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FACT SHEET

President Reagan's Initiatives to Reduce Regulatory Burdens

Summary: President Reagan today announced the details of a far-reaching program to reduce the burden of Federal regulations and paperwork, and to reduce the intrusion of the Federal Government into our daily lives.

BACKGROUND

- During the campaign, President Reagan promised swift action to ease the economic burden of government regulation.
- Previous administrations have instituted programs to manage the regulatory process. But, despite these measures, regulations have continued to proliferate, often based on inadequate analysis of the costs and benefits that would result.
- During the last month of the Carter Administration, regulatory agencies in the Executive Branch issued more than 150 final regulations. Of these so-called "Midnight Regulations," over 100 were scheduled to become effective within the next 60 days. Many of these new regulations impose substantial new burdens on the economy.
- Often, the high cost of regulatory compliance is due to the cumulative effect on an industry of many agencies' rules, rather than to a single major rule. For example, at least five Federal agencies directly regulate the auto industry, and these five agencies are now considering more than 50 significant new auto rules.
- This year, the Federal government is forcing Americans to spend over a billion hours providing information to the government.

ACTIONS TAKEN SINCE JANUARY 20

Since taking office on January 20th, the President has taken a number of actions as a part of a broad effort to free the economy, wherever feasible, of the hidden tax of complying with Federal rules and paperwork requirements which do not contribute to the public welfare. This effort will also seek to assure that regulations essential to the goal of protecting the public health and safety achieve their goal in the most efficient manner.

1. Task Force on Regulatory Relief

President Reagan announced the creation of a Presidential Task Force on Regulatory Relief on January 22, 1981. It is chaired by the Vice President. The other members are the Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Secretary of Labor, the Director of the Office of Management and Budget, the Assistant to the President for Policy Development, and the Chairman of the Council of Economic Advisers.

This Task Force has ongoing responsibilities which will be reinforced by the President's Executive Order on Federal Regulation. The Task Force will:

- Review major regulatory proposals by executive branch agencies, especially those proposals that would appear to have major policy significance or where there is overlapping jurisdiction among agencies.
- Assess executive branch regulations already on the books, especially those that are burdensome to the national economy or to key industrial sectors.
- Oversee the development of legislative proposals in response to Congressional timetables (e.g., the Clean Air Act must be reauthorized this year), and codify the President's views on the appropriate role and objectives of regulatory agencies.
- Seek to increase public awareness of regulations and their impact, including regulatory expenditures that do not show up in the Federal budget.
- Make recommendations to the President on regulatory personnel and how to reform regulation through Executive Orders, agency actions, and legislative changes.

2. Termination of CWPS's Wage-Price Program

On January 29, President Reagan issued Executive Order 12288 terminating the Council on Wage and Price Stability's wage-price standards program.

The Council on Wage and Price Stability (CWPS) was created in 1974 to study and encourage wage and price restraint, monitor inflation in the economy, encourage productivity, and review the inflationary impact of government programs and regulations. In 1978, President Carter directed CWPS to establish a program of "voluntary" wage and price standards. The Office of Federal Procurement Policy was ordered to issue regulations denying Federal contracts to violators of these standards. The CWPS staff grew from approximately 50 to 238 in 1979. As of January 20, 1981, employment was 170.

The CWPS program of wage-price standards proved ineffective in halting the rising rate of inflation. It proved to be an unnecessary burden on labor and industry, and a waste of taxpayers' money.

About \$1.5 million will be saved in 1981 by this action, employment in the Executive Office of the President will be reduced by about 135 people, and Federal requirements that businesses submit voluminous reports will be ended. Companies spent some \$300 million to comply with the reporting requirements alone of this program (more than 5,000 company reports were submitted to CWPS). CWPS's small regulatory staff will work closely with OMB and the Presidential Task Force on Regulatory Relief to carry out the program of regulatory relief.

3. Postponement of Pending Regulations

On January 29, President Reagan requested the heads of 12 departments and agencies, to the extent permitted by law, to postpone the effective dates of regulations that otherwise would have become effective before March 29 and refrain from issuing any new final regulations during this same 60-day period. This suspension in the effective date of new regulations was to:

- Allow the new Administration time to review the "midnight" regulations issued during the last days of the Carter Administration to assure that they are cost-effective and in concert with this Administration's policies.
- Allow time for this Administration's appointees to come aboard and to become familiar with the details of the various programs for which they will be responsible.

- Allow time for this Administration, through the Presidential Task Force, to develop improved procedures for management and oversight of the regulatory process.

The request was sent to the heads of the Departments of Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, Transportation and Treasury, and the Environmental Protection Agency.

With certain exceptions, the effective dates of all rules that would have become legally effective during the 60-day period have been extended. The Office of Management and Budget has received and has granted several requests for waivers of this regulatory suspension. Most such cases involve regulatory actions necessary for economic activity to go forward.

4. Initial Regulatory Actions

The program of regulatory relief is underway. Several cabinet departments and agencies, on their own initiative and in coordination with the President's Task Force, have taken action on several significant issues:

- On February 2, the Secretary of Education withdrew the proposed bilingual education rules. These rules would have required all school systems to offer bilingual instruction to each child whose primary language is other than English. The Department estimated that the proposed rule could have cost up to \$1 billion over the first 5 years of the program and an annual maintenance cost of between \$72 million and \$157 million thereafter.
- On February 9, the Secretary of Transportation proposed a one-year delay in a regulation which would have mandated the installation of passive restraints, beginning with large cars, in September 1981. The implementation of this regulation could have resulted in consumers paying as much as \$800 more per vehicle equipped with air bags. Moreover, this requirement would have hit U.S. auto producers hardest. Before the government imposes additional costs on the consumer and puts an additional financial burden on an already troubled industry, it must be sure that such an action is warranted. A one-year delay will provide the opportunity for such an evaluation.
- On February 9, the EPA asked the D.C. Court of Appeals to remand to it a rule setting noise emission standards for garbage trucks. This request set in motion a process in which EPA will review regulatory alternatives suggested by the garbage truck industry. During this review, EPA will not enforce any aspect of the rule. When the rule was issued, EPA estimated that it would cost \$25 million annually to comply with the rule, most of which would be borne by municipalities.
- On February 12, the Secretary of Labor announced action on three major rules.
 - An OSHA rule requiring that chemicals in the workplace be labeled was withdrawn for reconsideration. This rule, if issued in final form, would have cost between \$643 million and \$900 million initially, and between \$338 million and \$473 million annually according to Labor Department figures. Lower-cost means of assuring worker protection will be sought.
 - New rules under the Fair Labor Standards Act were postponed indefinitely. These would have raised the salary levels used as tests, in part, to determine whether executives must be paid overtime. This would have cost employers over \$50 million annually, would have reduced employment opportunities, and would have raised prices, especially in the fast foods industry.
 - The implementation of new rules under the Service Contract Act was postponed. These rules would have extended Davis-Bacon "prevailing wage" principles to those timber sales, automatic data processing, and research and development firms

under contract with the Federal government. The Department estimated that these rules would have cost at least \$68 million annually.

- On February 14, OMB withdrew the policy memorandum on Federal Support for Hospital Construction issued by the previous Administration. This policy set out an elaborate review process to prevent Federal support for unnecessary hospital construction and renovation projects. In the Administration's judgment, the objectives of the policy could be met more simply and effectively through other means.
- On February 17, the President rescinded the mandatory Federal controls on building temperatures which had been imposed by the previous Administration. This action allows operators of non-residential buildings to choose the methods of conserving energy that best suit their circumstances.
- On February 17, the Secretary of Energy took several actions:
 - Announced that national energy efficiency standards for major household appliances will not be issued until a thorough review is completed. The 1980 proposal would require producers to redesign, by 1986, virtually all existing models of these appliances and to retool their production lines. As a result, many small firms would probably be forced out of business. Consumers would face sharply higher purchase prices —about \$500 million annually. Low-income families could be especially hard-hit, since the standards would prohibit continued production of the kinds of lower cost appliances they can afford.
 - Withdrew proposed standby energy conservation measures involving a compressed work week, vehicle use stickers, and the part of the employer-based commuter and travel measures concerning working hours and transit subsidies. In addition, the Secretary has proposed to withdraw several interim final measures, including odd-even day motor fuel purchases, additional employer-based commuter and travel measures, increased enforcement and/or reduction of the 55 m.p.h speed limit and mandatory temperature restrictions. This action will remove measures which, if implemented, would interfere excessively in the daily life and business of Americans.
- On February 17, the Director of OMB revoked the Department of Energy's clearance under the Federal Reports Act for the collection of industrial energy consumption data. A number of respondents have provided data which demonstrated that the information requested is needlessly detailed and unduly burdensome. This action will terminate the collection of industrial energy data for sites not subject to Federal regulation and preclude the Federal Government from expanding its regulatory programs.
- On February 17, President Reagan revoked Executive Order 12264, which established a cumbersome, duplicative and burdensome regulatory policy regarding the export of some hazardous substances. The rescinded Executive Order would have threatened American workers' jobs and could have disrupted production abroad where affected U.S. exports serve as vital material inputs. Procedures already exist which inform foreign governments of hazards associated with exported American products. Thus, each foreign government can decide for itself whether to import the products and what precautions to take.

NEW ACTIONS ANNOUNCED BY THE PRESIDENT

Building on the steps taken since January 20th, today the President announced the following additional actions taken by his Administration:

1. The Executive Order on Federal Regulation

Yesterday, the President signed a new Executive Order designed to improve coordination and management of the Federal regulatory process. This Order will produce better quality regulation and reduce the excess burden of regulation on the American people. The Order:

- Instructs the agencies on what is expected of them with respect to their regulatory work and provides reassurance to the American people of the government's ability to control its regulatory activities.
- Charges the Office of Management and Budget with administering the new order, subject to the overall direction of the Presidential Task Force on Regulatory Relief.
- Emphasizes that: regulatory decisions should be based on adequate information; actions should not be undertaken unless the potential benefits to society outweigh the potential costs; and regulatory priorities should be set on the basis of net benefits to society.
- Directs agencies to determine the most cost-effective approach for meeting any given regulatory objective, and requires that factors such as the economic condition of industry, the national economy, and prospective regulations be taken into account.
- Requires each agency to perform certain tasks as part of the development of an important regulation. A Regulatory Impact Analysis is required to evaluate potential benefits and costs in light of the regulatory objectives. A determination must be made that any proposed rule is consistent with applicable legal authority and Presidential policy and that it reflects careful evaluation of the comments of all persons affected by or interested in the regulation. The Task Force is to oversee this process; the Office of Management and Budget is to make substantive comments on regulatory analyses, help determine which new and existing regulations should be so analyzed, and oversee the publication of semiannual regulatory agendas.

2. Integrating the Goals of Regulatory Relief with Paperwork Reduction

The Administration's program to reduce regulatory burdens will be integrated with its program to implement the Paperwork Reduction Act of 1980. During 1981, given present requirements, Americans will spend over 1.2 billion hours filling out government forms. This is equivalent to the annual labor input for the entire steel industry.

The costs of Federal paperwork and regulation discourage Americans from opening small businesses, doctors from accepting Medicare patients, and State and local governments from requesting needed Federal aid. The Office of Management and Budget has exercised some control over the paperwork burdens of the cabinet departments since 1942. Last year, OMB supervised an effort which resulted in a reduction of almost 10 percent in the burden imposed by agencies subject to OMB Federal Reports Act authority. However, agencies not subject to OMB information collection review increased their paperwork load last year by more than 10 million hours.

The Paperwork Reduction Act of 1980 brings the independent regulatory agencies under OMB authority, directs that the paperwork burden be reduced by 15 percent by October 1, 1982, and relates the effort to reduce paperwork burden to the need to minimize regulatory burden.

This Act creates an Office of Information and Regulatory Affairs within OMB and directs the agency to review Federal regulations that contain a recordkeeping or reporting requirement under a variety of different procedures. It provides that no agency may impose civil or criminal penalties on any person who fails to comply with a recordkeeping or reporting requirement that has not received OMB approval.

3. Future Candidates for Regulatory Review

The Administration is completing a comprehensive initial review of the regulations of 14 key executive branch agencies: Departments of Treasury, Justice, Interior, Agriculture, Commerce, Labor, Health and Human Services, Housing and Urban Development, Transportation, Energy and Education, and the Environmental Protection Agency, the Equal Employment Opportunity Commission and the Office of Management and Budget. This review covers both rules under development as well as rules now in effect. Regulations now under development can usually be withdrawn, modified, or cancelled by the agency head at his or her direction. In the case of existing rules, the agency head will have to issue a new notice of proposed rulemaking and follow usual procedures before making substantive change. That is, revision or withdrawal of these existing rules would require that the agency propose the revision or withdrawal and obtain public comment before taking final action.

During the coming weeks and months, agencies will be conducting intensive reviews of many existing and proposed regulations -- at their own initiative, and in response to requests from the Task Force on Regulatory Relief.

4. Legislative Changes

The Administration will examine all legislation that serves as the foundation for major regulatory programs. This review will be led by the Presidential Task Force on Regulatory Relief and will result in recommendations to reform these statutes.

Not all of our regulatory problems can be solved satisfactorily through more effective regulatory management and decision-making. Statutory constraints often preclude effective regulatory decisions. Also, the Administration's efforts to better control the regulatory process may, in some cases, require further Congressional action. For example:

- Many of the statutes are conflicting, overlapping, or inconsistent. Some force agencies to promulgate regulations while giving them little discretion to take into account changing conditions or new information. Other statutes give agencies extremely broad discretion, which they may sometimes exercise unwisely. Statutes should not force agencies to promulgate inefficient regulations: they should provide agencies with requisite discretion and sufficient direction so that they act wisely.
- Compliance deadlines are often established in various laws. In general, they are imposed to ensure that agencies move forward expeditiously in implementing the law. However, these deadlines are often impossible to meet, especially if the rules developed are to be based on adequate information. Deadlines in statutes also constrain agencies' ability to tailor rules to the economic conditions of the affected parties. Where deadlines are unreasonable, changes will be sought.

Over the past few years numerous procedural reforms have been introduced in Congress that would respond to increasingly burdensome and intrusive regulations being imposed by the Federal Government. They have included requirements for regulatory analyses, an across-the-board legislative veto, and broader judicial review of the substance of regulations. While supportive of the goals of such proposals, the Administration is concerned about legislation that may result in excessive layering of review or an undue broadening of control responsibility. Legislative proposals should be developed in a manner to ensure they do not make the process even more complex, increase the size of the federal bureaucracy, make it more difficult to make needed changes in regulations, create additional delay and uncertainty, or contribute to the waste that results from the current adversarial nature of the rulemaking process.