

December 16, 2003

The Honorable Ernie Fletcher  
Governor, Commonwealth of Kentucky  
700 Capitol Avenue  
Suite 100  
Frankfort, KY 40601

**Re: Kentucky Small Business Summit to be held on December 17, 2003**

Dear Governor Fletcher:

I am writing to commend you for focusing so quickly on the issues that are important to the small businesses of Kentucky. As you may know, 96.9% of Kentucky's business are small and are the lifeblood of the state economy. The Office of Advocacy has had the privilege of speaking with small employers and business leaders in Kentucky over the last year and a half, and without exception, the men and women entrepreneurs of Kentucky have asked for our help to remove regulatory barriers that stymie job growth and prosperity. My office stands ready to assist you in your efforts to help Kentucky's small business community.

The role of the Office of Advocacy ([www.sba.gov/advo](http://www.sba.gov/advo)) is to reduce the excessive regulatory burden placed on small entities including small businesses, small non-profit organizations, and smaller governmental jurisdictions. The office is directed by the Chief Counsel for Advocacy, a Senate confirmed Presidential appointee, who independently advances the views, concerns, and interests of small business before Congress, the White House, federal regulatory agencies, federal appellate courts as an *amicus curiae*, and state policy makers. While focusing on federal regulations, Advocacy welcomes the opportunity to work with state leaders on matters that impact small business.

The Office of Advocacy has two main responsibilities. First, Advocacy is charged with monitoring compliance with the Regulatory Flexibility Act (RFA) which requires federal regulatory agencies to analyze the impact of proposed regulations on small entities and to

consider alternatives that would be equally effective in achieving public policy goals without unduly burdening small businesses. Second, Advocacy's economic research team analyzes the role and status of small business in the economy so that policymakers are able to make informed decisions. For example, a 2001 study funded by the Office of Advocacy, *The Impact of Regulatory Costs on Small Firms*, by Drs. Mark Crain and Thomas Hopkins, shows that small businesses spend nearly \$7,000 each year per employee just to comply with federal regulations and mandates, a figure that is 60% higher than for large firms.

President Bush has an active and aggressive small business plan that includes tearing down regulatory barriers to entrepreneurial success. Enforcing the RFA is central to the success of this commitment. In 2002, the President signed Executive Order 13272 which further strengthened Advocacy's ability to make sure federal agencies comply with the RFA. By working with federal agencies to implement the RFA, the Office of Advocacy in 2002 saved small businesses over \$21 billion in foregone regulatory costs that now can be used to create jobs, buy equipment, expand access to health care for millions of Americans or simply keep business in business.

The Office of Advocacy has also drafted model legislation, endorsed by the American Legislative Exchange Council (ALEC), for consideration by states that mirrors the federal Regulatory Flexibility Act ([http://www.sba.gov/advo/laws/law\\_modeleg.html](http://www.sba.gov/advo/laws/law_modeleg.html)). 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. In its 2002 Annual Report, the Kentucky Commission on Small Business Advocacy recommended similar changes to the Kentucky Revised Statutes. Excessive regulation can be reduced, and the economy improved, without sacrificing important regulatory goals.

We stand ready to assist you as you work to level the regulatory playing field for small businesses in Kentucky. Please feel free to contact me at (202) 205-6533 or Pat Gartland, the Office of Advocacy's Southeastern Regional Advocate, at (404) 331-3081.

Sincerely,

/s/ \_\_\_\_\_  
Thomas M. Sullivan  
Chief Counsel for Advocacy

/s/ \_\_\_\_\_  
Patrick Gartland  
Regional Advocate