

Regulatory Reform/Paperwork Reduction

Small businesses need reprieve from the relentless onslaught of regulations and paperwork

Although progress has been made, oppressive federal regulations and paperwork continue to plague small businesses across the country. In fiscal year 2005, the American public spent 8.4 billion hours wrestling with federal paperwork requirements and \$1.1 trillion complying with federal regulations. This crushing burden must be lifted from the backs of the small businesses that disproportionately bear it.

Unlike big corporations—which have legions of accountants, benefits coordinators, attorneys, personnel administrators, etc at their disposal—small businesses often are at a loss to keep up with, implement, or afford the overwhelming regulatory and paperwork demands of the federal government. U.S. Small Business Administration (SBA) research demonstrates that, in total, companies with fewer than 20 employees pay more than \$7,600 *per employee* to comply with federal regulations each year. Small firms pay about 45 percent (\$2,400) more per employee than large firms.

Despite the efforts of SBA's Office of Advocacy, which reports that its interventions have resulted in a cost savings of \$71 billion to small business since 2001, the federal regulatory and paperwork burden still has ballooned by more than 400 percent since 1980—having more than doubled since 1990 alone—and is still growing. The status quo of increasing regulatory and paperwork burden is untenable. The federal regulatory framework is broken. Therefore, NSBA proposes the following solutions:

Economic Impact: The largest loophole in the federal regulatory framework is that agencies are only required to consider the direct impact of proposed regulations. This must change—the indirect economic impact of proposed regulations also must be considered. Additionally, each Initial Regulatory Flexibility Analysis required under the *Regulatory Flexibility Act* also should contain detailed alternatives, which would minimize any significant adverse impact.

Small-Business Assistance: Federal agencies must do more to provide compliance assistance, including publishing plain-language compliance guides for small businesses. Agencies must simplify their regulations, instructions, and compliance processes. NSBA also urges agencies to take full advantage of the opportunities presented in the nascent Business Gateway project, which is an e-government initiative aimed at providing a single access point for governmental information—including forms and compliance resources and tools.

Increased Flexibility and Exemptions: Federal agencies must be permitted increased enforcement flexibility and the ability to grant common-sense exemptions for first-time offenders.

Streamlined Paperwork: Agencies must seek ways to consolidate forms and eliminate the duplication of paperwork, harmonize data, and coordinate due dates.

Cost-Benefit Analysis: Federal agencies should be required to perform and submit cost-benefit analysis on proposed regulations and paperwork. This is a routine business practice that federal agencies would be well-served to emulate.

Improved Information Collection: The *Paperwork Reduction Act* requirement that agencies' chief information officers review and certify information collection requests has been ineffective. This provision should be strengthened or OIRA should develop stricter criteria for approval. If all else fails, Congress should consider limiting the number of information requests an agency can issue each year. Federal agencies should ensure that their information collections will provide public benefit and utility and eliminate unnecessary requests. Agencies also should expand their ability to accept voluntary electronic information submissions.