REGULATORY REFORM

What Happens After Sunset?

A half-century of state sunset laws indicates which models work, which do not, and which are extraneous.

BY ISABELLA ROMBOLDI AND RYAN QUANDT

Public frustration with government waste runs in cycles. It spikes when fraud is in the headlines and recedes when public attention moves on. The underlying problem is structural, not episodic. Unlike a firm, the state does not internalize the cost of waste through lost profit. Agencies receive fixed appropriations and face little reward for coming in under budget and little penalty for sprawl. The public goods they produce are hard to price, their outputs map imperfectly onto their statutory missions, and a citizen cannot readily see what it costs to deliver one unit of service. There is no reliable mechanism that rewards the state for efficiency and punishes it for waste.

At times, though, responsible lawmakers have tried to create one. Sunset laws were one of the more ingenious attempts. Unfortunately, their record provides a cautionary tale about how easily such a mechanism can be turned into the opposite.

On April 22, 1976, Colorado Gov. Richard Lamm signed the nation's first sunset bill, the product of a campaign by the state's Common Cause chapter against regulatory obsolescence and bureaucratic slack. The design was elegant: Regulatory boards and commissions would expire automatically on a fixed schedule unless the legislature affirmatively voted to continue them. The burden of inertia, which normally protects incumbent programs, was flipped to require positive action to save an agency rather than positive action to kill it. The idea spread with remarkable speed. By 1982, every state legislature had considered some form of sunset, and roughly three dozen had enacted one.

Then the tide went out. Kearney (1990) found that by the end of the 1980s about a dozen states had abandoned the mechanism, citing the monetary and time costs of serious review, intensive lobbying by entrenched interests, and the simple fact that almost nothing was terminated.

Texas is the conspicuous exception. Its Sunset Advisory Commission reports that since 1977 it has helped abolish about 42 agencies outright, fold another 50-plus into other bodies, and generate on the order of a billion dollars in savings and revenue gains, a claimed return of about 16:1. That record is real, but it is the exception, and even there the abolished agencies were mostly small while the consequential ones were merged rather than killed.

SUNSET'S FOUR JOBS

A working sunset regime does four things at once:

- ***It disciplines.*** If termination is the genuine default at a known interval, an agency that cannot justify itself disappears. The credible threat of that outcome is supposed to curb slack the way the threat of bankruptcy disciplines a firm.
- ***It raises the political price of preservation.*** Most agencies and rules deliver concentrated benefits to organized constituencies while spreading their costs thinly across taxpayers. This is the classic configuration, since Stigler (1971), under which regulation is captured and rents persist. Forcing reauthorization through a public vote is meant to drag that bargain into the daylight.
- ***It compels disclosure.*** To be renewed, an agency must produce performance information it would otherwise have no reason to volunteer.
- ***It counters expansion.*** Legislators have a well-documented

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bias toward launching new programs over tending old ones. Sunsets give the portfolio a chance to be re-optimized rather than merely accreted.

Framed in the language of oversight, sunset is a "police patrol" in the McCubbins and Schwartz (1984) sense—active, scheduled, centralized scrutiny—rather than a "fire alarm" that waits for a complaint. Police patrols catch what no one thinks to report, but they are expensive in exactly the resource legislatures are shortest on: sustained expert attention. Whether the four jobs get done, then, depends less on the sunset label than on whether the institution is engineered to make the threat credible and the review competent. Our data show that most were not.

WHAT THE DESIGN DATA SHOW

The 35 state sunset regimes look disciplined on paper. Thirty of the 35 use an automatic trigger so review cannot simply be skipped, and 31 set termination as the default outcome. Thirty-two review whole agencies rather than narrower targets. Thirty-one route the work through a joint legislative committee. On those headline features, the original wave of these laws looks robust.

But the review-based and continuation-default regimes have quietly disarmed the mechanism. When an agency survives unless someone affirmatively kills it, the inertia that sunset was invented to defeat is simply restored.

Administration matters, too. The regimes usually lauded as serious (Texas above all, with Maryland's Department of Legislative Services and Pennsylvania's Legislative Budget and Finance Committee) share a feature absent from the rest: a dedicated, professionally staffed review body with audit capacity rather than legislators grading their own homework.

Table 1

How 35 State Sunset Regimes Are Wired

Design Dimension	Dominant Choice	Why It Matters
Trigger	Automatic (30 states) vs. review-based (5)	Automatic review can't be quietly waived.
Default Outcome	Terminates/expires (31 states) vs. continues (4)	The whole point: Is termination the baseline?
Subject	Whole agencies (32 states) vs. rules/statutes/programs (3)	Agency, rule, and program review do different jobs.
Reviewer	Joint committee (31 states) vs. legislature/auditor (4)	Who does the analysis?
Administrator	Legislature (32 states); dedicated body in TX, MD, PA	Professional staff vs. legislative self-review
Periodicity	Four to 12 years; modes at 4 and 10; several staggered	Calibrates discipline against planning stability.

SOURCE: Authors' classification of 35 state sunset statutes, adoption years 1975-1999.

WHAT THE EVIDENCE NOW SAYS

For decades, the empirical case for sunsets was thin. Cross-state studies pooled very different institutions, used correlational analysis, and found small or null effects on spending. Agencies, it seems, were renewed by the same inertia they were meant to defeat.

Using a state-year panel from 1963 to 2022, staggered difference-in-differences, and synthetic-control designs, Jones and Quandt (2025) separate agency-based, rule-based, and executive-led sunsets instead of lumping them together. For rule-based sunsets, the cleanest, best-identified result is Tennessee, whose 1991 regime—under which administrative rules expire about a year after filing unless the legislature affirmatively continues them—has roughly $3,000 per capita more income relative to its synthetic control (about 8.6 percent) after five years. New Hampshire and Utah, by contrast, show positive income effects but with confidence intervals that include no effect. The presence of a sunset clause is not enough. Credible termination hazards, real review capacity, and protected agenda time are what separate a sunset law that bites from one that performs accountability theater.

THE DESIGN TRADEOFFS

Agency-based and rule-based sunsets are not better-and-worse versions of one thing. They do different jobs. Agency-based review rationalizes organizational scope through lumpy reorganizations; rule-based review polices the accumulating stock of regulation, with gains that persist only so long as reauthorization stays costly. Executive-led resets can move fast but depend on sustained gubernatorial priority and tend to be less durable. A state that wants to slow regulatory accretion and a state that wants to cull redundant boards need different instruments. Trying to do everything on one comprehensive calendar mostly guarantees that scarce review capacity is spread too thin, which is precisely the rubber-stamping that hollowed out the first generation of sunset statutes.

The second tradeoff concerns where and when the legislature is in the loop, and the rule-based cases isolate it cleanly. The contrast in Table 2 is instructive: Tennessee pairs a short renewal horizon with explicit legislative approval so a rule cannot quietly persist. Utah leaves agencies to review their own rules, which invites exactly the self-preservation a sunset is supposed to counter. New Hampshire concentrates its scrutiny on the moment a rule is adopted rather than at recurring intervals afterward, which may mean the front-end filter already

Table 2
Three Rule-Based Regimes, Three Results

State	Target and Renewal Horizon	Legislative Locus	Estimated Effect
Tennessee	New rules expire about a year after filing unless continued, plus an agency-based termination schedule.	Explicit legislative approval to keep each rule.	Robust: + $3,000/ ~8.6% increase
Utah	All rules on a five-year review cycle; agency files a continuation notice.	Agency self-review; no direct legislative sign-off on rules.	Positive, not significant
New Hampshire	10-year limit on rules; full readoption process; no agency-based sunset.	Committee review at readoption, scrutiny front-loaded at adoption.	Positive, not significant

SOURCE: Jones & Quandt (2025), synthetic-control estimates and statutory descriptions

does the work that a back-end sunset would. The takeaway is not "rule-based beats agency-based." It is that a short horizon plus a binding, legislative continuation step is what makes the lapse threat real.

A third tradeoff is the one that practitioners most often skip: determining whether a sunset is the right tool. Dorssom's (2021) work on early American legislatures shows sunset clauses were common when monitoring capacity was weak, but they faded as standing committees and professional staff matured. That is consistent with sunsets functioning as a substitute oversight technology whose marginal value falls once robust internal review exists. In the same vein, Baugus et al. (2021) argue that part-time, resource-constrained legislatures lean on sunsets to keep ex-post control over agencies between sessions. The implication is that sunsets earn their keep where oversight capacity is thin and substitutes are scarce. But if a legislature already reviews seriously, then sunsets add little, which is one explanation for why New Hampshire's back-end sunset shows no marginal effect.

THE DANGERS BROCHURES OMIT

None of this means sunsets are a free lunch, and the same research that finds gains also maps the failure modes. The most important is built into the "cleaning house" dynamic itself: The gains are front-loaded and then attenuate because agencies learn to pass reviews, the low-hanging fruit is exhausted, and rent-seekers re-enter at each reauthorization. Reviews that begin as discipline can decay into periodic legitimation. Worse, the proceeding can run in reverse: A review almost never ends in a clean "terminate" but rather in "continue with modifications." Modifications can add mandate and budget; the recurring, high-attention hearing is exactly the venue an organized clientele wants. McCubbins et al. (1987) showed long ago that procedural controls can entrench agencies as easily as discipline them.

There are subtler hazards. Sunsets can ease the passage of more law, not less. Fagan and Bilgel (2015) find that attaching a sunset clause increases a bill's probability of enactment by roughly 60 percent because reversibility lowers the political cost of saying yes. But the promised future scrutiny is often pro forma, as the repeated, near-automatic renewals of high-salience statutes attest. Sunsets can also be turned into budgetary artifice: Auerbach (2006) notes that legislators embed expiration dates to satisfy pay-as-you-go or deficit rules at enactment, shifting liabilities off-budget in the short run with no intention of letting the program lapse. And frequent or sweeping expirations inject policy uncertainty that, in the logic of Dixit and Pindyck (1994) and the evidence of Baker et al. (2016), depresses the irreversible investment a growth-oriented reformer is trying to encourage. A badly designed sunset is worse than none: It consumes scarce oversight capacity, can launder expansion in the language of accountability, and can make the regulatory state easier to enlarge.

WHERE SUNSETS BITE

The constructive lesson is that the tool must be engineered, not branded, and the engineering should follow directly from the evidence. To work as ostensibly intended, sunset provisions must:

- ***Preserve a credible default to lapse.*** Automatic expiration, a binding continuation vote, enforceable deadlines, and clear evidentiary standards for renewal provide the load-bearing wall.
- ***Match the instrument to the target and prefer focus over breadth.*** Use agency-based sunsets to rationalize organizational scope and rule-based sunsets to police the regulatory stock. Do not assume a single comprehensive calendar can do both. Targeted, program-level review husbands the scarce attention that comprehensive mandates squander, and the empirical record favors it.
- ***Get the legislative locus and horizon right.*** Tennessee's edge comes from a short renewal horizon coupled with an explicit legislative sign-off. Agency self-review (Utah) and purely front-loaded scrutiny (New Hampshire) leave the back-end threat toothless. Where the goal is to constrain the flow of new rules, a short clock plus a required vote is

the combination that works.

- ***Know when sunset is the wrong tool.*** Where a legislature already reviews seriously, a blanket sunset may add cost without discipline. The honest case for sunsets is conditional, not universal, which is exactly what makes it credible.

THE METAPHOR ISN'T THE POINT

The romance of the sunset has always done more rhetorical work than the statutes behind it. Half a century after Colorado's pathbreaking legislation, the evidence is clear that the branding is empty and the wiring is everything. Where the expiration default is credible, the review is competent and appropriately targeted, and the legislature is in the loop at the right moment, sunsets can deliver. Where those conditions fail, the effect decays toward zero, and the recurring review can hand every agency a microphone while burning the public's scarce supply of oversight attention.

Today's efficiency crusaders, reaching again for this tool, should remember that Common Cause's insight in Colorado in the 1970s was never the metaphor. It was the credible threat of an end aimed at the right target, at the right interval, with someone competent and accountable holding the pen. Keep that, and the rest is engineering. Lose it, and you have built a stage, not a sunset. R

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