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Chairman Hunt and members of the House State Government and Tribal Affairs Committee, my name is Connie Marshall and I am the Regional Advocate for the U.S. Small Business Administration's Office of Advocacy in Region X (which includes Alaska, Idaho, Oregon and Washington). It is an honor for me to speak to you today and testify on House Bill (HB) 1525.

As the Regional Advocate for Region X, 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 proposed legislation which will strengthen small business regulatory flexibility in Washington.

The Office of Advocacy enforces the Regulatory Flexibility Act (RFA) on the federal level in order to reduce the regulatory burden on small business. Advocacy's research demonstrates that small businesses spend \$7,647 each year per employee to comply with federal regulations. That is a 45 percent greater regulatory 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.

There is no question that small business is the backbone of the economy in Washington. According to the definition of small business under Washington statute (less than 50 employees), over 88 percent of firms in the state are small. Therefore, sensitizing government regulators to how their mandates affect the employer community does not only apply in Washington, DC. Regulatory flexibility is a practice that must also be successful at the state level in order to keep America competitive.

In December of 2002, the Office of Advocacy drafted model legislation patterned after the federal RFA for the states. Its intent is to foster a climate for entrepreneurial success in the states, so that small businesses will continue to create jobs, produce innovative new products and services, bring more Americans into the economic mainstream, and broaden the tax base.

Since the model was introduced, 35 state legislatures have considered regulatory flexibility legislation and 19 states have implemented regulatory flexibility via Executive Order (EO) or legislation. This year, 8 states have introduced regulatory flexibility legislation (*Arkansas, Hawaii, Illinois, Mississippi, Montana, New Jersey, Tennessee and Washington*).

Successful state-level regulatory flexibility laws, as in the model legislation, address the following areas: (1) a small business definition, (2) a requirement that state agencies prepare an economic impact analysis before they regulate, (3) a requirement that state agencies consider less burdensome alternatives that still meet regulatory goals, (4) judicial review to give the law teeth, and (5) a requirement that agencies review existing regulations periodically.

Many states, such as Washington, have some form of regulatory flexibility law in statute. However, recognizing that some laws are missing key components that give regulatory flexibility its effectiveness, legislators continue to introduce legislation to strengthen their current systems.

One of the many reasons, I believe, regulatory flexibility legislation has been so successful in the states is because policy makers across the country realize that it is an important economic development tool. Many times there are alternative ways of

implementing regulations that are less burdensome to small business without sacrificing important goals such as environmental quality, travel safety, and workplace safety.

The Office of Advocacy commends you for bringing HB 1525 forward to enhance Washington's current administrative law and the regulatory environment for small business in your state.