THE REPUBLICAN STUDY COMMITTEE
BUDGET & SPENDING TASK FORCE
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Congressman Scott Garrett (R-NJ), Chairman
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House Passes "Extenders" Bill

Yesterday, the House passed H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2011 by a vote of 234 to 193. The legislation extends the payroll tax holiday for one year, extends the "emergency" program of extended unemployment insurance benefits for one year while making reforms to the program and reducing the number of weeks from 99 to 59, extends the "doc fix" for one year, requires expedited consideration of the Keystone pipeline, and makes various cuts to government programs. The major spending cuts included in the bill are as follows:

- **$38 billion savings** from cutting Obamacare spending and making other reforms to government health programs.
- **$16.5 billion savings** from the spectrum auction provisions.
- **$35.7 billion savings** from increasing GSE Guarantee fees.
- **$12.6 billion savings** from reducing improper Social Security and refundable child tax credit payments.
- **$36.7 billion savings** (scores as revenue to government) from reforming federal worker pensions.
- **$31.0 billion savings** from higher Medicare premiums for higher-income beneficiaries.
- **$26.2 billion savings** from extending the freeze on automatic federal employee pay hikes for one year.

Quote of the Week:

"The first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics."

-Thomas Sowell

On net, the legislation reduces taxes by **$88.3 billion** over ten years (mostly due to the payroll tax holiday extension but also the 100% business expensing in 2012), reduces mandatory spending by **$63.1 billion** over ten years, and would lower discretionary spending budget authority caps by **$29 billion** over ten years (which would lower resulting discretionary spending outlays by $26.2 billion over ten years). Consequently, the legislation would reduce total federal outlays (mandatory and discretionary combined) by **$89.3 billion**.

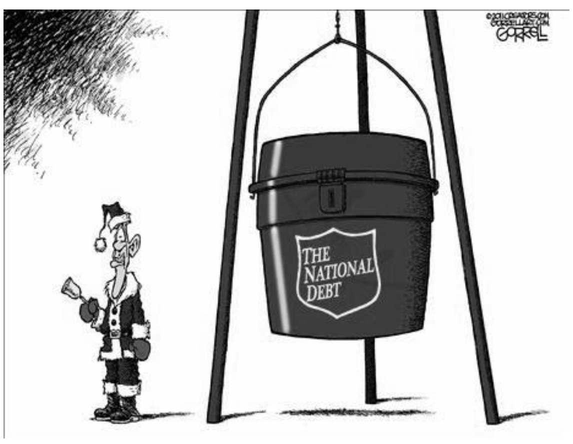
Overall, the legislation reduces the deficit by **$953 million** over ten years. Looking only at 2012, the deficit increases by $167 billion. The legislation also transfers the amount of revenue lost by the tax cut from the General Treasury to the Social Security Trust Fund (this does not have any impact on the federal budget). Senate Democrats and the President oppose the legislation.

Senate Democrats Delay FY 2012 Appropriations Consideration

Senate Democrats, while opposing the House-passed bill, have announced they will block any conference report or other agreement on resolving the FY 2012 spending bills until the payroll tax holiday issue is dealt with. The Senate has yet to pass legislation that extends the payroll tax holiday, and Senate Democrat leaders have not yet proposed legislation that can pass the Senate. The Senate Democrats would like to amend the House bill by dropping many of the House bill's spending cuts, including an increase in the top marginal income tax rate, and including $35 billion of other tax extenders. However, they do not have the votes to pass such a bill.

Chabot Introduces H.R. 1345, Stop Wasting American Tax Dollars Act

Representative **Steve Chabot** (R-OH) has introduced H.R. 1345, the Stop Wasting American Tax Dollars Act. The legislation rescinds any unobligated discretionary appropriations returned to the federal government by a state or locality and requires that the money be used for deficit reduction. This allows a state to give back unused federal money for a program with the knowledge that it will be used to tackle our nation's debt problem instead of being claimed by some other state or locality. The legislation gives state governments better incentives to refuse federal funds. **Action Item:** To become a cosponsor of the legislation contact Stephen Denis at Stephen.Denis@mail.house.gov.



For more information, please contact Brad Watson at x69719

THE WALL STREET JOURNAL.

Regulation for Dummies

Wall Street Journal Editorial

The White House is on the political offensive, and one of its chief claims is that it isn't the overregulator of business and Republican lore. This line has been picked up by impressionable columnists, so it's a good time to consider the evidence in some detail

Jan Eberly, an Assistant Treasury Secretary, kicked off the Administration campaign with a white paper in October that purported to debunk the "misconceptions" that "uncertainty is holding back business investment and hiring and that the overall burden of existing regulations is so high that firms have reduced their hiring." Then the Administration mobilized some of the worst offenders, such as Kathleen Sebelius of HHS ("There has been no explosion of new rules") and Lisa Jackson of the EPA (her opponents are "using the economy as cover").

To answer the most basic question—has regulation increased?—we'll focus on what the government defines as "economically significant" regulations. Those are rules that impose more than $100 million in annual costs on the economy, though there are hundreds if not thousands of new rules every year that fall well short of that.

According to an analysis of the Federal Register by George Mason University's Mercatus Center, the Cabinet departments and agencies finalized 84 such regulations annually on average in President Obama's first two years. The annual average under President Bush was 62 and under President Clinton 56.

Cass Sunstein, the director of the White House Office of Information and Regulatory Affairs, has been shopping around lower numbers that selectively compare Mr. Obama's first two years favorably with Mr. Bush's last two. Administrations are typically most active on the way out, and in any case the Bush regulatory record is nothing to crow about. But Mr. Sunstein's numbers are even more misleading because they only include the rules that his office reviews while excluding the prolific "independent" agencies such as the Federal Communications Commission.

This means that if Congress tells, say, the Securities and Exchange Commission to write a new rule, it doesn't enter Mr. Sunstein's tally. So it omits, for example, some 259 rules mandated by the Dodd-Frank financial reregulation law along with its 188 other rule suggestions. It also presumes that Mr. Obama is a bystander with no influence over his own appointees who now dominate the likes of the National Labor Relations Board.

As important, Mr. Sunstein focuses on final rules, when the regulatory future matters as much. The Administration's pipeline is clogged with proposed rules and plans to propose rules, which every business survey says are contributing to the policy uncertainty that is harming growth and hiring. Backward-looking analyses like Mr. Sunstein's ignore the undefined and discretionary future rules that are convulsing health care or the EPA's industrial planning in energy.

A useful proxy for the overall level of regulatory activity is the government document known as the Unified Agenda, which details all proposed or final rules and is compiled twice a year by the federal Regulatory Information Service Center. The nearby chart shows the trend of major rules under contemplation since 1995, including the most recent from this spring.

The current number of major new rules is 149, which is an historic high. Regulation started to grow in the aftermath of 9/11, and even more with the Pelosi Congress in 2007. Yet both the rule-making rate and number are surging to even higher levels under Mr. Obama.

Not every rule in the Unified Agenda will ultimately go on the books, while others will appear in multiple seasons. On the other hand, the agenda is a lagging indicator. It often skips over "interim final rules" that bypass the ordinary process of notice and comment, like many of those for ObamaCare. The independent agencies also do much of their rule-making through "guidance" that is technically exempt from Unified Agenda reporting.

As for costs, Mr. Sunstein estimates that the total costs of the first two years of this Administration's executive branch regulation range between $8 billion and $16.5 billion. The Heritage Foundation puts the total, including the agencies, at $40 billion, compared to $60 billion over the life of the Bush Administration.

One problem with all such estimates is that they are based on self-reporting by government. Some agencies like the EPA have a habit of exaggerating benefits and hiding costs, but more importantly its analysis is done before the rules take effect in the real world. Often the true cost of regulation isn't merely compliance but slower growth that diminishes consumer welfare by allocating capital and labor to less valuable or productive uses.

The evidence is overwhelming that the Obama regulatory surge is one reason the current economic recovery has been so lackluster by historical standards. Rather than nurture an economy trying to rebuild confidence after a financial heart attack, the Administration pushed through its now-famous blitz of liberal policies on health care, financial services, energy, housing, education and student loans, telecom, labor relations, transportation and probably some other industries we've forgotten. Anyone who thinks this has only minimal impact on business has never been in business.

Mr. Obama can claim he is the progressive second coming of Teddy Roosevelt as he did in Kansas last week, or he can claim to be a regulatory minimalist, but not both. The facts show he's the former.