

include a powerful search engine—that uses multiple search elements—for identifying requirements for specific small businesses. By searching across all Federal information collections at the time of query, it would provide a complete and up-to-date list.

Recommendations

1. *Designate a federal agency to be in charge of system development.* The Office of Information Technology and E-Government at OMB has a governance structure for E-Government projects under its sponsorship, and has designated SBA to manage BCOS.

2. *Complete the BCOS methodology for identifying regulatory applicability.* If the federal budget allows, expedite development. Consider consulting with private, nonprofit, and/or academic experts with specialized expertise in delivering tailored information to clients. Also evaluate regulatory development and tracking systems managed by individual agencies to determine whether there are good models and/or system features already in use that should be incorporated.

3. *Develop a system that incorporates the BCOS methodology for identifying regulatory applicability and generates a list of applicable requirements.* Design the system with the small business owner in mind, and integrate into the *Businesslaw.gov* Web site.

4. *Issue federal guidance for adding identification elements to all information collection requests.* Once categorization methods are developed under recommendation 2, OMB should consider requiring agencies to report them on the 83-I form and allowing the public to search ROCIS based on the categorization. Because it may be impossible to include some elements of the BCOS categorization in ROCIS, OMB should review each element of the BCOS categorization to ensure that OMB only requires agencies to submit information that will be useful in the simple-search format that ROCIS provides.

5. *Complete ROCIS and link to it in Businesslaw.gov.* Until the system described in recommendation III becomes available, promote ROCIS as a useful tool for researching reporting and recordkeeping requirements. Provide a link on *businesslaw.gov* pointing to the ROCIS system as one way to begin identifying applicable information collection requirements.

Final Note

Identifying requirements for small businesses is only the first step in assuring compliance. Ultimately, any system that is built to identify

requirements should also include access to information about how to comply and where to go for compliance assistance. While this recommendation is beyond the scope of this report, it does raise additional technical, management, and resource issues that should be considered in devising a long-term solution to small businesses information and compliance assistance needs (See below, and Appendix 7—Compliance Assistance Best Practices).

Expanding the Small Business Reporting and Recordkeeping Requirements System to Include Compliance Information—Additional Issues

Technical

Additional content to identify and incorporate. Providing compliance information would require researching and providing access to compliance assistance resources. This could be limited to federal resources, or broadened to include resources from States, local governments, or other compliance assistance providers.

- *Handling different formats.* Compliance resources may take a variety of forms, such as telephone numbers, compliance checklists, and online expert systems. The system would have to be designed to handle both simple and sophisticated products.

Management

- *Additional coordination required.* Providing compliance information would require working not only with staff that handle information collection requirements, but also with staff that have regulatory compliance responsibilities.

Resources

- *Additional cost.* Expanding this service to include information about compliance resources would significantly increase the cost (in dollars and FTEs). It would mean additional research to incorporate compliance information and identify relevant compliance assistance resources.

Legal

- *Excessive detail.* It is unlikely that compliance aids will be able to provide all compliance information for every business. There will likely remain the need for expert assistance to help businesses with compliance details in light of the differences among them.

Task #3: Interactive Electronic Systems (See, 44 U.S.C. 3520(c)(3))

Problem

Overview

The cost of finding, understanding and complying with legal and regulatory requirements poses a significant burden on businesses and is a formidable obstacle to success. One costly aspect of compliance with regulatory standards is the related paperwork.

Of the \$843 billion dollars spent on Federal regulatory compliance in 2000, \$497 billion fell on businesses. This comes to 63 percent of the total regulatory burden.

The Small Business Administration's (SBA's) Office of Advocacy estimates²³ the following paperwork regulatory information burden to businesses, categorized by number of employees:

- Firms with fewer than 20 employees—\$2,000 per employee per year.
- Firms with 20–499 employees—cost \$1,931 per employee per year.
- Firms with 500 or more—cost \$1,086 per employee.

SBA research confirms that these regulatory costs continue to increase and to disadvantage small businesses.

Assumptions

- The Federal Government is firmly committed to reducing the regulatory information burden and will strongly encourage Federal regulatory agencies to make this happen.
- All regulatory agencies have a goal of reducing the regulatory information burden through amending regulations, changing information requirements, and streamlining collection processes, consistent with their mission.
- Important issues of transaction security, privacy, electronic signatures, standards, and architectures will be properly addressed by e-government initiatives and need not be discussed here.

- As time and resources allow, small businesses should help to find ways to significantly reduce the regulatory information burden.

- The Internet is a primary regulatory communication channel as use of the Net by small businesses with employees grew to 67 percent in 2001 and will be nearly 80 percent by 2003, but the Federal Government cannot use it as the sole means of regulatory communication or the sole means of providing compliance assistance.

²³ These figures are derived from impact of Regulatory Costs on Small Firms, an Advocacy-funded study by W. Mark Crain and Thomas D. Hopkins.