

The Hidden Tax of Regulation

American Enterprise Institute

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Susan E. Dudley

MERCATUS CENTER
GEORGE MASON UNIVERSITY

Taxes

Regulation



>60 agencies

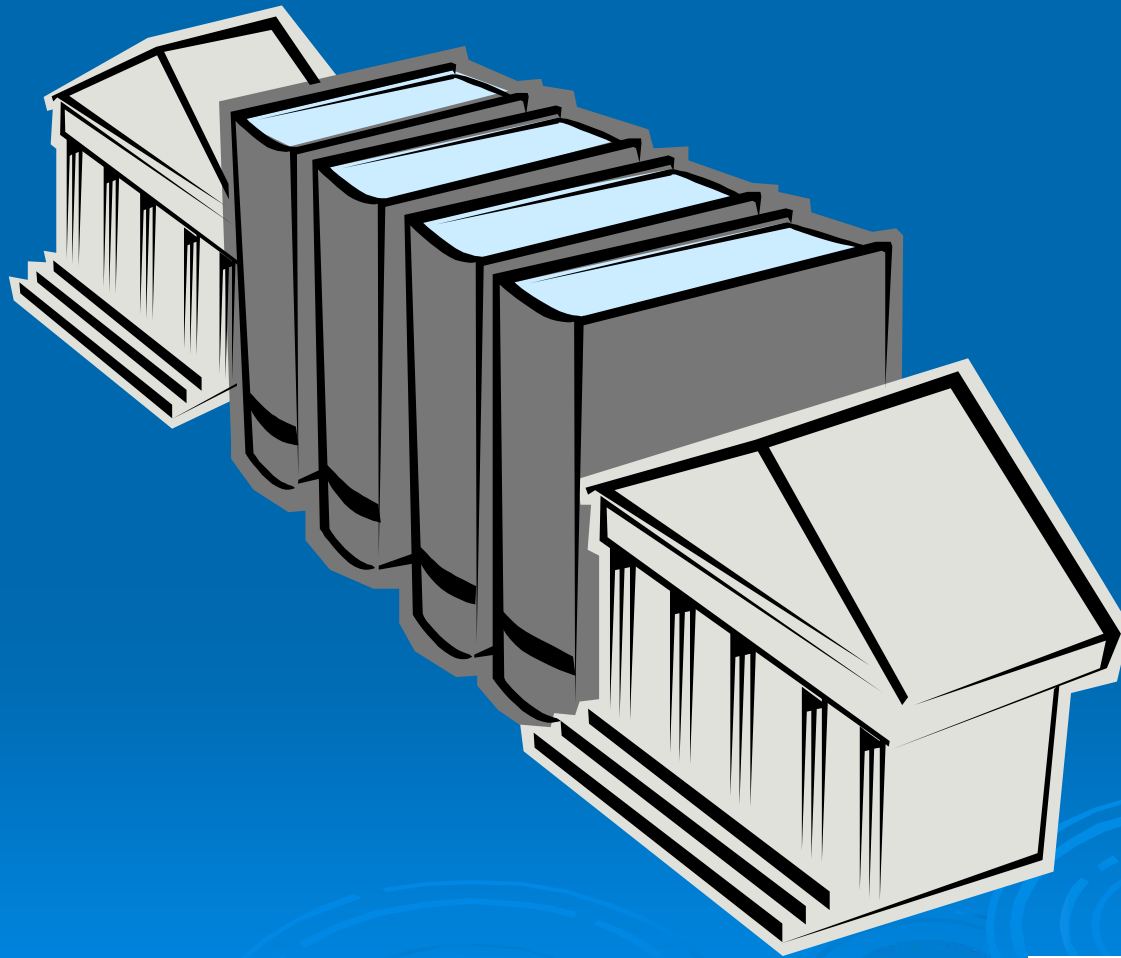
>240,000 FTEs

1,000's regulations

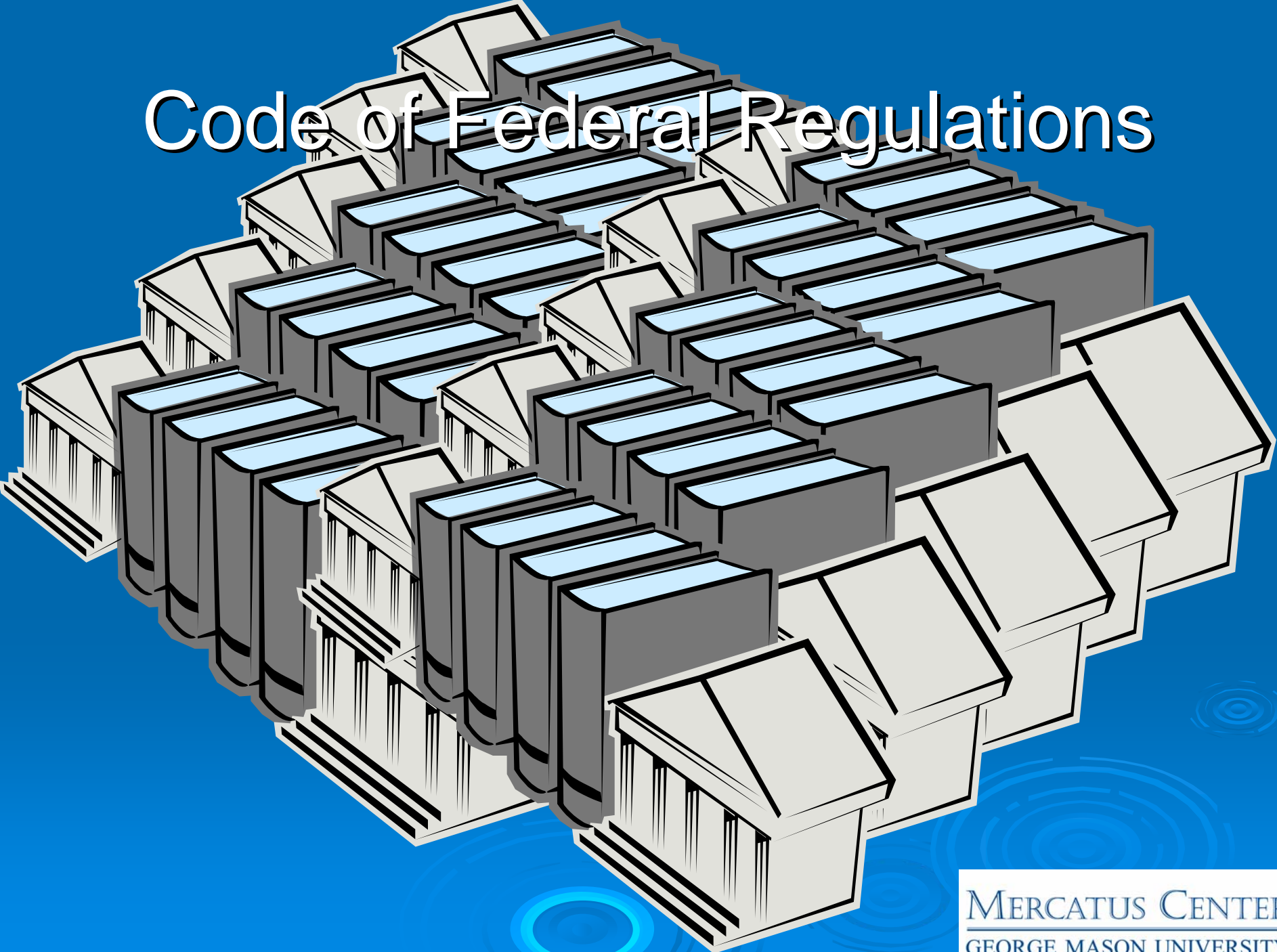




Federal Tax Code & Budget



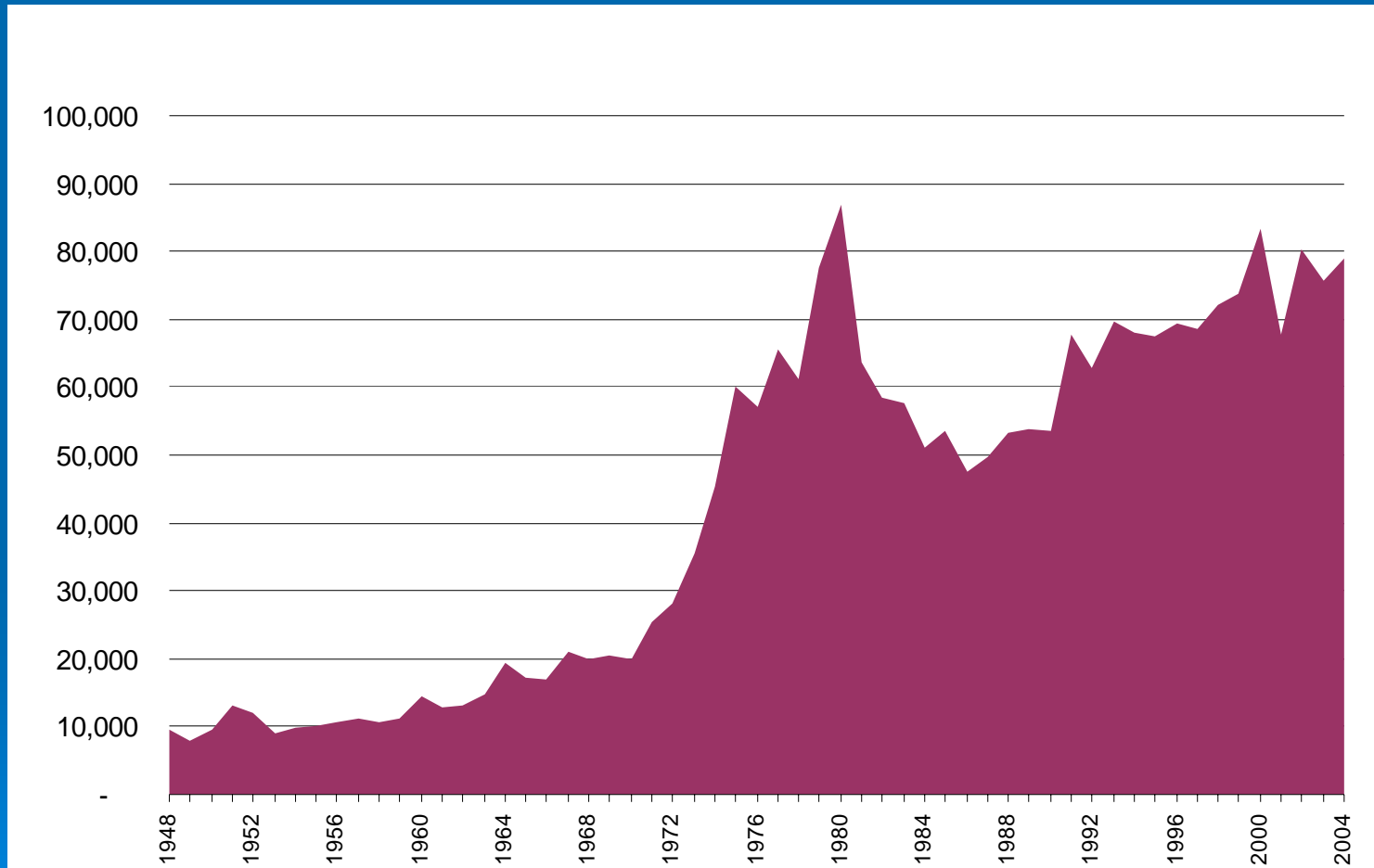
Code of Federal Regulations



New Regulations



Pages in the Federal Register



Upward Trend in Regulation Continues:

An Analysis of the U.S. Budget
for Fiscal Years 2005 and 2006

By Susan Dudley & Melinda Warren

2006 Annual Report
June 2005

Regulators' Budget Report 27

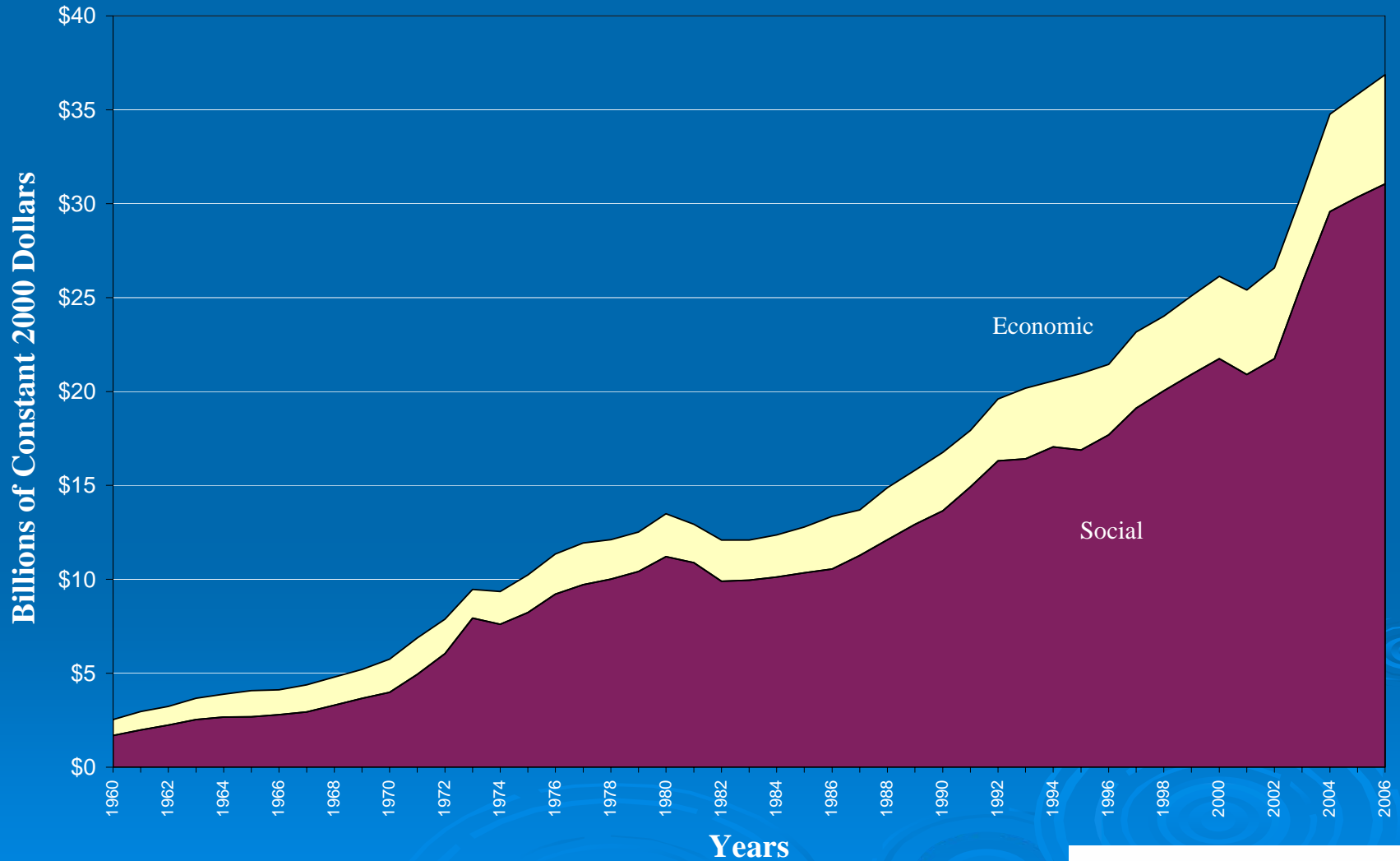
Mercatus Center
George Mason University
Arlington, VA
<http://www.Mercatus.org>

Weidenbaum Center
Washington University
St. Louis, MO
<http://wc.wustl.edu>

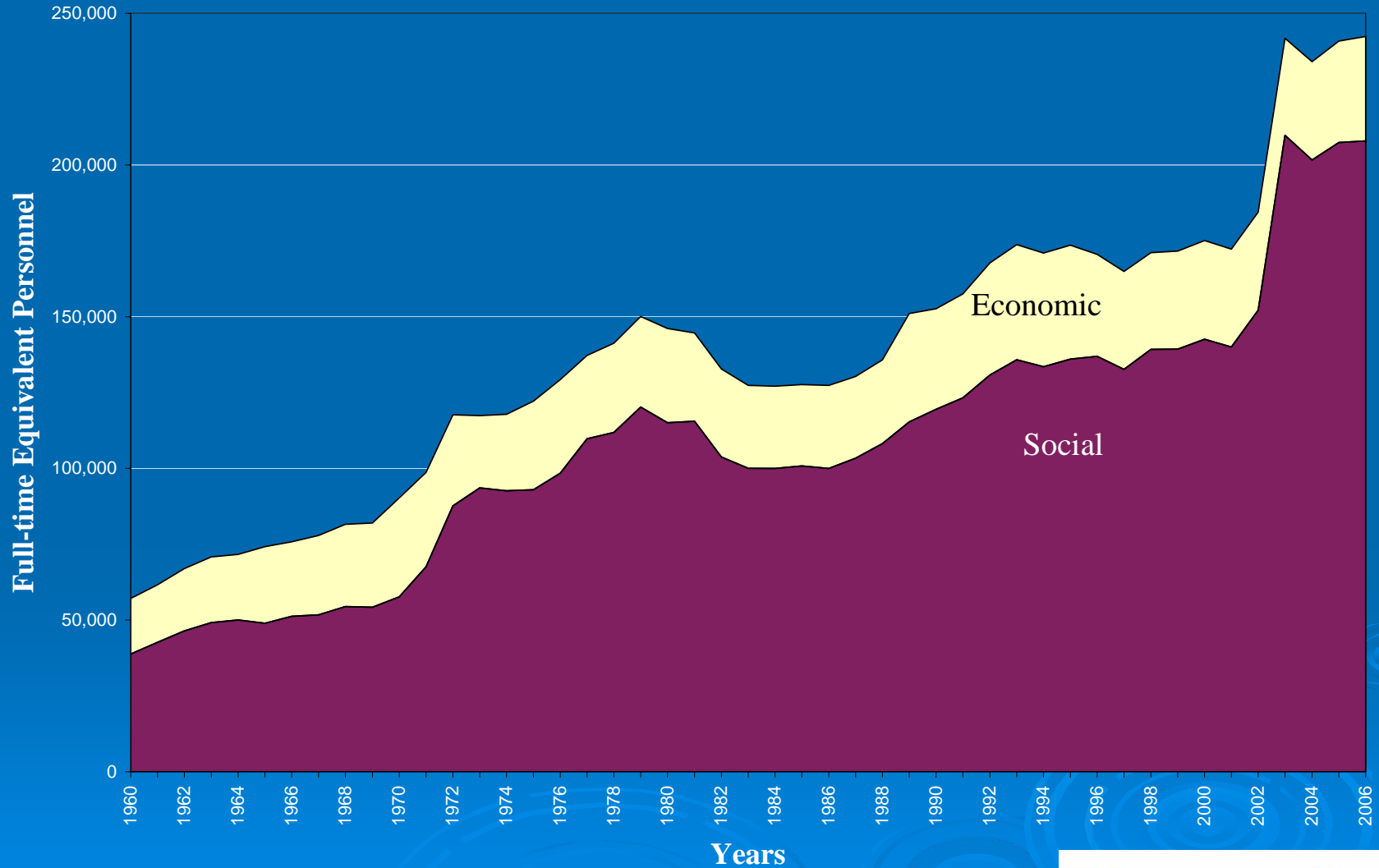
Regulators' Budget

- Mercatus Center & Weidenbaum Center
- Began in 1977 by CSAB
- Measures fiscal budget costs (outlays) of writing, administering, and enforcing federal regulation.
- Excludes taxation, entitlement, procurement, subsidy, and credit functions.

Administrative Costs of Federal Regulation



Staffing of Federal Regulatory Agencies



Regulators' Budget FY 2006

- \$41.4 billion
 - 4.8% increase over 2005
 - vs. 2.1% overall (nondiscretionary spending)
 - 2.9% in real terms
 - 45.8% (real) increase since 2000
- 242,376 full-time personnel
 - 0.6% increase over 2005
 - 38.4% increase since 2000

2006 Big Spenders

➤ Homeland Security

- \$18 billion (43.6% of regulators' budget)
- \$1.1 billion (4.6%) increase in 2006
- \$10 billion (129%) increase since 2000

➤ Environment

- \$5.5 billion in 2006 (13% regulators' budget)
- \$250 million (1.4% real) increase
- EPA - \$4.9 billion in 2006 (3.5% increase)

2006 Big Spenders

- Food & Drug Administration
 - \$1.9 billion in 2006
 - \$191 million (9.2%) increase
- Patent & Trademark Office
 - \$1.7 billion in 2006
 - \$351 million (23.8%) increase
- Securities & Exchange Commission
 - \$886 million in 2006
 - \$20 million (0.6%) increase

Social Cost Estimates

- OMB → \$35 to \$39 billion per year
 - (\$68-\$260 billion in benefits)
- SBA → \$843 billion per year
 - \$8,000 per household
- Mercatus Center studies
 - \$98 billion – water quality regulation
 - \$91 billion – workplace regulation
 - \$105 billion – telecom & broadband regulation

Who pays the hidden tax?



Who pays the hidden tax?

- Small entrepreneurs
 - 68 percent higher compliance costs (workplace)
 - 60 percent higher (SBA – all regs)
- International competitiveness
 - Outsourcing!
- All of us as consumers
 - Increased prices
 - Restricted choice

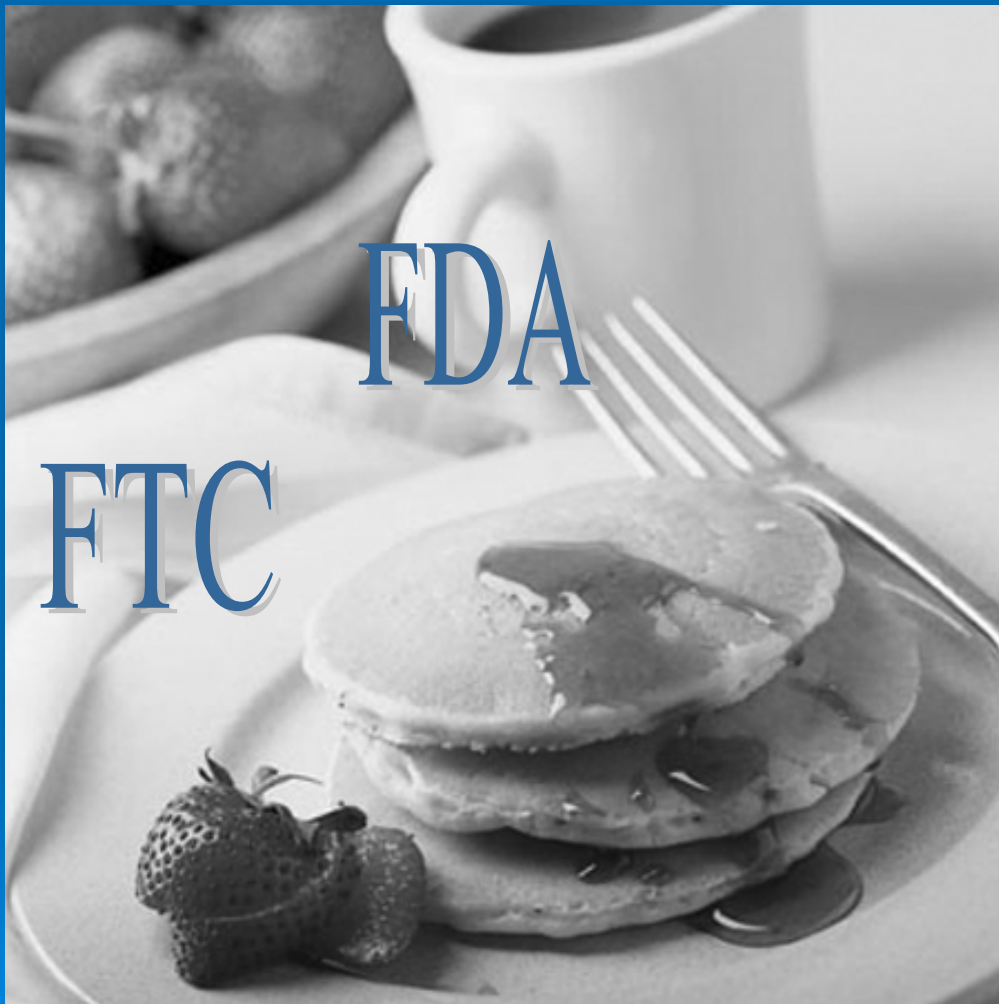


CPSC
USDA



Energy Policy Act

DOE



FDA

FTC



USDA



ITC
DOL
NHTSA



IRS
DOL
ERISA



CPSC

Hidden Tax

It's **GROWING**

Benefits & Costs

Accountability

Mercatus Center Programs

- Capitol Hill Campus
- Social Change Project
- Global Prosperity Initiative
- Government Accountability Program
- Regulatory Studies Program

