

Tuesday, May 20, 2008

[Washington "Witchcraft": Assessing the Impact of Regulatory Costs](#)

A modern day adaptation of the Salem Witch trials has come to Washington, DC. The defendant is Susan Dudley. Ironically, Ms. Dudley hails from Massachusetts. Her crime, as Administrator for OMB's Office of Information and Regulatory Affairs (OIRA), is subjecting regulatory proposals to the wizardry of cost-benefit analysis and insisting that sound science and credible data support new major regulations.

Ms. Dudley has increasingly come under attack regarding the role of her office in general, and more specifically relating to the release of new ozone-level standards announced by the Administration in mid-march. Although those standards were tightened, the new level was not stringent enough for some. She is testifying on May 20 before the House Committee on Government Reform where she is expected to endure a Capitol-Hill style grilling.

Small business supporters in Congress should come to the defense of OIRA's work. After all, it is OIRA's job to defend small business from an onslaught of new regulatory mandates.

What her office does on a daily basis is as transparent as it is effective. For members of Congress who question the integrity of OIRA's work, they need to look no further than <http://www.omb.gov/>, which documents in great detail the public activity of the office. Protecting the public from the excesses of federal regulation may be controversial to the current political leadership on Capitol Hill, but it is most welcome by U.S. small businesses.

Compared with bigger businesses, government regulation imposes disproportionate costs and burdens on smaller firms. Research shows that large firms, armed with accounting departments and compliance officers who track environmental, health, and safety regulations can absorb the growing complexity of federal regulations with less difficulty. More often than not, these rules and compliance requirements are dealt with by the business owner herself. Countless hours are spent untangling the web of federal regulations (and those at the state and local level too) in order to keep the business operating on sound legal footing.

Research from the U.S. Small Business Administration documents that small firms pay 45 percent more to comply with federal mandates than their larger counterparts. The cost per employee for firms with fewer than 20 employees is \$7,647. Compliance with environmental regulations costs 364 percent more in small firms than in larger ones.

When the federal government issues regulations designed to protect our nation's borders, food and product safety, and the environment, it must do so in a manner that achieves regulatory objectives while minimizing the impact on small business. The only way to accomplish this is by ensuring that regulatory decisions benefit from sound science, quality data, and a transparent benefit cost analysis that relies on informed stakeholder input prior to a final agency decision.

House and Senate Committees are examining how Susan Dudley conducts regulatory review. OIRA ensures that sound science, quality data, and a stakeholder dialogue (that includes small business) occur before a new regulatory mandate is finalized. For twenty-eight years, OIRA has

served as a traffic cop at a busy intersection that is filled with interests from Congress, regulatory agencies, consumer groups, environmental organizations, business associations, academia, foreign government bodies, and more.

OIRA does exceedingly important work. They are attempting to help the government produce well deliberated, justifiable regulation. This is OIRA's job. With the cost of federal regulation now exceeding \$1.1 trillion, Congress should be looking at ways to help OIRA meet its goals.

Regulatory costs are now a larger per-household cost than health insurance. Without OIRA safeguarding the process to ensure that major regulations are fully considered, vetted, analyzed, and made available for comment, small businesses stand to lose.

Perhaps the growing complexity of taxes, Sarbanes Oxley, and proposed employee verification requirements do not threaten or scare the Berkshire Hathaways of the world, but they present a real growth barrier for entrepreneurs who want to grow an idea from their garage to be the next Microsoft.

In the Salem Witch Trials "spectral evidence" was widely used against the accused. A person claiming affliction by a "witch" testified that he or she saw the accused's apparition, or had a dream about them -- this was sufficient evidence to burn them at the stake. At the congressional hearing this week, and perhaps in other hearings to follow, some in Congress will claim to see Ms. Dudley's apparition (they'll call it "political interference") in key regulatory proceedings and initiatives that they believe should move forward in haste, or more to their political liking.

The record clearly shows that OIRA and Ms. Dudley are doing their job with the utmost in professionalism and transparency. Small businesses thank them for doing just that.

Karen Kerrigan is President and CEO of the Small Business & Entrepreneurship Council

Posted by Karen Kerrigan at [1:08 PM](#)

Labels: [OIRA](#), [regulatory costs on small business](#)

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