection Agency (EPA) and the Labor Department's Occupational Health and Safety Administration (OSHA)? Is there an alternative approach for EPA or OSHA to more effectively, with less burden on the public, and less cost to the public, accomplish an intended objective?

From September 1997 to February 2003, OMB issued five final and one draft regulatory accounting reports. All six failed to meet some or all of the statutorily-required content requirements. For example, all six were not presented as an accounting statement and the

February 2003 draft did not include the associated report on impacts. 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.

For OMB's Information Collection Budget (ICB) and for the President's Budget, OMB tasks agencies annually with preparing paperwork and budgetary estimates, respectively, for each agency bureau and program. OMB uses the ICB to manage the burden of Federal paperwork imposed on the public. In contrast, for Federal regulations, OMB does not similarly task agencies annually with preparing cost-benefit estimates for the agency as a whole and for each of the agency's major regulatory programs. After our March 2002 hearing, I recommended that OMB issue annual regulatory accounting Bulletins to require agency bureau and program estimates. This input would assist OMB in preparing more complete annual regulatory accounting statements. To date, OMB has not done so.

Currently, the economic impacts of Federal regulation receive much less scrutiny than programs in the Budget and the Federal deficit. I believe that the public deserves to know if it is getting its money's worth from Federal regulation. As a consequence, in July 2002, I co-authored an op-ed with former OMB Director James C. Miller, III. We advocated a regulatory appropriations process. This innovation would make Congress more accountable to the public for regulations that are implemented in response to the laws Congress passes. As a first step, I support a pilot test to determine the feasibility of regulatory budgeting. This vehicle would help ensure that the worst societal problems are addressed first.

One of my goals when I came to Congress was to make the government more efficient. 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 cost 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; James C. Miller III, former OMB Director and first OIRA Administrator and current Chairman, CapAnalysis Group; Dr. Jim J. Tozzi, former OIRA Deputy Administrator and current Advisory Board Member, The Center for Regulatory Effectiveness; Dr. Robert W. Hahn, Director, AEI-Brookings Joint Center for Regulatory Studies; Lisa Heinzerling, Professor of Law, Georgetown University Law Center; and Rabbi Daniel J. Swartz, Executive Director, Children's Environmental Health Network.