

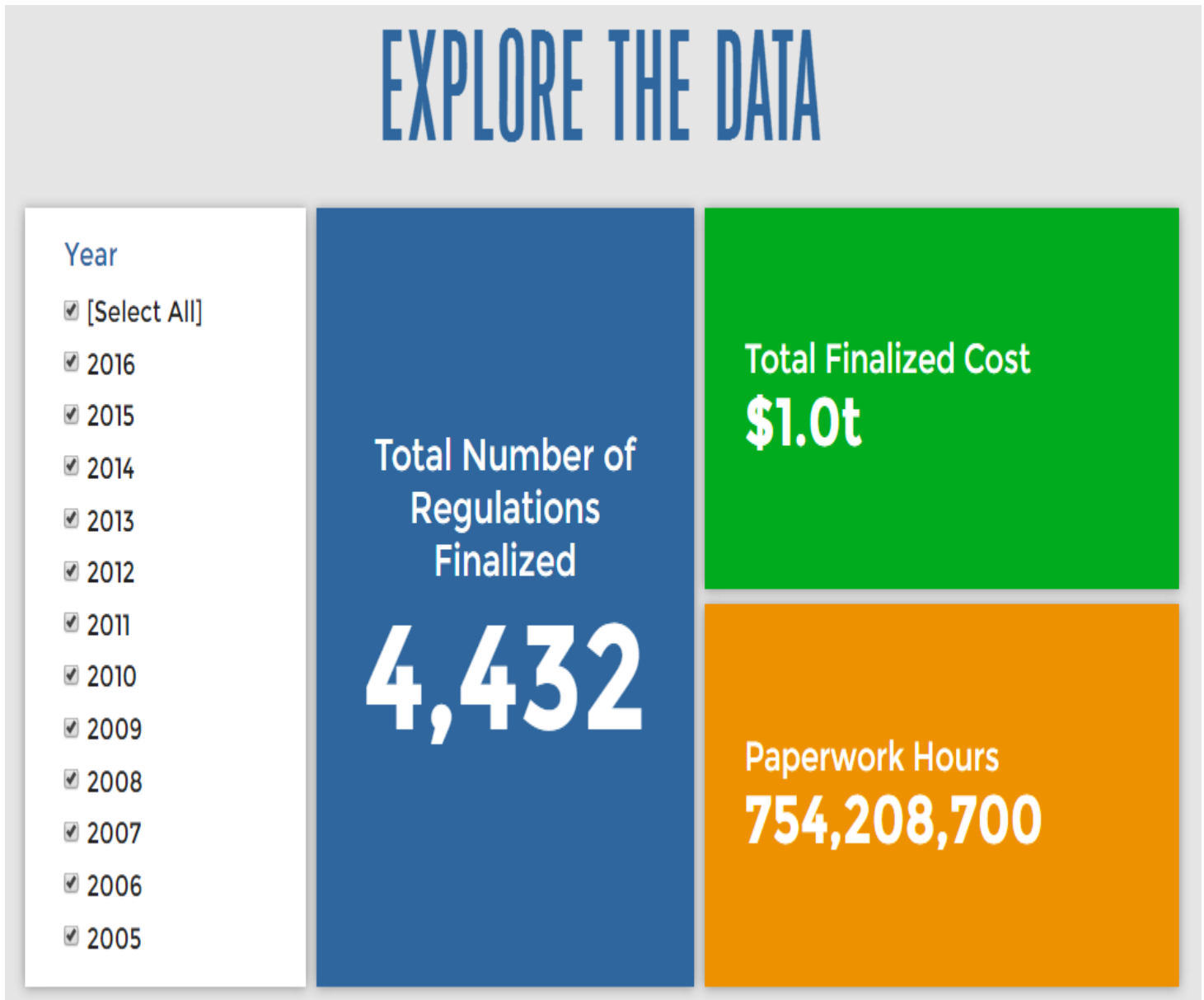


Insight

# Passing \$1 Trillion

SAM BATKINS | DECEMBER 1, 2016

With the [formal publication](#) of the Environmental Protection Agency's (EPA) second round of heavy-duty truck standards, which will impose at least [\\$29.3 billion](#) in burdens, the total regulatory tab since 2005 has surpassed \$1 trillion. These total regulatory costs are calculated through the American Action Forum's (AAF) Reg Rodeo, a searchable database of federal regulations. This should serve as a sobering reminder of the scale of regulatory burdens imposed during the last decade.



The \$1 trillion figure represents official benefit-cost analysis figures from federal regulators that AAF has

complied since we started the project in 2011. It represents the long-term, or net present value of regulatory burdens that have been or will be imposed during the next few years. AAF recorded \$745 billion in annual benefits during the same period. For more perspective, \$1 trillion is roughly the same as the Gross Domestic Product (GDP) of [Mexico](#). On a per capita basis, there are 324 million people in the U.S., equating to a regulatory burden of \$3,080 per person.

On an annual basis, the costs are less, but still staggering: \$175 billion or an annual per capita burden of \$540. In other words, each year every person (regardless of age) in the nation is responsible for paying roughly \$540 in regulatory costs. These burdens might take the form of [higher prices](#), [fewer jobs](#), or [reduced wages](#), all areas AAF has reviewed previously.

It won't surprise many to learn the main culprit for this \$1 trillion figure is the Environmental Protection Agency (EPA). The EPA has issued the five most expensive rules by annual costs and six of the top eight in terms of total costs. Here are five of the costliest rules, totaling \$191 billion in total costs and \$42.1 billion in annual burdens.

- [CAFE Standards for 2017-2016 Vehicles](#)
- [Mercury Air Toxics Standard](#)
- [Clean Power Plan](#)
- [Fine Particle Implementation Rule](#)
- [Standards for Particulate Matter](#)

The total of \$1 trillion is probably more impressive considering AAF has recorded 167 rules that have reduced regulatory burdens. Combined, these deregulatory measures have estimated a reduction of more than \$25 billion in total costs and \$13 billion in annual rescissions. Yet, despite those efforts, the pace of regulation continues to increase the nation's regulatory tab.

Beyond the direct regulatory costs, AAF has recorded more than 700 million paperwork hours. This equates to 350,000 individuals working full-time (2,000 hours annually) completing federal forms and recordkeeping requirements. That's roughly the population of Anaheim, California devoted solely to federal paperwork.

Cumulatively, the federal government lists [11.3 billion](#) hours of annual paperwork compliance. Time equals money and to provide evidence that \$1 trillion in cumulative regulatory costs is not fanciful, an hour of regulatory compliance would need to cost about \$88 to equal \$1 trillion in paperwork costs alone, to say nothing of the other impacts of federal rules. A figure of \$88 per hour might seem too high, but consider the federal government routinely reimburses federal contractors at rates exceeding [\\$180 per hour](#) for support. This considers wages, fringe benefits, and overhead associated with employee labor.

There is probably no one "correct answer" on the cumulative costs of regulation. These figures are just estimates (unadjusted for inflation) from federal regulators, some more than a decade old, which might have dubious value. However, it also excludes state and local rules, which many Americans encounter far more often than federal rules. In addition, federal regulations frequently omit the deadweight loss effects of rules and rarely [monetize](#) the effect of employment loss. It also excludes the [fiscal costs of regulation](#), which can exceed \$30 billion in unauthorized expenditures.

## Conclusion

There have been many milestones as AAF has tracked regulation. The Obama Administration surpassed [500 major regulations](#) last summer, imposing \$625 billion in cumulative costs. Earlier this year, regulators published the administration's [600th major rule](#), increasing burdens to \$743 billion. Now, thanks to data from the last term of the Bush Administration and another billion-dollar rule from EPA, the regulatory tally has surpassed \$1 trillion. These figures are direct estimates from federal regulators, but it will take more than an effort from these regulators to amend hundreds of major regulations. Congress, the next president, and even the courts must participate in the next generation of regulatory modernization.