



Highlights of [GAO-05-401T](#), a statement for the record to the Committee on Government Reform, House of Representatives

Why GAO Did This Study

The Unfunded Mandate Reform Act of 1995 (UMRA) was enacted to address concerns expressed by state and local governments about federal statutes and regulations that require nonfederal parties to expend resources to achieve legislative goals without being provided funding to cover the costs.

Over the past 10 years, Congress has at various times considered legislation that would amend various aspects of UMRA.

This testimony is based on GAO's report, *Unfunded Mandates: Analysis of Reform Act Coverage* ([GAO-04-637](#), May 12, 2004). Specifically, this testimony addresses (1) the process used to identify federal mandates and what are federal agencies' roles, (2) statutes and rules that contained federal mandates under UMRA, and (3) statutes and rules that were not considered mandates under UMRA but may be perceived to be "unfunded mandates" by certain affected parties.

www.gao.gov/cgi-bin/getrpt?GAO-05-401T.

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; williams@gao.gov.

FEDERAL MANDATES

Identification Process Is Complex and Agency Roles Vary

What GAO Found

GAO found that 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, exclusions and exceptions before being identified as containing mandates at or above UMRA's cost thresholds. The Congressional Budget Office (CBO) is required to prepare statements identifying and estimating, if feasible, the costs of mandates in legislation. While a point of order can be raised on the floor of the House or Senate against consideration of any UMRA-covered intergovernmental mandate that lacks a CBO estimate or exceeds the cost thresholds, it contains no similar enforcement for private sector mandates. Conversely, federal agencies are required to prepare mandate statements for regulations containing intergovernmental or private sector mandates that would result in expenditures at or above the UMRA threshold. The Office of Information and Regulatory Affairs, within the Office of Management and Budget, is responsible reviewing compliance with UMRA as part of the rule making process.

In 2001 and 2002, 5 of 377 statutes enacted and 9 of 122 major or economically significant rules issued were identified as containing federal mandates at or above UMRA's thresholds. All 5 statutes and 9 rules contained private sector mandates as defined by UMRA. One final rule also contained an intergovernmental mandate.

Despite the determinations under UMRA, at least 43 statutes and 65 rules issued in 2001 and 2002 resulted in new costs or negative financial consequences on nonfederal parties. These parties may perceive such statutes and rules as unfunded or underfunded mandates even though they did not meet UMRA's definition of a federal mandate at or above UMRA's thresholds. For 24 of the statutes and 26 of the rules, CBO or the agencies estimated that the direct costs or expenditures, as defined by UMRA, would not meet or exceed the applicable thresholds. The others were excluded for a variety of reasons stemming from exclusions or exceptions specified by UMRA.