

Federal Regulatory Outlook, 2005

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Regulatory Checkbook
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Regulatory Forecasts

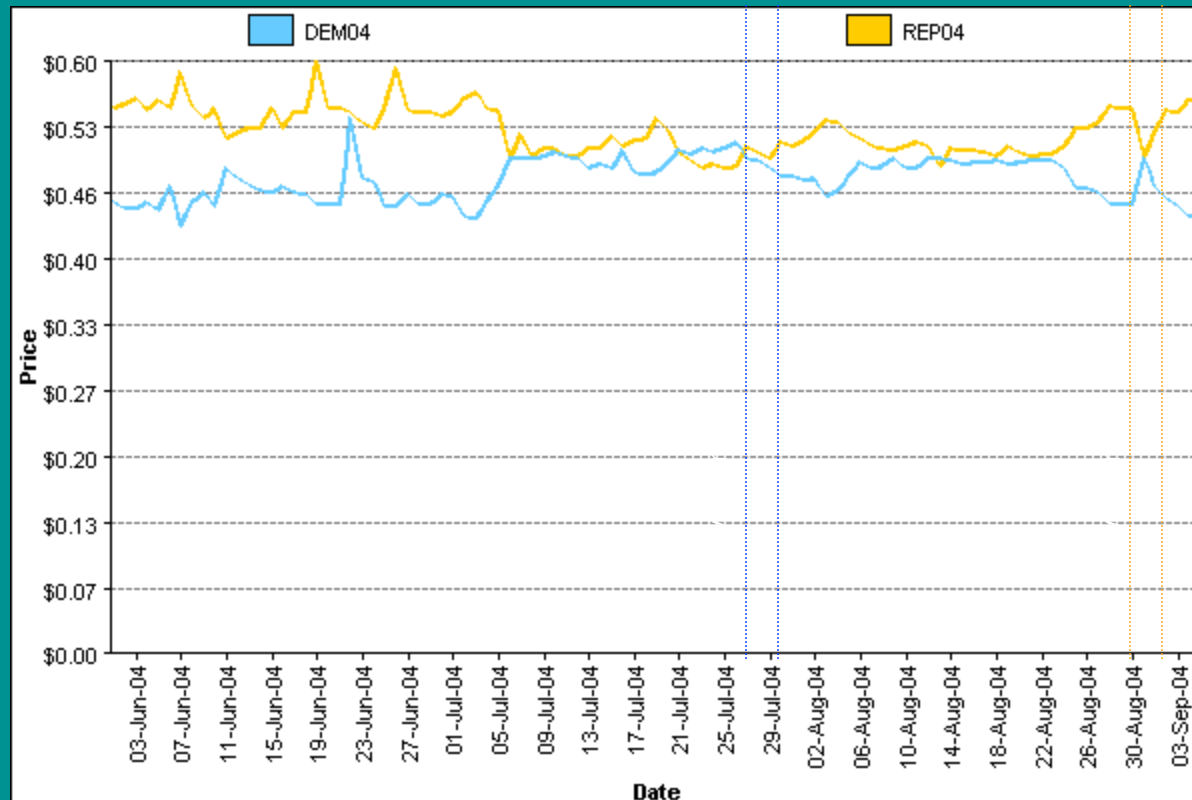
- Administrative
 - Already authorized by law
 - On the horizon now
 - Unlikely to be affected by the election
- Electoral
 - Depends on election outcome
 - Promises, promises

Administrative Regulatory Horizon

From Least to Most Significant

- CPSC: Ban of chromated copper arsenate (CCA)-treated wood
- Energy: More appliance efficiency standards
- EPA : Ozone and PM2.5 NAAQS, and transportation conformity with respect to both
- OSHA
 - safety and health programs for construction
 - lockout/tagout for construction
 - hearing loss prevention in construction workers
- Fannie Mae & Freddie Mac
 - Current regulation by HUD/OFHEO is widely viewed as ineffective
 - Proposed legislation for stronger regulation by Treasury
 - Fan and Fred are effectively resisting
 - Accounting scandals are weakening their credibility
 - Small probability of failure, devastating consequences
 - Potential taxpayer exposure exceeds \$1.5 trillion
 - Effects on market for new housing

Election Predictions from the Futures Market



2004 US Presidential Election Winner Takes All Market

Source: Iowa Electronic Markets

http://www.biz.uiowa.edu/iem/markets/Pres04_WTA.html

Election Predictions from the Stock Market



Engen, E, "Kerry Up, Markets Down," *Wall Street Journal*, August 11, 2004

Major Regulatory Promises

- Taxes
- Health care
- Retirement and pensions
- Energy
- FLSA
- Environment

Taxes

Kerry

- Restore old income tax rates
- Restore estate tax

Bush

- Make new income tax rates permanent
- Permanently repeal estate tax

Retirement and Pensions

Kerry

- Preserve Social Security as-is
 - Retain defined benefit approach
 - Means-test benefits
- Funding
 - Increase OASDI cap from \$89.9k to \$120k
 - Transfers from general revenue

Bush

- Phase-out Social Security
 - Permit “young” workers to bail out
 - Incentivize defined contribution pensions
- Funding
 - Borrowing (i.e., treat unfunded liabilities as equivalent to debt)

Health Care

Kerry

- Defined benefits, government ownership
- Universal benefits equivalent to program for Federal employees
- Financed by employer mandate, taxes or both

Bush

- Defined contribution, individual ownership
- Health Savings Accounts, already enacted
- Potential applications to Medicare
- Financed by efficiency gains resulting from improved utilization incentives

Energy

Kerry

- “Energy Independence”
- How?
 - Reduce demand
 - Gas tax?
 - Carbon tax?
 - Increase light truck CAFÉ from 20.7 to 35+?
- Alternative fuels
 - Subsidies
 - Tax incentives
 - Mandates

Bush

- “Energy Independence”
- How?
 - Increase domestic supply
 - ANWR
 - Offshore
 - Nuclear?
 - Weight-based CAFÉ
- Alternative fuels
 - Subsidies
 - Tax incentives
 - No mandates

FLSA

Kerry

- No change in occupational classifications
- Opposes substitution of flex and comp time for overtime

Bush

- Change occupational classifications
- Permit substitution of flex and comp time for overtime

Environment

Kerry

- Reverse changes in NSR
- “Green and Clean Communities”
 - Restore Superfund feedstock taxes
 - Prevent exposure to chemicals
 - Clean and safe ball fields and parks
 - Coordinate Federal resources to reduce sprawl
 - Return public lands to natural conditions
- Global climate change
 - Kyoto?

Bush

- “Clear Skies”
 - NSR changes
 - SO_x, NO_x, mercury
- Increase wetlands 3 million acres
- Global climate change
 - Continued research
 - CO₂ reduction only as capital is retired (“no regrets”)

Regulatory Checkbook

- Regulatory oversight
 - Linkage to OMB review (1981, 1993, 2005?)
 - Is the regulatory agency “playing by the rules”?
- Paperwork Reduction Act (1980)
 - OMB review process
 - Public participation required by law
 - Public protection provisions
- Information Quality Act (2003)