



Highlights of [GAO-05-533T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia; Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The Unfunded Mandates Reform Act of 1995 (UMRA) was enacted to address concerns about federal statutes and regulations that require nonfederal parties to expend resources to achieve legislative goals without being provided funding to cover the costs. UMRA generates information about the nature and size of potential federal mandates but does not preclude the implementation of such mandates. At various times in UMRA's 10-year history, Congress has considered legislation to amend aspects of the act to address ongoing questions about its effectiveness.

This testimony is based on GAO's reports, *Unfunded Mandates: Analysis of Reform Act Coverage* (GAO-04-637, May 12, 2004) and *Unfunded Mandates: Views Vary About Reform Act's Strengths, Weaknesses, and Options for Improvement* (GAO-05-454, March 31, 2005). Specifically, this testimony addresses (1) UMRA's procedures for the identification of federal mandates and GAO's analysis of the implementation of those procedures for statutes enacted and major rules issued in 2001 and 2002, and (2) the views of a diverse group of parties familiar with UMRA on the significant strengths and weaknesses of the act as the framework for addressing mandate issues and potential options for reinforcing the strengths or addressing the weaknesses.

www.gao.gov/cgi-bin/getrpt?GAO-05-533T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Orice M. Williams, (202) 512-5837, williamso@gao.gov.

UNFUNDED MANDATES

Analysis of Reform Act's Coverage and Views on Possible Next Steps

What GAO Found

The identification and analysis of intergovernmental and private sector mandates is a complex process under UMRA. Proposed legislation and regulations are subject to various definitions, exceptions, and exclusions before being identified as containing mandates at or above UMRA's cost thresholds. Also, some legislation and rules may be enacted or issued via procedures that do not trigger UMRA reviews. In 2001 and 2002, 5 of 377 statutes enacted and 9 of 122 major or economically significant final rules issued were identified as containing federal mandates at or above UMRA's thresholds. Despite the determinations under UMRA, at least 43 other statutes and 65 rules resulted in new costs or negative financial consequences that affected nonfederal parties might perceive as unfunded or underfunded federal mandates.

GAO obtained information from 52 knowledgeable parties, who provided a significant number of comments about UMRA, specifically, and federal mandates, generally. Their views often varied across and within the five sectors we identified (academic/think tank, public interest advocacy groups, business, federal agencies, and state and local governments). Overall, the numerous strengths, weaknesses, and options for improvement identified during the review fell into several broad themes, including, among others, UMRA-specific issues such as the act's coverage and enforcement, and more general issues about the design, funding, and evaluation of federal mandates. UMRA's coverage was, by far, the most frequently cited issue by parties from the various sectors. Parties across most sectors said that UMRA's numerous definitions, exclusions, and exceptions leave out many federal actions that might significantly impact nonfederal entities and suggested that they should be revisited. However, a few parties, primarily from the public interest advocacy sector, viewed UMRA's narrow coverage as a strength that should be maintained. Another issue on which the parties had particularly strong views was the perceived need for better evaluation and research of federal mandates and more complete estimates of both the direct and indirect costs of mandates on nonfederal entities. The most frequently suggested option to address these evaluation issues was more post-implementation evaluation of existing mandates or "look backs" at their effectiveness.

Going forward, the issue of unfunded mandates raises broader questions about assigning fiscal responsibilities within our federal system. The long-term fiscal challenges facing the federal and state and local governments and the continued relevance of existing programs and priorities warrant a national debate to review what the government does, how it does business, and how it finances its priorities. Such a reexamination includes considering how responsibilities for financing public services are allocated and shared across the many nonfederal entities in the U.S. system.