



Opening Statement
Chairman Mick Mulvaney
House Subcommittee on Contracting and Workforce
“Caught Up In Red Tape: The Impact of Federal Regulations on Small Businesses and Contractors”
June 14, 2012

Good morning. This hearing will come to order. Before we begin, I would like to thank you for being with us today, especially each of our witnesses. I appreciate your willingness to appear before this subcommittee to talk about the regulatory obstacles to small business job creation, economic growth, and participation in the federal contracting arena.

The House Small Business Committee has kept a particular focus on federal regulations and policies that are adding to the assortment of uncertainties confronting small businesses, particularly when those uncertainties add to our nation’s stubbornly high unemployment rate. We have held numerous hearings this Congress relating to various regulations and have heard continuously that the entire regulatory process is flawed and that it often punishes job creators and stifles economic growth.

Even President Obama launched an effort to evaluate regulations that create unnecessary burdens. The President has issued an Executive Order mandating that agencies do more than the bare minimum required to ensure that stakeholders have an opportunity to communicate their views on agency regulatory actions. Unfortunately though, regulatory agencies under this administration have gone in the exact opposite direction.

On October 24, 2011, Gallup released a poll that outlined small business owners’ most pressing concerns. According to this poll, small business owners are most likely to say complying with government regulations is the most important problem facing them today. The Gallup poll is mirrored by numerous trade association surveys, such as one conducted by the United States Chamber of Commerce in March 2012. The Chamber study found that almost half of small business owners said regulation is a greater threat to their business than taxation and litigation combined. Similarly, a poll conducted by the National Federation of Independent Business (NFIB) found that 63 percent of respondents believe the rules issued by the federal government have done more to hurt than help small businesses and 74 percent believe the federal government should focus on creating jobs instead of issuing new rules and regulation. The message is clear—small businesses need Washington to get out of their way.

Small business owners face unique challenges in navigating federal regulations. According to the study “The Impact of Regulatory Costs on Small Firms” published by the SBA’s Office of Advocacy in September 2010, small business face an annual regulatory cost of

\$10,585 per employee, which is 36 percent higher than the per-employee regulatory cost facing large firms. While regulations can have benefits, they also have costs that erect barriers to entry, distort markets, and divert scarce capital away from job creation. Small businesses simply do not have the resources to navigate the ever-increasing maze of federal regulations.

Take the President's health care law for example. Between now and full implementation in 2018, 46 new provisions will be implemented. This is on top of the 46 that have already been implemented over the past two years. The sheer number of things to track and comply with has got to be confusing for a small mom and pop shop struggling to get by in difficult economic times. It all goes back to the question "Why is Washington making things harder for small businesses instead of easier?"

The EPA is another federal agency that has consistently drawn the ire of the small business community. The proposed rule to regulate greenhouse gasses, the proposed Utility Maximum Achievable Control Technology rule, and the potential regulation of coal ash all have the capacity to increase costs disproportionately on small businesses. Each of these rules, on their own and in combination, could directly and indirectly lead to substantially higher energy costs and reductions in employment.

Direct costs incurred by small businesses when complying with regulations present a significant problem. But it is not just direct costs that hinder small business growth. The Dodd-Frank financial reform bill offers an excellent example of how indirect costs can hurt small businesses. While very few of the 500 rulemakings required by the law will apply to small businesses, these new rules have the potential to hit them where it hurts the most—impeding their access to capital. In the last few years, lending to small firms has plummeted to record lows. The stricter regulatory environment created by Dodd-Frank, and the new Consumer Financial Protection Bureau, combined with the uncertainty brought by many of the law's vague provisions, could be the reason why we have seen such weak small business lending numbers.

Unfortunately, these are but a few of the regulatory burdens facing America's small business owners. Washington must do a better job of helping small firms grow to become tomorrow's big businesses. I look forward to listening to your testimony today. I hope you can help me and this committee identify these regulatory barriers and discuss options to alleviate them. Again, I want to thank each of our witnesses for taking the time to be with us today.