

# FINAL BILL REPORT

## EHB 1525

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C 239 L 07

Synopsis as Enacted

**Brief Description:** Reducing the impact of regulatory provisions on small businesses.

**Sponsors:** By Representatives Chase, Kessler, Morris, Sump, B. Sullivan, Hunt and Hudgins.

**House Committee on State Government & Tribal Affairs**

**Senate Committee on Labor, Commerce, Research & Development**

### **Background:**

The Legislature adopted the Regulatory Fairness Act (RFA) in 1994 to protect small businesses from being disproportionately impacted by state regulations. The statute requires agencies to prepare a Small Business Economic Impact Statement (SBEIS) when adopting a rule. The SBEIS must include:

- a brief description of the reporting, recordkeeping, and other compliance requirements of the proposed rule;
- a description of the professional services that a small business is likely to need in order to comply with the requirements of the proposed rule;
- an analysis of the costs of compliance;
- consideration of whether the rule will cause businesses to lose sales or revenue;
- a determination of whether the rule has a disproportionate impact on small businesses. The determination must compare the cost of compliance on small businesses with the cost of compliance for the 10 percent of businesses that are the largest businesses required to comply with the rule. The agency must use at least one of the following measures when making this comparison: cost per employee, cost per hour of labor, or cost per \$100 of sales;
- a description of how the agency will involve small businesses in the development of the rule; and
- a list of industries that will be required to comply with the rule.

Based on the extent of impact identified in the SBEIS, the agency must attempt to reduce the costs imposed by the rule on small business. These cost reduction methods can include:

- reducing, modifying, or eliminating substantive regulatory requirements;
- simplifying, reducing or eliminating recordkeeping and reporting requirements;
- reducing the frequency of inspections;
- delaying compliance timetables;
- reducing or modifying fine schedules for noncompliance; or
- other mitigation techniques.

The RFA defines "small business" as any business entity, including a sole proprietorship, corporation, partnership, or other legal entity that is owned and operated independently from all other business and has 50 or fewer employees.

**Summary:**

The Small Business Economic Impact Statement (SBEIS) must include an estimate of the number of jobs that will be created or lost as the result of compliance with the proposed rule.

If an agency cannot find a method to reduce costs on small business, the agency has the added requirement of providing an explanation of why a reduction is not possible. This explanation must be included with the agency's filing of the proposed rule.

The cost of professional services necessary to comply with a proposed rule must be taken into consideration when the agency evaluates the impact of the proposed rule on small business.

A "minor cost" is defined as the cost per business that is less than three-tenths of 1 percent of annual revenue or income, or \$100, whichever is greater, or 1 percent of annual payroll. For the DSHS rules, a minor cost is defined as less than \$50 per client.

**Votes on Final Passage:**

House	97	1	
Senate	49	0	(Senate amended)
House	97	1	(House concurred)

**Effective:** July 22, 2007