

22.4 million small businesses.³ Within this community, 90% have fewer than 20 employees.⁴ Given the enormous collective impact that the smallest businesses have on our Nation's overall economy, it is vital that government do all it can to create the climate they need to thrive.

What Is the Government's Paperwork Burden and How Heavily Does It Impact Small Businesses?

The term "paperwork" refers to the traditional method for collecting information, paper forms. However, SBPRA applies to any information collection, including those via the Internet, telephone, or other medium. SBPRA uses the broad definition for "collection of information" in section 3502 of the Paperwork Reduction Act of

1995 (PRA). It means "obtaining, causing to be obtained, soliciting, or requiring the disclosure to third parties or the public, of facts or opinions by or for an agency, regardless of form or format, calling for either—

- Answers to identical questions posed to, or identical reporting or recordkeeping requirements imposed on, ten or more persons, other than agencies, instrumentalities, or employees of the United States; or,
- Answers to questions posed to agencies, instrumentalities, or employees of the United States which are to be used for general statistical purposes."

Burden is also defined in the PRA. It goes beyond the effort required to complete a form and includes "time, effort or financial resources expended

by persons to generate, maintain, or provide information to or for a Federal agency, including the resources expended for—

1. Reviewing instructions;
2. Acquiring, installing, and utilizing technology and systems;
3. Adjusting the existing ways to comply with any previously applicable instructions and requirements;
4. Searching data sources;
5. Completing and reviewing the collection of information; and
6. Transmitting or otherwise disclosing the information."

Government agencies must collect information from the public to administer important programs and fulfill their intended missions.

Purpose of government collection	Examples
To obtain or retain a benefit for the business	License and permit applications.
To demonstrate compliance with regulations	Water discharge monitoring reports.
Recordkeeping requirements	Inspection records.
For statistical purposes or rule development	Industry surveys.
For use by third parties	Nutrition labels.

The Office of Management and Budget (OMB) is responsible for reviewing and approving information collections. The Federal government alone now has over 8,000 separate information collection requests authorized by OMB. These OMB approved information collections fall into three categories.

- 38.4% are mandatory where failure to provide the information required can result in civil, even criminal, sanctions;
- 39.7% are required to obtain or retain some kind of benefit for the respondent; and,
- 21.9% are voluntary where a response is entirely discretionary and has no direct effect on any benefit or privilege for the respondent.⁵

This report focuses on the first two categories, which generally evolve from regulations. It is important to note that agencies generally collect, or require those regulated to keep records, as part of their regulatory provisions. The information-related provisions are designed to help the agency ensure compliance with the rule. For example,

EPA requires certain businesses to monitor and keep records of pollutants to ensure that certain emission thresholds are not exceeded. The substance (and primary cost) of such a rule is the action the businesses must take to reduce their pollution emissions. The recordkeeping is a secondary requirement, although it may be a significant one. Consequently, when considering reductions of paperwork burden on small businesses, we must also take into account the regulatory provisions that the reporting or recordkeeping are meant to support. It would be misleading to focus attention only on information collection burdens without making clear this connection with the related substantive regulatory provisions.

OMB estimates the cost to provide data required by all approved information collection requests in Fiscal Year 2002 was 8 billion hours and \$140 billion.⁶ OMB's estimates reflect data provided by the collecting agencies, and may understate the actual burden

imposed on the public. Further, information collections are only part of the full impact of the Federal regulatory process. According to a 2001 report, "The Impact of Regulatory Costs on Small Firms" by W. Mark Crain and Thomas D. Hopkins, the total costs of federal regulations were estimated to be \$843 billion in 2000, or 8 percent of the U.S. Gross Domestic Product.⁷ Of these costs, \$497 billion fell on business and \$346 billion fell on consumers or other governments.⁸

Government places a heavy and expensive reporting and recordkeeping burden on all businesses, which is most keenly felt in the smallest firms. Additionally, small businesses bear a disproportionate share of the total regulatory burden.⁹ For firms employing fewer than 20 employees, the annual regulatory burden is \$6,975 per employee—nearly 60 percent more than that for firms with more than 500 employees, at \$4,463.¹⁰ Table 1 provides a comparison by sector.

³ SBA Office of Advocacy Web site, Small Business by the Numbers, at <http://www.sba.gov/advo>.

⁴ W. Mark Crain & Thomas D. Hopkins, "The Impact of Regulatory Costs on Small Firms", Report to the Small Business Administration, RFP No. SBAHQ-00-R-0027 (2001), at 2. The opinions and recommendations of the authors of this study do

not necessarily reflect official policies of the SBA or other agencies of the U.S. government. For more information, write to the Office of Advocacy at 409 Third Street SW., Washington, DC 20416, or visit the office's Internet site at <http://www.sba.gov/advo>.

⁵ The Office of Information and Regulatory Affairs Reports Management System, February 2003.

⁶ *Id.* Dollar cost figures do not include the cost represented by the hour burden reported.

⁷ Crain & Hopkins, at 1.

⁸ Crain & Hopkins, at 25.

⁹ Crain & Hopkins, at 2.

¹⁰ Crain & Hopkins, at 3.