

Chairman Doug Ose
Opening Statement
What is OMB's Record in Small Business Paperwork Relief?
July 18, 2003

Today, the Subcommittees will examine the track record of the Office of Management and Budget (OMB) over the past 2 ½ years in paperwork reduction to benefit small businesses. Since many small businesses are not connected to the Internet, the hearing focus will be on accomplishments not including either electronic filing opportunities or other e-government initiatives.

OMB estimates the Federal paperwork burden on the public at 8.2 billion hours. The Internal Revenue Service (IRS) accounts for over 80 percent of the total. In April 2003, OMB estimated that the price tag for all paperwork imposed on the public is \$320 billion a year. This is a huge burden, especially on small businesses.

In 1980, Congress passed the Paperwork Reduction Act (PRA) and established an Office of Information and Regulatory Affairs (OIRA) in OMB. OIRA's principal responsibility is paperwork reduction. In 1995, 1998, 2000, and 2002, Congress enacted additional legislation with the objective of decreasing paperwork burden. Also, last July, Congress directed OMB to "identify and review proposed and existing IRS paperwork." Nonetheless, paperwork has increased in each of the last seven years, with the largest increases in the last two years. And, OMB continues to devote less than 1 full-time equivalent staff to IRS paperwork reduction.

In its 2003 draft annual regulatory accounting report, OMB did not present an analysis of impacts on small business, as required by law. And, its final 2002 annual regulatory accounting report included a less than 1-page analysis of impacts on small business. In addition, in May 2003, OMB only identified e-government initiatives to reduce burden on small businesses, i.e., instead of identifying any paperwork reduction initiatives to reduce frequency of small business reporting, introduce thresholds below which reporting is not required, use sampling versus universe reporting, create short forms for small businesses, etc.

The Small Business Paperwork Relief Act of 2002 (P.L. 107-198) required OMB to take certain actions by June 28, 2003, including to: (a) publish the first annual list of all compliance assistance resources available to small businesses; (b) have each agency establish one point of contact to act as a liaison between small businesses and the agency regarding paperwork requirements; and, (c) report to Congress on the findings of an interagency task force, chaired by OMB.

Among other duties, the task force was asked to examine: (a) the feasibility of requiring the agencies to consolidate reporting requirements so that each small business could submit all information required by the agency to one point of contact at the agency, in a single format or using a single electronic reporting system, and with synchronized reporting; and, (b) the feasibility and benefits of publishing a list of paperwork applicable to small business. This list would be organized (1) by North American Industry Classification System (NAICS) codes, (2) by industrial sector description, or (3) in another manner by which small business concerns

can more easily identify applicable requirements.

On May 9, 2003, OMB published its draft task force report. On May 21st, four Chairmen – Senate Subcommittee Chairman George Voinovich, House Chairman Donald Manzullo, House Subcommittee Chairman Edward Schrock and I - submitted a joint comment letter to OMB. It criticized OMB's draft, including its initial faulty assumption that existing paperwork is both minimal and necessary, and its unacceptable conclusion that OMB could not organize a listing of paperwork applicable to small business that "would fully meet small business needs."

On June 27th, OMB published two documents. Both were unsatisfactory. The first was an incomplete listing of compliance assistance resources and contact information for agency single points of contact (see the chart on display). The document included only some of the Federal agencies that impose paperwork on small businesses (e.g., the General Services Administration was missing) and it included no single points of contact for some agencies (e.g., the Department of Labor), or multiple offices to contact for other agencies (e.g., for the Federal Trade Commission).

The second document was a notice of availability of its final task force report. The task force report was largely nonresponsive to Congressional intent. For example, it recommended against a list organized by NAICS codes, by industrial sector description, or in another manner by which small business concerns can more easily identify applicable requirements. Instead, it recommended a new electronic system with the burden on each individual small business "to self-identify applicable criteria that profile their business" and "to self-identify a comprehensive list of applicable requirements."

The bottom line is that OMB has not fully complied with this new law. And, OMB's track record in small business paperwork reduction is dismal. As a former owner of various small businesses, I am especially disappointed. I do not understand how OMB can pick and choose which laws to fully implement. Congress wants and America's small businesses deserve results – fewer hours spent on government paperwork and lower compliance costs to increase productivity and job creation.

I want to welcome our witnesses today. They include: Senator George V. Voinovich, Chairman, Senate Governmental Affairs Subcommittee on Oversight of Government Management, The Federal Workforce and The District of Columbia; Representative Donald A. Manzullo, Chairman, House Small Business Committee; Dr. John D. Graham, Administrator, OIRA, OMB; Karen Kerrigan, Chairman, Small Business Survival Committee; and, Andrew Langer, Manager, Regulatory Policy, National Federation of Independent Business.