

Report on the Regulatory Flexibility Act, FY 2006

Office of Advocacy, February 2007 [74] pages.

Background

Under the Regulatory Flexibility Act of 1980 (RFA), federal agencies are required to consider the effects of their proposed regulations on small firms and other small entities and to examine alternatives that would minimize these small entity impacts while still meeting the regulations' purposes. The Office of Advocacy (Advocacy) of the U.S. Small Business Administration monitors agency compliance with the RFA. Subsequent amendments in the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) and President Bush's Executive Order 13272 (E.O. 13272) have strengthened the law's provisions and have given Advocacy responsibilities for training government agencies in RFA compliance.

This *Report on the Regulatory Flexibility Act, FY 2006*, Advocacy's 25th annual RFA report, covers agency compliance from October 2005 through September 2006.

Highlights

Advocacy's work in FY 2006 to implement the provisions of the RFA and E.O. 13272 produced the following results:

- Advocacy sent more than 40 public comment letters to federal agencies detailing concerns about proposed regulations. The largest share—about 30 percent—of the comments addressed inadequate analyses of small entity impacts.
- Quantifiable cost savings were achieved in 16 regulations in FY 2006. These interventions saved small businesses \$7.25 billion in first-year costs and \$117 million in annually recurring savings.
- The cost savings figures only begin to capture the totality of Advocacy's involvement and the effects of the RFA in improving the regulatory

climate for small firms. Preproposal communications with agencies mean that better regulations are being drafted at earlier stages, even before costs have been identified in many cases. Often these early stages are where the greatest benefits are achieved.

- Advocacy continued to train agencies on how to comply with the RFA and established an online training site at www.sba.gov/advo/rfaonlinetraining.html.
- The Office of Economic Research is a part of Advocacy that continues to provide economic data that helps agencies identify small business sectors affected by specific regulations.
- In Advocacy's state-level RFA initiative, eleven states introduced regulatory flexibility legislation in 2006 and four states—Colorado, Georgia, South Dakota and Tennessee—enacted regulatory flexibility legislation or an executive order.
- Thirteen states and one territory had active regulatory flexibility statutes as of 2006, and 29 had partial RFA statutes.

Scope and Methodology

The Office of Advocacy primarily bases its cost savings estimates on agency estimates. Cost savings for a given rule are captured in the fiscal year in which the agency agrees to changes in the rule as a result of Advocacy's intervention. Where possible, savings are limited to those attributable to small businesses. First-year cost savings consist of either capital or annual costs that would be incurred in the rule's first year of implementation. Recurring annual cost savings are listed where applicable. Where cost savings are accrued during the prepublication draft stages of the rule, they are not publicly available.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

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