



Statement of Robert P. Daly, Jr.
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ON: "Improving the Paperwork Reduction Act for Small Businesses"

TO: Committee on Small Business, U.S. House of Representatives

DATE: February 28, 2008

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Introduction

Thank you, Madame Chairwoman, ranking member Chabot, and distinguished members of the committee, for the opportunity to appear before you today to discuss government paperwork burdens on small businesses. My name is Robert P. Daly, Jr. and I am president of Kaw Roofing & Sheet Metal, Inc., a small business in Kansas City, Kansas. I also serve as president of the National Roofing Contractors Association (NRCA) and am testifying on behalf of NRCA today.

Established in 1886, NRCA is one of the nation's oldest trade associations and the voice of professional roofing contractors worldwide. It is an association of roofing, roof deck, and waterproofing contractors; industry-related associate members, including manufacturers, distributors, architects, consultants, engineers, and city, state, and government agencies; and international members. NRCA has more than 4,600 members from all 50 states and 54 countries and is affiliated with 105 local, state, regional and international roofing contractor associations. NRCA contractors typically are small, privately held companies, and the average member employs 35 people in peak season, with sales of just over \$3 million per year.

First, I want to commend you, Madame Chairwoman, for your leadership on federal issues of importance to small business. Your tireless efforts on behalf of working Americans are greatly appreciated by NRCA. We commend you for holding this hearing today on an issue that is critical to the economic vitality of our nation. I also want to commend Representative Chabot for his strong leadership on behalf of small business as ranking member of this committee.

NRCA welcomes the opportunity to testify on the growing problem of the excessive and time-consuming paperwork burden on small businesses and provide suggestions for how the Paperwork Reduction Act may be improved as Congress considers reauthorizing this important law. I will provide an overview of the paperwork regulatory burden on small businesses by relating some of my own personal experiences, and then will offer suggestions for how Congress might take action to address this problem.

Let me state at the outset that small business owners recognize the need for sensible regulation in order to protect employees, consumers, and the environment. However, it is critical that the implementation of regulations and the required paperwork be governed by the type of common sense and practicality that small business people must employ every day if they are to survive in today's competitive markets. Congress must develop mechanisms that enable government agencies to constantly be held accountable for making the implementation of our nation's laws as efficient and effective as possible. We appreciate this committee's past efforts to hold federal agencies accountable and look forward to working with you on new ventures in this area.

Scope of the Problem

Today, many of NRCA's members are drowning in a constantly rising flood of paperwork, with the majority arising from the need to comply with continually expanding government regulation at the federal, state and local levels. This situation is borne out by a recent study conducted for the U.S. Small Business Administration (SBA), which estimated the nationwide annual

regulatory burden at an astounding \$1.1 trillion! This burden is felt most acutely by the heart and soul of our economy - small businesses, which bear an annual cost of government regulation of over \$7,600 per employee, according to the SBA study. In addition, the cost of the regulatory burden is 45% greater on small businesses compared to the cost borne by large businesses.

These statistics are not, unfortunately, at all surprising given my personal experiences with excessive paperwork requirements brought about by an often bewildering array of new government regulations. Paper files that I must keep that used to be one-quarter or one-half inch thick are now anywhere from 6 to 12 inches thick. The paperwork requirements in our business are at least 10 times what they were 20 years ago.

Another way to think of the paperwork problem is this: If you are a small business person today, forget about filing cabinets. Instead, you need to think in terms of entire storage rooms to accommodate your ever-increasing paperwork!

Unfortunately, the rise of electronic and internet commerce has not diminished paperwork requirements at all. In fact, the use of electronic commerce greatly accelerates the pace of business and actually increases the paperwork burden. In order to protect your business, you must print out virtually everything done electronically and keep a paper file. Failure to do so can end up costing your business if you cannot produce hard copies as evidence of compliance with various government regulations.

The paperwork requirements in our relationships with general contractors (GCs) are demonstrative of the difficult paperwork-related challenges we face. Just a few years ago, we had to provide the GC of a given project with duplicates or at most three copies of various types of government paperwork. Today, we often have to provide six copies of this paperwork. To show you how voluminous and time-consuming this is, there have been instances in which my firm provided three copies of certain paperwork to a GC, and the GC has called us to demand an additional three copies, rather than just making the copies itself. Please note that I am not targeting GCs as the cause of this problem, because they are simply trying to cope with the growing paperwork burden, too.

Another example of onerous paperwork requirements are Material Safety Data Sheets required by the Occupational Safety and Health Administration's (OSHA's) Hazard Communication Standard. OSHA regulations require that this large compendium of documents be physically present at each work site and employees must be fully trained in its procedures. Furthermore, this is but one facet of my company's required written safety program which must be submitted in order to qualify for jobs. I understand that OSHA has a mission to improve worker safety, and we fully subscribe to that mission, but there must be a way to streamline the proliferation of paperwork that is involved while still achieving the ultimate goal.

The paperwork burden is most acute for small businesses that wish to work on federal projects. In my experience, 10-15 years ago our firm would often bid on federal contracts and the paperwork was manageable. Now, paperwork requirements for federal projects are so excessive that a construction firm basically has a difficult choice to make. You either don't bid on federal contracts, or if you are going to bid on federal contracts, you must hire additional staff just to

deal with the extra paperwork demands. Of course, this drives up overhead costs and puts small businesses at a disadvantage to larger competitors in the market for federal contracts.

Growing paperwork demands take a toll on small business persons because the paperwork and underlying regulations are often confusing and difficult to comply with. Small businesses often do not have the resources capable of tracking all the new regulations issued by federal, state and local governments. As such, due to the large volume and complexity of federal regulations, even the most diligent and conscientious small business owner may inadvertently make an error or miss deadlines associated with government paperwork. It is particularly disturbing to be hit with fines or penalties for inadvertent and/or minor paperwork violations, especially if it is a first-time offense. Resources used to pay fines are resources that cannot be invested in efforts to grow your business.

The paperwork burden on small businesses today is truly alarming. The implications of this problem for the strength of our economy are also alarming. As you know, small businesses are the primary source of economic innovation and job growth. As such, bringing the paperwork requirements for small business under control is vital to sustaining a vibrant economy that provides good jobs for American workers.

NRCA strongly urges Congress to take concrete steps to address this growing problem, especially at this time of economic uncertainty. While Congress has enacted legislation over the past few decades in an attempt to address this problem, success has been limited. Clearly a renewed effort to simplify and reduce government paperwork by Congress is desperately needed.

Possible Solutions

I hope my relating of personal experiences gives members of the committee a vivid portrayal of the scope of the immense paperwork burden that now confronts small businesses. Now I would like to discuss possible solutions that may address this problem for your consideration.

First, NRCA recommends that Congress provide increased funding for the Office of Information and Regulatory Affairs (OIRA) at the Office of Management and Budget. As you know, OIRA was created by the Paperwork Reduction Act of 1980 for the purpose of reducing the federal paperwork burden and generally maximizing the effectiveness of government regulations. However, OIRA's budget and staff have been reduced in recent years, while the growth of federal regulation by federal agencies continues unabated.

OIRA has had some success over the years in reducing or streamlining federal paperwork requirements in its role as gatekeeper for new federal regulations. However, the office has been greatly constrained in recent years by declining budgets. If Congress is truly committed to reducing the paperwork burden on small business, it will provide a greater level of funding for OIRA so this office can be reinvigorated in its efforts to review regulations and reduce paperwork requirements.

NRCA welcomes the testimony of the OIRA representative testifying at today's hearing. We look forward to working with OIRA and the committee members to move forward on strategies

and recommendations from the administration for reducing paperwork burdens on small businesses.

Second, in order to address the problem of inadvertent paperwork violations, NRCA urges Congress to consider the Small Business Paperwork Relief Act of 2007 (H.R. 456) introduced by Rep. Randy Neugebauer (R-TX). This legislation would amend the Paperwork Reduction Act to direct federal agency administrators not to impose civil fines for first-time paperwork violations in certain circumstances. Specifically, civil fines would not be imposed for paperwork violations unless there is potential for serious harm to the public interest; the detection of criminal activity would be impaired; the violation is not corrected within six months; the violation is of the Internal Revenue Code or a law concerning the assessment or collection of any tax, debt, revenue, or receipt; or the violation presents a danger to the public health or safety.

H.R. 456 also gives an agency administrator the discretion to not impose a fine for a violation that presents a danger to public health or safety *if* the violation is corrected within 24 hours after receipt by the small business owner of notification of the violation. Finally, the legislation would not be applicable to any violation by a small business of a requirement regarding the collection of information by an agency if the small business previously violated any requirement by that agency.

The Small Business Paperwork Relief Act will prevent federal agencies from imposing excessive civil fines on small businesses *only* for first-time, inadvertent paperwork violations. It is critical to point out that the bill does *not* exempt any business from existing paperwork requirements. It merely gives a small business owner acting in good faith some leeway to correct a first-time mistake. If the business does not comply within a six month period, the fine will be imposed.

This is a common sense solution to reducing the regulatory burden on small businesses while still providing for the safety and health of workers and our communities. The bill strikes a reasonable balance between the urgent need to reduce paperwork costs on small businesses and our overarching responsibility to protect our communities and the environment.

NRCA urges the committee members to take a serious look at H.R. 456 as a proposal that could be taken as a first step to address the paperwork burden on small businesses. We would welcome the opportunity to improve and refine this or similar legislative approaches that members may have in this area.

Conclusion

NRCA again wants to commend Chairwoman Velazquez for holding this hearing and providing the opportunity to provide input on this critical small business issue. We understand that this is a highly complex problem that will require creative and innovative approaches if it is to be successfully addressed. We look forward to working with members of the committee and other members of Congress to develop effective solutions and have them enacted into law.

Thank you, again, for considering NRCA's views and suggestions.