

Sen. David Vitter, Louisiana
U.S. Senate Committee on Homeland Security and Governmental
Affairs

Thursday, June 23, 2011

Hearing on Federal Regulation: A Review of Legislative Proposals

- Mr. Chairman and Ranking Member Collins, thank you for this opportunity to speak today.
- Also, thank you for having a hearing on such an important issue.
- There are so many agencies that our small businesses have to answer to and file paperwork with.
- It is sometimes amazing that small business owners have any time to actually run a business, grow a business, or do anything else after all the paperwork is done.
- Depending on the nature of the business or the location of the business, firms have to deal with many federal agencies.
- These include the EPA, the Army Corps of Engineers, the Coast Guard, SBA, Labor, Commerce, IRS, and Customs, just to name a few.
- And that doesn't even count the state regulatory agencies, such as the Louisiana's Departments of Revenue, Labor, Wildlife and Fisheries, Insurance, Environmental Quality, and others. And then there are local and parish governments on top of all those.
- The compounded effect of these levels of regulation can be suffocating to the entrepreneurial spirit of small business owners.

- And frankly, in the current environment here in Washington, the situation is getting worse, with the scope of regulations growing dramatically.
- While I understand the need for some basic level of regulations to protect consumers and to protect the public health and welfare, the massive amount of regulations and paperwork small businesses face today is overwhelming and way beyond what is reasonable.
- Compliance costs grow each year, increasing the cost of doing business and hampering our competitiveness in the world market.
- In September of last year, the SBA Office of Advocacy released a study that gave us a glimpse of the burden small businesses have under federal regulations.
- That reports shows that small businesses with 20 or fewer employees face an annual cost from federal regulations of \$10,585 per employee.
- This is a staggering burden just to comply with federal regulations, and it doesn't take into account state and local compliance costs.
- Overall, we need reduce regulatory costs and burdens, enact a fairer and simpler tax code, and greatly curtail the time-consuming, often duplicative paperwork demanded from government agencies.
- But those efforts will obviously require time for significant debate in committees and on the Senate floor.
- As we continue to push for these drastic reforms, we need a temporary release valve, a quick solution to help our small businesses.
- Too often, from reports I have heard from small business owners, it seems as though federal regulators often play a "gotcha" game –

fining small businesses for paperwork violations just for the sake of issuing the citation.

- Bureaucrats too often act in an oppressive way with the regulatory power they yield.
- The intent of paperwork fines should not be to create a new revenue stream for the government or to make criminals out of small business owners.
- Instead, these regulations, while currently being way out of hand and costly as I mentioned, should be intended to protect the general health of the public, protect our environment, or protect consumers.
- If a minor paperwork violation occurs, federal regulators should have the ability to waive fines for first time offenses and allow the business owner to correct the problem in a reasonable time frame.
- That's why I have introduced the Small Business Paperwork Relief Act, which is a bill I introduced when I served in the House and continued to push when I came to the Senate.
- This bill would give small businesses some small amount of relief from the federal regulatory regime.
- It would direct federal agencies not to impose civil fines for a first-time violation of their agency's paperwork requirements by a small business unless the head of the agency determines that –
 - the violation has the potential to cause serious harm to the public interest,
 - forgoing a fine would impair criminal investigations,
 - the violation is a violation of internal revenue law,
 - the violation is not corrected within six months,

- the violation presents a danger to public health or safety.
 - Also, the bill says that fines can be waived in the case of a violation that could present a danger to public health or safety if the issue is corrected within 24 hours of the small business receiving notification.
- So, in short, this bill would provide a reasonable, one-time pass on fines for minor paperwork violations, unless the violation is of a grave nature and as long the small business owner corrects the problem promptly.
- I know there are some who may argue against that proposal would encourage small business owners to break the law.
- Or, opponents of the proposal may argue that devious business owners could wait for their free shot before filling out required documents.
- I cannot see how that could be the case, as the bill does not remove any obligations.
- All required paperwork and compliance with other regulations remain intact.
- The bill would only temporarily provide relief from fines relating to first-time paperwork violations.
- It doesn't even address the issue of the excessive paperwork requirements, which of course is something that Congress should address.
- Also, the bill expressly limits the relief to first time violations, not a series of violations. And, as I mentioned, there are the provisions that preserve fines in case of serious violations.

- The intent of my bill is to inject some common sense into our regulations. With so much paperwork required from small businesses, with so many I's to dot and T's to cross, it is easy for a business owner to make a minor mistake in the vast amount of paperwork required of them.
- Fines can be very punitive, many times with assessments in the hundreds or thousands of dollars per day.
- I do not think we should bring down the hammer on innocent paperwork mistakes by small business owners.
- Instead, we should focus our enforcement efforts on serious violators and let minor paperwork violations be corrected promptly and without excessive fines.
- Again, thank you for your opportunity to discuss my bill, and I look forward to working with the committee to reform our regulatory process and support economic growth.