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Chairman Marshall, Vice Chairman Cerbo and members of the House Business and Labor Affairs Committee, my name is Jim Henderson and I am the Regional Advocate for the U.S. Small Business Administration's Office of Advocacy in Region VIII (which includes Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming). It is an honor for me to speak to you today and testify on the review of the Department of Regulatory Agencies' (DORA's) role in the administrative rulemaking process.

As the Regional Advocate for Region VIII, my job is to be the direct link between state and local governments, small business groups, small business owners and employees and the Office of Advocacy, based in Washington, DC. My chief focus is to help identify the regulatory concerns of small business by monitoring the impact of federal and state policies at the local level. It is my goal to see that programs and policies that encourage fair regulatory treatment of small business are developed and

implemented to ensure future growth and prosperity. This is why I am testifying in support of the continuation of DORA's role in reviewing proposed agency rules to determine whether they negatively impact small business or economic competitiveness in Colorado.

The Office of Advocacy enforces the Regulatory Flexibility Act (RFA) on the federal level in order to reduce the regulatory burden on small business. More than 93 percent of businesses in every state are small businesses. As Advocacy's research demonstrates, small businesses with less than 20 employees spend \$7,647 each year per employee to comply with federal regulations compared with the \$5,282 spent by firms with 500 or more employees. Moreover, small businesses face a 45 percent greater burden than their larger counterparts. And that is just the cost of compliance with federal regulations. Small business owners also have to shoulder the cost of compliance with state and local regulations.

Under the federal RFA, Advocacy has shown time and again that regulations can be reduced and the economy improved without sacrificing important goals such as environmental quality, travel safety, and workplace safety. By working with federal agencies to implement the RFA, in 2004 the Office of Advocacy saved small businesses nationwide over \$17 billion in foregone regulatory costs. This savings can now be used to create jobs, buy equipment, expand access to health care for millions of Americans, or simply maintain competitiveness in the marketplace.

Pursuant to Colorado's administrative procedure laws, agencies must submit proposed rules or amendments to existing rules to DORA for review. If DORA determines that the rule may impact small business it can require an agency to prepare a cost/benefit analysis. This analysis must also include at least two alternatives to the proposed rule which may be less burdensome to small entities while still accomplishing the agency goal. This analysis is very important to a successful regulatory flexibility system. To minimize the administrative burden on agencies, DORA has created a simple and efficient checklist for agencies to follow in preparing the statutorily required information.

DORA's review of proposed rules, or amendments to existing rules, to determine whether they may negatively impact small business is critical because small businesses bear a disproportionate share of regulatory costs and burdens. By recognizing the cost of a regulation to small businesses and the differences in scale and resources of regulated businesses, agencies are better able to craft regulations that consider the uniqueness of small entities. As a result, small businesses are better able to comply with agency rules and to survive in a competitive marketplace.

Another important regulatory flexibility implementation tool that DORA provides is the e-rulemaking notification system. A regulatory alert system allows interested parties to sign up and receive automatic regulatory alerts when agencies file a notice for a proposed rule that may affect their small business. DORA continues to enhance this user-friendly Internet-based tool which allows small business owners, trade associations,

chambers of commerce and other interested parties to stay on top of agency activities that may have an impact on small entities. It also provides an avenue through which stakeholders can voice their concerns about the adverse impact of a proposed rule and suggest regulatory alternatives that are less burdensome. Small businesses owners are an invaluable resource to agencies for understanding the impact of regulations and less burdensome alternatives.

There are over 24 million small businesses in the United States which create between 60 and 80 percent of the net new jobs in our economy. Sometimes, because of their size, the aggregate importance of small businesses to the economy is overlooked. Therefore, it is very easy to fail to notice the negative impact of regulatory activities on them. In order for regulatory flexibility to be successful, the Governor's leadership, trained and educated state agencies that understand their responsibilities, and the continued involvement of the small business community are important.

DORA plays an integral role in engaging all stakeholders in the rulemaking process. It has opened the lines of communication and created friendly, productive working relationships with many of the agencies to assist them in crafting the least burdensome regulations on small businesses. Importantly, DORA continues to create awareness in small business owners of regulatory activities and gives them a voice early in the process. This is a key to reducing the negative impact of regulations on small entities, increasing the level of regulatory compliance and achieving cost savings.

There is no question that small business is the backbone of the economy in Colorado just as it is throughout the country. According to the definition of small business under Colorado law (less than 500 employees) 98% of firms in the state are small. DORA has worked hard and continues to enhance its programs to efficiently and effectively assist regulatory agencies and small business stakeholders in developing the least burdensome regulations on small business while still accomplishing the agencies' objectives. Its role in administrative rule review is good for small business in Colorado and the Office of Advocacy supports the continuation of the provisions in the state Administrative Procedure Act governing DORA's role in the agency rulemaking process.