

Statement by Frank Knapp, Jr.

before the Small Business Committee

U.S. House of Representatives

For the hearing

“Regulation: The Hidden Small Business Tax”

April 14, 2016

Thank you, Chairman Chabot, Ranking Member Velázquez, and members of the committee. My name is Frank Knapp, Jr., I’m the President and CEO of the South Carolina Small Business Chamber of Commerce, a statewide, 5,000+ member advocacy organization working to make state government more small business friendly. I am also the board co-chair of the American Sustainable Business Council which through its network represents 200,000 businesses. ASBC advocates for policy change at the federal and state level that supports a more sustainable economy.

Today’s hearing topic is important for small business and the vitality of our economy. Good regulations tend to stimulate innovation and entrepreneurship in addition to limiting or preventing destructive forms of economic activity. Bad regulations, whether because they are not designed properly or are simply not needed, will be a burden on small businesses and thus harm our economy. Everyone here would prefer the former and not the latter.

One example of what is working is the Regulatory Flexibility Act. In 2004 my South Carolina organization worked with our South Carolina Chamber and NFIB to pass our Small Business Regulatory Flexibility Act modeled after the federal law. Several years later, the then chairman of the South Carolina Small Business Regulatory Review Committee told me that over the previous seven years his committee had reviewed about 300 proposed regulations and identified only ten that raised their concern. His Committee worked with the state agency promulgating these new regulations and satisfactorily resolved the issues. The Regulatory Flexibility Act has created an effective process to protect small businesses even if the process itself needs some attention from time to time.

While some inside the Beltway claim that regulations are holding back our economic growth, ASBC has a different view. Along with other small business organizations, we

released a poll of small business owners in February 2012, which found that small businesses don't see regulations as a major concern.

Our polling confirmed that small business owners value regulations if they are well-constructed and fairly enforced.

86% believe some regulation is necessary for a modern economy, and 93% of respondents believe their business can live with some regulation if it is fair and manageable.

78% of small employers agree regulations are important in protecting small businesses from unfair competition and to level the playing field with big business.

79% of small business owners support having clean air and water in their community in order to keep their families, employees and customers healthy.

61% support standards that move the country towards energy efficiency and clean energy.

Republican pollster Frank Luntz recently surveyed CEOs<sup>i</sup> and found similar results to the ASBC poll. Regulations were identified as the 7<sup>th</sup> concern, behind more pressing issues like creating economic opportunity, keeping taxes affordable, raising the minimum wage and reducing income inequality

**You said *economic issues* are most important. Which of the following economic issues do you care about the most?**

Total	East	South	Midwest	West	
<b>41%</b>	<b>47%</b>	<b>34%</b>	<b>33%</b>	<b>49%</b>	Creating economic <u>opportunity</u> and good-paying jobs for everyone
29%	28%	25%	33%	31%	Keeping the cost of living and inflation down
25%	24%	24%	27%	23%	Keeping taxes affordable
18%	16%	19%	17%	23%	Balancing my state's budget
<b>17%</b>	<b>15%</b>	<b>18%</b>	<b>26%</b>	<b>11%</b>	Raising the minimum wage
16%	18%	16%	24%	6%	Reducing income inequality
16%	17%	18%	13%	17%	Reducing regulations on small businesses
14%	15%	17%	10%	14%	Fighting poverty
12%	14%	16%	6%	14%	Increasing take-home pay
11%	7%	13%	12%	13%	Reducing the deficit and addressing the national debt

So if small businesses aren't self-identifying regulations as their top impediment to growth and businesses in general are not citing regulations as a significant problem, who are the pushers of the anti-regulation bills really representing?

The answer is clear. Most of the complaints we hear in Washington are from only two industries -- those impacted by Wall Street reform (Dodd-Frank) and new Environmental Protection Agency regulations. K Street lobbyists regale Congress and the public about the dire economic consequences to small businesses of regulations that will prevent another Great Recession or protect the health and safety of our citizens or restrain the future wrath of uncontrolled climate change. In reality, the financial giants who drove our economy off a cliff and the powerful fossil fuel industry are driving the anti-regulation train using the name of small businesses to garner sympathetic ears.

In conclusion, the regulation promulgating process can produce good rules while protecting small businesses from unnecessary burdens if we provide the resources for agencies to expeditiously carry out the requirements Congress has already put in place. But the federal government's responsibility to impacted small businesses shouldn't stop here. Some small businesses will find compliance with federal regulations difficult. The answer is not to throw the baby out with the bathwater and invalidate existing rules. Instead we believe the solution lies in expanding the capacity of the federal government to provide regulatory compliance assistance to small businesses.

Thank you for the opportunity to speak before you today and I welcome any questions the committee may have.

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<sup>1</sup> <https://www.washingtonpost.com/news/wonk/wp/2016/04/04/leaked-documents-show-strong-business-support-for-raising-the-minimum-wage/>