



Research

2019: The Year in Regulation

DAN BOSCH | JANUARY 13, 2020

EXECUTIVE SUMMARY

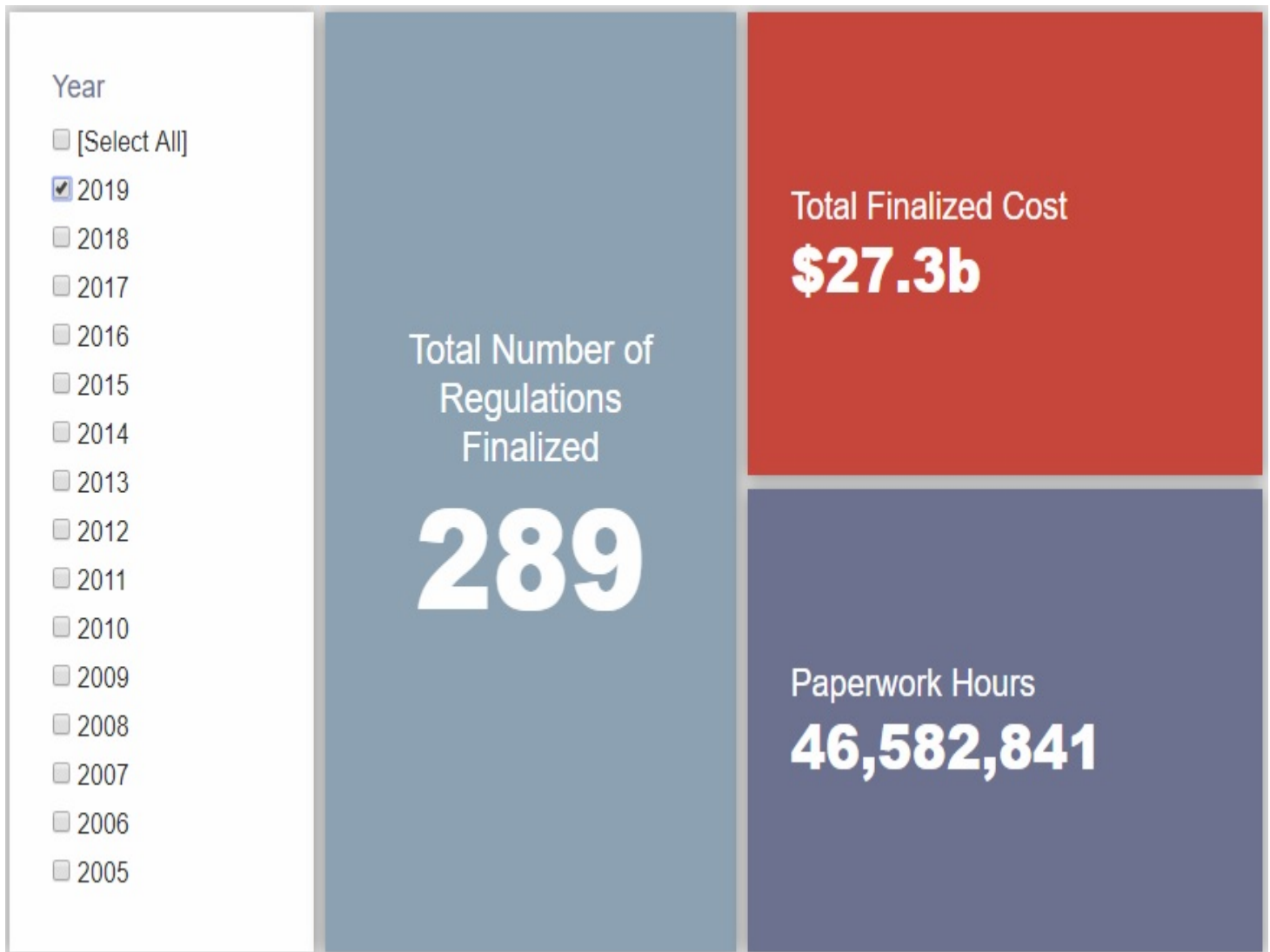
- Federal agencies combined to publish \$27.3 billion in net regulatory costs in 2019, the largest amount of the Trump Administration.
- A single rule from the Securities and Exchange Commission swung the balance from net deregulatory to regulatory for the federal government.
- Newly added paperwork hours also hit a new high for the administration.
- The administration proposed more than \$54 billion in net regulatory costs, although if three proposed rules aimed at tightening immigration are not counted, the federal government proposed net savings of \$6 billion.

INTRODUCTION

2019 marked a return to net regulatory costs published by the federal government. Whereas [2018](#) concluded with agencies finalizing \$7.8 billion in net savings, this year agencies combined to finalize \$27.3 billion in net costs. The American Action Forum, through its [RegRodeo](#) database, calculated this figure by monitoring the Federal Register each day in 2019 and tracking every final and proposed rule that included an estimate of costs, savings, or paperwork burden.

That top-line figure does not tell the entire story, however. One rule, issued by an independent agency, featured \$27.5 billion in total costs. Aside from that rule, agencies were net deregulatory by about \$200 million for 2019 – continuing the Trump Administration’s emphasis on reducing regulatory costs.

SNAPSHOT



Other Notable Points

- Final Annualized Costs: \$4.2 billion
- Total Final Costs per Person: \$82.54
- Total Proposed Costs: \$54.9 billion
- Proposed Paperwork Hours: 14.3 million

COSTLIEST RULES

As mentioned above, one rule accounts for the difference between a return to net costs versus a second straight year of net savings. The Securities and Exchange Commission's (SEC) [Regulation Best Interest](#) rule cost an estimated \$27.5 billion. Ironically, the rule could actually be considered deregulatory since it basically replaces the Obama Administration's Fiduciary Rule that cost [\\$31.5 billion](#).

The other very costly rule issued in 2019 was the [Qualified Business Income Deduction](#) (\$9.9 billion). The Internal Revenue Service rule implements a key part of 2017's Tax Cuts and Jobs Act, and its costs are driven

by the estimated 25 million annual hours of paperwork associated with the deduction. The 10 costliest rules are listed in the table below. These rules accounted for 93 percent of costs among all final rules with a net cost estimate.

Top 10 Costliest Rules

Regulation	Agency	Cost (\$ millions)
Regulation Best Interest	Securities and Exchange Commission	27,500.0
Qualified Business Income Deduction	Treasury	9,608.3
PPACA Exchange Program Integrity	Health and Human Services	2,614.0
CMS Revisions to Requirements for Discharge Planning for Hospitals, etc.	Health and Human Services	2,500.0
CMS CY 2020 Home Health Prospective Payment System Rate Update, etc.	Health and Human Services	2,427.1
Veterans Community Care Program	Veterans Affairs	2,231.0
Repeal of the Clean Power Plan	Environmental Protection Agency	970.0
Protecting Statutory Conscience Rights in Health Care	Health and Human Services	900.7
Establishment of a Domestic Hemp Production Program	Agriculture	589.8
Form CRS Relationship Summary; Amendments to Form ADV	Securities and Exchange Commission	388.4

BIGGEST SAVINGS

The Trump Administration has made a big deal out of its deregulatory efforts, frequently highlighting its rules with savings. 2019 offered a continuation of similar progress from 2017 and 2018 in this regard. In all, the administration published 74 rules with estimated savings. These rules combined to save \$26.5 billion. By comparison, all final rules in the Obama Administration with net savings totaled \$16.3 billion over its eight years. The Trump Administration surpassed that significantly in 2019, in what is its most regulatory year (in terms of cost).

Compared to the cost side of the ledger, the savings are slightly less concentrated in the 10 rules with the biggest net value. The 10 rules in the table below comprise 88 percent of all savings published.

Top 10 Rules with the Greatest Savings

Regulation	Agency	Savings (\$ millions)
CMS Regulatory Provisions To Promote Program Efficiency, etc.	Health & Human Services	9,242.9

Overtime Rule	Labor	7,640.0
Blowout Preventer Rule	Interior	1,543.1
WOTUS Recodification	Environmental Protection Agency	1,342.9
Modernization of Swine Slaughter Inspection	Agriculture	741.6
Removal of Section 385 Regulations	Treasury	685.0
H-1B Registration Rule	Homeland Security	626.8
Clean Air Act Accidental Release Prevention	Environmental Protection Agency	616.6
CMS Policy and Technical Changes to Medicare Advantage, etc.	Health & Human Services	534.0
New Single-Sheet Format for DEA Form 222	Justice	358.6

These tables show that the preponderance of costs and savings comes from relatively few rules. According to [Regulations.gov](https://www.regulations.gov)

, there were 3,176 rules published in 2019. That just 20 rules make up 93 percent of costs and 88 percent of savings shows that the vast majority have relatively little estimated economic impact. This is not to say those economically less-significant rules have no consequences, but if one wants to get a sense of estimated economic impact one only needs to focus on those at the high ends of the value spectrum.

NOTABLE AGENCIES

The costliest agencies in 2019 were the SEC (\$28.3 billion), the Department of Treasury (\$9 billion), and the Department of Veterans Affairs (\$2.3 billion). The agency generating the most savings for the year was the Department of Labor (\$7.9 billion), primarily on the savings of its revision of the Obama Administration’s overtime rule. Other agencies that saved more than \$1 billion on net were the Department of the Interior (\$1.5 billion) and EPA (\$1.2 billion).

The table below shows agencies that estimated costs or savings of more than \$100 million on a net basis.

Agencies with More Than \$100 Million in Costs or Savings

Agency	Cost/Savings (\$ millions)
SEC	28,289.9
Treasury	8,993.7
Veterans Affairs	2,259.0
Transportation	604.1
Defense	135.0
Energy	-233.0
Justice	-358.6
Homeland Security	-360.0
Agriculture	-538.4
HHS	-853.8
EPA	-1,225.0
Interior	-1,543.0
Labor	-7,872.5

PAPERWORK

The number of new paperwork hours hit a three-year high under the Trump Administration in 2019, with 46.6 million hours added. This increase is a notable departure from the previous two years. In 2018, 9.9 million hours were added. In 2017, paperwork was *reduced* by 15.6 million hours.

The top three hour-adders in 2019 all come from the 10 costliest rules. The most hours were added by the

Qualified Business Income Deduction rule, at [25 million](#). The SEC's Regulation Best Interest added the second-most with [8.1 million hours](#). The third-largest contributor was the other SEC rule in the top 10, which added [4.7 million hours](#).

Four rules cut more than 1 million hours of paperwork. The largest by a significant margin is the Department of Education's [Gainful Employment rule](#), which revised an Obama-era rule and trimmed the annual burden by 6.9 million hours. The others came from the Department of Health and Human Services ([1.7 million reduced hours](#)), the Department of Homeland Security (DHS) ([1.4 million reduced hours](#)), and EPA ([1.1 million hours reduced](#)).

Federal agencies estimated 14.3 million new annual hours from rules proposed in 2019, making it likely that cumulative federal paperwork will continue to increase in 2020 and beyond.

PROPOSED RULES

Though costs and savings estimates of proposed rules can sometime vary widely from final rule estimates, it is worth noting sizable proposals for some insight on future economic impacts. Given the Trump Administration's deregulatory focus, it is eye-opening that in 2019 agencies published proposed rules with \$54.9 billion in estimated costs. A closer look at these proposals shows those costs are driven primarily by one agency – DHS – while the rest of the federal government appears to be more in line with the deregulatory goals of the administration.

The three costliest proposed rules all come from DHS, and more specifically U.S. Customs and Immigration Services, and would tighten immigration. These proposed rules cost an estimated [\\$45.1 billion](#), [\\$11.4 billion](#), and [\\$4.4 billion](#) – the first, third, and sixth most costly proposed rules of the Trump Administration.

Aside from these three, the rest of the proposed rules published in 2019 net to \$6 billion in savings. The largest of these is a revision to the Hours of Service rules for commercial motor vehicle drivers estimated to save [\\$4.1 billion](#).

CONCLUSION

One rule prevented 2019 from being a net deregulatory year in terms of estimated economic impact. Instead, federal agencies published the most costs of the three years of the Trump Administration. The Trump Administration also added its most hours of annual paperwork in 2019, which continues to add to the cumulative federal paperwork burden. Overall, costs, savings, and paperwork were concentrated among the largest rules on each end of the value spectrum.

Looking ahead, the proposed rules indicate that while the one agency that regulates immigration will likely add huge regulatory costs in 2020, the rest of the federal government will largely continue the Trump Administration's goal of deregulation.