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Regulatory Spending Soars in Fiscal Year 2003

Weidenbaum and Mercatus Centers Release Study on Fiscal Year 2003 and 2004 Expenditures and Staffing of Federal Regulatory Agencies

St. Louis, MO and Arlington, VA—The administrative costs of federal regulation are budgeted to reach an all-time high of \$30.1 billion in 2003, as more money is devoted to the environment, transportation security, and securities regulation, according to a new report issued jointly by the Weidenbaum Center at Washington University in St. Louis and the Mercatus Center at George Mason University. The budget request for 2004 suggests a slight decline from the 2003 peak to \$28.9 billion.

In **Regulatory Spending Soars: An Analysis of the U.S. Budget for Fiscal Years 2003 and 2004**, the Weidenbaum Center's Melinda Warren and Mercatus Center's Susan Dudley analyze projected spending and staffing for the 60 regulatory agencies as proposed in President Bush's 2004 **Budget of the United States Government**. The \$30.1 billion price tag is a 14.9 percent increase over actual spending for 2002. A 4 percent decline is scheduled for 2004.

"Spending for regulatory activities in the FY2004 Budget reflects national concerns about homeland security, particularly as it relates to the transportation infrastructure, and the highly publicized securities and accounting scandals of the last few years," said Susan Dudley, senior research fellow in the Regulatory Studies Program at the Mercatus Center and a study co-author. "Budget expenditures directed toward regulatory activities represented 1.4 percent of the total federal budget in 2003, the highest percentage since 1980."

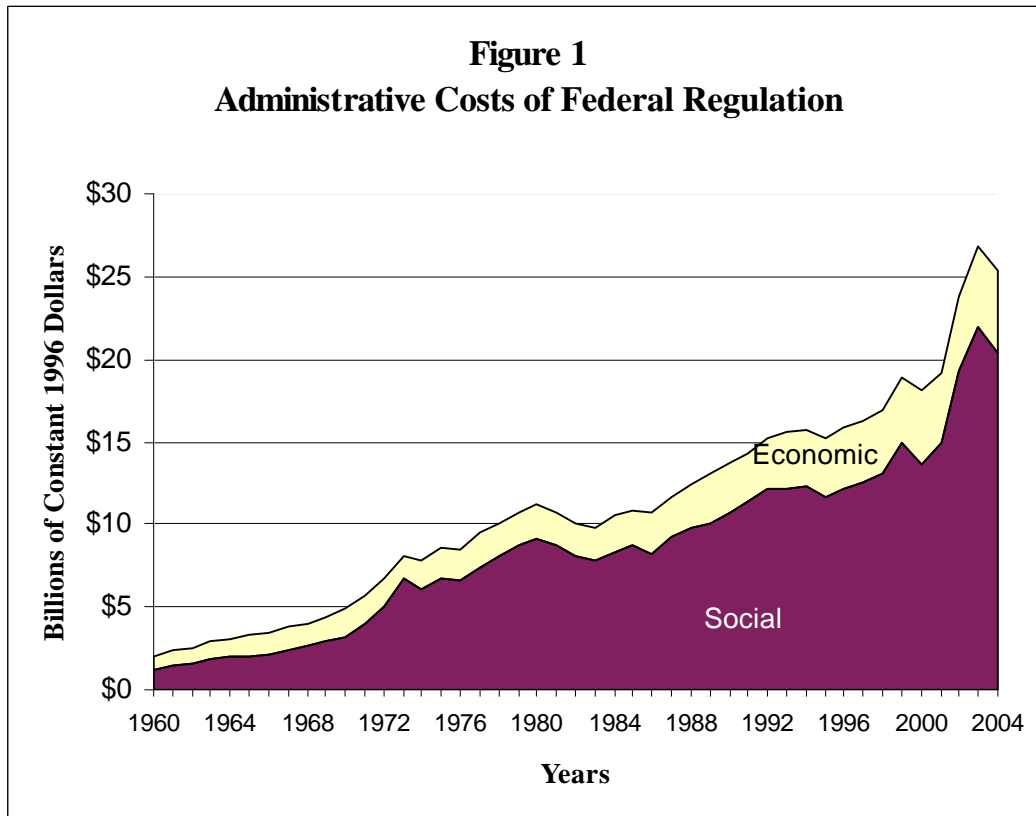
Like the budgets, staffing at federal regulatory agencies is projected to grow in 2003 and decline slightly in 2004.

Melinda Warren, director of the Weidenbaum Center Forum and the study's other co-author noted that: "In 2003, regulatory staffing is likely to be over 47 percent higher than it was just one year earlier. We estimate it could be as high as 195,284 in 2003. The large increase in 2003 is primarily due to the addition of the Transportation Security Administration, a new agency that employs nearly 60,000 people."

The largest increases in spending in 2003 were at the Environmental Protection Agency and the newly formed Department of Homeland Security, which enforces regulations through the Coast Guard and the Transportation Security Administration. Both Homeland Security and the Environmental Protection Agency received over \$1 billion in additional spending in 2003 (over a 25 percent increase over 2002). The Securities and Exchange Commission (SEC) and the Patent and Trademark Office (PTO) also experienced budget increases of over \$100 million

each in 2003. Of these agencies, only the Coast Guard and SEC are slated for additional increases in FY 2004.

Figure 1 below shows the trend in regulatory spending from 1960 to 2004. The 15 percent increase in the taxpayer cost of running federal agencies in 2003 is on top of a 23.5 percent increase in 2002. The budget request for 2004 would reduce that amount slightly to \$28.9 billion, however, as in years past, Congress could appropriate more than requested.



A joint product of the Mercatus Center at George Mason University and the Weidenbaum Center at Washington University in St. Louis, this report continues an effort begun in 1977 by the Weidenbaum Center (formerly the Center for the Study of American Business.)

For more information or a complete copy of the study, please call Cindy Goh at (703) 993-4918 or Gerry Everding at (314) 935-6375 or log on to the Mercatus Center's (www.mercatus.org) or the Weidenbaum Center's (www.wc.wustl.edu) web site.

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The Mercatus Center is an education, research, and outreach program at George Mason University that works with scholars, policy experts, and government officials to bridge academic theory and real-world practice.

The Weidenbaum Center on the Economy, Government, and Public Policy at Washington University in St. Louis supports scholarly research, public affairs programs, and other activities in the fields of economics, government, and public policy, serving as a bridge between scholarship and policy makers.