

REGULATORY COST ACCOUNTING ACT OF 1980

Summary

Regulatory reform should not mean the same thing for all agencies, because the objectives sought by regulation, the magnitude and character of the problems with regulation and, hence, the directions in which reform is reasonably sought vary from one agency to the next. At the same time, there is a need for a searching and general review of Federal regulation.

Accommodating these two considerations requires an approach that both recognizes the distinctive aspects of regulatory programs and provides a background against which individual programs can be viewed. The Regulatory Cost Accounting Act of 1980 would create a set of procedures and reporting requirements--called the Federal Regulatory Cost Accounting System--which would satisfy these requirements. In particular, the Act would create a systematic body of data on the costs of complying with Federal regulations which would identify key problems of regulation, and in this way, would facilitate action through the political process on regulatory reform.

Under the Act, agencies would be responsible for compiling data on the costs which their more important rules impose on the private sector and State and local governments. OMB would provide the guidance on definitions, accounting conventions and standards necessary to insure that the cost measurements of the agencies are mutually compatible. The head of each agency would be responsible for designating, with the concurrence of the Director of OMB, the rules for which compliance costs would be measured. For these rules, the agency would submit to OMB, annually, a report detailing each rule's direct compliance costs and describing the rule's effects. After review and analysis of the reports submitted by agencies, OMB would prepare a consolidated Federal Regulatory Cost Report. The President would transmit this report to the Congress together with his recommendations for changes in regulatory statutes and reorganization on consolidation of regulatory programs.

There are three features of the Act that are worth particular note because they respond to the key practical and organizational problems involved in setting up procedures to systematically measure the costs of complying with Federal regulation.

- The system would be decentralized. Agencies would be responsible for measuring the costs of compliance with their own regulations and the Act allows agencies substantial flexibility in meeting its requirements. Moreover, because the system would

be an extension of existing financial controls, it would not be necessary to create large, new bureaucracies.

- The head of the agency would designate (subject to the concurrence of the Director of OMB) the rules for which compliance costs would be measured, and sets of related rules would be treated as a single regulatory program. Consequently, the reporting requirements could be tailored to the characteristics of individual agencies.
- Direct compliance costs--i.e., expenditures made to comply with regulations--are distinguished from "indirect costs" that stem from the effects of regulations. Agencies would be required to measure the direct costs of compliance of designated rules (which can be done through conventional reporting techniques) while they would be required to measure indirect costs only to the extent that it is reasonable and practical to do so.