



REGULATORY FLEXIBILITY FOR SMALL BUSINESSES

POLICY POSITION

ISSUE:

Regulations are among the most costly and burdensome factors for businesses across America. Unfortunately, the regulatory burden continues to grow, and it is one that is particularly difficult for small businesses to bear. According to the U.S. Census Bureau, small businesses employ over half of all private sector employees yet are disproportionately impacted by compliance burdens associated with regulation. Federal regulation is estimated to cost more than \$1 trillion annually, according to a study by the Small Business Administration's Office of Advocacy. The study also found that the United States has a \$648 billion burden of environmental, economic, workplace and tax-compliance regulation.

The Regulatory Accountability Act of 2017 (H.R. 5) is bipartisan legislation that would reform the regulatory process to ensure that all federal agencies appropriately consider the impact of their rules on small businesses across America. H.R. 5 offer improvements to regulatory flexibility because they would modernize the current *Regulatory Flexibility Act (RFA)*, a 30-year old law that requires federal agencies to accurately account for the impact of regulation on small businesses. Each federal agency interprets important terms in the statute in widely divergent ways and is often able to avoid many of the RFA's requirements. Further, many rules that have significant impacts on small entities are not covered by the RFA because the small businesses adversely impacted are not directly regulated entities. H.R. 5 streamlines and makes uniform the determination of when the RFA would apply to a rule.

In addition to requiring federal agencies to consider the true impact of their rules, H.R. 5 give's the Office of Advocacy authority to establish standards for conducting a "regulatory flexibility analysis" during the rulemaking process. This improves transparency and also buttresses previous Executive Orders on regulatory review by strengthening the RFA's "look back" requirements when rules impact small business, and expands early stakeholder input through the use of the small business panel process for all rules covered by the RFA.

NAMA POSITION:

NAMA supports a regulatory system that is focused on removing unnecessary impediments to business development and job growth. Thus, NAMA encourages Congress to protect small businesses by *passing H.R. 5 because:*

- Small businesses are integral to the nation's economy, and their ability to operate efficiently and free of unnecessary regulatory burdens is critical for our country's economy; and
- Dollars spent by businesses on regulatory compliance with cumbersome or duplicative regulations, are dollars not spent on capital investment or hiring new employees in America.