



**Testimony of Frank C. Fillmore, Jr.  
the Fillmore Group  
on Behalf of the National Federation of Independent Business**

**Hearing before the  
Committee on Government Reform  
Subcommittee on Energy Policy,  
Natural Resources and Regulatory Affairs**

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Chairman Ose, Ranking Member Tierney and Members of the subcommittee, I thank you for the opportunity to testify before you today on the impact of government paperwork on small businesses.

My name is Frank Fillmore, Jr., and I am a principal in The Fillmore Group, an international information technology firm with offices in Baltimore and Ellicott City, Maryland. We have five full-time employees who provide database software consulting and training to large companies like IBM and Freddie Mac and small not-for-profits like the U.S. Golf Association. I also have the pleasure of serving on the Maryland Leadership Council of the National Federation of Independent Business (NFIB) and am honored to present this statement on behalf of NFIB'S 600,000 small business members nationwide.

As the proprietor of a small business – especially one that bills by the hour – I am acutely aware of how I spend my time. I constantly evaluate how to best spend the next hour, whether on a customer project, on marketing and sales leads (our “seed corn”), or on personnel and administrative issues that keep the ship from running aground. In many ways, it's probably similar to the way you have to manage your offices here at the House of Representatives.

While small businesses like mine are the greatest source of job growth in the economy, they unfortunately bear a disproportionate share of the regulatory burden. In fact, the burden of regulatory compliance is as much as 50% more for small business. My business is no different; there is no single government requirement that causes us more headaches and lost time.

Imagine then when a form arrives in the mail from the federal government. It often comes with a strict deadline and, many times, with a penalty for failure to respond. Small businesses don't have the luxury of a special department or even one or two employees that can devote all of their time to work on government forms and requirements.

The paperwork is left to be done by the proprietor, mostly meaning me, who has to divert precious management and sales time to filling out these time-consuming forms. Since there is little time during the course of a normal workday, I or my colleague must complete these forms over weekends or late at night. It becomes even more frustrating when the information requested is redundant and available from other agencies or even other units of the same agency.

Right now I am looking at a 2002 Economic Census from the Department of Commerce (OMB form 0607-0887). I don't remember ever completing this form before in over sixteen years of conducting business, so the government must have had other ways to develop policy without the data it demands. I understand the agency's need to gather information, but the financial data are certainly available from the Internal Revenue Service, and personnel and payroll data are readily available from the Maryland State Department of Labor, Licensing, and Regulation. In other words, this information is collected by other agencies, why should I have to submit it time after time to agency after agency?

This particular census form would probably take between four and eight hours to accurately complete. Four hours may not seem like much, but multiplied dozens of times with requirements from federal, state, and local governmental agencies, the drain on the finite number of hours I have to sell my "inventory" becomes enormous.

The Commerce Department has told the NFIB that the information provided on this form doesn't have to be 100% accurate and that my responses to questions can be estimates. Unfortunately the form does not get around to telling me that until page six. What it does tell me, in big bold letters on the first page, is that, were I to not submit this form, I could be liable for a \$500 fine. Plus, given the federal government's tendency to come down very hard on businesses, I would be reluctant to provide incomplete or estimated information.

Each request by itself may not seem like much. When accumulated together, however, it is like death by a thousand cuts. The net result for our firm is stifled software development, eroded customer relationships, and diminished time to plan and just think – each of which is crucial to me as a business owner in these uncertain economic times. Let me state this in clear language: paperwork requirements directly impact the bottom line of my business.

Time burdens are not the only problem I have with paperwork requirements. Often government forms require the disclosure of information that I consider proprietary and sensitive in nature. In particular, the census form requires financial data on sales and revenue. The Fillmore Group is privately held, and we do not publish financial statements. The only two entities that receive that information today are the IRS and my banker. The form further requires that I split that revenue, either via dollar amounts or on a percentage basis, into 52 different categories and subcategories. While that might seem reasonable to a methodical analyst at the Department of Commerce, that's a far greater level of detail than we have ever used to manage the business. To try to comply would be unduly burdensome and fraught with error over interpretations of the services we've provided our customers versus the categorizations in the form.

I'm certain that it would be easier for the Department of Commerce staff to design a form that delivers the data they want in precisely the format in which they would like to use it. In fact, software exists today to assemble information from multiple databases of different types, running on different computers, even from different software vendors. Private industry uses these techniques all of the time to compare data, for example, from the manufacturing, sales, and logistics units of their businesses to match what has been made, with what has been sold, with what has been shipped. Companies frequently compare their internal information with data gleaned from public sources to gain insight into, say, the demographics of their customer set.

Information provided to agencies "of record," such as detailed financial data supplied to the IRS, might be stored in a "data warehouse" for approved access by other agencies and units of government. Again, I want to emphasize that standards of privacy be maintained, or even enhanced. Summarized data with individual identifiers removed can satisfy many of the requirements of economists, Federal Reserve bankers, and other parties who need financial information to make policy. That, indeed, is how the Census Bureau today uses some of the data it collects.

Many small businesses use one of a few standard software accounting packages such as QuickBooks from Intuit or Great Plains from Microsoft. Another possible solution to the paperwork problem is for agencies that collect financial data to use standard interfaces to these software products to extract the data. Right now, all of my payroll filings at the local, state, and federal level are performed automatically by my accounting software. I do pay a small monthly fee for this service, but the cost is much smaller than the professional services fees that I once paid to an accountant. The entire accounting field is undergoing a quiet revolution because the tedious, repetitive, time-consuming bookkeeping tasks that used to be its bread-and-butter have been automated by software that costs a few hundred dollars.

Large federal agencies should be encouraged to develop a series of standard information request formats that could be built into these software products by the vendors. The addition of these features would represent a competitive advantage and selling point for the vendors. The agencies would be assured of data in a standard format and, quite likely, higher levels of and more timely compliance with their mandates. Large enterprises like automobile manufacturers have developed standard electronic data interchange (EDI) formats with which their suppliers and vendors must provide common business transaction documents like invoices and bills-of-lading.

For example, the paper invoices I use to provide to IBM, one of my largest customers, were mailed via U.S. Postal Service to a central office and then remitted via paper check. The transit time in the mail alone added ten days to my carrying costs. Then, if an invoice was incorrect or improperly formatted, that time could double or triple. Now I submit all of my invoices via the Internet using a web browser. The invoice is formatted using an electronic purchase order. All of this information exchange takes minutes to prepare and seconds to transmit – rather than hours to prepare and days to transmit. There is no reason that the U.S. government cannot employ these same techniques to exchange forms and data with its citizen- business owners.

I don't wish to paint too rosy a picture of technology. It is not a panacea; I know - I work with it every day. What I am proposing is that the business-as-usual approach of creating a new paper form for each different governmental request that has to be mailed to a business person, which is filled out manually using pen or pencil from data possibly already stored in a computer, returned via USPS, and then entered into a computer again is just plain foolish for the 21<sup>st</sup> century.

There is also the risk that less technically savvy business owners will be placed at a disadvantage; paper forms are a great leveler. But there remains a great opportunity to improve the data that the government collects to support the common welfare while reducing the burden on the backbone of the U.S. economy: the proprietors of small businesses and the men and women they employ.

Are federal agencies doing enough to reduce this burden on small businesses? They seem to be only starting – and in light of laws like the Small Business Paperwork Relief Act, need to do much, much more. Given the history of agency efforts to craft simpler and less burdensome regulations, I suspect that they will have to be pushed and prodded continuously in order to follow congressional mandates. It will require discipline and coordination among federal agencies – something that only this august body can provide. But such leadership is going to be essential, as the benefits go far beyond just the impacts on my business alone. For if the burdens my business faces are like death by a thousand cuts, one can only imagine the cumulative benefit as those cuts are healed—not just for my business, but for millions of businesses nationwide!

Thank you for your time and your interest in my thoughts on this matter. I will be happy to answer any questions that you may have.