

SENATE BILL REPORT

SB 5512

As Passed Senate, March 17, 2003

Title: An act relating to small business economic impact statements.

Brief Description: Including nonprofits in the small business economic impact statement requirement.

Sponsors: Senators Honeyford, Kastama, West, Keiser, Winsley and Rasmussen.

Brief History:

Committee Activity: Commerce & Trade: 2/14/03 [DP].

Passed Senate: 3/17/03, 49-0.

SENATE COMMITTEE ON COMMERCE & TRADE

Majority Report: Do pass.

Signed by Senators Honeyford, Chair; Hewitt, Vice Chair; Franklin, Keiser and Mulliken.

Staff: John Dzedzic (786-7784)

Background: The Federal Regulatory Flexibility Act of 1980 gave federal agencies the power to reduce the impact of rules and paperwork requirements on small businesses. The state of Washington followed the federal practice in enacting the Regulatory Fairness Act in 1982.

Under the Regulatory Fairness Act, in most instances when a state agency proposes to adopt a rule, the agency must prepare a "small business economic impact statement." The statement must include a description of how small businesses will be involved in the development of the rule, an analysis of the costs of complying with the proposed rule, including whether compliance will result in lost sales or revenue, and whether the rule will have a disproportionate impact on small businesses. The statement must also identify the steps, if any, the agency took to reduce the costs of the rule on small businesses, or provide a "reasonable justification for not doing so."

"Small business" is defined to mean "any business entity, including a sole proprietorship, corporation, partnership, or other legal entity, that is owned and operated independently from all other businesses, that has the purpose of making a profit, and that has 50 or fewer employees."

Summary of Bill: For the purposes of the Regulatory Fairness Act, the requirement that an entity affected by a rule must have "the purpose of making a profit" is deleted from the definition of "small business." Agencies preparing small business economic impact statements must consider the effect of rules on nonprofit corporations, charitable organizations and similar groups with 50 or fewer employees.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Administrative rules can financially impact nonprofit organizations as much as they affect for-profit businesses, particularly in the social services arena where the standard business model is to deliver services through nonprofit organizations. This bill adds a stakeholder group for rule-making agencies to consider.

Testimony Against: None.

Testified: PRO: Loren Mike Freeman; Harry Steinmetz, WA Assn. of Housing and Services for the Aging.