

# Regulators' Budget for a New Era

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## In brief...

Murray Weidenbaum's groundbreaking Regulators' Budget report has provided authoritative data on the on-budget costs of regulation for decades. We propose methodological improvements to better reflect the modern regulatory environment.

The impacts of federal regulation are notoriously hard to measure. Presidents have long required executive branch agencies to estimate the benefits and costs of individual regulations before they are issued, but there is no reliable measure of the total costs or benefits of regulations with which Americans must comply. Instead, researchers and policy observers rely on proxy measures of regulatory impacts and trends, including [numbers of rules](#) issued by year, number of [pages](#) in the Federal Register, the size of the U.S. Code of Federal Regulations ([pages](#) and "[command words](#)"), and ex ante [estimates](#) of the benefits and costs of the most significant regulations issued over a period of years.

The "[Regulators' Budget](#)" provides two of the proxy measures often used to get a sense of the growth and size of U.S. regulation – the fiscal outlays and the personnel devoted to administering federal regulatory agencies.

These are only partial measures, of course, as the real cost of regulation is not the on-budget costs, but rather is hidden in higher consumer prices, lower wages, less entrepreneurial activity, and lost economic growth. Regulations' benefits are also not captured in these data. Nevertheless, especially when considered with other measures, the Regulators' Budget offers some interesting insights into the growth and changing composition of regulation over time. This essay covers the origins of and data used in the Regulators' Budget report and describes the limitations of the current methodology. It also proposes methodological improvements so the report can continue to be an authoritative source of data on the scope of regulation.

## History

Professor Murray Weidenbaum at Washington University in St. Louis first constructed a Regulators' Budget as a metric for understanding trends in regulatory activity in the early 1980s. Weidenbaum was a widely respected economist and advisor to five presidents, including as the first chair of President Reagan's Council of Economic Advisors. In [1983](#), he recommended that the Office of Management and

Budget (OMB) add “a comprehensive tabulation of the expenditures of all federal regulatory programs ... to the *Special Analyses* volume that accompanies the annual U.S. budget document.” He also took it upon himself to create such a database “designed to fill that gap.” He found:

Because the individual regulatory programs are dispersed all through government, it is hard for Congress to see the totality of resources involved. ...Federal outlays to operate regulatory activities will total \$6.5 billion in 1984, more than eight times the sum spent in 1970. When the data are converted to dollars of constant purchasing power, a more than three-fold increase is seen to have taken place since 1970. This amount, of course, is dwarfed by the much larger sums expended in the private sector and by state and local governments to comply with the directives of federal regulatory agencies.

In collaboration with colleagues at the Center for the Study of American Business at Washington University in St Louis (later renamed the Weidenbaum Center on the Economy, Government, and Public Policy), Professor Weidenbaum continued to update this database, extracting from the appendices to the annual fiscal budget the federal outlays and staffing associated with developing and enforcing federal regulations. In the early 2000s, the Mercatus Center at George Mason University joined in the effort, and Susan Dudley coauthored the annual report with Washington University’s Melinda Warren. When Dudley founded the George Washington University Regulatory Studies Center, the report moved with her. In 2021, Warren retired from the Weidenbaum Center and the GW Regulatory Studies Center took sole ownership of the dataset.

The data have been revised over time as agencies and regulatory programs are created (and, less frequently, abolished). The current data set has consistent data going back to 1960. We make the dataset available upon request. It is an oft-cited proxy for the growth and changing composition of regulation.

## Information provided

Analyzing the federal personnel and expenditures necessary to develop and enforce regulations provides a way to track regulatory trends. These data offer a proxy for the scope of regulatory activity and costs, and provide insights into the composition and evolution of regulation over time.

By including resources devoted to both devising new regulations and supporting and enforcing existing regulations, the Regulators’ Budget attempts to be a comprehensive account of the federal resources involved in maintaining the regulatory state.

While it does not provide information on the social costs or benefits of regulation, several aspects of the data set make it valuable for in-depth empirical research as well as more casual insights on regulatory trends. First, it is a reasonably long time series. The data go back to 1960, covering a more than 60-year period that witnessed tremendous change in both the type and quantity of regulation. Second, it provides a level of detail that allows users to parse the information in various ways. It includes outlays and employment at the agency and program level as reported in the annual federal budget appendices. Thus, for example, researchers interested primarily in environmental or workplace regulation can extract only

outlays in those areas. Third, while imperfect, the data sources are transparent and objective and the figures do not depend on assumptions about regulatory impacts.

## Limitations

The database suffers from two limitations that we propose to address, one substantive and one procedural.

When considering the impacts of a regulation, OMB's Circular [A-4 FAQs](#) distinguishes between “costs [which] affect the total resources available to society [and] transfer payments [which] are monetary payments from one group to another that do not affect total resources.” Professor Weidenbaum made a conscious decision to include only regulatory activities that affected societal resources. The Regulators' Budget has thus expressly excluded regulatory agencies that govern transfers, i.e., whose rules administer taxation, entitlement, procurement, subsidy, and credit functions. For example, the Internal Revenue Service, the Social Security Administration, and the Department of Defense, although they issue regulations, are not included on the grounds that their regulations largely cause transfers between parties.

While this distinction between regulatory activities that generate social benefits and costs and those that merely effectuate transfers is important, excluding transfers from the database has drawbacks. First, agencies are increasingly using transfer regulations to alter private sector behavior, so the distinction is getting muddier. Second, when people think of regulation, these types of activities are often at the forefront.

The Department of Health and Human Services Centers for Medicaid and Medicare Services (CMS) illustrates both these drawbacks. While CMS is consistently one of the most prolific regulators, we have traditionally excluded the agency because its regulations have primarily addressed the allocation of entitlements. The Patient Protection and Affordable Care Act of 2010 granted CMS new responsibilities, many of which (such as the regulation of private insurance markets) do affect total resources available to society. Similarly, tax regulations are [increasingly](#) used to incentivize or discourage private behavior, [such as](#) through income tax credits for adoption expenses and home energy-efficiency improvements, and denial of income tax deductions for political lobbying and excessive executive compensation.

The second limitation is procedural. The data for each year have been extracted manually from the detailed appendices to the President's annual fiscal budget. This makes updating cumbersome, especially when decisions are made to include or exclude any line items, which requires accessing the budget documents going back to 1960. Manual entries are also prone to errors.

## Proposed improvements

To address the first limitation noted above, we propose to modernize the Regulators' Budget by adding “transfer” or “budget” regulations as a third analytical category, to allow for a broader definition of “regulator” that more closely matches common understanding, and to enable the analysis of trends going back to 1960.

To address the second, we will use artificial intelligence tools to extract the relevant data from the annual fiscal budgets. With support from the Institute for Humane Studies, we will automate the data extraction from the federal budget appendices. With automation, data collection will take a fraction of the time going forward and enable us to make other improvements, including those noted above, more easily. Automating the data collection will also limit the amount of human error. Going forward, the team will focus efforts previously spent on data collection on auditing the collected data for accuracy, yielding more time to focus on presenting the results to the public.

Murray Weidenbaum's Regulators' Budget report revolutionized how scholars and practitioners discuss types of regulation and consider their costs. These proposed changes will build on his groundbreaking report to better account for changes in the modern regulatory landscape.