

HOUSE BILL REPORT

SSB 5739

As Reported By House Committee On:
Trade, Economic Development & Housing

Title: An act relating to small businesses.

Brief Description: Concerning the regulation of small businesses.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senators Moore, Anderson, Oke and Winsley).

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, April 1, 1993,
DPA.

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass as amended. Signed by 13 members: Representatives Wineberry, Chair; Shin, Vice Chair; Forner, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Campbell; Casada; Conway; Morris; Quall; Schoesler; Springer; Valle; and Wood.

Staff: Charlie Gavigan (786-7340).

Background: The Regulatory Fairness Act was enacted in 1982 to promote agency consideration and mitigation of the impact of their rules on small business.

The act requires that in the adoption of any rule which will have an economic impact on more than 20 percent of all industries, or more than 10 percent of any one industry, the agency must prepare a small business economic impact statement (SBEIS). If it is legal and feasible in meeting the stated objective of the statutes which are the basis of the proposed rule, the agency is also to reduce the economic impact of the rule in ways specified in the act.

The SBEIS must compare, based on existing data and specified criteria, the cost of compliance for small businesses with the cost of compliance for the 10 percent of firms which are the largest businesses required to comply with the rule. An agency is not required to prepare a SBEIS if the rule is being adopted solely for the purpose of conformity with

federal law or if the rule will have a minor or negligible economic impact.

The Business Assistance Center in the Department of Trade and Economic Development is given certain responsibilities under the Regulatory Fairness Act.

Summary of Amended Bill: An agency is required to prepare a small business economic impact statement (SBEIS) if a proposed non-emergency rule imposes costs considered more than minor on small business, or upon the request of a majority of the Joint Administrative Rules Review Committee.

A SBEIS no longer needs to analyze and compare the cost of compliance for small businesses with the cost of compliance for a percentage of larger businesses. The statement must consider the general ability of small business to absorb the costs of the rule previously identified in the statement.

Additional information provided in the SBEIS includes a list of industries required to comply with the rule, and a statement of whether and how the agency has involved small business in rule development.

Upon a finding that a proposed rule has a disproportionate negative impact on small businesses, and unless reasonable justification exists to do otherwise, the agency must reduce the costs of the rule on small business. The list of options which the agency may implement to reduce costs is expanded. Existing provisions exempting an agency from preparing a SBEIS if the rule is being adopted solely for the purpose of conformity with federal law or if the rule will have a minor or negligible economic impact are repealed.

The responsibilities of the agency rules coordinator are clarified and expanded. Additional responsibilities include maintaining contact with other coordinators to coordinate rule-making hearings, and completing an administrative procedures training course recommended by the Business Assistance Center. The rules coordinator prepares an annual agency rule-making plan listing, in priority order, rules currently under development and rules that the agency may propose for adoption with the year. The plan is published each January, with a supplemental plan published within 60 days after the end of the legislative session.

The Business Assistance Center must develop guidelines for agency preparation of SBEIS, reviewing draft SBEIS, advising the Joint Administrative Rules Review Committee regarding agency compliance with the Regulatory Fairness Act, organizing a state rules coordinating committee, and

submitting recommendations to the Department of Personnel for an administrative procedures training program.

Amended Bill Compared to Substitute Bill: Agencies must reduce the impact of a proposed rule if there is a disproportionate negative impact on small businesses, rather than based on the degree of impact. The probable benefits of a proposed rule must be indicated by the agency. Additional notice and assistance to small businesses are provided.

Fiscal Note: Requested March 22, 1993.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Agencies are not preparing small business economic impact statements as often or as completely as they should. This bill requires agencies to do a better job discovering and mitigating the costs regulations put on small businesses. New regulations inhibit the ability of small businesses to produce more jobs for Washington's economy; agencies should better consider this when adopting regulations.

Testimony Against: Governor Lowry is undertaking a more comprehensive review of regulatory issues; the issues addressed in this bill can more effectively be resolved in a more comprehensive process. The fiscal impact of this bill outweighs its small improvements to existing law.

Witnesses: Gabe Horner, Association of Washington Business (pro); Suzanne Mager, Department of Labor and Industries (has concerns); Marty Mulcahey, Department of Labor and Industries (con); Jim Zimmerman, Troutlodge, Inc. (pro); Sylvia Johnson, Thurston County Incubators (pro); Carolyn Logue, National Federation of Independent Businesses (pro); and Dannie McQueen, Department of Agriculture (con).