



Testimony Summary

Advocacy: the voice of small business in government

Chief Counsel for Advocacy Testifies Before House Subcommittee on Regulatory Flexibility Improvements Act (H.R. 682)

On July 20, 2006, Chief Counsel for Advocacy Thomas M. Sullivan testified before the U.S. House of Representatives Committee on the Judiciary, Subcommittee on Commercial and Administrative Law, on the Regulatory Flexibility Improvements Act (H.R. 682). Key points from Sullivan's testimony are outlined below:

- The 109th Congress has the opportunity to amend the Regulatory Flexibility Act (RFA) to improve the regulatory climate for small entities.
- H.R. 682 is a truly comprehensive bill to address problem areas in the RFA. The Office of Advocacy supports the goals of H.R. 682 and other measures that will increase the overall effectiveness of the RFA.
- The biggest loophole in the RFA is that it does not require agencies to analyze indirect impacts.
- Section 610, requiring periodic review of existing regulations, needs to be strengthened.

The Office of Advocacy has pursued a legislative agenda during the 109th Congress with the intention of improving the overall regulatory environment for small entities. Advocacy's legislative agenda includes:

- **Review of Existing Rules** – Since new regulations are promulgated each year, the cumulative impact can be staggering. It is necessary to amend section 610 of the RFA and mandate the evaluation of existing regulations periodically to minimize this impact.
- **Proper Consideration of Small Entities in Agency Rulemaking** – Section 3 of Executive Order 13272 ("Proper Consideration of Small Entities in Agency Rulemaking," August 13, 2002), requires agencies to notify the Office of Advocacy of draft rules that will have a significant economic impact on a substantial number of small entities. It also requires agencies to give appropriate consideration to Advocacy's comments and address the comments in final rules. This Executive Order should be enacted legislatively to ensure its effectiveness beyond this Administration.
- **Help States Consider Alternatives to Costly Regulation** - Under current law, agencies are only required to analyze direct impacts, even though there may be foreseeable and costly indirect impacts when states enforce federal regulations. Indirect impacts should be considered, and states should be encouraged to have RFA-type laws.
- **Help Small Business Comply with Regulations** –Existing requirements for federal agencies to publish a small business compliance guide for each final rule should be strengthened.

For more on the Office of Advocacy's legislative agenda, please go to <http://www.sba.gov/advo/laws/legagenda05.pdf>.