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**TESTIMONY OF HOWARD SHELANSKI
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OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE HOUSE SMALL BUSINESS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES**

July 24, 2013

Mr. Chairman, Ranking Member Velázquez, and Members of the Committee, thank you for the opportunity to appear before you today. I was recently confirmed as the Administrator of the Office of Information and Regulatory Affairs (OIRA) at the Office of Management and Budget (OMB), and am honored to be serving in this role. I look forward to speaking with you today about the topic of retrospective regulatory review and its benefits for small business.

Retrospective review is critical to ensuring that our regulatory system is modern, streamlined, and does not impose unnecessary burdens on the American public. Even regulations that were well crafted when first promulgated can become unnecessary over time as conditions change. Retrospective review of regulations helps to ensure that those regulations are continuing to promote the safety, health, welfare, and well-being of Americans without imposing unnecessary costs.

Recognizing the importance of this effort, in January 2011, the President issued Executive Order 13563, “Improving Regulation and Regulatory Review.” Among other things, that Executive Order asks executive departments and agencies to review existing Federal regulations to streamline, modify, or repeal regulations and reduce unnecessary burdens and costs. As a result of that Executive Order, executive departments and agencies produced more than two dozen plans, with over 500 regulatory reform initiatives. Just a small fraction of the rules already finalized will produce billions of dollars of savings in the near term.

Since issuing Executive Order 13563, the President has taken several other important actions relevant to retrospective review. In July 2011, the President issued Executive Order 13579, “Regulation and Independent Regulatory Agencies,” which asked the independent regulatory agencies to follow the principles of Executive Order 13563 and to develop their own retrospective review plans. Almost twenty independent agencies issued plans for public comment, and many have implemented substantial initiatives. For example, in May 2013, the Federal Communications Commission announced that it was lifting over 120 outdated or unnecessary regulatory requirements on phone companies.

In order to further institutionalize retrospective review, President Obama issued Executive Order 13610, “Identifying and Reducing Regulatory Burdens” in May 2012. To promote priority-setting, the Executive Order directs agencies to emphasize reforms that produce significant, quantifiable savings. To promote accountability, the Executive Order requires agencies to provide the public with regular reports on their past efforts and their future plans. These reports are available on agency websites.

The Administration’s retrospective review efforts are already producing significant results. For example:

- The Department of Health and Human Services (HHS) finalized rules to remove unnecessary regulatory and reporting requirements on hospitals and other healthcare providers, saving more than \$5 billion over the next five years.
- The Department of Labor (DOL) finalized a rule to simplify and to improve hazard warnings for workers, producing net benefits of more than \$2.5 billion over the next five years while increasing safety.
- HHS finalized a rule to allow greater flexibility for providers that rely on telemedicine services, making services more readily available in remote rural areas and saving providers millions of dollars in the process.
- DOL finalized a rule that will remove approximately 1.9 million annual hours of redundant reporting burdens on employers and save more than \$200 million in costs over five years.
- The Environmental Protection Agency finalized a rule to eliminate the obligation for many states to require air pollution vapor recovery systems at local gas stations, since modern vehicles already have effective air pollution control technologies. The anticipated five-year savings are over \$400 million, a number that takes into account the costs associated with the removal of vapor recovery equipment and the use of less expensive conventional equipment on the gasoline dispensers, as well as reductions in record-keeping requirements and other operating costs.
- The Department of Transportation (DOT) finalized a rule to eliminate or extend most compliance dates on traffic control requirements (which would, among other things, require states and localities to change street name signs), saving millions of dollars in the process.

Our retrospective review efforts have focused especially on benefiting small businesses. Some examples include:

- The DOT retrospective review plan alone identifies over two dozen initiatives to save money for small businesses and local governments. For example, one of DOT’s initiatives would codify regulations to prevent duplicative requirements for air carrier drug and alcohol testing programs, which would be particularly helpful for small carriers.
- The Department of Defense issued a new rule to accelerate payments on contracts to as many as 60,000 small businesses, improving their cash flow.

- The Small Business Administration is adopting a single electronic application to reduce the paperwork required of certain lenders, which will in turn benefit small business borrowers who seek relatively small amounts of capital to grow and succeed.

DOT has proposed a rule that would harmonize hazardous material standards with international requirements and update, clarify, correct, or provide relief from certain regulatory requirements for the transportation of radioactive materials. DOT expects the rule to result in cost savings for small businesses by easing the regulatory compliance costs for shippers and carriers engaged in international commerce, including trans-border shipments within North America. This past winter, agencies focused their retrospective review updates on paperwork burden reduction. Many of the initiatives stemming from this effort will save substantial money for small businesses. For example, the Internal Revenue Service announced a simplified method for claiming the home office deduction, which will save taxpayers (particularly those with home-based small businesses) over 1.6 million hours and \$7 million in out-of-pocket costs per year. Similarly, DOT is working on a proposed rule that would rescind the requirement that commercial motor vehicle drivers submit (and motor carriers retain) driver-vehicle inspection reports when the driver has neither found nor been made aware of any vehicle defects or deficiencies. This rulemaking would save tens of millions of hours in paperwork burden per year, for approximately \$1.5 billion in annual paperwork time savings.

In July 2013, agencies submitted to OIRA their latest updates of their retrospective review plans, pursuant to Executive Orders 13563 and 13610. Although OIRA is still reviewing the plans and the full updates are not yet public, I am happy to report that many of the initiatives highlighted in the updated plans benefit small businesses. For example, the Department of Housing and Urban Development is drafting a final rule that would create alternative, more streamlined financial statement reporting requirements for small supervised lenders and mortgagees. The rule would also eliminate duplicative reporting requirements for lenders who already report to other Federal agencies. In addition, the Federal Aviation Administration is proposing a rule to update, simplify, and streamline rules of practice and procedure for filing and adjudicating complaints against federally-assisted airports. Small businesses would particularly benefit from this rule, which would decrease the time spent on processing complaints by allowing parties to file electronically.

Retrospective review is crucial to ensuring that we have a well-functioning regulatory system, and moving forward I will look for further ways to institutionalize retrospective review of regulations and ensure that it continues to produce significant cost-savings for small businesses and for the American people.

Thank you for your time. I would be happy to answer any questions.