

EPIC EXPLAINER: What is a Regulatory Budget?

Reducing regulatory costs on American citizens

What is a Regulatory Budget?

Regulatory budgeting is a system for managing the development of new regulations and the growth of existing regulations. A common purpose is to help address or prevent over regulation through the adoption of explicit (yet often flexible) limits on the total economic cost of regulations an agency may impose, particularly on a go-forward basis. Just as Congress uses a fiscal budget to manage government spending, a regulatory budget can help to manage government regulating.

A key goal of regulatory budgeting is to ensure agencies prioritize their actions and reduce the accumulation of burdensome regulations over time. Too many burdensome regulations may lead to higher costs, reduced economic productivity, and diminished international competitiveness.

In the United States, regulatory budgets tend to involve two levers: a zero-dollar (or some low dollar amount) cap on economic costs and a requirement to eliminate a number of existing regulations for every new regulation implemented. Regulatory budgeting in the U.S. Federal Government began during the first Trump Administration with its “two-out, one-in” policy. That policy saved an estimated \$198.6 billion in overall regulatory costs across the government from 2017 to 2020 by requiring agencies to eliminate two existing regulations for every new one issued and to offset the costs of any new rule by reducing costs elsewhere. The Office of Information and Regulatory Affairs (OIRA) within the Office of Management and Budget (OMB) plays a central role in reviewing significant rules to ensure compliance with these cost caps.

What is the Current State of Regulatory Budgeting?

In January 2025, President Trump issued Executive Order (EO) 14192, titled “Unleashing Prosperity Through Deregulation.” This EO includes a provision requiring agencies to repeal ten regulations for every new regulation they implement. Additionally, the EO directs agencies to ensure that the total incremental cost of all new regulations finalized this year “be significantly less than zero, as determined by the Director of the Office of Management and Budget.” The 2017 EO directed that the total net regulatory output of the Executive Branch be “no greater than zero” dollars in the first year, but this EO and associated guidance makes clear that President Trump wants agencies to go even further in reducing regulatory burdens. The guidance states that a significant regulatory action is one that “imposes total costs greater than zero” while a significant deregulatory action is one that “has total costs less than



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zero”. The EO and associated guidance ensure that the cost savings associated with those regulatory rollbacks to be significant on a government-wide scale.

The new EO also requires each agency head to report the total costs and savings associated with every new or repealed regulation under their jurisdiction. This reporting requirement will take effect in FY 2026 and must be fulfilled annually. Submissions in accordance with the EO will be included in the Unified Regulatory Agenda. The OMB Director will set a total regulatory cost budget for each agency, outlining permissible regulatory costs and required savings for each fiscal year.

Through this regulatory budget framework, the EO establishes a process for eliminating existing regulations to offset the costs of new ones. To issue a new regulation, agencies must identify and repeal ten old regulations and meet the economic impact requirements to remain “on budget.”

