

SENATE BILL REPORT

EHB 1525

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, March 29, 2007

Title: An act relating to regulatory fairness for small businesses.

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

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

Brief History: Passed House: 3/12/07, 97-1.

Committee Activity: Labor, Commerce, Research & Development: 3/29/07 [DPA-WM].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Clements, Ranking Minority Member; Franklin, Hewitt, Holmquist, Murray and Prentice.

Staff: Kathleen Buchli (786-7488)

Background: The Legislature adopted the Regulatory Fairness Act (RFA) to reduce the disproportionate impact of state administrative rules on small business. Agencies must prepare a Small Business Economic Impact Statement (SBEIS) when adopting a rule that will impose more than minor costs on businesses or if requested to do so by the Joint Administrative Rules Review Committee (JARRC).

The SBEIS must include a brief description of the compliance requirements of the proposed rule, including costs of compliance to the small business. The SBEIS must also include a statement by the agency on the steps taken to reduce costs of the rule on small businesses.

Summary of Engrossed Bill: If the agency cannot reduce the costs imposed by the rule on small businesses, the agency must provide a clear explanation of why it has made that determination. The SBEIS is subject to selective review of the JARRC, and a person affected by the rule may petition the JARRC for review.

In analyzing costs of compliance for the business, the agency must consider costs of professional services in addition to the factors currently required in statute. The SBEIS must include the number of jobs that will be created or lost as a result of compliance with the proposed rule.

The term "minor cost" is defined as a cost per business that is less than three-tenths of one percent of the annual revenue or income, or one hundred dollars, whichever is greater, or one

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percent of the annual payroll. For Department of Social and Health Services' rules, "minor cost" means cost per business that is less than \$50 of annual cost per client or other appropriate unit of service.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Labor, Commerce, Research & Development): A small business economic impact statement must also include an estimate of the number of jobs that will be created or lost as a result of compliance with the proposed rule. In obtaining information for the small business economic impact statement, the agency should, whenever possible, appoint a committee under RCW 34.05.210(2).

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This bill has been worked on for over three years. Small businesses are very important to Washington's economy. Small businesses create more jobs. The Legislature will be able to send a message that these businesses are important and that the Legislature has heard their concerns about over-regulation and regulatory burdens. Having the small business economic impact statements subject to selective review of the Joint Administrative Rules Review Committee will help the Legislature review regulations that impact small businesses and address problems that may arise. Small businesses are subject to 100,000 regulations daily. This is an important piece of legislation to address the costs of regulation.

Persons Testifying: PRO: Representative Chase, prime sponsor; Gary Smith, Independent Business Association.