

Advocacy Supports OMB's Efforts to Improve Regulatory Forecasting Through Targeted Ex Post Validation Studies

On June 14, 2005, the U.S. Small Business Administration's Office of Advocacy (Advocacy) submitted comments to the Office of Management and Budget (OMB) on OMB's [Draft 2005 Report to Congress on the Costs and Benefits of Federal Regulations](#).¹ OMB is required to submit this report to Congress each year under the Regulatory Right-to-Know Act.² This year, in addition to estimating the annual costs and benefits of Federal regulations, OMB sought public comment on the usefulness of requiring *ex post* validation studies for agency cost/benefit estimates after a regulation takes effect. Advocacy expressed support for OMB's research into the development of effective methodologies to measure the impact of regulations, including the use of *ex post* validation studies. Advocacy believes this is particularly important given the disproportionate burden of Federal regulations on small business. Advocacy also believes that requiring *ex post* validation studies may help improve agency compliance with Section 610 of the Regulatory Flexibility Act (RFA).³

A complete copy of Advocacy's letter to OMB is available at www.sba.gov/advo/laws/comments/, and interested parties are encouraged to comment on OMB's report by June 21, 2005.

- Advocacy's principal interest in the regulatory process is ensuring that regulations do not unduly burden small businesses and other small entities. Research sponsored by Advocacy indicates that small businesses bear a disproportionate share of the regulatory burden.⁴
- Advocacy supports the use of analytical tools, such as cost/benefit and regulatory impact analyses, to better understand the impact of regulations on small business and to develop feasible alternatives that reduce unnecessary burdens while still meeting the agency's statutory objectives.
- Advocacy supports the concept of requiring *ex post* validation studies because they could be useful to both the public and regulators to better understand what actually happens after a regulation takes effect, and whether initial agency cost/benefit projections were accurate.
- Given the required resources and difficulty of conducting *ex post* validation studies, Advocacy suggests targeting several economically significant regulations to pilot test, with the goal of refining the methodologies needed to perform such analyses.

For more information, please visit Advocacy's Web page at www.sba.gov/advo or contact Bruce Lundegren, Assistant Chief Counsel, at (202) 205-6144 or bruce.lundegren@sba.gov.

¹ 70 Fed. Reg. 14735 (March 23, 2005).

² Section 624 of the FY2001 Treasury and Government Appropriations Act.

³ 5 U.S.C. 610 et seq.

⁴ See, W. Crain and T. Hopkins, *The Impact of Regulatory Costs on Small Firms*, Report RFP No. SBAHQ-00-R-0027 for the Office of Advocacy, U.S. Small Business Administration (July 2001).