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before the
Joint Standing Committee on Commerce
of the
Connecticut General Assembly
Regarding Senate Bill (SB) 1179
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Chairman Berger, Chairman Lebeau and members of the Joint Standing Committee on Commerce, I am pleased to be here today to testify on behalf of SB 1179. My name is Stephen Adams and I am the New England Regional Advocate for the Office of Advocacy in the U.S. Small Business Administration (which includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont).

As the New England Regional Advocate, I represent the Office of Advocacy before state and local governments, small business groups, small business owners, and their employees. 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. That is why I am testifying in support of the proposed legislation which will create a friendlier regulatory environment for small businesses in Connecticut.

Connecticut has been a leader in small business regulatory flexibility. In fact, the Office of Advocacy's state regulatory flexibility model legislation was developed in part after the Connecticut statute. Current Connecticut law provides that agencies conduct a regulatory flexibility analysis on regulations that might affect small businesses.

However, as presently structured, agencies are given little guidance on how to assess whether a regulation will impact small businesses. As a result, very few small business regulatory flexibility analyses are ever conducted.

SB 1179 will help re-assert Connecticut's leadership position in small business policy by strengthening the state's landmark small business regulatory flexibility law. The bill seeks to:

- assist agencies in determining the economic impact of proposed regulations on small business; and
- ensure that agencies collaborate with affected small businesses at the beginning of the rulemaking process.

SB 1179 addresses several technical problems with the current law that prevent it from being fully embraced by regulating agencies. Specifically, the bill would direct regulating agencies to:

- assess the economic impact of a proposed regulation on Connecticut small businesses. The legislation describes a very simple and straightforward analysis

- of the number of small businesses that may be affected and the cost of compliance to those businesses;
- provide information on the economic assessment and the regulatory flexibility analysis in the notice of a proposed rule required to be posted in the Connecticut Law Journal at least 30 days before the intended agency action;
 - include these analyses in the agency rule-making record for the proposed regulation; and
 - provide the regulatory flexibility and economic impact analyses for any proposed regulations affecting small business to the standing legislative regulation review committee.

Often, because of their size, the aggregate importance of small businesses in the economy is overlooked. These amendments will ensure that state agencies look at how their proposed regulations will affect Connecticut small businesses, and consider alternative approaches to meeting the regulatory goal, in the early stages of rule development rather than after. It will also ensure that the Legislative Regulation Review Committee has adequate information about how a regulation might affect the state's small businesses.

By adopting this measure, Connecticut will join a growing number of states that are working to improve the competitive environment for their small businesses and entrepreneurs. Here in New England, both the Maine and Massachusetts legislatures are

considering similar measures. Last year Rhode Island adopted the region's strongest regulatory flexibility law.

Around the country and since 2002, 35 state legislatures have considered regulatory flexibility legislation, and 19 states have implemented regulatory flexibility via Executive Order or legislation. This year, 8 other states have introduced regulatory flexibility legislation (*Arkansas, Hawaii, Illinois, Mississippi, Montana, New Jersey, Tennessee, and Washington*). Both the Maine and Massachusetts legislatures are also in the process of drafting regulatory flexibility legislation to introduce this session.

One of the many reasons, I believe, regulatory flexibility legislation has been so successful is because policy makers across the country are realizing that it is an important economic development tool. Many times there are alternative ways of implementing a regulation that may be less burdensome to small business without sacrificing important goals such as health, safety, and welfare issues of major importance to state governments. This legislation will foster a more effective partnership between agencies and the small business community which will allow them to survive in a competitive environment.

The Office of Advocacy commends you for bringing SB 1179 forward to bolster Connecticut's current administrative law and the regulatory environment for small business in your state.