### 112TH CONGRESS 1ST SESSION S.474

To reform the regulatory process to ensure that small businesses are free to compete and to create jobs, and for other purposes.

### IN THE SENATE OF THE UNITED STATES

MARCH 3, 2011

Ms. SNOWE (for herself, Mr. COBURN, Ms. AYOTTE, Mr. ENZI, and Mr. BROWN of Massachusetts) introduced the following bill; which was read twice and referred to the Committee on Homeland Security and Governmental Affairs

### A BILL

- To reform the regulatory process to ensure that small businesses are free to compete and to create jobs, and for other purposes.
  - 1 Be it enacted by the Senate and House of Representa-
  - 2 tives of the United States of America in Congress assembled,
  - **3** SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
  - 4 (a) SHORT TITLE.—This Act may be cited as the
  - 5 "Small Business Regulatory Freedom Act of 2011".
  - 6 (b) TABLE OF CONTENTS.—The table of contents of
  - 7 this Act is as follows:
    - Sec. 1. Short title; table of contents.
    - Sec. 2. Findings.
    - Sec. 3. Including indirect economic impact in small entity analyses.

- Sec. 4. Judicial review to allow small entities to challenge proposed regulations.
- Sec. 5. Periodic review and sunset of existing rules.
- Sec. 6. Requiring small business review panels for all agencies.
- Sec. 7. Expanding the Regulatory Flexibility Act to agency guidance documents.
- Sec. 8. Requiring the Internal Revenue Service to consider small entity impact.
- Sec. 9. Mitigating penalties on small entities.
- Sec. 10. Requiring more detailed small entity analyses.
- Sec. 11. Ensuring that agencies consider small entity impact during the rulemaking process.
- Sec. 12. Qualifications of the Chief Counsel for Advocacy and authority for the Office of Advocacy .
- Sec. 13. Technical and conforming amendments.

#### 1 SEC. 2. FINDINGS.

- 2 Congress finds the following:
- 3 (1) A vibrant and growing small business sector
  4 is critical to the recovery of the economy of the
  5 United States.
- 6 (2) Regulations designed for application to 7 large-scale entities have been applied uniformly to 8 small businesses and other small entities, sometimes 9 inhibiting the ability of small entities to create new 10 jobs.
- 11 (3) Uniform Federal regulatory and reporting requirements in many instances have imposed on 12 13 small businesses and other small entities unneces-14 sary and disproportionately burdensome demands, 15 including legal, accounting, and consulting costs, 16 thereby threatening the viability of small entities 17 and the ability of small entities to compete and cre-18 ate new jobs in a global marketplace.

(4) Since 1980, Federal agencies have been re quired to recognize and take account of the dif ferences in the scale and resources of regulated enti ties, but in many instances have failed to do so.

5 (5) In 2009, there were nearly 70,000 pages in 6 the Federal Register, and, according to research by 7 the Office of Advocacy of the Small Business Admin-8 istration, the annual cost of Federal regulations to-9 tals \$1,750,000,000,000. Small firms bear a dis-10 proportionate burden, paying approximately 36 per-11 cent more per employee than larger firms in annual 12 regulatory compliance costs.

13 (6) All agencies in the Federal Government 14 should fully consider the costs, including indirect 15 economic impacts and the potential for job creation 16 and job loss, of proposed rules, periodically review 17 existing regulations to determine their impact on 18 small entities, and repeal regulations that are unnec-19 essarily duplicative or have outlived their stated pur-20 pose.

(7) It is the intention of Congress to amend
chapter 6 of title 5, United States Code, to ensure
that all impacts, including foreseeable indirect effects, of proposed and final rules are considered by
agencies during the rulemaking process and that the

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1	agencies assess a full range of alternatives that will
2	limit adverse economic consequences, enhance eco-
3	nomic benefits, and fully address potential job cre-
4	ation or job loss.
5	SEC. 3. INCLUDING INDIRECT ECONOMIC IMPACT IN
6	SMALL ENTITY ANALYSES.
7	Section 601 of title 5, United States Code, is amend-
8	ed by adding at the end the following:
9	"(9) the term 'economic impact' means, with
10	respect to a proposed or final rule—
11	"(A) any direct economic effect of the rule
12	on small entities; and
13	"(B) any indirect economic effect on small
14	entities, including potential job creation or job
15	loss, that is reasonably foreseeable and that re-
16	sults from the rule, without regard to whether
17	small entities are directly regulated by the
18	rule.".
19	SEC. 4. JUDICIAL REVIEW TO ALLOW SMALL ENTITIES TO
20	CHALLENGE PROPOSED REGULATIONS.
21	Section 611(a) of title 5, United States Code, is
22	amended—
23	(1) in paragraph (1), by inserting "603," after
24	"601,";

(2) in paragraph (2), by inserting "603," after
 "601,";

3 (3) by striking paragraph (3) and inserting the4 following:

5 "(3) A small entity may seek such review during the
6 1-year period beginning on the date of final agency action,
7 except that—

8 "(A) if a provision of law requires that an ac-9 tion challenging a final agency action be commenced 10 before the expiration of 1 year, the lesser period 11 shall apply to an action for judicial review under this 12 section; and

"(B) in the case of noncompliance with section
603 or 605(b), a small entity may seek judicial review of agency compliance with such section before
the close of the public comment period."; and

17 (4) in paragraph (4)—

18 (A) in subparagraph (A), by striking ",19 and" and inserting a semicolon;

20 (B) in subparagraph (B), by striking the
21 period and inserting "; or"; and
22 (C) by adding at the end the following:

23 "(C) issuing an injunction prohibiting an agen24 cy from taking any agency action with respect to a

rulemaking until that agency is in compliance with
 the requirements of section 603 or 605.".

### 3 SEC. 5. PERIODIC REVIEW AND SUNSET OF EXISTING 4 RULES.

5 Section 610 of title 5, United States Code, is amend-6 ed to read as follows:

### 7 "§ 610. Periodic review of rules

8 "(a)(1) Not later than 180 days after the date of en9 actment of the Small Business Regulatory Freedom Act
10 of 2011, each agency shall establish a plan for the periodic
11 review of—

12 "(A) each rule issued by the agency that the 13 head of the agency determines has a significant eco-14 nomic impact on a substantial number of small enti-15 ties, without regard to whether the agency per-16 formed an analysis under section 604 with respect to 17 the rule; and

"(B) any small entity compliance guide required
to be published by the agency under section 212 of
the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note).

"(2) In reviewing rules and small entity compliance
guides under paragraph (1), the agency shall determine
whether the rules and guides should—

1 "(A) be amended or rescinded, consistent with 2 the stated objectives of applicable statutes, to mini-3 mize any significant adverse economic impacts on a 4 substantial number of small entities (including an 5 estimate of any adverse impacts on job creation and 6 employment by small entities); or "(B) continue in effect without change. 7 "(3) Each agency shall publish the plan established 8 9 under paragraph (1) in the Federal Register and on the 10 Web site of the agency. "(4) An agency may amend the plan established 11 12 under paragraph (1) at any time by publishing the amendment in the Federal Register and on the Web site of the 13 14 agency. (b)(1) Each plan established under subsection (a) 15 shall provide for— 16 "(A) the review of each rule and small entity 17 18 compliance guide described in subsection (a)(1) in 19 effect on the date of enactment of the Small Busi-20 ness Regulatory Freedom Act of 2011— "(i) not later than 8 years after the date 21

of publication of the plan in the Federal Reg-ister; and

24 "(ii) every 8 years thereafter; and

1	"(B) the review of each rule adopted and small
2	entity compliance guide described in subsection
3	(a)(1) that is published after the date of enactment
4	of the Small Business Regulatory Freedom Act of
5	2011—
6	"(i) not later than 8 years after the publi-
7	cation of the final rule in the Federal Register;
8	and
9	"(ii) every 8 years thereafter.
10	((2)(A) If an agency determines that the review of
11	the rules and guides described in paragraph (1)(A) cannot
12	be completed before the date described in paragraph
13	(1)(A)(i), the agency—
14	"(i) shall publish a statement in the Federal
15	Register certifying that the review cannot be com-
16	pleted; and
17	"(ii) may extend the period for the review of
18	the rules and guides described in paragraph $(1)(A)$
19	for a period of not more than 2 years, if the agency
20	publishes notice of the extension in the Federal Reg-
21	ister.
22	"(B) An agency shall transmit to the Chief Counsel
23	for Advocacy of the Small Business Administration and
24	Congress notice of any statement or notice described in
25	subparagraph (A).

1	"(c) In reviewing rules under the plan required under
2	subsection (a), the agency shall consider—
3	"(1) the continued need for the rule;
4	"(2) the nature of complaints received by the
5	agency from small entities concerning the rule;
6	"(3) comments by the Regulatory Enforcement
7	Ombudsman and the Chief Counsel for Advocacy of
8	the Small Business Administration;
9	"(4) the complexity of the rule;
10	"(5) the extent to which the rule overlaps, du-
11	plicates, or conflicts with other Federal rules and,
12	unless the head of the agency determines it to be in-
13	feasible, State and local rules;
14	"(6) the contribution of the rule to the cumu-
15	lative economic impact of all Federal rules on the
16	class of small entities affected by the rule, unless the
17	head of the agency determines that such a calcula-
18	tion cannot be made;
19	((7) the length of time since the rule has been
20	evaluated, or the degree to which technology, eco-
21	nomic conditions, or other factors have changed in
22	the area affected by the rule; and
23	"(8) the impact of the rule, including—
24	"(A) the estimated number of small enti-
25	ties to which the rule will apply;

1	"(B) the estimated number of small entity
2	jobs that will be lost or created due to the rule;
3	and
4	"(C) the projected reporting, record-
5	keeping, and other compliance requirements of
6	the proposed rule, including—
7	"(i) an estimate of the classes of small
8	entities that will be subject to the require-
9	ment; and
10	"(ii) the type of professional skills
11	necessary for preparation of the report or
12	record.
13	((d)(1) Each agency shall submit an annual report
14	regarding the results of the review required under sub-
15	section (a) to—
16	"(A) Congress; and
17	"(B) in the case of an agency that is not an
18	independent regulatory agency (as defined in section
19	3502(5) of title 44), the Administrator of the Office
20	of Information and Regulatory Affairs of the Office
21	of Management and Budget.
22	((2) Each report required under paragraph $(1)$ shall
23	include a description of any rule or guide with respect to
24	which the agency made a determination of infeasibility
25	under paragraph (5) or (6) of subsection (c), together with

a detailed explanation of the reasons for the determina tion.

3 "(e) Each agency shall publish in the Federal Reg4 ister and on the Web site of the agency a list of the rules
5 and small entity compliance guides to be reviewed under
6 the plan required under subsection (a) that includes—

"(1) a brief description of each rule or guide;
"(2) for each rule, the reason why the head of
the agency determined that the rule has a significant
economic impact on a substantial number of small
entities (without regard to whether the agency had
prepared a final regulatory flexibility analysis for the
rule); and

"(3) a request for comments from the public,
the Chief Counsel for Advocacy of the Small Business Administration, and the Regulatory Enforcement Ombudsman concerning the enforcement of the
rules or publication of the guides.

"(f)(1) With respect to each agency, not later than
6 months after each date described in subsection (b)(1),
the Chief Counsel for Advocacy of the Small Business Administration shall determine whether the agency has completed the review required under subsection (b).

24 "(2) If, after a review under paragraph (1), the Chief25 Counsel for Advocacy of the Small Business Administra-

1 tion determines that an agency has failed to complete the
2 review required under subsection (b), each rule issued by
3 the agency that the head of the agency determined under
4 subsection (a) has a significant economic impact on a sub5 stantial number of small entities shall immediately cease
6 to have effect.".

### 7 SEC. 6. REQUIRING SMALL BUSINESS REVIEW PANELS FOR 8 ALL AGENCIES.

9 (a) AGENCIES.—Section 609 of title 5, United States
10 Code, is amended—

(1) in subsection (b), by striking "a covered
agency" each place it appears and inserting "an
agency"; and

14 (2) in subsection (e)(1), by striking "the cov-15 ered agency" and inserting "the agency".

16 (b) TECHNICAL AND CONFORMING AMENDMENTS.—
17 (1) SECTION 609.—Section 609 of title 5,
18 United States Code, is amended—

19(A) by striking subsection (d), as amended20by section 1100G(a) of Public Law 111-20321(124 Stat. 2112); and

(B) by redesignating subsection (e) as sub-section (d).

24 (2) SECTION 603.—Section 603(d) of title 5,
25 United States Code, as added by section 1100G(b)

1	of Public Law 111–203 (124 Stat. 2112), is amend-
2	ed—
3	(A) in paragraph (1), by striking "a cov-
4	ered agency, as defined in section $609(d)(2)$ "
5	and inserting "the Bureau of Consumer Finan-
6	cial Protection'; and
7	(B) in paragraph (2), by striking "A cov-
8	ered agency, as defined in section 609(d)(2),"
9	and inserting "The Bureau of Consumer Finan-
10	cial Protection".
11	(3) Section 604.—Section 604(a) of title 5,
12	United States Code, is amended—
13	(A) by redesignating the second paragraph
14	designated as paragraph (6) (relating to cov-
15	ered agencies), as added by section $1100G(c)(3)$
16	of Public Law 111–203 (124 Stat. 2113), as
17	paragraph $(7)$ ; and
18	(B) in paragraph (7), as so redesignated—
19	(i) by striking "a covered agency, as
20	defined in section $609(d)(2)$ " and inserting
21	"the Bureau of Consumer Financial Pro-
22	tection"; and
23	(ii) by striking "the agency" and in-
24	serting "the Bureau".

(4) EFFECTIVE DATE.—The amendments made
 by this subsection shall take effect on the date of en actment of this Act and apply on and after the des ignated transfer date established under section 1062
 of Public Law 111–203 (12 U.S.C. 5582).

# 6 SEC. 7. EXPANDING THE REGULATORY FLEXIBILITY ACT TO 7 AGENCY GUIDANCE DOCUMENTS.

8 Section 601(2) of title 5, United States Code, is 9 amended by inserting after "public comment" the fol-10 lowing: "and any significant guidance document, as de-11 fined in the Office of Management and Budget Final Bul-12 letin for Agency Good Guidance Procedures (72 Fed. Reg. 13 3432; January 25, 2007)".

# 14 SEC. 8. REQUIRING THE INTERNAL REVENUE SERVICE TO 15 CONSIDER SMALL ENTITY IMPACT.

(a) IN GENERAL.—Section 603(a) of title 5, United
States Code, is amended, in the fifth sentence, by striking
"but only" and all that follows through the period at the
end and inserting "but only to the extent that such interpretative rules, or the statutes upon which such rules are
based, impose on small entities a collection of information
requirement or a recordkeeping requirement.".

23 (b) DEFINITIONS.—Section 601 of title 5, United
24 States Code, as amended by section 3 of this Act, is
25 amended—

(1) in paragraph (6), by striking "and" at the
 end; and

3 (2) by striking paragraphs (7) and (8) and in4 serting the following:

5 "(7) the term 'collection of information' has the
6 meaning given that term in section 3502(3) of title
7 44;

8 "(8) the term 'recordkeeping requirement' has
9 the meaning given that term in section 3502(13) of
10 title 44; and".

### 11 SEC. 9. MITIGATING PENALTIES ON SMALL ENTITIES.

Section 223 of the Small Business Regulatory Enforcement Fairness Act of 1996 (Public Law 104–121;
110 Stat. 862) is amended by adding at the end the following:

16 "(d) REVIEW OF POLICIES AND PROGRAMS.—

17 "(1) REVIEW REQUIRED.—Not later than 6 18 months after the date of enactment of this sub-19 section, and every 2 years thereafter, each agency 20 regulating the activities of small entities shall review 21 the policy or program established by the agency under subsection (a) and make any modifications to 22 23 the policy or program necessary to comply with the 24 requirements under this section.

1	"(2) Report.—Not later than 6 months after
2	the date of enactment of this subsection, and every
3	2 years thereafter, each agency described in para-
4	graph (1) shall submit a report on the review and
5	modifications required under paragraph (1) to—
6	"(A) the Committee on Small Business
7	and Entrepreneurship and the Committee on
8	Homeland Security and Governmental Affairs
9	of the Senate; and
10	"(B) the Committee on Small Business
11	and the Committee on the Judiciary of the
12	House of Representatives.".
13	SEC. 10. REQUIRING MORE DETAILED SMALL ENTITY ANAL-
14	YSES.
15	(a) Initial Regulatory Flexibility Analysis.—
16	Section 603 of title 5, United States Code, as amended
17	by section $1100G(b)$ of Public Law $111-203$ (124 Stat.
18	2112), is amended—
19	(1) by striking subsection (b) and inserting the
20	following:
21	"(b) Each initial regulatory flexibility analysis re-
22	quired under this section shall contain a detailed state-
23	ment—
24	((1) ] and $(1)$ is a the measure of the left $(1)$
27	((1) describing the reasons why action by the

1	((2) describing the objectives of, and legal basis
2	for, the proposed rule;
3	"(3) estimating the number and type of small
4	entities to which the proposed rule will apply;
5	"(4) describing the projected reporting, record-
6	keeping, and other compliance requirements of the
7	proposed rule, including an estimate of the classes of
8	small entities which will be subject to the require-
9	ment and the type of professional skills necessary
10	for preparation of the report and record;
11	"(5) describing all relevant Federal rules which
12	may duplicate, overlap, or conflict with the proposed
13	rule, or the reasons why such a description could not
14	be provided; and
15	"(6) estimating the additional cumulative eco-
16	nomic impact of the proposed rule on small entities,
17	including job creation and employment by small enti-
18	ties, beyond that already imposed on the class of
19	small entities by the agency, or the reasons why
20	such an estimate is not available."; and
21	(2) by adding at the end the following:
22	"(e) An agency shall notify the Chief Counsel for Ad-
23	vocacy of the Small Business Administration of any draft
24	rules that may have a significant economic impact on a
25	substantial number of small entities—

1	((1) when the agency submits a draft rule to
2	the Office of Information and Regulatory Affairs of
3	the Office of Management and Budget under Execu-
4	tive Order 12866, if that order requires the submis-
5	sion; or
6	"(2) if no submission to the Office of Informa-
7	tion and Regulatory Affairs is required—
8	"(A) a reasonable period before publication
9	of the rule by the agency; and
10	"(B) in any event, not later than 3 months
11	before the date on which the agency publishes
12	the rule.".
13	(b) FINAL REGULATORY FLEXIBILITY ANALYSIS.—
14	(1) IN GENERAL.—Section 604(a) of title 5,
15	United States Code, is amended—
16	(A) by inserting "detailed" before "de-
17	scription" each place it appears;
18	(B) in paragraph (2)—
19	(i) by inserting "detailed" before
20	"statement" each place it appears; and
21	(ii) by inserting "(or certification of
22	the proposed rule under section $605(b)$ )"
23	after "initial regulatory flexibility anal-
24	ysis'';

1	(C) in paragraph (4), by striking "an ex-
2	planation" and inserting "a detailed expla-
3	nation"; and
4	(D) in paragraph (6) (relating to a de-
5	scription of steps taken to minimize significant
6	economic impact), as added by section 1601 of
7	the Small Business Jobs Act of 2010 (Public
8	Law 111–240; 124 Stat. 2251), by inserting
9	"detailed" before "statement".
10	(2) Publication of analysis on web site,
11	ETC.—Section 604(b) of title 5, United States Code,
12	is amended to read as follows:
13	"(b) The agency shall—
14	"(1) make copies of the final regulatory flexi-
15	bility analysis available to the public, including by
16	publishing the entire final regulatory flexibility anal-
17	ysis on the Web site of the agency; and
18	((2)) publish in the Federal Register the final
19	regulatory flexibility analysis, or a summary of the
20	analysis that includes the telephone number, mailing
21	address, and address of the Web site where the com-
22	plete final regulatory flexibility analysis may be ob-
23	tained.".

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(c) CROSS-REFERENCES TO OTHER ANALYSES.—
 Section 605(a) of title 5, United States Code, is amended
 to read as follows:

4 "(a) A Federal agency shall be deemed to have satis-5 fied a requirement regarding the content of a regulatory flexibility agenda or regulatory flexibility analysis under 6 7 section 602, 603, or 604, if the Federal agency provides 8 in the agenda or regulatory flexibility analysis a cross-ref-9 erence to the specific portion of an agenda or analysis that 10 is required by another law and that satisfies the requirement under section 602, 603, or 604.". 11

(d) CERTIFICATIONS.—Section 605(b) of title 5,
United States Code, is amended, in the second sentence,
by striking "statement providing the factual" and inserting "detailed statement providing the factual and legal".
(e) QUANTIFICATION REQUIREMENTS.—Section 607
of title 5, United States Code, is amended to read as follows:

#### 19 "§ 607. Quantification requirements

20 "In complying with sections 603 and 604, an agency21 shall provide—

"(1) a quantifiable or numerical description of
the effects of the proposed or final rule, including an
estimate of the potential for job creation or job loss,
and alternatives to the proposed or final rule; or

1	"(2) a more general descriptive statement re-
2	garding the potential for job creation or job loss and
3	a detailed statement explaining why quantification
4	under paragraph (1) is not practicable or reliable.".
5	SEC. 11. ENSURING THAT AGENCIES CONSIDER SMALL EN-
6	TITY IMPACT DURING THE RULEMAKING
7	PROCESS.
8	Section 605(b) of title 5, United States Code, is
9	amended—
10	(1) by inserting " $(1)$ " after " $(b)$ "; and
11	(2) by adding at the end the following:
12	((2) If, after publication of the certification required
13	under paragraph (1), the head of the agency determines
14	that there will be a significant economic impact on a sub-
15	stantial number of small entities, the agency shall comply
16	with the requirements of section 603 before the publica-
17	tion of the final rule, by—
18	"(A) publishing an initial regulatory flexibility
19	analysis for public comment; or
20	"(B) re-proposing the rule with an initial regu-
21	latory flexibility analysis.
22	"(3) The head of an agency may not make a certifi-
23	cation relating to a rule under this subsection, unless the
24	head of the agency has determined—

1	"(A) the average cost of the rule for small enti-
2	ties affected or reasonably presumed to be affected
3	by the rule;
4	"(B) the number of small entities affected or
5	reasonably presumed to be affected by the rule; and
6	"(C) the number of affected small entities for
7	which that cost will be significant.
8	"(4) Before publishing a certification and a state-
9	ment providing the factual basis for the certification under
10	paragraph (1), the head of an agency shall—
11	"(A) transmit a copy of the certification and
12	statement to the Chief Counsel for Advocacy of the
13	Small Business Administration; and
14	"(B) consult with the Chief Counsel for Advo-
15	cacy of the Small Business Administration on the
16	accuracy of the certification and statement.".
17	SEC. 12. QUALIFICATIONS OF THE CHIEF COUNSEL FOR AD-
18	VOCACY AND AUTHORITY FOR THE OFFICE
19	OF ADVOCACY.
20	(a) QUALIFICATIONS OF CHIEF COUNSEL FOR ADVO-
21	CACY.—Section 201 of Public Law 94–305 (15 U.S.C.
22	634a) is amended by adding at the end the following:
23	"The Chief Counsel for Advocacy shall be an attorney with
24	business experience and expertise in or knowledge of the
25	regulatory process.".

(b) Additional Powers of Office of Advo-

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2 CACY.—Section 203 of Public Law 94–305 (15 U.S.C. 3 634c) is amended— 4 (1) in paragraph (5), by striking "and" at the 5 end; 6 (2) in paragraph (6), by striking the period at 7 the end and inserting "; and"; and 8 (3) by inserting after paragraph (6) the fol-9 lowing: "(7) at the discretion of the Chief Counsel for 10 11 Advocacy, comment on regulatory action by an agen-12 cy that affects small businesses, without regard to 13 whether the agency is required to file a notice of 14 proposed rulemaking under section 553 of title 5, 15 United States Code, with respect to the action.". SEC. 13. TECHNICAL AND CONFORMING AMENDMENTS. 16 17 (a) HEADING.—Section 605 of title 5, United States 18 Code, is amended in the section heading by striking "Avoidance" and all that follows and inserting the fol-19 lowing: "Incorporations by reference and cer-20 tification.". 21 22 (b) TABLE OF SECTIONS.—The table of sections for 23 chapter 6 of title 5, United States Code, is amended— 24 (1) by striking the item relating to section 605 25 and inserting the following: "605. Incorporations by reference and certifications.";

1 and

2 (2) by striking the item relating to section 6073 inserting the following:

24

"607. Quantification requirements.".