

## Executive Summary

This Fiscal Year 2003 report for the first time combines the *Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act* with Advocacy's report on *Agency Compliance with Executive Order 13272* (E.O. 13272). This report informs the President, the Office of Management and Budget (OMB), and Congress whether agencies are considering the impact of their rules on small entities and thus improving their compliance with the Regulatory Flexibility Act (RFA) and E.O. 13272.

The RFA, enacted in 1980, requires federal regulatory agencies to determine the impact of their rules on small entities, consider effective alternatives that minimize small entity impacts, and make their analysis available for public comment. Signed by President Bush in August 2002, E.O. 13272 requires agencies to establish written procedures and policies on how they measure the impact of their regulatory proposals on small entities, notify the Office of Advocacy of draft rules that are expected to have a significant economic impact on a substantial number of small entities under the RFA, consider the Office of Advocacy's comments on proposed rules, and publish a response to those comments with the final rule. E.O. 13272 also requires the Office of Advocacy to provide periodic notification, as well as training, to all of the agencies on how to comply with the RFA.

Throughout the past year, the Office of Advocacy continued its efforts to represent small entities before regulatory agencies, lawmakers, and policy-makers. The Office of Advocacy worked closely with small entities to identify and comment on agency rules that would affect their interests. Taking its direction from small entities, the Office of Advocacy focused on the issues that were most important to them. As a result, Advocacy was able to reduce the regulatory burden on small entities and achieve significant cost savings.

This report contains four main sections. Section one provides a brief overview of the RFA, as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). This initial section outlines the history of the RFA, discusses the requirements of the law and the SBREFA amendments to the RFA.

Section two details the role of the Office of Advocacy. This section discusses how the Office of Advocacy works with regulatory agencies at various stages of the rulemaking process to encourage them to minimize the burden of their rules on small entities. Through a series of charts and tables, this section also shows breakdowns of Advocacy regulatory actions

by agency and type of comment, a listing of the Office of Advocacy's formal regulatory comment letters, SBREFA panels held by the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA), and cost savings for Fiscal Year 2003. In Fiscal Year 2003, the Office of Advocacy achieved more than \$6.3 billion in regulatory cost savings and more than \$5.7 billion in recurring annual savings on behalf of small entities.

Section three provides a snapshot of several of the rulemakings in which the Office of Advocacy has intervened on behalf of small entities. Many of the rules demonstrate the Office of Advocacy's achievements with respect to improving agency compliance with the RFA. Other rules underscore Advocacy's concerns relating to specific agency compliance with the RFA. The summaries describe key agency rules or activities, Advocacy's actions with respect to the rulemakings, final regulatory actions in response to Advocacy's efforts, and cost savings associated with the agency actions.

On September 3, 2003, Advocacy submitted its first report on agency compliance with E.O. 13272 to the Office of Management and Budget (OMB). Section four of this annual report provides a brief overview and update on agency compliance with E.O. 13272 for Fiscal Year 2003.

In Fiscal Year 2003, the Office of Advocacy made significant progress working with small entities and federal agencies to improve compliance with the RFA and E.O. 13272. Advocacy expects this progress will continue in the next fiscal year. Please visit Advocacy's website at <http://www.sba.gov/advo> to learn more about the Office of Advocacy, review regulatory comment letters, and obtain useful research relevant to small entities.