Regulatory Studies Center
THE GEORGE WASHINGTON UNIVERSITY

Sequester Does Not Appear to have Constrained Regulatory Agency Budgets

Susan Dudley & Melinda Warren
July 23, 2013

Regulatory agencies' budgets grew faster than inflation in 2012 and 2013, despite concerns about the sequester, and would continue to grow under President Obama's proposed budget for 2014.

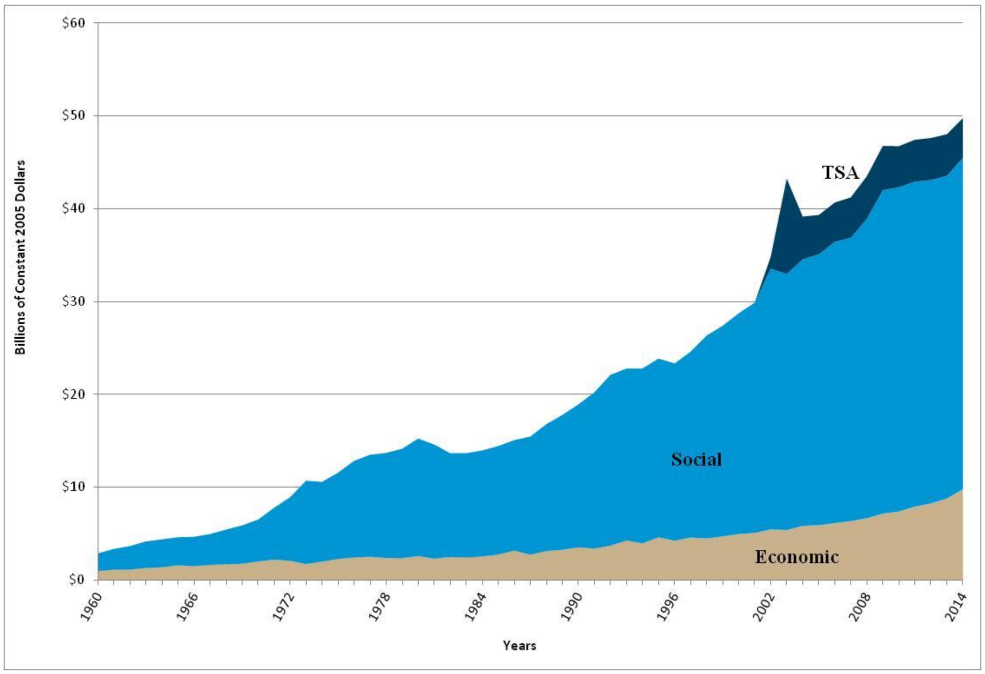
Financial regulatory agencies, such as the Securities and Exchange Commission and the Consumer Financial Protection Bureau, fared particularly well over the last two years, receiving large budget and staffing increases to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Food and Drug Administration, to which the Food Safety Inspection Act of 2011 granted new authority, continues to grow, with projected two-year increases in outlays of more than $1.3 billion and additions of more than 2,000 employees. The Patent and Trademark Office has also experienced notable growth since 2010 as a result of the America Invents Act of 2011, which authorized it to set its own fees. It is slated for almost $700 million in new outlays in fiscal years 2013 and 2014, and more than 2,000 new staff.

These are some highlights of a new report, *Sequester's Impact on Regulatory Agencies Modest*, released by the George Washington University Regulatory Studies Center and the Weidenbaum Center on the Economy, Government and Public Policy at Washington University in St. Louis. Each year, our two centers analyze the "regulators' budget," the portion of the fiscal budget devoted to developing and enforcing federal regulations, from 1960 to the present. Though these on-budget costs of regulation do not provide information on regulations' benefits and represent a small fraction of the full costs of regulations to society, the time-series data presented in this report offers useful insights into the growth and changing composition of regulation over the last half-century.

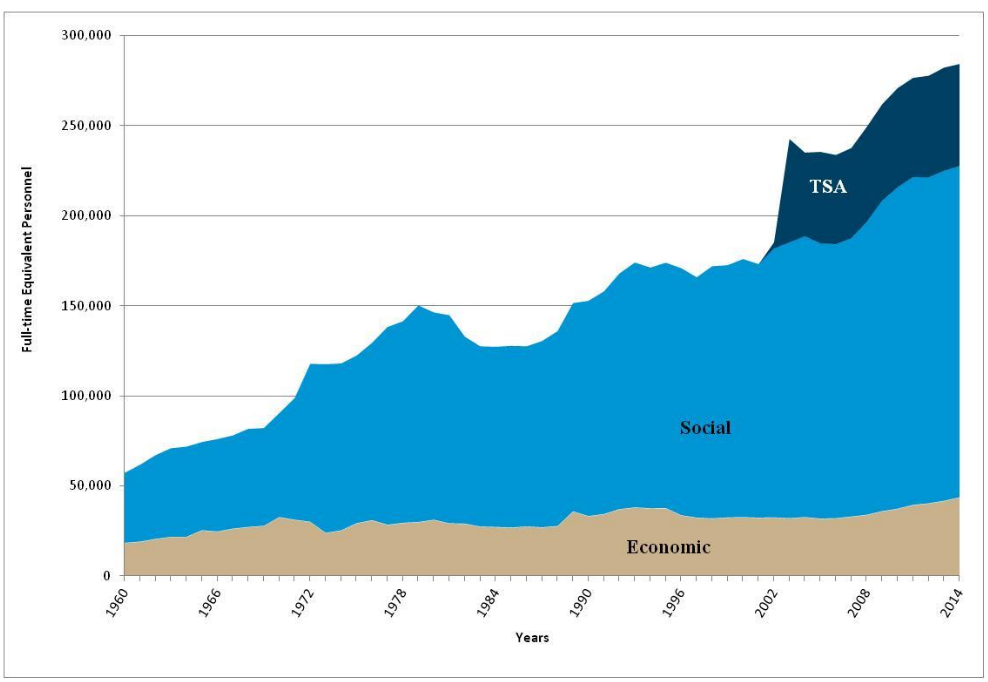
The regulators' budget for fiscal years 2013 and 2014 indicates increases in both outlays and staffing, and does not appear to be hard hit by the sequester. The President's Budget seeks $59.4 billion in FY 2014 for regulation, a real (inflation-adjusted) increase of 3.6 percent above estimated FY 2013 outlays of $56.4 billion. Though last year's Budget projected a decline in spending at regulatory agencies, estimated outlays for 2013 are 0.9 percent higher than in 2012. The Budget also estimates personnel increases at federal regulatory agencies of 1.6 percent in 2013 and 0.7 percent in 2014, bringing the number of full-time federal employees devoted to regulation to 284,085.

Overall, outlays devoted to economic regulatory activities are increasing at a faster rate than those aimed at social regulatory activities, reversing a trend that began in the 1970s away from economic regulation of private sector activities. This trend would likely be more dramatic if our data included agencies of the Department of Health and Human Services that pursue economic regulation of health insurance markets pursuant to the Affordable Care Act. These annual reports have traditionally excluded the Center for Medicaid and Medicare Services (CMS) within the Department of Health and Human Services, even though it issues about one-third of all the final regulations published in a typical year, because its regulations have primarily addressed the allocation of entitlements, which are expressly not covered. (The report covers agencies whose regulations primarily affect private sector activities, and excludes budget and staffing associated with regulations that govern taxation, entitlement, procurement, subsidy, and credit functions.) While many of the new responsibilities the Affordable Care Act granted to CMS (such as the regulation of private insurance markets) are clearly within the scope of this report, the President's Budget does not allow us to distinguish spending and staffing for those activities from the CMS's traditional responsibilities, and we were unable to include them here.

Budgetary Costs of Federal Regulation, Adjusted for Inflation



Staffing of Federal Regulatory Agencies



Source: Weidenbaum Center, Washington University and the George Washington University Regulatory Studies Center. Derived from the *Budget of the United States Government* and related documents, various fiscal years.