



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 14, 2004

H.R. 2432 **Paperwork and Regulatory Improvements Act of 2004**

*As ordered reported by the House Committee on Government Reform
on May 12, 2004*

SUMMARY

H.R. 2432 would amend the Truth In Regulating Act and other provisions of current law concerned with the cost of government regulations and the burden of federal reporting requirements. H.R. 2432 would grant the General Accounting Office (GAO) permanent authority to evaluate economically significant agency rules. The bill also would direct the Office of Management and Budget (OMB) to expand its regulatory accounting process, require OMB to review the burden of information collection requirements imposed by the Internal Revenue Service (IRS) on small business, and repeal the exemption granted in the Farm Security and Rural Investment Act of 2002 from certain regulatory review requirements for specific Department of Agriculture programs.

CBO estimates that implementing H.R. 2432 would cost about \$10 million a year, assuming the appropriation of the necessary amounts. Enacting the bill would not affect direct spending or revenues. H.R. 2432 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2432 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, In Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
GAO Analysis of Major Rules					
Estimated Authorization Level	8	8	8	8	8
Estimated Outlays	7	8	8	8	8
Regulatory Accounting Reporting and Studies					
Estimated Authorization Level	2	2	2	2	2
Estimated Outlays	2	2	2	2	2
Total Proposed Changes					
Estimated Authorization Level	10	10	10	10	10
Estimated Outlays	9	10	10	10	10

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2432 will be enacted near the end of fiscal year 2004, that the necessary amounts will be provided each year, and that spending will follow historical patterns for similar activities.

General Accounting Office Analysis of Major Rules

H.R. 2432 would grant permanent authority to continue a pilot project that required GAO to independently evaluate and report on certain regulatory rules issued by federal agencies. The authority for this pilot project expired on January 15, 2004.

The rules subject to review by GAO would include those that could have an annual effect on the U.S. economy of at least \$100 million or those that could adversely affect the economy, environment, public health and safety, or state, local, or tribal governments. Each GAO analysis would include an evaluation of the potential costs and benefits of implementing a particular rule, alternative approaches for achieving the goal of the rule at a lower cost, and an evaluation of the regulatory impact analysis or other assessment performed by the agency issuing the rule. Based on information from GAO, CBO estimates that those activities would cost about \$8 million annually, subject to the availability of appropriated funds.

Regulatory Accounting

Under current law, OMB is required to submit with the President's budget an accounting statement that includes an estimate of the total annual costs and benefits of all federal rules and reporting requirements. Additionally, OMB must report on the impact of federal rules and reporting requirements on state, local, and tribal governments and small business.

H.R. 2432 would require OMB to designate three regulatory agencies or offices for a pilot project to prepare a regulatory budget for fiscal years 2006 and 2007. The regulatory budget would present varying estimated levels of benefits that would be associated with different estimated levels of costs for alternative agency regulations. A full study on the value of a regulatory budget and issues involved in its preparation would be submitted to the Congress in 2009. In addition, the legislation also would require agencies, to the extent feasible, to submit to OMB the total annual costs and benefits of federal rules and reporting requirements. This material would be presented as part of the President's budget submission to the Congress. CBO estimates that those additional reporting requirements and the study would cost federal agencies about \$2 million annually beginning in fiscal year 2005.

Other Provisions

H.R. 2432 would require a study by OMB, in consultation with the IRS, to reduce the information collection burden imposed on small businesses by the IRS. The legislation also would repeal the exemption from the Paperwork Reduction Act and other regulatory review requirements for certain specific Department of Agriculture programs. CBO estimates that those provisions would cost less than \$500,000 to implement.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2432 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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