



May 3, 2005

The Honorable Samuel H. Smith
The Majority Leader
Pennsylvania House of Representatives
Room 110
Main Capitol Building
Harrisburg, PA 17120-2020

Transmittal Via Facsimile: (717) 787-6564

Dear Representative Smith:

I am writing to urge you to support House Bill 236, which encourages small business regulatory flexibility. The legislation will allow for a friendlier regulatory environment which is critical to the survival and success of Pennsylvania's small business community.

In 2002, I was appointed by President Bush to head the Office of Advocacy at the U.S. Small Business Administration. My office was created in 1976 to independently represent the views of small business before Congress, the White House, and other governmental entities.

Recognizing that small businesses are vital to a prosperous economy, President Bush has made small business regulatory relief an important part of his policy agenda. The President has urged regulatory flexibility to ensure that federal regulations are not overly burdensome and too costly for small entities. As a result of the President's initiative and the Office of Advocacy's efforts to improve agency compliance with federal regulatory flexibility laws, in 2004 small businesses were saved more than \$17 billion in foregone regulatory costs.

My office has funded research that documents how small entities expend 60 percent more than their larger counterparts to comply with federal regulations.¹ Regulatory burden is weighing down the small business sector that is most likely to produce jobs, lead the state

¹ For firms employing fewer than 20 employees, the annual regulatory burden in 2000 was estimated to be \$6,975 per employee - nearly 60% higher than the \$4,463 estimated for firms with more than 500 employees. The total Federal regulatory burden was estimated to total \$843 billion in 2000. *The Impact of Regulatory Costs on Small Firms*, Crain, Mark W. and Thomas D. Hopkins, Office of Advocacy, U.S. Small Business Administration, October 2001, which is available at <http://www.sba.gov/advo/research/rs207tot.pdf>.

in innovation, and contribute most to communities. Regulatory flexibility requires government to be particularly sensitive to how new regulations will affect small business.

According to the federal definition of small business (500 employees or less) over 98 percent of Pennsylvania's employers are considered small and they are the backbone of your state's economy. Therefore, a friendly regulatory environment is critical to small business survival and growth and House Bill 236 helps foster a competitive environment for small businesses. Employing regulatory flexibility at the federal level has shown that agencies are able to achieve their public policy goals of greater environmental protection, travel safety, financial security, and injury-free work places while at the same time streamlining regulations and reducing the amount of paperwork for small businesses.

In 2004, with bipartisan support, seven states signed regulatory flexibility legislation into law. In 2005, 18 states including Pennsylvania have introduced this type of legislation to level the regulatory playing field for small businesses. As a result, these states have become more appealing to budding entrepreneurs.

The intent of House Bill 236 is to foster a climate for job growth and entrepreneurial success. Excessive regulation can be reduced, and the economy improved, without sacrificing important regulatory goals. I respectfully ask that you support House Bill 236 to help ensure that small businesses have a voice in Pennsylvania government.

Sincerely,

/s/ _____
Thomas M. Sullivan
Chief Counsel for Advocacy