



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 13, 1998

### **H.R. 1704**

### **Congressional Office of Regulatory Analysis Creation Act**

*As ordered reported by the House Committee on the Judiciary on March 4, 1998*

#### **SUMMARY**

H.R. 1704 would create a Congressional Office of Regulatory Analysis (CORA), to provide the Congress an independent analysis of the costs and benefits of rules that agencies issue as part of the regulatory process. The bill also would require CORA to report annually on the total cost of federal regulations to the U. S. economy. It would transfer to CORA certain functions now assigned to the General Accounting Office (GAO) and the Congressional Budget Office (CBO).

The costs of operating CORA would depend on the way in which it would be expected to carry out its responsibilities. If it is to perform rigorous, independent, and comprehensive regulatory analyses, we expect that its costs would be at least \$30 million a year. However, H.R. 1704 would authorize annual funding for CORA at a level “not to exceed the amount appropriated” for the Office of Information and Regulatory Affairs (OIRA) at the Office of Management and Budget (OMB)—about \$5 million a year. For that sum, analyses would have to consist largely of reviews of agency studies, rather than original analyses.

Enacting H.R. 1704 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. H.R. 1704 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

H.R. 1704 would establish a new Congressional office, CORA, to conduct its own regulatory analysis of all major rules, and, upon request of a Member of Congress or a committee, any nonmajor rule. The Speaker of the House and the Majority Leader of the Senate would appoint the director, who could serve up to three terms of four years each. The director would be authorized to hire staff, experts, and consultants, and to secure data and support

from executive and Congressional agencies. The bill would transfer to the director certain functions of the CBO, which, under the Unfunded Mandates Act (Public Law 104-4), is required, if requested, to compare its cost estimates for regulations with those transmitted by OMB. It also would transfer to CORA the responsibility of the General Accounting Office to review procedures that federal agencies follow in preparing regulations as required by the Congressional Review Act (Public Law 104-21).

Unlike GAO's limited review of procedures, section 4 of the bill would require CORA to conduct its own analysis of major regulations issued by federal agencies and to prepare an estimate each year of the costs and benefits of complying with federal regulations. Descriptions of alternative approaches, along with their costs and benefits, would also be included in the analysis. In a CBO study of 85 regulatory impact analyses, *Regulatory Impact Analysis: Costs at Selected Agencies and Implications for the Legislative Process* (March 1997), CBO determined that the cost and time to conduct an independent regulatory impact analysis (RIA) varied greatly depending upon the scope and complexity of the rule being analyzed, the nature of the information required to perform the RIA, and the degree of political consensus surrounding the rule. The costs of the RIAs examined were as low as \$14,000 and as high as \$6 million, and the time required to complete the RIAs ranged from six weeks to more than 12 years. Agencies propose about 500 to 600 rules each year, and about 60 qualify as major rulings. Because the CBO study did not attempt to obtain a representative sample of RIAs, we cannot derive the cost of a "typical" or "average" RIA. Nonetheless, based on the CBO study and information from GAO and OMB, and assuming that roughly 60 major rules are issued a year, we conclude that CORA would require funding of at least \$30 million annually to conduct comprehensive, independent RIAs. The total cost could increase if agencies complete more than 60 rules annually or if a few very expensive analyses pushed the total costs higher.

H.R. 1704 would authorize the appropriation of such sums as necessary through 2006 to carry out the duties of the new office, but would limit the annual funding to amounts appropriated to OIRA. This level of resources suggests that rather than conducting an independent analysis for each major ruling, CORA would instead draw upon data provided by the agencies and would review the methodology and comment on the costs and benefits of the rule. OMB has allocated \$5.1 million from its 1998 appropriation to fund OIRA, and the President is requesting \$5.2 million for 1999 to pay expenses and salaries for 47 employees of the office. (This funding level also covers OIRA's responsibilities under the Paperwork Reduction Act of 1995 to review proposals of agencies to collect data.) CBO estimates that implementing H.R. 1704 but limiting its funding to levels consistent with OIRA would cost \$25 million over the 1999-2003 period (if funding for CORA is maintained at the 1998 level provided to OIRA) or \$28 million over the five-year period (if funding is

adjusted annually for inflation). Public Law 104-13 authorizes \$8 million annually in each of the fiscal years 1999 through 2001 for OIRA.

We estimate that GAO would save about \$500,000 beginning in 1999 if its regulatory review functions were shifted to CORA. CBO currently catalogues RIAs but has received no requests to date to prepare a cost estimate for an RIA; as a result, we would expect savings in CBO spending would be negligible if H.R. 1705 is enacted.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 1704 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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