



Regulatory Fairness Fact Sheet

Regulatory Rule Making and Paperwork Cost and Saving Estimates

- Small business owners saved \$20.6 billion dollars in reduced regulatory burden for the three-year period 1998, 1999, and 2000. (SBA Office of Advocacy)
- Federal government paperwork requirements costs the economy about \$100 billion per year.
 - It is estimated that 5 million small business owners pay \$15 - \$20 billion of the \$100 billion total. (1980 White Conference on Small Business)

Regulatory Compliance Cost and Saving Estimates

- In 1999, annual federal regulatory compliance cost the U.S. economy nearly \$750 billion.
- Based on 1999 estimates, a 10% reduction in annual federal regulatory compliance costs would free up almost \$75 billion for the U.S. economy.
- In 1992, the annual cost of regulatory compliance for about 90% of all U.S. firms (those with fewer than 20 workers) was over \$5,500 –nearly double the cost for large firms.
- In contrast, large firms with 500 or more employees spent, on average, \$3,000 per employee to comply with federal regulations in 1992.
- It is estimated that manufacturing firms, in 1992, faced the highest annual per employee federal-regulation-compliance cost –up to \$10,600.
- In 1997, Federal agencies increased spending to more than \$15 billion on regulatory activities –up from \$1.9 billion in 1960.

How is the Federal Government Helping?

- On September 19, 1980, Congress enacted the Regulatory Flexibility Act (RFA) mandating federal agencies to:
 - consider the impacts of regulatory proposals on small entities,
 - determine in good faith whether there were equally effective alternatives that would make the regulatory burden on small business more equitable.

- In March 1996 Congress strengthened the Regulatory Flexibility Act by enacting the Small Business Regulatory Enforcement Fairness Act (SBREFA), which mandates:
 - federal agencies to establish a policy or program that reduces and waives civil penalties for violations of a statutory or regulatory requirement by a small entity;
 - the SBA Administrator to designate a Small Business and Agriculture Regulatory Enforcement Ombudsman to receive, investigate, and report on regulatory compliance and enforcement comments and complaints from small business owners;
 - the SBA Administrator to appoint and designate SBA Regional Small Business Regulatory Fairness Boards to:
 - * review regulatory compliance and enforcement comments and complaints made by small business owners, and
 - * recommend regulatory improvements to the SBA Administrator and the head of affected agencies;
 - small business owners to be eligible for court costs, attorney's fees, and damages when challenging excessive and unreasonable federal agency enforcement or compliance actions;
 - Federal regulatory compliance rules and guidelines to be written in plain English and readily available to small business owners.
- In fiscal year 2000, several federal agencies' celebrated successes in helping small business:
 - EPA's Office of Science and Technology saved small business owners an estimated \$100 million by changing two rules –the metals products and machinery rule and the transportation equipment cleaning rule.
 - HHS's Center for Food Safety and Applied Nutrition made an institutional about face and now works with small business owners and the SBA before regulations are proposed.
 - Treasury's Employee Benefits Office provided increased flexibility for small business 401K plans and simplified small business pension plans.
 - The Securities and Exchange Commission reached out and included small business owners in its regulatory process, including its Government Business Forum on Small Business Capital Formation.

- Year 2001 marks:
 - the 25th anniversary of the creation of the SBA Office of Advocacy within the Small Business Administration;
 - the 20th anniversary of the Regulatory Flexibility Act, and
 - the fifth anniversary of the Small Business Regulatory Enforcement Fairness Act establishing the SBA National Small Business and Agriculture Ombudsman.
- Senators on the Small Business Committee agree, “a balance is needed, that the laws’ goal is not to stop regulation, but to stop “stupid regulation.”
- Federal agencies are changing the way they do business –shifting away from enforcement (fines and penalties) to compliance assistance (information, education and, in some cases, waivers of fines and penalties).

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