

## OFFICE OF MANAGEMENT AND BUDGET

### Draft Report of the Small Business Paperwork Relief Task Force

**AGENCY:** Office of Management and Budget, Executive Office of the President.

**ACTION:** Notice and request for comments.

**SUMMARY:** The Small Business Paperwork Relief Task Force requests comments on the attached Draft Report. In this Draft Report, the Small Business Paperwork Relief Task Force discusses and makes recommendations concerning consolidated information collections, an organized list of information collections, and interactive electronic systems.

**DATES:** To ensure consideration of comments, comments must be in writing and received by OMB no later than June 4, 2003.

**ADDRESSES:** Comments on this Draft Report should be addressed to Stanton D. Anderson, Office of E-Government and Information Technology.

You are encouraged to submit these comments by facsimile to (202) 395-0342, or by electronic mail to [smallbiz@omb.eop.gov](mailto:smallbiz@omb.eop.gov).

**FOR FURTHER INFORMATION CONTACT:**

Stanton D. Anderson, Office of Information Technology and E-Government, Office of Management and Budget, Washington, DC 20503. Telephone: (202) 395-0346.

**SUPPLEMENTARY INFORMATION:** Congress directed the Director of OMB to convene and have a representative chair a Task Force to study the feasibility of streamlining requirements with respect to small business concerns regarding collection of information and strengthening dissemination of information" (44 U.S.C. 3520, Pub. L. 107-198). More specifically, this Small Business Paperwork Relief Task Force is charged with examining five ways to reduce the information collection burden placed by government on small business concerns. They are:

1. Examine the feasibility and desirability of requiring the consolidation of information collection requirements within and across Federal agencies and programs, and identify ways of doing so.

2. Examine the feasibility and benefits to small businesses of having OMB publish a list of data collections organized in a manner by which they can more easily identify requirements with which they are expected to comply.

3. Examine the savings and develop recommendations for implementing electronic submissions of information to the Federal government with immediate feedback to the submitter.

4. Make recommendations to improve the electronic dissemination of information collected under Federal requirements.

5. Recommend a plan to develop an interactive Government-wide Internet program to identify applicable collections and facilitate compliance.

While carrying out its work, the Small Business Paperwork Relief Task Force is asked to consider opportunities for the coordination of Federal and State reporting requirements, and coordination among individuals who have been designated as the small business "point of contact" in their agencies.

The Small Business Paperwork Relief Task Force is required to submit a report of its findings on the first three issues no later than one year after enactment, or June 28, 2003. A second report on the final two issues is required no later than two years after enactment, or June 28, 2004. Both reports must be submitted to the Director of OMB; the Small Business and Agriculture Regulatory Enforcement Ombudsman; and the Senate Committees on Governmental Affairs and Small Business and Entrepreneurship; and, the House Committees on Government Reform and Small Business.

The Director of OMB appointed Dr. John D. Graham, Administrator of the Office of Information and Regulatory Affairs, and Mr. Mark A. Forman, Administrator for E-Government and Information Technology, to co-chair the Small Business Paperwork Relief Task Force.

The Act specifies the following agencies to be represented on the SBPRA Task Force: Department of Labor (including the Bureau of Labor Statistics, and the Occupational Safety and Health Administration); Environmental Protection Agency; Department of Transportation; Office of Advocacy of the Small Business Administration; Internal Revenue Service; Department of Health and Human Services (including the Centers for Medicare and Medicaid Services); Department of Agriculture; Department of Interior; the General Services Administration; and two other participants to be selected by the Director of OMB (who are the Department of Commerce and additional representatives from the Small Business Administration).

The Small Business Paperwork Relief Task Force is now seeking input from

all interested parties concerning the findings and recommendations contained in this draft report. All comments will be considered and may result in modifications to the final report. A summary of the public comments with responses of the Task Force will be attached to the final report.

**John D. Graham,**

*Administrator, Office of Information and Regulatory Affairs.*

**Mark Forman,**

*Administrator for E-Government and Information Technology.*

### Draft Report of the Small Business Paperwork Relief Task Force

*Introduction: The Problem of Paperwork Burden for Small Businesses*

This is the first report of the Task Force created under the Small Business Paperwork Relief Act of 2002 (SBPRA).<sup>1</sup> It contains findings and recommendations intended to reduce the burden imposed on small businesses by Government paperwork information collection requirements.

What Is a "Small Business" and Why Does the Law Focus on the Small Business Community?

For the purposes of SBPRA, "the term 'small business concern' has the meaning given under section 3 of the Small Business Act (15 U.S.C. 632)." This definition includes any firm that is "independently owned and operated" and is "not dominant in its field of operation". The Small Business Administration (SBA) has developed size standards to carry out the purposes of the Small Business Act and those size standards can be found in the Code of Federal Regulations, 13 CFR 121.201.<sup>2</sup> If an industry is not specified in the regulation, the default is (a) 500 or fewer employees, or (b) \$6 million or less in receipts.

While SBPRA applies to all small businesses, the Act further specifies that agencies make efforts to "reduce the information collection burden for small business concerns with fewer than 25 employees."

Small businesses have always been the backbone of our economy. They represent 99.7% of all employers. Of the Nation's 22.4 million businesses, only 17,000 are large (with more than 500 employees). That leaves a total of about

<sup>1</sup> 44 U.S.C. 3520, Public Law 107-198, references at Appendix 1.

<sup>2</sup> For more information, visit <http://www.sba.gov/size/>.

22.4 million small businesses.<sup>3</sup> Within this community, 90% have fewer than 20 employees.<sup>4</sup> Given the enormous collective impact that the smallest businesses have on our Nation's overall economy, it is vital that government do all it can to create the climate they need to thrive.

#### What Is the Government's Paperwork Burden and How Heavily Does It Impact Small Businesses?

The term "paperwork" refers to the traditional method for collecting information, paper forms. However, SBPRA applies to any information collection, including those via the Internet, telephone, or other medium. SBPRA uses the broad definition for "collection of information" in section 3502 of the Paperwork Reduction Act of

1995 (PRA). It means "obtaining, causing to be obtained, soliciting, or requiring the disclosure to third parties or the public, of facts or opinions by or for an agency, regardless of form or format, calling for either—

- Answers to identical questions posed to, or identical reporting or recordkeeping requirements imposed on, ten or more persons, other than agencies, instrumentalities, or employees of the United States; or,
- Answers to questions posed to agencies, instrumentalities, or employees of the United States which are to be used for general statistical purposes."

Burden is also defined in the PRA. It goes beyond the effort required to complete a form and includes "time, effort or financial resources expended

by persons to generate, maintain, or provide information to or for a Federal agency, including the resources expended for—

1. Reviewing instructions;
2. Acquiring, installing, and utilizing technology and systems;
3. Adjusting the existing ways to comply with any previously applicable instructions and requirements;
4. Searching data sources;
5. Completing and reviewing the collection of information; and
6. Transmitting or otherwise disclosing the information."

Government agencies must collect information from the public to administer important programs and fulfill their intended missions.

Purpose of government collection	Examples
To obtain or retain a benefit for the business .....	License and permit applications.
To demonstrate compliance with regulations .....	Water discharge monitoring reports.
Recordkeeping requirements .....	Inspection records.
For statistical purposes or rule development .....	Industry surveys.
For use by third parties .....	Nutrition labels.

The Office of Management and Budget (OMB) is responsible for reviewing and approving information collections. The Federal government alone now has over 8,000 separate information collection requests authorized by OMB. These OMB approved information collections fall into three categories.

- 38.4% are mandatory where failure to provide the information required can result in civil, even criminal, sanctions;
- 39.7% are required to obtain or retain some kind of benefit for the respondent; and,
- \* 21.9% are voluntary where a response is entirely discretionary and has no direct effect on any benefit or privilege for the respondent.<sup>5</sup>

This report focuses on the first two categories, which generally evolve from regulations. It is important to note that agencies generally collect, or require those regulated to keep records, as part of their regulatory provisions. The information-related provisions are designed to help the agency ensure compliance with the rule. For example,

EPA requires certain businesses to monitor and keep records of pollutants to ensure that certain emission thresholds are not exceeded. The substance (and primary cost) of such a rule is the action the businesses must take to reduce their pollution emissions. The recordkeeping is a secondary requirement, although it may be a significant one. Consequently, when considering reductions of paperwork burden on small businesses, we must also take into account the regulatory provisions that the reporting or recordkeeping are meant to support. It would be misleading to focus attention only on information collection burdens without making clear this connection with the related substantive regulatory provisions.

OMB estimates the cost to provide data required by all approved information collection requests in Fiscal Year 2002 was 8 billion hours and \$140 billion.<sup>6</sup> OMB's estimates reflect data provided by the collecting agencies, and may understate the actual burden

imposed on the public. Further, information collections are only part of the full impact of the Federal regulatory process. According to a 2001 report, "The Impact of Regulatory Costs on Small Firms" by W. Mark Crain and Thomas D. Hopkins, the total costs of federal regulations were estimated to be \$843 billion in 2000, or 8 percent of the U.S. Gross Domestic Product.<sup>7</sup> Of these costs, \$497 billion fell on business and \$346 billion fell on consumers or other governments.<sup>8</sup>

Government places a heavy and expensive reporting and recordkeeping burden on all businesses, which is most keenly felt in the smallest firms. Additionally, small businesses bear a disproportionate share of the total regulatory burden.<sup>9</sup> For firms employing fewer than 20 employees, the annual regulatory burden is \$6,975 per employee—nearly 60 percent more than that for firms with more than 500 employees, at \$4,463.<sup>10</sup> Table 1 provides a comparison by sector.

<sup>3</sup> SBA Office of Advocacy Web site, Small Business by the Numbers, at <http://www.sba.gov/advo>.

<sup>4</sup> W. Mark Crain & Thomas D. Hopkins, "The Impact of Regulatory Costs on Small Firms", Report to the Small Business Administration, RFP No. SBAHQ-00-R-0027 (2001), at 2. The opinions and recommendations of the authors of this study do

not necessarily reflect official policies of the SBA or other agencies of the U.S. government. For more information, write to the Office of Advocacy at 409 Third Street SW., Washington, DC 20416, or visit the office's Internet site at <http://www.sba.gov/advo>.

<sup>5</sup> The Office of Information and Regulatory Affairs Reports Management System, February 2003.

<sup>6</sup> *Id.* Dollar cost figures do not include the cost represented by the hour burden reported.

<sup>7</sup> Crain & Hopkins, at 1.

<sup>8</sup> Crain & Hopkins, at 25.

<sup>9</sup> Crain & Hopkins, at 2.

<sup>10</sup> Crain & Hopkins, at 3.

TABLE.—THE INCIDENCE OF FEDERAL REGULATIONS BY FIRM SIZE, ALL BUSINESS SECTORS \*

Type of regulation	All firms	Cost per employee for firms with:		
		<20 employees	20–499 employees	500 + employees
All Federal Regulations .....	\$4,722	\$6,975	\$4,319	\$4,463
Environmental .....	1,213	3,328	1,173	717
Economic .....	2,065	1,616	1,648	2,485
Workplace .....	779	829	873	698
Tax Compliance .....	665	1,202	625	562

\* **Note to Table 1:** These aggregate cost data use employment shares to weight the respective business sectors. The estimates are for 2000 and are denominated in 2000 dollars.

**Source:** The Impact of Regulatory Costs on Small Firms, an Advocacy-funded study by W. Mark Crain and Thomas D. Hopkins.

In a December, 2001, small business poll conducted by the National Federation of Independent Business (NFIB), respondents shared their perspectives on the impacts of the regulatory workload on their firms. When asked “is government regulation a very serious, somewhat serious, not too serious, or not at all serious problem for your business,” nearly half, or 43.6 percent, answered “very serious” or “somewhat serious.”<sup>11</sup> When asked “which level of government creates the most serious regulatory problems for you,” 49 percent chose the Federal government, 35 percent State government and 13 percent local government.<sup>12</sup>

When asked “What is the single greatest problem created for your business by government regulation,” the largest percentage of small businesses in three size groups singled out extra paperwork, with the number of votes increasing as the number of employees decreased.<sup>13</sup> The second most frequently selected problems, sharing an equal number of votes, were: (1) difficulty understanding what (a business must do) to comply, and (2) dollars spent to comply.<sup>14</sup> This poll supports the conclusion that SBPRA focuses on issues of importance to small business concerns.

Several factors contribute to the difficulty small businesses experience when trying to find out what they must do to comply with regulations and related information collections:

**Volume**—It is well known that the Code of Federal Regulations (CFR) continues to expand despite efforts to curtail further growth. The CFR grew from 71,000 pages in 1975 to 135,000 pages in 1998. Annually, there are more than 4,000 regulatory changes introduced by the Federal government alone. Businesses must find ways to navigate the maze of requirements to identify the rules and information collections that apply to them.

**Multi-Jurisdictional System**—Businesses are regulated by numerous agencies at Federal, State and local levels, all imposing separate requirements on individual businesses—adding to the confusion and time needed to become compliant. For example, for the trucking industry, there are over 40 information collection requirements from 11 federal entities and at least 5 standardized transactions imposed by every state.

**Complexity**—Many of the laws and regulations are extremely complex and difficult to understand, causing businesses to spend additional money hiring service providers such as attorneys, accountants, and permit agents. Paying taxes, acquiring licenses and permits, and managing employees are reportedly the three most burdensome areas of laws and regulations affecting businesses, particularly for the most regulated industries (e.g., transportation, food, chemicals, auto, and health care).

**Inaccessibility**—Currently, businesses must search through multiple sources of

information, such as the **Federal Register**, Federal/State/local agency and trade Web sites, and trade publications to try to locate all the rules and regulations that affect them. They may also learn of requirements through the media, at professional conferences and from other business persons. Not all sources are accessible 24/7, and many remain informational only, without the kind of compliance assistance many small businesses need.

#### Two Perspectives on the Regulatory Information

Regulatory agencies and small businesses have different perspectives on information collections associated with regulations. Understandably the regulator views the information burden from the perspective of its role in meeting the goals of each specific regulation, e.g., cleaner air, safer automobiles or workplaces, sounder financial practices. This burden is seen as part of the costs of regulatory compliance and is borne by small business and others who must comply. The analytical framework for reviewing the burden revolves around the regulation—can it be harmonized with other agency regulations, or do the societal benefits justify the societal costs, including the costs of paperwork and compliance efforts? The following chart depicts the regulator-centered point of views. In this case, reduction in burden focuses on individual regulations a, b, c, 1, 2, and 3.

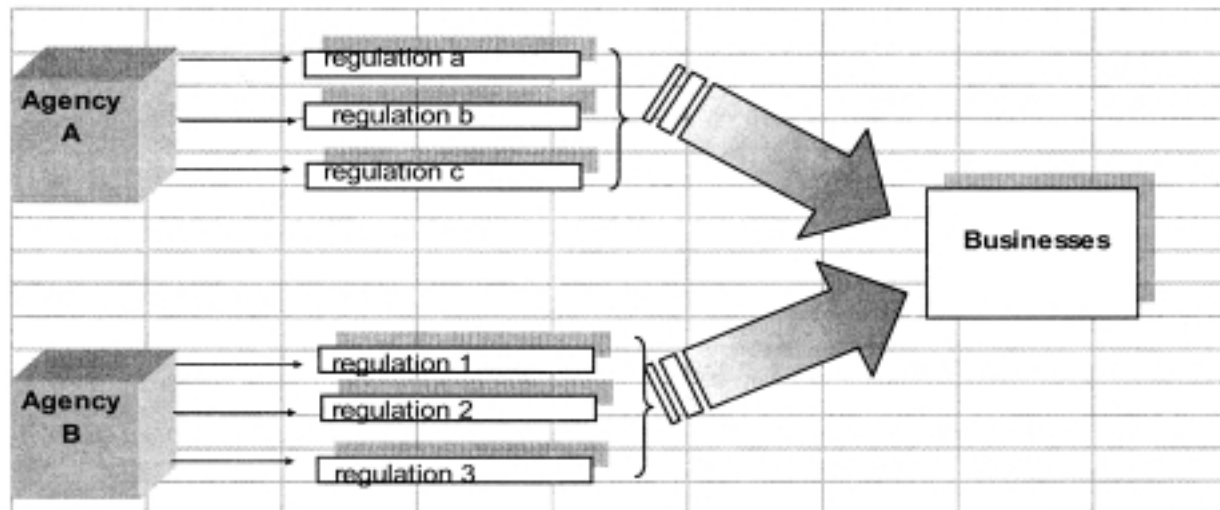
<sup>11</sup> Coping with Regulation, NFIB National Small Business Poll, Volume 1, Issue 5 (2001), ISSN—1534–8326, at 9. The poll is available for viewing at <http://www.nfib.com>.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* It is not clear whether the difficulty in understanding how to comply referred to compliance reporting, compliance with the substantive regulatory standards, or both.

### The Regulatory Information Demand Chain

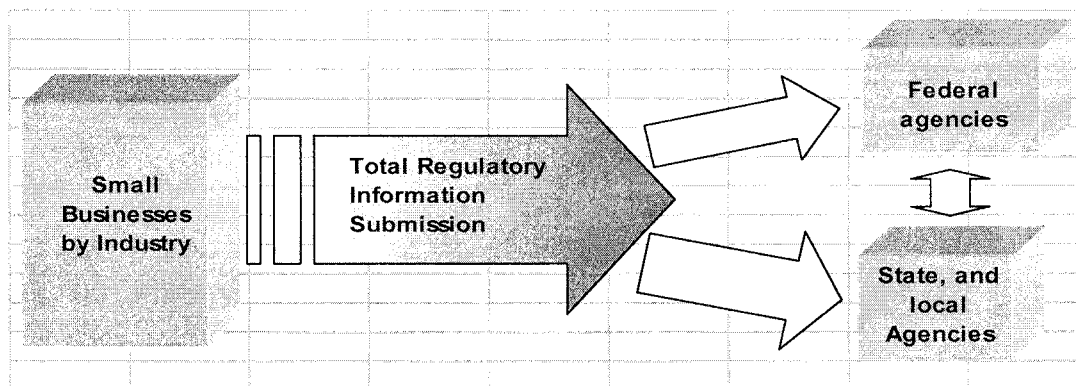


An alternative way of analyzing the regulatory burden is from the perspective of the information supplier, *i.e.*, the regulated businesses. A customer-driven government would analyze the regulatory burden from the point of view of specific businesses or,

more practically, from the point of view of clusters of “regulated” communities, and find ways to streamline and harmonize regulatory information collected from these clusters. The graphic below shows the environment from the information provider point of

view. In this case, burden reduction focuses on clusters of regulatory requirements from all Federal, State, and local governments that affect a particular regulatory community.

### Small Business Regulatory Information Supply Chain



#### Background: Efforts To Address the Problem

What Prior Efforts Have Been Made To Address the Information Collection Burden?

#### Federal Reports Act of 1942

The Federal Reports Act of 1942<sup>15-18</sup> gave OMB's predecessor agency, the Bureau of the Budget, the authority to approve federal information collections. OMB's Division of Statistical Standards was given responsibility for approving Federal forms. After World War II, the Division concentrated mostly on increasing the use of statistical sampling

and other techniques to reduce the costs of Federal information collections.

#### Paperwork Reduction Act of 1980

Congress first passed the Paperwork Reduction Act (PRA) in 1980.<sup>19</sup> The PRA eliminated the exemptions granted under the FRA to the Internal Revenue Service, bank regulatory agencies, and independent regulatory commissions. It also made clear that OMB would approve all Federal information collections, including recordkeeping and reporting requirements contained in regulations.

<sup>19</sup> Pub. L. 96-511.

The PRA also added a “bottom up” component to paperwork review; each agency is required to perform an internal review of each information collection request before submitting it to OMB for approval. The PRA also requires public notice and the opportunity for public comment on proposed information collections.

#### Regulatory Flexibility Act of 1980

The Regulatory Flexibility Act of 1980<sup>20</sup> recognized that small entities may be less able to manage the burdens imposed by Federal regulation, or even unable to achieve compliance, than

<sup>20</sup> Pub. L. 96-354.

large entities. The RFA requires agencies to specifically examine the effects on small businesses of rules under consideration, to involve small businesses in the rulemaking process, and to consider alternatives that will reduce the costs imposed or increase the benefits to small businesses.

#### Paperwork Reduction Act of 1995

In 1995, Congress amended the PRA to emphasize, clarify, and reaffirm several purposes of the original PRA, specifically that—

- The PRA applies to all Federal government-sponsored collections of information, including those that do not require submission of information directly to a Federal agency (e.g., third-party reporting requirement, Federal-sponsored academic research);
- That the fundamental purpose of the PRA is to minimize the burden imposed by Federal paperwork on the public; and
- That each Federal agency is responsible for minimizing its paperwork burden and fostering paperwork reduction.

In addition, the 1995 PRA set a government-wide goal of a 5% annual reduction in paperwork burden and assigned responsibility for agency review of information collections to the agency Chief Information Officer.

#### Small Business Regulatory Enforcement Fairness Act of 1996

In 1996, Congress amended the RFA and strengthened its protection for small entities. The Small Business Regulatory Enforcement Fairness Act of 1996<sup>21</sup> (SBREFA) subjected agency RFA determinations to judicial review, subjected agency actions with large impacts on the economy as a whole or a specific sector of the economy to congressional review, and required agencies to provide additional compliance assistance to small entities. In addition, SBREFA required the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA) to convene a panel of agency employees, SBA's Office of Advocacy, and OMB to solicit advice from small businesses before the agency issues a proposed rule that may have a significant economic impact on a substantial number of small entities.

#### The Government Paperwork Elimination Act of 1998

The Government Paperwork Elimination Act of 1998<sup>22</sup> requires

Federal agencies, by October 21, 2003, to allow individuals or entities that deal with the agencies the option to submit information or transact with the agency electronically, when practicable, and to maintain records electronically, when practicable.

#### How Does the Small Business Paperwork Relief Act Add to These Prior Efforts?

SBPRA was enacted in June of 2002 in a further effort to help reduce the burden of paperwork on small businesses. It requires the Federal government to (1) publish an annual list of the compliance assistance resources available to small businesses, (2) establish a single point of contact within agencies to interact with small businesses, and (3) establish an interagency Task Force to study and recommend additional means of reducing the burden. This report addresses activities of the Small Business Paperwork Relief Task Force.

#### The Small Business Paperwork Relief Task Force

##### What Specific Functions Are Assigned to the Task Force?

SBPRA requires the Director of OMB to convene and chair a Task Force "to study the feasibility of streamlining requirements with respect to small business concerns regarding collection of information and strengthening dissemination of information." More specifically, the Small Business Paperwork Relief Task Force is charged with examining five ways to reduce the information collection burden placed by government on small business concerns. They are:

1. Examine the feasibility and desirability of requiring the consolidation of information collection requirements within and across Federal agencies and programs, and identify ways of doing so.
2. Examine the feasibility and benefits to small businesses of having OMB publish a list of data collections organized in a manner by which they can more easily identify requirements with which they are expected to comply.
3. Examine the savings and develop recommendations for implementing electronic submissions of information to the Federal government with immediate feedback to the submitter.
4. Make recommendations to improve the electronic dissemination of information collected under Federal requirements.
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program to identify applicable collections and facilitate compliance.

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The Task Force is required to submit a report of its findings on the first three questions no later than one year after enactment, or June 28, 2003. A second report on the final two questions is required no later than two years after enactment, or June 28, 2004. Both reports must be submitted to—

- The Director of OMB;
- The Small Business and Agriculture Regulatory Enforcement Ombudsman designated under section 30(b) of the Small Business Act (15 U.S.C. 657(b)); and,
- The chairpersons and ranking minority members of:
  - The Senate Committees on Governmental Affairs and Small Business and Entrepreneurship; and,
  - The House Committees on Government Reform and Small Business.

#### Which Agencies Are Represented and Who Are the Small Business Paperwork Relief Task Force Members?

Mitchell D. Daniels, the Director of OMB, appointed Dr. John D. Graham, Administrator of the Office of Information and Regulatory Affairs, and Mark A. Forman, Associate Director for Information Technology and E-Government, to co-chair the Small Business Paperwork Relief Task Force. Dr. Graham is responsible for administering the Paperwork Reduction Act and for overseeing the Federal regulatory process. Mr. Forman is responsible for overseeing the government-wide, cross-agency E-Government initiative, including a Government-to-Business Portfolio of projects. Thus, both organizations are equally vested in the Task Force agenda.

The Act specifies the following agencies to be represented on the Task Force:

- Department of Labor (including the Bureau of Labor Statistics, and the Occupational Safety and Health Administration);
- Environmental Protection Agency;
- Department of Transportation;
- Office of Advocacy of the Small Business Administration;
- Internal Revenue Service;
- Department of Health and Human Services (including the Centers for Medicare and Medicaid Services);

<sup>21</sup> Pub. L. 104–121.

<sup>22</sup> Pub. L. 105–277, Title XVII, 112 Stat. 2681–749.

- Department of Agriculture;
- Department of Interior;
- General Services Administration;
- Two other participants to be selected by the Director of OMB (the Department of Commerce and additional representation from the Small Business Administration were chosen).

The Small Business Paperwork Relief Task Force members are listed by name at Appendix 2. A list of other participating staff is included at Appendix 3.

#### What Are the Goals, Objectives, and Operating Principles?

*Goal:* Identify effective, realistic ways to reduce the burden on small businesses by making it easier to find, understand, and comply with government information collection requirements.

*Objective 1:* Recommend actions that can make it easier for small businesses to find out what information collections apply to them from individual Federal agencies, across all Federal agencies, and from State and Local governments, where practicable.

*Objective 2:* Recommend actions that can reduce the difficulty, frequency, redundancy and expense of compliance for small businesses.

*Objective 3:* Recommend actions that will help small businesses understand why information is being collected and how it benefits them.

#### Operating Principles

- Recommendations should be consistent with principles of the President's Management Agenda:
  - Citizen-centered, not bureaucracy-centered.
  - Benefits to small businesses must take precedence over benefits to government.
  - Results-oriented. Success should be measured by benefits that are demonstrable.
  - Market-based, actively promoting innovation.
  - Recommendations must be technically feasible.
  - Recommendations should be supportable within existing government agencies and management structures.
  - Recommendations must be achievable given existing Agency resources, or sufficient case must be made to support additional costs.
  - Recommendations should address both short term and long term remedies.
  - Recommendations should leverage and build on efforts underway that address the Task Force's goals.
  - Recommendations should be consistent with lessons learned and based on best practices from past efforts.

In developing its recommendations, the Small Business Paperwork Relief Task Force made the assumption that Federal agencies are in compliance with existing legislative requirements that address paperwork burden, including: the Paperwork Reduction Act of 1980 and 1995, the Regulatory Flexibility Act of 1995, and the Small Business Regulatory Flexibility Act of 1996. The Task Force recommendations are intended to build upon, rather than duplicate, the efforts required by these statutes. In addition, the Task Force assumed that Federal agencies collect the minimum information necessary to fulfill statutory or programmatic responsibilities, consistent with the Paperwork Reduction Act. The recommendations concentrate on ways to minimize the burden associated with existing requirements, rather than eliminate requirements.

#### What Methods Did the Task Force Use To Derive Its Recommendations?

The Small Business Paperwork Relief Task Force began its work with a meeting of the full membership to develop a common understanding of the law, project goals, scope, roles and responsibilities, resource requirements, strategy, timeline and deliverables. A professionally facilitated brainstorming session followed, during which members began looking at the three major tasks for the 2003 report.

After the initial meeting the Task Force divided into three subcommittees to examine the three questions in greater detail. Additional staff experts from the agencies joined the effort. The subcommittees used methods such as:

- Assigning specific questions to experts for research;
- In-person and virtual brainstorming with a wider group of experts;
- Inventorying and investigating activities and projects already underway;
- Studying best practices and lessons learned from prior/current activities; and
- Studying the results of public outreach conducted by the Small Business Administration's (SBA) Office of Advocacy and other reference material intended to provide input from the business community and other stakeholders.

The subcommittee members and staff experts worked together to develop findings and recommendations. The initial drafts were reviewed, modified, and finally adopted by the subcommittees, then presented to the full Task Force for consideration. Again the material was reviewed, modified

and adopted for publication in the **Federal Register**.

At the request of the Small Business Paperwork Relief Task Force, SBA's Office of Advocacy held a public meeting on March 4, 2003, to solicit the views of interested persons regarding SBPRA. The Chief Counsel for Advocacy convened the meeting both in his Advocacy role, and as a Task Force member. Following the meeting, written input was accepted, including the results of two surveys conducted about SBPRA by the U.S. Chamber of Commerce and the National Federation of Independent Business. The Office of Advocacy published the written proceedings of its outreach activities which is included at Appendix 4.

The Small Business Paperwork Relief Task Force is now seeking input from all interested parties concerning the findings and recommendations contained in this draft report. All comments will be considered and may result in modifications to the final report. A summary of the public comments with responses of the Task Force will be attached to the final report.

#### Findings and Recommendations

Task #1: Consolidated Information Collections (See, 44 U.S.C. 3520(c)(1))  
Problem Statement

As noted earlier in this report, reporting and recordkeeping requirements place a heavy and expensive burden on businesses, particularly small businesses. Compliance with these requirements is made more difficult by the number and complexity of regulations which impose direct burdens of compliance. Businesses are often subject to regulations enforced by multiple Federal agencies. The need to report information to several different government entities also increases compliance costs, particularly when reporting or recordkeeping requirements are not coordinated across Agencies. Subcommittee 1 has considered ways to reduce the paperwork burden on small businesses by identifying and consolidating similar collections of information across Federal agencies. This section reports our findings and recommendations for accomplishing these goals.

#### Assumptions

In developing our recommendations, the subcommittee made the following assumptions:

- There are several barriers to burden reduction that must be recognized.

—*Information Needs.* Federal agencies have specific statutory and programmatic responsibilities, and require information in order to fulfill those responsibilities. Paperwork can only be reduced in ways that will not negatively impact the effectiveness of the laws and regulations to which the Agency is accountable.

—*Expanded Responsibilities.* The need for information increases as new federal programs are created, existing programs are expanded and additional health, safety or environmental protection laws are enacted.

#### Issues

The Task Force was asked to specifically consider the feasibility of: (1) Synchronized reporting times and frequencies, (2) consolidated reporting requirements within and across agencies, and (3) small business compliance assistance, and submission of information, through a single point of contact within an agency. Subcommittee 1 conducted a brief review, which uncovered a number of federal government initiatives to reduce or streamline reporting requirements for businesses. Several of these initiatives are described in Appendix 5. Our review indicates that while each of these options outlined in the law may be desirable and feasible under the appropriate circumstances, there are several barriers that need to be addressed.

#### *Synchronized Reporting*

Synchronized reporting seems to have the least potential for burden reduction. Not all information that businesses are required to report is submitted to the Federal government on a regular basis. Some reporting occurs only at the time of an event, such as admission of a patient to a nursing home, or a chemical spill. Timely submission of this information is critical to fulfill agency responsibilities.

Even for information that is submitted to the government on a regular basis—monthly, quarterly or annually—a synchronized reporting time may not be desirable. In the public meeting held by SBA on March 4, 2003, small businesses expressed concern about synchronized reporting times. A requirement to provide all information required by the federal government on a single date has the potential of creating a greater workload burden for business than when the reporting is spaced throughout the year. Clearly, some small businesses prefer spreading reporting throughout the year.

Further, for many reporting requirements, the reporting frequency is

mandated in statute or regulation. Synchronizing reporting frequency would require legislative or regulatory action. To the extent that similar information is required within or across Agencies, such action should be taken, provided changing the reporting frequency would not negatively impact the effectiveness of the underlying law or regulation.

#### *Consolidated Information Collections*

The Task Force believes that there is opportunity for improved consolidation of similar information collections and reporting requirements across the Federal Government. We have outlined several recommendations for accomplishing this task. However, we recognize that, given the diversity of federal government activities, no one method or template for reporting would fit all information collections. Seemingly duplicative information collections may not be appropriate for consolidation due to the nature or utility of the data collected. For example, definitions across similar data collections may not be harmonized due to differences across industries or underlying statutes. Consolidation of such reporting requirements may lead to confusion, rather than simplification. There are also barriers to consolidation in many cases, stemming from confidentiality of data and privacy rights. For example, statistical agencies collecting data under a confidentiality pledge cannot share information with enforcement agencies such as OSHA and the IRS.

#### *Single Small-Business Point of Contact*

Establishing a single point of contact for small businesses appears to be both feasible and desirable. The Small Business Paperwork Relief Act requires all Federal Agencies to establish a single point of contact for small businesses. Small business participants in the SBA public meeting were very supportive of this measure. The Point of Contact should be able to provide information about regulatory reporting requirements enforced by the Agency, and technical assistance in fulfilling those requirements.

It should be noted that the strategies discussed above are not mutually exclusive. For example, if several forms are consolidated into a single format, then synchronized reporting for information submissions having the same frequency with respect to timing would logically follow. Greatest efficiencies from consolidated reporting are to be found where the same information is being collected more than once. Agencies should focus resources

to identify and merge these collections when feasible. Small businesses should also participate in this process, by utilizing existing and planned communication mechanisms to inform Agencies and OMB of duplicative collections.

#### Recommendations

The subcommittee has developed several recommendations to achieve the SBPRA goals. The recommendations discussed below are consistent with the Operating Principles outlined above. They have been limited to options considered technically feasible, supportable within existing government management structures, and doable given existing Agency resources. We also considered the previous legislative efforts to address paperwork burden, discussed above, when developing the recommendations. While the recommendations listed below do not duplicate these prior efforts, neither do they alleviate the need to continue them. We've determined that more can and should be done within the existing framework created by these Acts to reduce paperwork burden on small businesses. For example, the Paperwork Reduction Act requires agencies to ensure that data collections minimize burden and maximize practical utility. Greater emphasis should be placed on these criteria for collections from small businesses. The following are some examples of opportunities for improvement.

#### Practical Utility

- Agencies should periodically review laws and regulations to assure the continued usefulness of reporting and recordkeeping requirements.
- Eliminate those requirements found to no longer have practical utility. For example, OSHA does not require certain small businesses in service producing industries with a low frequency of injury and illness to keep worker injury and illness logs.

#### Minimize Burden

- Review reporting forms and instructions for simplicity and ease of understanding.
  - Conduct periodic reviews of existing collections to explore less burdensome ways to obtain data.
  - Harmonize definitions across similar data elements and use existing classification systems when feasible.
- Based on our analysis of the problem and issues discussed above, we present the following recommendations to reduce paperwork burden on small businesses through simplification and consolidation of reporting requirements.

These recommendations should not be viewed as discrete actions; the recommended steps flow toward a final goal.

1. *Agencies Should Develop a SBPRA Plan.* The plan would outline specific steps the Agency would take to reduce paperwork burden on small businesses, set goals and establish timelines for achieving those goals. The Task Force envisions that the initial plan would include steps to develop a complete inventory of Agency recordkeeping and reporting requirements, followed by a detailed mapping of those requirements to the Agency's business lines/programs or underlying regulations. Based on this analysis, Agencies would identify and prioritize opportunities for burden reduction. Additionally, as part of their SBPRA plans, agencies should identify a person or group of persons to serve as the single point of contact for the agency's paperwork requirements. The Task Force envisions that over time the single point of contact would become familiar with the paperwork requirements imposed by the agency, be able to identify duplicative or obsolete requirements, and provide some level of compliance assistance to the public.

2. *Require Agencies To Submit Annual SBPRA Reports To OMB.* Agencies would be required to provide their SBPRA plans, or updated plans, status of implementation, and whether goals have been met. This information would be included in the annual OMB Information Collection Budget.

3. *Improve Outreach To Small Businesses.* Design a simple process for small businesses to comment on pending or active information collections. Although mechanisms exist for the public to comment on new and existing information collections, many small businesses have criticized the existing comment process as overly complex and burdensome. A system should be designed to give the public the ability to see, via the Internet, any active or pending information.

Agencies should also take steps to improve outreach to small businesses, including the conduct of public meetings and announcements of public comment periods in industry publications, on all highly burdensome (defined as over 1,000,000 burden hours) information collections expected to affect small businesses. Additional outreach efforts would significantly improve an Agency's efforts to identify opportunities for burden reduction.

4. *Create Partnerships between Agencies with similar or overlapping regulatory authority.* Identify other agencies, including state and local government agencies, with similar

reporting requirements and partner with them to develop consolidated reporting systems. Duplication should be eliminated and data sharing maximized when feasible.

5. *Develop OMB Guidelines to Achieve Burden Reduction through E-Government.* We recommend that the Office of Management and Budget require each agency to incorporate burden reduction as a goal of its E-Government initiative, and issue guidelines to aid Agencies in doing so. All Executive Branch Departments have existing E-Gov working groups which could take the lead in this effort. We envision E-Government as more than allowing electronic submission of existing forms. The E-Gov initiative should be a tool to achieve further burden reduction through process re-engineering when feasible. In this way the E-Gov working groups would compliment, rather than duplicate, other burden reduction efforts within the Agency.

6. *Continue the Business Compliance One Stop initiative.* The Business Compliance One Stop (BCOS) is one of the Administration's 25 E-Government initiatives, located at <http://www.BusinessLaw.gov>. It is designed to ultimately provide small businesses a single point of entry for regulatory compliance information. The Task Force believes BCOS shows promise as a means for achieving the purpose of SBPRA. Since its inception in the Spring of 2002, the BCOS has streamlined a number of paperwork reporting requirements and transactions from a business-centric perspective. However, it is a long-term solution since the project is expected to take years to complete. More information on BCOS is provided in Appendix 6.

Task #2: Organized List of Information Collections (See, 44 U.S.C. 3520(c)(2))

#### Problem Statement

Small businesses can be unaware of all of the federal regulatory requirements that apply to them and the reports that they must file and records that they must keep in order to demonstrate compliance. Small businesses may not know where to find such information or how to comply or where to go for compliance assistance. As a result, the agency's intent for federal information collection requirements may not be achieved as small businesses are not aware of the information they are required to provide. Ideally, small businesses would have access to a system that enables them to quickly and easily generate a list of all requirements that

apply to their operation. Providing this information to small businesses would reduce the burden associated with reporting and recordkeeping requirements.

#### Assumptions

To be most useful, a tool for meeting small businesses' need for information about reporting and recordkeeping requirements would provide a list that is:

- Tailored to specific industry sectors, (e.g., dry cleaning, printing),
- Comprehensive,
- User-friendly, and
- Up-to-date.

#### Issues

Creating a tool for identifying applicable requirements for small businesses will require resolving a number of technical, management, and resource issues.

#### Technical Issues

- *Overcoming the lack of a complete inventory of federal information collections.* One prerequisite for developing a list of applicable reporting and recordkeeping requirements is a complete inventory of all federal information collections. OMB maintains a database called the Reports Management System that stores only generally descriptive information about the clearance packages it reviews. There are three issues that limit its usefulness for small business:

1. *The Reports Management System does not include the reporting and recordkeeping requirements that small businesses are looking for.* The database was built as an internally management tool for use by OMB to document the information collection review process under the Paperwork Reduction Act. It contains information provided by agencies on form OMB 83-I (see <http://www.whitehouse.gov/omb/inforeg/infocoll.html>). Because the system is a management tool for OMB, it is not accessible by other agencies, the public, or small businesses. The system only contains a brief overall title of the information collections or groups of information collections for which OMB grants approval. The system does not contain that actual requirements imposed on small businesses. Small businesses would have to go to the agency or the Code of Federal Regulation (CFR) to learn the details of what is required.

2. *Data quality and accuracy are inconsistent.* Accuracy of the data submitted by agencies on OMB form 83-I varies.



3. *Information collections in the database cannot be sorted by size or sector.* There is no consistent element related to size that would indicate applicability to a small business. Nor are there elements, such as NAICS codes, that would indicate applicability to specific small business sectors. At one time many years ago the Standard Industrial Classifications codes (SIC, a precursor to NAICS) that applied to a clearance package were collected. This information was discontinued because 70 percent or more of the clearance packages were submitted as applying to "10 or more SIC codes" rather than listing a few specific codes. While the form and database do include key words that can help identify applicability, there are no standards to guide their selection.

- *Overcoming the lack of a consistent methodology for identifying a requirement's applicability.* A second prerequisite for developing a list of reporting and recordkeeping requirements is the ability to identify which requirements apply to which businesses. However, there is no federal guidance that addresses how agencies should specify reporting and recordkeeping requirements applicable to a particular business size or sector. Each agency, and in some cases each program within an agency, makes its own decision about whether to include this information. For example, at EPA, some programs identify the NAICS codes in their regulatory development and tracking systems, while others use an industry sector descriptor or nothing at all.

- *Members of the Business Compliance One Stop (BCOS) project team have been developing plans for a system capable of identifying regulatory reporting and recordkeeping requirements applicable to specific business sizes and sectors. They have discovered the following issues which need to be addressed:*

1. *Multiple NAICS Codes Apply to Individual Businesses:* Many businesses' activities are characterized by multiple NAICS codes. A list of reporting and recordkeeping requirements listed by NAICS codes alone would require many businesses to review multiple requirements listed under several NAICS codes. Such listings would likely include duplicative requirements.

2. *Broadly Applicable Regulations:* OMB has estimated that approximately 70 percent of information collections apply to many, or even all, NAICS codes. For example, all businesses are subject to IRS tax reporting.

3. *Regulation Applicability Based on Other Factors:* In some cases, regulatory

applicability is dependent on factors other than business size or sector. For example, IRS bases its requirements on the points in a business life-cycle and other unique criteria.

A complete listing of all reporting and recordkeeping requirements for small businesses can not be based on NAICS codes alone. It will need to take into account not only business type, but also size and other factors that can affect applicability.

- *Resolving complexities affecting ease of use.* Because of the issues described above, having a government-generated list of reporting and recordkeeping requirements by NAICS code alone would not meet small business information needs. Such a list would include every requirement that potentially could apply to a particular NAICS code. The list of potentially applicable requirements for a particular NAICS code would not be significantly shorter than the list of all existing information collection requirements. Moreover, if a small business were listed under more than one NAICS code, the research to determine applicability would be even greater.

- *One alternative would be to sort the requirements into multiple categories that could include an industry sector identification and other distinguishing criteria, such as the kinds of businesses subject to environmental or worker safety reporting and recordkeeping requirements. A list organized in this manner would require the user to search under multiple categories and to cross-reference the requirements that appear under each one. It would be time consuming, but would lead to a more accurate result than a listing by NAICS code alone. Even with this more tailored approach, the result would be affected by how knowledgeable the user is about his or her operation. The user would have to know which headings to search. This process would likely be tedious and time consuming. Moreover, even sophisticated users might overlook or miss applicable categories, leading to an incomplete result.*

Neither approach—a listing by NAICS code or a listing using multiple categories—would fully meet small business needs. They would still be extremely time-consuming and could complete incomplete results or identify collections that might only apply if other factors were also involved.

- *Building an automated, interactive system that enables small businesses to self-identify requirements that apply.* Recognizing the power of automated search engines, the BCOS team is designing an Internet portal with a sophisticated multi-criteria search

capability. This system enables the user to research requirements using multiple screening tools. The user answers questions that relate to business type, size and other factors that enable the search engine to narrow the results. Depending on the answers, the user may be asked for more details to narrow the search. For example, if the user indicates an interest in environmental regulations, he or she may be asked about the hazardous materials used at their operation. While this automated, query-based system is much more reliable and user-friendly than the government-generated lists described in the preceding bullet, it is still under development. The development process is proceeding sequentially. SBA estimates that having a complete system for serving all sectors is a number of years away.

- *Ensuring access to the list.* Providing a list over the Internet would provide the most accessible and cost-effective means of meeting small business information needs. But many small businesses do not have Internet access. SBA estimates that over 10% of small businesses will not use computers in the next five years. Of those that do, owners and employees may not have the time to access and download the information while juggling other on-the-job demands. Providing a list of applicable requirements in a quick, easy to download and printer-friendly format would allow downloading at work or in other places, such as homes or libraries, where Internet access is available. Further, having an order-form of relevant publications that could be downloaded may be helpful for small business owners who do not have time to download and print documents regardless of where they physically conduct their Internet searches.

#### Management

- *Coordinating with multiple federal agencies.* Thirty-six agencies impose reporting and recordkeeping requirements, and all of them have unique organizational structures, processes, and systems for managing these responsibilities. Reaching agreement on a single system for identifying requirements will require extensive coordination among these agencies.

- *Designating responsibility.* Given the number of agencies involved, a single federal entity would need to be charged with overseeing the development and long-term maintenance of a system that could identify requirements applicable to small businesses.

- *Incorporating identification elements into existing requirements.* Once a methodology for identifying which requirements apply to a small business is developed, all federal information collections will have to be updated to reflect it. Incorporating industry sector identification or other identification elements into requirements all at once would overwhelm most regulatory agencies. However, under federal law, agencies must update their information collection requests—that are associated with those requirements—every three years. There are currently over 8,000 approved information collections. OMB form 83–I could be modified to require the new identification element. The information could be updated in the Reports Management System database on a continual basis as the agencies' information collection requests are submitted. OMB's review help to ensure that all requests include identification elements and agency CIO review could help to ensure the accuracy of the information. In this way, the element (or elements) needed to specify applicability could be added to all information collections and housed in a searchable database within three years.

**Note:** While this effort could be completed in three years, it could still represent a significant workload for agencies that have to evaluate the applicability of their requirements.

#### Resources

- *Cost of system development.* To build a functioning profiler or "intelligent agent" that asks the user a number of questions and based on the answers takes one to the appropriate information collection requirement or compliance assistance tool will cost a minimum of \$200,000 for developing better accessibility to environmental, employment, taxation, and trucking regulations and compliance assistance information.

- *Cost of system operation and maintenance.* A system that enables users to identify applicable reporting and recordkeeping requirements must be operated and maintained continuously. The BCOS project should provide a basis for estimating the cost of operating and maintaining a more comprehensive system.

- *Staffing needs.* Building, operating, and maintaining a system that could provide a list of requirements will require staff from multiple agencies with reporting and recordkeeping responsibilities.

#### Options Considered

The Task Force identified and evaluated several federal resources that potentially could be used to generate a list of applicable requirements.

#### *Existing Information Sources Related to Federal Paperwork and Regulatory Requirements*

- The Paperwork Requirements Web site: <http://www.whitehouse.gov/omb/infocoll/infocoll.html>.

Managed by OMB; provides an inventory of current approved information collections; listed by agency; not searchable by business size or sector.

#### RISC/OIRA Consolidated Information System (ROCIS):

OIRA, working with GSA's Regulatory Information Service Center (RISC), is developing ROCIS. ROCIS will provide for electronic submission, review, and approval of information collections. It will also give the public the ability to see, via the Internet, what information collections agencies have submitted to OMB for review, and give the public the ability to comment electronically to OIRA about these information collections. The public will also be able to see precisely what is currently approved under the PRA.

ROCIS also collects basic information about the information collections. While the system will not be sophisticated enough to be able to determine the precise information collections with which a specific business must comply, there will be information about the regulatory provisions with which an information collection is associated.

OIRA intends for ROCIS to be in place before the end of 2003. However, because approvals under the PRA can be good for up to three years, ROCIS will not form a complete database of information collections approved under the PRA until 2006.

- The *Businesslaw.gov* Web site: <http://www.businesslaw.gov>.

Managed by SBA; provides access to a variety of tools and resources related to federal, state, and local requirements. At the federal level, it includes information about the federal regulatory process and access to the U.S. Code, Code of Federal Regulations, and **Federal Register**; offers plain English compliance assistance guides that can be used to help determine requirements.

- The Business Compliance One-Stop (BCOS): <http://www.businesslaw.gov>.

Managed by SBA and under development. Will allow small business sectors to identify what regulations apply to their operation, learn about how to comply, and find useful

compliance assistance resources. Initial focus is on providing compliance assistance resources and information. In the long-term, will enable users to identify the requirements that apply to their particular operation and complete transactions online. *Businesslaw.gov*, described in the preceding bullet, is one of the early accomplishments under this initiative, and will be the portal for offering these capabilities.

- The "Regulation.gov" Web site: <http://www.regulation.gov>.

Another E-Government initiative; Sponsored by OMB and maintained by GPO; allows searches of regulations by key words; allows businesses to provide comments on Federal regulations in development; and provides links to EPA, E-Gov, the **Federal Register** and FirstGov, which links to *Businesslaw.gov*.

Options (based on the evaluations above):

1. *OMB should publish a list of requirements applicable to small business.* OMB's Reports Management System database contains information about approved information clearance packages. The Web site does not list actual regulatory requirements, nor does it list specific reporting or recordkeeping requirements. The ROCIS tool now under development will enable OMB, other federal agencies, and the public to perform searches on this database. However, there are limitations to this database. Most agencies do not categorize their information collections by business size or type. If OMB required agencies to develop such information and added it to the database, one could search for the identifying information (at least as to the clearance packages that OMB had reviewed). Using the Code of Federal Regulations reference included in the database, users could then look up the underlying regulatory requirement. However, many reporting and recordkeeping requirements are not published in the Code of Federal Regulations. And, ROCIS could not include the interactive functions contemplated under BCOS—it would only be possible to include and search on simple categorization schemes such as industry sector. Additionally, although it would be certified by agency CIOs, information included in ROCIS would still be subject to the same issues of inaccuracy or incompleteness as the information currently reported on the 83–I form.

2. *Support the BCOS project team's efforts to develop an automated, interactive system that enables small businesses to self identify applicable requirements.* This system would

include a powerful search engine—that uses multiple search elements—for identifying requirements for specific small businesses. By searching across all Federal information collections at the time of query, it would provide a complete and up-to-date list.

#### Recommendations

1. *Designate a federal agency to be in charge of system development.* The Office of Information Technology and E-Government at OMB has a governance structure for E-Government projects under its sponsorship, and has designated SBA to manage BCOS.

2. *Complete the BCOS methodology for identifying regulatory applicability.* If the federal budget allows, expedite development. Consider consulting with private, nonprofit, and/or academic experts with specialized expertise in delivering tailored information to clients. Also evaluate regulatory development and tracking systems managed by individual agencies to determine whether there are good models and/or system features already in use that should be incorporated.

3. *Develop a system that incorporates the BCOS methodology for identifying regulatory applicability and generates a list of applicable requirements.* Design the system with the small business owner in mind, and integrate into the *Businesslaw.gov* Web site.

4. *Issue federal guidance for adding identification elements to all information collection requests.* Once categorization methods are developed under recommendation 2, OMB should consider requiring agencies to report them on the 83-I form and allowing the public to search ROCIS based on the categorization. Because it may be impossible to include some elements of the BCOS categorization in ROCIS, OMB should review each element of the BCOS categorization to ensure that OMB only requires agencies to submit information that will be useful in the simple-search format that ROCIS provides.

5. *Complete ROCIS and link to it in Businesslaw.gov.* Until the system described in recommendation III becomes available, promote ROCIS as a useful tool for researching reporting and recordkeeping requirements. Provide a link on *businesslaw.gov* pointing to the ROCIS system as one way to begin identifying applicable information collection requirements.

#### Final Note

Identifying requirements for small businesses is only the first step in assuring compliance. Ultimately, any system that is built to identify

requirements should also include access to information about how to comply and where to go for compliance assistance. While this recommendation is beyond the scope of this report, it does raise additional technical, management, and resource issues that should be considered in devising a long-term solution to small businesses information and compliance assistance needs (See below, and Appendix 7—Compliance Assistance Best Practices).

#### *Expanding the Small Business Reporting and Recordkeeping Requirements System to Include Compliance Information—Additional Issues*

##### Technical

*Additional content to identify and incorporate.* Providing compliance information would require researching and providing access to compliance assistance resources. This could be limited to federal resources, or broadened to include resources from States, local governments, or other compliance assistance providers.

- *Handling different formats.*

Compliance resources may take a variety of forms, such as telephone numbers, compliance checklists, and online expert systems. The system would have to be designed to handle both simple and sophisticated products.

##### Management

- *Additional coordination required.*

Providing compliance information would require working not only with staff that handle information collection requirements, but also with staff that have regulatory compliance responsibilities.

##### Resources

- *Additional cost.* Expanding this service to include information about compliance resources would significantly increase the cost (in dollars and FTEs). It would mean additional research to incorporate compliance information and identify relevant compliance assistance resources.

##### Legal

- *Excessive detail.* It is unlikely that compliance aids will be able to provide all compliance information for every business. There will likely remain the need for expert assistance to help businesses with compliance details in light of the differences among them.

Task #3: Interactive Electronic Systems (See, 44 U.S.C. 3520(c)(3))

#### Problem

#### Overview

The cost of finding, understanding and complying with legal and regulatory requirements poses a significant burden on businesses and is a formidable obstacle to success. One costly aspect of compliance with regulatory standards is the related paperwork.

Of the \$843 billion dollars spent on Federal regulatory compliance in 2000, \$497 billion fell on businesses. This comes to 63 percent of the total regulatory burden.

The Small Business Administration's (SBA's) Office of Advocacy estimates<sup>23</sup> the following paperwork regulatory information burden to businesses, categorized by number of employees:

- Firms with fewer than 20 employees—\$2,000 per employee per year.
- Firms with 20–499 employees—cost \$1,931 per employee per year.
- Firms with 500 or more—cost \$1,086 per employee.

SBA research confirms that these regulatory costs continue to increase and to disadvantage small businesses.

#### Assumptions

- The Federal Government is firmly committed to reducing the regulatory information burden and will strongly encourage Federal regulatory agencies to make this happen.

- All regulatory agencies have a goal of reducing the regulatory information burden through amending regulations, changing information requirements, and streamlining collection processes, consistent with their mission.

- Important issues of transaction security, privacy, electronic signatures, standards, and architectures will be properly addressed by e-government initiatives and need not be discussed here.

- As time and resources allow, small businesses should help to find ways to significantly reduce the regulatory information burden.

- The Internet is a primary regulatory communication channel as use of the Net by small businesses with employees grew to 67 percent in 2001 and will be nearly 80 percent by 2003, but the Federal Government cannot use it as the sole means of regulatory communication or the sole means of providing compliance assistance.

<sup>23</sup> These figures are derived from impact of Regulatory Costs on Small Firms, an Advocacy-funded study by W. Mark Crain and Thomas D. Hopkins.

## Solution

### Objectives

To reduce the regulatory burden on small businesses and increase compliance, the Federal Government is focusing on three questions:

- How can we reduce the burden of information collection requirements as part of regulatory compliance *at all levels* of government?
- How can we *use the Internet* to streamline the collection and dissemination of data from regulated small businesses?
- How can we provide user-friendly and cost effective *compliance assistance*?

Governments at all levels must reduce duplication and overlap in its data collection, coordinate data definitions and reporting periods and, of course, determine if data is needed in the first place. Further, it is not enough to improve the information demand chain. It is also necessary to look at the information supply chain, which includes assisting small businesses in identifying reporting and recordkeeping requirements, providing compliance assistance tools, and user friendly submission systems.

### Strategies

We can reduce the regulatory burden by:

- Reducing the number of required data elements (by elimination or by standardizing similar elements in an e-forms format).
- Reducing the number of updating cycles (for example, from monthly to quarterly, if possible).
- Reducing the number of separate submission with similar data to different recipients (for example by having a single collection point for one or more agencies).
- Reducing the amount of historical data a respondent must keep.
- Reducing manual efforts through the use of software.
- Introducing intermediaries (professional groups, associations, or government agencies) as collection and dissemination points.

### The Business Compliance One Stop Portal

The major vehicle for implementing a regulatory burden reduction solution is the Business Compliance One Stop. Its goal is to reduce the regulatory information burden on business owners by making it easy to find, understand, and comply with governmental laws and regulations. The BCOS solution is to build upon the *businesslaw.gov* platform to provide interactive

electronic legal and regulatory information and compliance assistance.

The portal offers the following functionalities to the business community:

- (1) *Find*: efficient access to laws and regulations at all levels of government (helps you find what applies to you as a business owner, where you live);
- (2) *Understand*: compliance assistance digital guides or expert tools that will help businesses determine if they are in compliance and how to comply;
- (3) *Comply*: online transactions, such as allowing businesses to register their business, apply for licenses and permits, and file information electronically.

A number of Federal agencies (*i.e.*, DOT, DOI, DOE, EPA, IRS, DOL, OSHA, INS, and GSA) and seven states (*i.e.*, Illinois, Georgia, Washington, Missouri, Iowa, New Jersey and Texas) are working together with SBA as the managing partner to build this interactive electronic system. The initiative has also enlisted the partnership of several associations to represent the business customer.

During its first year, the BCOS focused on compliance assistance in the areas of environment, workplace health and safety, taxes and employment. For its second and third years, while continuing to focus on creating compliance assistance tools, BCOS will increase the emphasis on reducing the burden that emanates from the 7.7 billion hours created by government paperwork.

Evaluations of modern forms management systems which include interactive, electronic forms as well as streamlining collection processes and harmonizing data requirements across agencies have the potential to reduce by 50 percent agency costs and the small business burden using the following three e-forms strategies:

1. Reduce the information required through analyzing if information is needed, if definitions in different forms and forms in different agencies can be harmonized to reduce overlap;
2. Increase the effectiveness of data collection processes by collecting once and sharing data among programs and agencies;
3. Reduce the work of submitting data by using interactive, electronic, forms that aid the user.

The BCOS initiative will initially concentrate on highly regulated industries such as trucking, health care, food, and mining.

### BCOS Results

BCOS has demonstrated that using interactive electronic systems (Internet)

is a cost effective way of reducing regulatory burden. Currently there are over 270,000 accesses per week to our BCOS platform, *Businesslaw.gov*, which features a number of our results, to include:

*Created a Single point of contact for legal and regulatory assistance—the BusinessLaw portal*: BCOS uses *BusinessLaw.gov* as its platform for electronic interaction with users. This portal provides nearly 20,000 links to federal and state legal and regulatory information on 39 different topics, where to go to complete transactions such as licenses and permits, and a host of information on rulemaking, compliance assistance, and regulatory fairness. The portal also offers useful information on where to get help, how to contact Congress and associations, and principal considerations in choosing legal help. The site is adding new navigation aids, additional digital guides or expert tools, and user-friendly transactions.

*Developing Compliance Assistance Guides*: Several guides have been built, including:

- Alien Employee Visa Classification eTool
- Employment Eligibility Verification (I-9) eTool
- OSHA emergency building evacuation procedures eTool
- Choosing a Legal Structure eTool
- Auto Dismantler & Recycler Environmental Audit Advisor
- Motor Vehicle (Class V) Waste Disposal Wells Advisor

*Integrated State Registration and Federal Employer Identification Number (EIN) Application*: This web services application demonstrates that significant savings can ensue when state and Federal processes are integrated and offered as a single web services. State business registration requires many of the same data elements as the Federal Employer Identification Number (FEIN) submission. This tool permits the user to apply on-line for a state registration and then elect to apply for a FEIN, which is pre-populated with data from the state application. For additional information, the application asks for additional data in an interview format. IRS estimates that more than 2.4 million businesses acquire EINs annually.

*Coal Mining Report Harmonization*: This BCOS project is an excellent example of an e-forms solution. Agencies worked together to reduce the information burden on nearly 1,000 coal miners who submit reports to DOI, DOE, EPA, DOL, IRS, and State EPAs. Eighty percent of the data in these reports are identical and require about 50,000 hours annually. A tool developed by DOI

provides a one-stop submission of data that is then distributed to participating agencies. Data metrics using different definitions is automatically changed to the metric required by each agency and results in an estimated 25,000 hours saved. As the project has been progressing, agencies have begun to look at streamlining definitions, reporting periods and the need for the information in the first place.

*Developing the Profiler:* This tool allows the user to provide information based on a profile of factors such as location, size, industry and type of business entity and business life cycle as well as desired assistance. Based on specific answers, the tool then refers the user to compliance assistance resources from five major Federal Regulatory Agencies.

*Trucking One-Stop Portal:* Trucking is an important industry, contributing one out of every 12 jobs. We have completed the project plan for building an integrated state and federal one stop for trucking, offering an example of how using harmonized data capture, electronic forms and transactions, and offering web services for both Federal and state requirements can work for a specific industry.

The BCOS offers businesses a significant reduction in the Regulatory Information Burden. Estimates of annual savings show savings have already been realized. Examples include:

- The *BusinessLaw.gov* portal reduces the time for users to find, understand and comply with regulations. Estimated annual savings: \$56 million.
- The Profiler provides estimated savings of \$62 million.
- Each compliance guide provides an estimated savings of \$10 million to businesses and \$400,000 in agency administrative costs.
- The harmonized coal mine reporting system will reduce the regulatory information burden in half or about \$1 million.
- The Integrated State registration and Federal Employer Identification Number Application has estimated savings of \$96 million.
- The Bureau of Citizenship and Immigration Services interactive I-9 electronic tool offers an estimated savings of \$12 million.
- The planned Trucking one stop industrial portal will have estimated savings of \$400 million.

More information on BCOS is provided in Appendix 6.

#### Recommendations

The team presents the following primary recommendations:

1. Consistent with the President's budget, fund the BCOS as a platform for the Federal government's cross-agency paperwork reduction initiative, focusing on creation of e-forms solutions, additional interactive expert tools, intelligent agent profilers, innovative navigation aids and search engines, and online transactions specific to various industries.

2. Work with industry to develop standards for information collection and dissemination.

3. Work with industry trade associations to determine fruitful areas for streamlining and harmonization of data requirements and look for ways that associations can become viable trusted collection and dissemination points. This includes determining specific forms or industries where the return on investment for using interactive electronic transmission of information is high (e.g., the IRS 2290 for truckers).

4. Implement demonstration projects for these identified high burden areas where Internet technology is used, expert tools are integrated with electronic forms, and business models are developed including the concept of intermediaries or collection/dissemination points (e.g., extend the coal miner application to all miners; implement portals that reduce the information burden for different industries).

5. Partner with the private sector to develop online tools that will do the following:

- Help specific industries simplify their recordkeeping and extract data to satisfy the demand for regulatory information.
- Enable electronic transmission of compliance information.

The team has suggested a number of additional activities that, taken together, will help reduce the regulatory burden. They include:

*Approach Change Incrementally.* Select each year a limited group of stakeholders to provide input on reducing information collection burdens. For example, one could approach reducing the information burden industry-by-industry with clearly established goals set for improvement. Start with the five major industry clusters the first year, and then address the next five industries the following year. This process could involve setting up panels with members from the affected industries to assist in identifying information requirements, as well as members from State governments, other affected stakeholders, the general public, and Federal agencies.

*Industrial Classification.* BCOS needs to promulgate, in coordination with the regulatory agencies and private sector, an industrial classification nomenclature that will accurately describe the target regulated industries in ways that reflects the structure of regulatory programs and without the detailed complexity of NAICS.

*Using BCOS to Identify Duplication.* The PRA requires agencies to self-certify that existing and proposed information gathering systems do not duplicate or overlap those of other systems in the same agency/department. Agencies should participate in the BCOS initiative to provide a common front end for regulatory requirements industry-by-industry.

*Study Organizational Data Collection Approaches.* The ideal organizational system for collecting and disseminating regulatory information among federal, state and local levels is not yet clear. Steps should be taken under the aegis of BCOS to partner with state and local government as well as the private sector to explore innovative approaches to information collection and dissemination industry by industry. New technology holds promise for facilitating collection and transfer of information. Best practices should be studied in industry as well as Federal, state, and local levels and demonstration projects should be carried out and evaluated.

*Raise Awareness among Government Employees.* All changes in culture and attitude and all transformations of process require training. One cannot simply assume that government agencies will suddenly discover how to do things differently. Sharing best practices and developing good practices would be part of a training effort. Part of this training would include the ways in which small businesses are different from larger businesses and how this affects regulatory compliance.

*Develop a Cross-Agency Initiative.* Pattern this initiative after the successful E-government initiatives where the significant information gathering agencies would work together to reduce the information required, streamline the collection and dissemination of information, and share best practices.

*Provide List Of Laws, Regulations And Compliance Assistance Tools on BusinessLaw.gov.* Require Agencies to post and maintain list by industry of applicable regulations and laws as well as compliance assistance tools and publications on *BusinessLaw.gov*.

*Publish standards for Electronic Data Streams.* Harmonize data elements, business rules and XML standards. In

this manner third parties such as software companies and intermediaries could where practicable assist small businesses in providing the information in much the same manner that Intuit assists small businesses file their taxes.

*Encourage Agencies to Utilize "Smart" Electronic Forms.* These forms would include components that provide immediate feedback to assure that data being submitted meets requirements of format and are within the range of acceptable options for each data field. This would be similar to the aforementioned tax preparation software. On these programs, if you enter an illegal value in a blank, you are given an immediate error message. Or, if the program finds that you need to fill out a Schedule C, it automatically pops you over to that schedule, you fill it out, and it pops you back to the your form 1040, and translates the data from the Schedule C onto the form 1040. These programs also have handy pop-up windows that explain terms and definitions, and provide cross-references to the regulations. This should be a model of the user friendliness and efficiency that we should strive to implement in government forms. Agencies should accept electronic submission of forms to avoid errors when paper forms are manually transcribed

To this end, we would recommend an evaluation of the following requirements.

(1) When an agency submits a form to OMB for approval and assignment of an "OMB control number," OMB should review the collection for compliance with GPEA. The agencies should provide web services transactions, not just e-copies of paper forms.

(2) Any computation should be built into the form. Data that appears in more than one field should be copied automatically.

(3) The submitting agency should include form field validation parameters at the time that the electronic form is submitted to ensure valid data entry.

(4) All electronic forms should contain instructions in the form of pop-up windows to explain to the user why the form field is invalid as well as definitions of terms, statutes, reference data, and, where applicable, worksheets for computing entries.

Implementing these improved, "smarter" forms will, of course, cost the government time and money. Agencies will have to spend time designing the electronic forms, and determining the validation parameters. OMB will have to spend additional time in reviewing the forms and verifying the completeness of the validation and pop-up help screens. However, the return on investment will

be significant for both governments and businesses.

#### *Critical Success Factors*

The Task Force envisions several critical success factors in achieving the desired paperwork burden reduction and user-friendly compliance assistance:

- Effective collaboration among and between the regulators;
- Commitment of the regulated community and their associations;
- Commitment to developing a critical mass of users, infrastructure and tools to ensure rapid implementation of E-forms;
- Public-private partnerships and use of "best practices" to deliver the tools;
- Use of proven, affordable technologies to deliver compliance assistance to small businesses in a one-stop, single format manner;
- Agreement on appropriate business models to illustrate who funds, develops, owns and maintains the web services;
- Agreement on financing strategy that highlights shared services and clarifies who manages the relationship with the user, controls the data, and owns the transaction.

#### **Appendix 1—44 U.S.C. 3520, Public Law 107-198**

[See <http://www.aces.gov>]

#### **APPENDIX 2.—SMALL BUSINESS PAPERWORK RELIEF TASK FORCE MEMBERS**

Agency	Member	Title
Office of Management and Budget ..	Mark A. Forman .....	Associate Director for Information Technology and E-Government.
Office of Management and Budget ..	John Graham .....	Administrator, Office of Information and Regulatory Affairs.
Department of Labor .....	Dana Barbieri .....	Associate Assistant Secretary for Policy.
Department of Labor .....	Lois Orr .....	Deputy Commissioner, Bureau of Labor Statistics.
Department of Labor .....	Cheryl Kerr .....	Special Assistant to the Commissioner, Bureau of Labor Statistics.
Department of Labor .....	Jeff Koch .....	Special Assistant to the Assistant Secretary for Administration and Management.
Department of Labor .....	Steven Witt .....	Director, Standards and Guidance, Occupational Safety and Health Administration.
Small Business Administration .....	James M. Van Wert .....	Expert Advisor to the Chief Operating Officer.
Small Business Administration .....	David Javdan .....	General Counsel.
Small Business Administration, Office of Advocacy.	Thomas M. Sullivan .....	Chief Counsel for Advocacy.
Department of Transportation .....	Eugene Taylor .....	Acting Chief Information Officer.
Department of Treasury .....	Neil Eisner .....	Assistant General Counsel for Regulations and Enforcement.
Internal Revenue Service .....	Michael R. Chesman .....	Director, Tax Payer Burden Reduction.
Internal Revenue Service .....	Sherrill A. Fields .....	Deputy Director, Tax Payer Education and Communications.
Department of Health and Human Services.	Daniel Troy .....	Associate General Counsel.
Department of Health and Human Services.	Ruben King Shaw .....	Deputy Administrator and Chief Operating Officer, Centers for Medicare and Medicaid Services.
U.S. Department of Agriculture .....	James E. House .....	Director, Small and Disadvantaged Business Utilization.
Department of Interior .....	Robert Faithful .....	Director, Small and Disadvantaged Business Utilization.
General Services Administration .....	Mary Mitchell .....	Acting Deputy Associate Administrator, Electronic Government and Technology.
Environmental Protection Agency ....	Stephanie Daigle .....	Acting Deputy Associate Administrator, Policy, Economics and Innovation.
Environmental Protection Agency ....	Karen Brown .....	Small Business Ombudsman.
Department of Commerce .....	Janet Schwalb .....	Special Assistant to the Chief Financial Officer.
Department of Commerce .....	Karen Hogan .....	Deputy Chief Information Officer.

## APPENDIX 3.—CONTRIBUTING STAFF

Agency	Member	Title
Office of Management and Budget ..	Donald Arbuckle .....	Deputy Administrator, Office of Information and Regulatory Affairs (OIRA).
Office of Management and Budget ..	Jefferson Hill .....	Senior Advisor, OIRA.
Office of Management and Budget ..	Stanton Anderson .....	G2B Portfolio Manager.
Office of Management and Budget ..	Jo Armstrong .....	SBPRA Project Manager.
Office of Management and Budget ..	Bryon Allen .....	EPA Desk Officer, OIRA.
Office of Management and Budget ..	David Rostker .....	SBA Desk Officer, OIRA.
Office of Management and Budget ..	Cristal Thomas .....	DOL Desk Officer, OIRA.
Environmental Protection Agency ....	Joan Crawford .....	Special Assistant, Office of Policy, Economics and Innovation.
Environmental Protection Agency ....	Sandy Germann .....	
Environmental Protection Agency ....	Doreen Sterling .....	Associate Director, Collection Strategies Division, Office of Information Collection, Office of Environmental Information.
Environmental Protection Agency ....	Jim Edward .....	Director, Compliance Assistance and Sector Programs Division.
Environmental Protection Agency ....	Tracy Back .....	
Internal Revenue Service .....	Margie Kinney .....	Program Analyst, Office of Tax Payer Burden Reduction.
Internal Revenue Service .....	Ron Kovatch .....	Senior Advisor, Office of Tax Payer Burden Reduction.
General Services Administration .....	Frank McDonough .....	Director, Office of Intergovernmental Solutions.
Department of Health and Human Services.	David Elizalde .....	Centers for Medicare and Medicaid Services.
Department of Labor .....	Jennifer Silk .....	Deputy Director, Standards and Guidance, Occupational Safety and Health Administration.
Department of Labor .....	Todd Owens .....	OSHA Clearance Officer.
Department of Labor .....	David Gray .....	Deputy Assistant Secretary of Labor.
Small Business Administration .....	Shawne McGibbon .....	Deputy Chief Counsel for Advocacy.
Small Business Administration .....	Suey Howe .....	Director, Interagency Affairs, Office of Advocacy.
Small Business Administration .....	Keith Holman .....	Assistant Chief Counsel, Office of Advocacy.
Small Business Administration .....	Ernst Nilsson.	

#### Appendix 4—Results of SBA Office of Advocacy's Outreach Activities

##### SBA Office of Advocacy Observations Regarding Implementation of the Small Business Paperwork Relief Act of 2002, Based on Comments Submitted to the Office of Advocacy by Small Business Representatives

1. *Single Point of Contact.* Small business representatives stated that a single point of contact for paperwork/information collection requirements within each agency would be extremely beneficial. They recommend that the single point of contact be the Chief Information Officer (CIO) or an analogous official within each agency who is responsible for compliance with the Paperwork Reduction Act (or that person's representative). Small business representatives believe that the single point of contact needs to have sufficient authority and the resources to be able to truly function as a single point of contact. Finally, they suggest that the single point of contact within each agency be clearly identified to the public and to agency personnel. From the Office of Advocacy's experience in communicating with small businesses, the designation of an effective single point of contact within each agency will be critical in achieving the burden relief objectives of the Act.

2. *Overlapping/Duplicative Reporting.* Small business representatives cited the need to repeatedly submit the same information to a single agency as a major paperwork burden. They suggest that agencies periodically review and eliminate duplicative reporting requirements. The single point of contact for paperwork within each agency would be uniquely situated to identify such

overlapping, duplicative reporting requirements and recommend their elimination.

3. *Compliance Assistance.* Small business representatives stated that agencies should provide more effective paperwork compliance assistance to small businesses. Concise, plain-language compliance guides would be helpful. Currently, small business representatives complain about compliance guidance that is complex, outdated, misleading, or voluminous, leaving the small business more confused that when the guidance was first consulted. Small businesses have told the Office of Advocacy that compliance hotlines are also very useful. Certainly, compliance assistance hotlines such as the Internal Revenue Service's Tele-Tax assistance network have proven to be very helpful to regulated entities.

4. *Paperwork Utility Review.* Small business representatives believe that it would be beneficial for agencies to periodically review their information requirements and assess whether the required information is still necessary or even useful.

5. *Catalogue of Required Paperwork Requirements.* Small business representatives stated that a catalogue of reporting requirements would be useful and would enhance their ability to identify and comply with paperwork and information collection requirements. They believe that such a catalogue can and should be categorized by NAICS code. Ultimately, small businesses would like to be able to enter their industry code and see all of the paperwork requirements that apply to them.

6. *Use of Enforcement Discretion.* Small business representatives suggested that agencies waive penalties for first-time paperwork violations, especially where a

small business has sought out and followed advice from a hotline or other agency contact. One suggestion is for agencies to develop a mechanism to track calls to hotlines or other compliance assistance requests (e.g., a confirmation number is provided to the small business at the conclusion of the contact), so that the small business can demonstrate that the contact was made. Agencies can use their existing enforcement discretion on a case-by-case basis to respond to these situations.

7. *Paperwork Retention Requirements.* Small business representatives noted their concern with record retention requirements that may add significantly to the overall paperwork burden. They believe that paperwork retention requirements should be periodically evaluated and unnecessarily long retention periods should be shortened where appropriate.

8. *Electronic Paperwork Reporting.* Small business representatives pointed out that many small businesses still rely on paper, and are unlikely to become computerized in the near future. Agencies should not assume that Web-based paperwork filing is a solution to the paperwork burden.

##### Summary of Public Comments on Implementing the Small Business Paperwork Relief Act of 2002, Excerpted From the Transcript of a Public Meeting Held March 4, 2003, and Written Comments Submitted to the Office of Advocacy

###### 1. Paperwork Retention Requirements

- "Part of the problem with understanding paperwork on small business is \* \* \* the amount of time that [small businesses] have to spend in collecting the data that back those forms for that data, and certainly retaining that data in a manner in which they're able to replicate it for organizations



like the IRS." Giovanni Coratolo, U.S. Chamber of Commerce, p. 18

- "[W]e may want to add to the discussion \* \* \* recordkeeping in terms of how long folks have to keep these records. I mean I know it varies whether it's 30 years, by agency, but shoot, I would love to know the compliance rate on that in terms of folks. I think that's something that also needs to be looked at." Susan Eckerly, National Federation of Independent Business, p. 32

- "[O]ne of the things that we frequently hear about, particularly in the tax area, the burden of having to keep those records. And you've got to remember, as I pointed out earlier, not everybody has an empty CD-ROM of all this, which is probably one good way to store it. A lot of people just have huge—you know, think of a tool and die shop, just huge file folders in a dusty corner of a room with all this stuff in it, or think of a gas station, if they even have it anymore." Susan Eckerly, NFIB, p. 83.

- "The House Small Business chairman in 1995 amended the '95 Paperwork Reduction Act to require that the clearance process and the single agency officials put on every single recordkeeping requirement that exists in the system a record retention requirement. That is a matter of law. It reads in 3506(f) now, for each recordkeeping requirement, the length of time a person's required to retain their records specified \* \* \* we would save hundreds of millions of dollars if we could just move to that point. \* \* \* I think if you go into the existing inventory today, which exists—you can look at it—and count the number of times we have recordkeeping requirements established in law that do not express what the record retention requirement is, you would be in the thousands of specific examples, thousands. \* \* \* They're there now and thousands of examples amounting to hundreds of millions of dollars in burden." Bob Coakley, p. 86–9.

## 2. Duplicative Paperwork Requirements

- "With the IRS, one area that I thought was very good that had some momentum behind it was the STAWRS [Simplified Tax and Wage Reporting System] program, where the IRS eliminated the duplication of submissions to the IRS and the states and from what I understand, that program's completely—not only has it not gone forward, it is completely erased." Giovanni Coratolo, U.S. Chamber of Commerce, p. 19.

- "I do a lot of OSHA issues and I know OSHA last year had put forward a proposal as part of the Paperwork Reduction Act to get rid of a lot of duplicative and excessively redundant stuff. I think that's a good start they've done, which they need to be commended for doing that." Chris Tampio, National Association of Manufacturers, p. 21–2.

- "I hear a lot about duplicative reporting about EPA. There are four different media offices. They all ask the same questions in different ways and people end up reporting the same data with a slightly different twist and I don't know if this report can address that because many, many of those requirements are statutory. \* \* \* " Fern Abrams, IPC, p. 26.

- "I know with the IRS, they just deleted the requirements of filling out Schedule L

and M and when they examined it they found it was not used. Here were millions of hours of paperwork that was being required, plus the data collection by small businesses, and they weren't being used." Giovanni Coratolo, U.S. Chamber of Commerce, p. 34.

- "Another thing with regard to the single electronic reporting system or sort of addressing the duplication, we tried to ask our members what agencies are the worst with regard to duplicative paperwork. The anecdotal information we received, they tend to say that duplications within the agencies \* \* \* if there are two representatives from the Department of Labor, ask them have you ever taken the Wage and Hour paperwork requirements, reporting requirements, matched them up with OSHA? Those are some instances that we hear about. And is there any way you can try and merge that? That would be a suggestion with respect to that." Susan Eckerly, NFIB, p. 82–3.

- "I'd ask if it's within the purview of this Task Force to look at where state regulations can be synched-up more with federal regulations because there's a lot of duplications there, as well." Fern Abrams, IPC, p. 85.

- Examples of Duplicative Reporting in the environmental arena:

- Hazardous waste shipments on both RCRA biennial and annual SARA TRI.

- Annual air emission fees (for those states or air districts that require them) and SARA TRI reports—pound for pound TRI chemicals virtually identical.

- WW discharges for certain pollutants that are SARA TRI reportable. Although most WW reports are concentration based, some are mass based and getting annual totals is a matter of adding.

- Tier II reports and California HMBP were duplicative until Reg. 9 issued July 27, 2001 letter confirming that California facilities submitting HMBP annual reports did not have to file Tier II reports.

- Some states duplicate federal TRI reporting with same chemicals. (Massachusetts and Form S)

- Some states require duplication of hazardous waste quantities for waste min/P2 reports (New York's HWRP and California's SB 14)

- All compiled by Fern Abrams, IPC.

## 3. Single Point of Contact

- "I think small business people, they want to comply with regulations and paperwork and stuff but the biggest problem they have is compliance assistance. In all the agencies, in IRS, in OSHA, at the Department of Labor, in Wage and Hour and everywhere, I think having more people there to help with compliance assistance is a key that these people want." Chris Tampio, National Association of Manufacturers, p. 20–1.

- "[o]ur members really do need help with some of this paperwork. A lot times it's very—I mean you get down to environmental reporting on very technical issues and they're very specific and what they really need is simplification. They don't need more long written guides or helpful compliance guides where instead of now having 20 pages of forms with 200 pages of directions, we now have 300 pages of guidance on top of that,

which is often more regulatory interpretation instead of really being helpful." Fern Abrams, IPC, p. 27.

- "If we create a series of single agency contacts outside the rubric of these chief information officers and their statutory authority and responsibilities, how can we expect them to work? It's either got to be them, a point Susan [Eckerly] alluded to, or it's got to be somebody reporting to them. Then the CIO's have to understand that [information resources management] includes public burden and small business. And if they think about it and if they follow what the president \* \* \* wants done, small business would be pretty high on that list and we will begin to see an ability to attach these problems." Bob Coakley, p. 50.

- "[i]f each [agency] had the list, not only their chief information officer but all the ombudsmen they have or all the points of contact, that potentially small business would go to, that might be a useful exercise, to just get all those, everybody's list together in terms of when you try to figure out who should be the single point of contact." Susan Eckerly, NFIB, p. 73.

- "Not only is there a complex web of who is a small business ombudsmen, and I'm using that as just a general term, but there's no mechanisms for accountability in a lot of agencies \* \* \*. So there's been a long-term problem. Department of Labor I'll use. They have—and I don't even know if this position's filled now because I just ignore it—their small business outreach person or ombudsmen for the entire department and it's always just this office that they'd say hi, we'll send you a brochure. So it never was very useful. And what's important on that point, not only is the person accountable but the agency's accountable \* \* \* " Anita Drummond, ABC, p. 73–4.

- "Imagine being somebody out in Loma Linda, California or whatever, calling Washington, D.C. information and asking for the Department of Labor. They say I'm a small business and I'm trying to comply with the wage and hour laws; who can I talk to? Well, if the personnel operator, the operator who answers that line, I think that's the key thing right there. Those front-line telephone operators need to be able to direct that person, \* \* \* no matter who [is the single point of contact], whether we have them set up as a full department, an ombudsman, or one-stop call \* \* \* " Larry Fineran, National Association of Manufacturers, p. 91.

- "We should examine the possibility of recommending to the agencies the responsibilities this [single point of contact] should be assigned \* \* \* should the appointed small business official report annually to the Office of [Advocacy]?" Jim Tozzi, Center for Regulatory Effectiveness.

- "It's important to establish what the relationship will be between the point of contact identified by the legislation and (1) the chief information officer who is charged with administering the Paperwork Reduction Act; (2) the small business ombudsperson who is appointed by several agencies; and (3) the office of small business that various Cabinet departments have set up. If this provision is to be implemented effectively, it is important that not another overlapping



office be created to meet this requirement in the 2002 law." Susan Eckerly, NFIB.

#### 4. Catalogue of Required Reporting

- "One thing that we \* \* \* consistently argued for is the catalogue of reporting requirements \* \* \* I think that it doesn't make sense to me that you can't go one place, maybe not every single paperwork requirement, but most of them, divided by SIC code. It just doesn't make sense to me that you can't have that." Susan Eckerly, NFIB, p. 81-2.

- "But in addition to that idea of a catalogue, a nifty electronic edition that be (sic) an export system along the lines of Tax Cut, where you put in your SIC code and start answering very basic questions that would then take you to the regulations that would apply to you." Fern Abrams, IPC, p. 84-5.

- "The catalogue of reporting requirements. That system of information, that database already exists. It shouldn't be hard \* \* \* it should not be a task." Bob Coakley, p. 86.

- "The Task Force should clearly identify and recommend that any catalog of regulatory paperwork collection requirements be broken down according to these different manufacturing processes. Creating a catalog in such a manner would greatly enhance the ability of small business owners to comply with underlying laws and regulations on paperwork and information collections." Danielle Waterfield, Screenprinting and Graphic Imaging Association International.

- "The federal government should have in one place a definitive list of the paperwork requirements imposed on small business. \* \* \* Given the paperwork and regulatory demands placed on small business, the federal government should be able to fulfill its end of the bargain and publish a list categorized by the NAICS code. It would be wonderful if businesses could access this via CD-ROM, through their trade association, or off the internet, among other places." Susan Eckerly, NFIB.

#### 5. Agency Accountability/Review of Agency Compliance With Paperwork Laws

- "[w]e really have to look at what the agencies are spending and dedicating their efforts to \* \* \* I know we have a section 610 under SBREFA that asks agencies to review rules. Why shouldn't there be a 610 for paperwork, where they actually have to review the paperwork requirement every so often within the agency? And this should be under the guise of OMB to enforce this." Giovanni Coratolo, U.S. Chamber of Commerce, p. 18-9.

- "I recommend that this Task Force have some sort of recommendation of a 610-like provision where agencies could have a certain period of time where they would have to review their forms \* \* \* so when I refer to 610 I'm not referring to 610 out of SBREFA but something similar that would be recommended by this Task Force to the agencies that every so often they would have to review these forms and have certain assets dedicated to examine whether this information is useful or not or is being used."

Giovanni Coratolo, U.S. Chamber of Commerce, p. 33-4.

- "The mantra of the small business community is we don't need new laws, we don't even need new administrative initiatives; what we need is an executive branch to follow up on the laws that exist so that we give integrity to the regulatory process and we can participate meaningfully \* \* \* we need to get rid of the benign neglect and that'll take political leadership \* \* \* we need the president to ask the agencies to make it a priority to follow the procedural requirements of law that we already have won and put in place and that ought to be done." Bob Coakley, p. 45-6.

- "My brother works for the Federal Trade Commission and he was reviewing a regulation one time with one of his colleagues and his colleague—this was before SBREFA was passed, by the way—he said, well what about this Reg Flex review? He said, 'Don't worry about that. It's not enforceable anyway, so we don't have to do that.' I think unfortunately that's the attitude of a lot of federal officials, not all of them certainly, but many of them \* \* \* I would suggest that you look at ways to implement the paperwork requirements that go beyond simply having them review them. Maybe some type of judicial review or maybe you need to create some kind of incentive from the agency's perspective." Brad Frisby, National Mining Association, p. 55-7.

#### 6. Penalty Waivers/First Time Abatement of Penalties

- "I do a lot of OSHA issues and instead of having so many people that are there playing gotcha for a manufacturer that might have a paperwork violation, why not instead have someone go there and try to assist them in not just the recordkeeping but trying to make it a safer workplace instead of giving them a violation for not having their material safety data sheets or something like that \* \* \* let's take some of the resources from a lot of their heavy-handed enforcement to compliance assistance." Chris Tampio, National Association of Manufacturers, p. 23.

- "I also work with OSHA issues \* \* \* and I actually view OSHA as much more of an outreach and helpful to small businesses and the like, and I'd like to see EPA go more that way, that OSHA actually has programs where they reach out and help businesses comply \* \* \* " Fern Abrams, IPC, p. 26.

- "[t]here's a lot of problems with contractor-staffed hotlines where the people answering the questions don't really know the answers. They're making stuff up. And then the agencies, and I believe this is true of the IRS, as well, don't have to be held to the advice that is given out by their hotline. So someone can get advice, take it, and still be slapped later with an enforcement violation." Fern Abrams, IPC, p. 27-8.

- "[w]hat's important \* \* \* not only is the person accountable but the agency's accountable, and this is a problem that came up during the last administration and I can't remember how it was resolved in the Department of Labor but they put out compliance guides and you could follow the compliance guide but you could still be cited if you follow the compliance guide because

there was an error in the guide. So the agency was not accountable for having accurate assistance materials. The person wasn't accountable, the person or the program wasn't accountable, and the materials, there was no reliability in them." Anita Drummond, ABC, p. 74-5.

- "I think it's incumbent on the Task Force to actually strengthen [the suggestion of first-time abatement of penalties] and recommend that [agencies] come out on record as saying that they will have a first-time abatement of penalties based on minor paperwork infractions." Giovanni Coratolo, U.S. Chamber of Commerce, p. 75-6.

- "[w]hat is the ultimate goal of the regulatory system? \* \* \* The ultimate goal is voluntary compliance \* \* \* so to the extent that agencies make it easy to comply, then they are furthering their goal, whether it's a safer workplace or whether it's a better environment, what have you. So I think that the agency mindset still needs to be that voluntary compliance is their goal, not how many citations have they made \* \* \* " Larry Fineran, National Association of Manufacturers, p. 90-1.

#### 7. Electronic Paperwork Reporting

- "I'll be the first to say our members are way behind in [technology]. The average size of our membership \* \* \* is very small, less than 10, and a lot of these people are now having computers but they don't use their computers necessarily to be on the Web, so they're not going to get on EPA's Web site and all of a sudden have one magic form and fill all that out." Susan Eckerly, NFIB, p. 29-30.

- "[a]gencies \* \* \* see a great opportunity in making everything electronic, that somehow this is going to achieve the greatest type of reduction and it's also perhaps the most cost-efficient for an agency, but the reality of small business, the reality of those that actually have to go through this if they're going to fill out their own forms, more often than not the electronic option isn't available to them. So although [electronic reporting] is often the main way \* \* \* in which agencies choose to reduce their overall burden numbers \* \* \* it still isn't taking care of those who have the toughest part of the burden, which is those that are still filling out paper." Rosario Palmeri, House Committee on Small Business, p. 533.

- "I think there's still very large problems with the [EPA's] e-docket. I think it was a tool that was established to try to help small business \* \* \* I even find it complicated and I've done this for 15 years. I get lost in it. I can't find some of the e-docket materials that EPA says are on the various dockets." Theresa Pugh, American Public Power Association, p. 65.

- "[t]here are a lot of people who are still on paper, especially in the small businesses who don't have computers or worse yet, have computers but they're dial-up computers and they're on one person's desk and when you start looking at 500 or whatever page things, it could take them hours to download it. So I think we need to look at the high-tech solutions that we didn't have a few years ago but we're not quite ready to replace the paper." Fern Abrams, IPC, p. 84.

• “I wanted to suggest that the Air Office, at least at EPA and perhaps some other agencies, have a bad habit of establishing databases to indicate both paperwork and actual regulatory compliance costs and on some small business areas it's left blank. If you don't know any better and you read that, it look like there's no regulatory requirement \* \* \* it sort of leads one to believe that they're not being regulated when they will be regulated.” Theresa Pugh, American Public Power Association, p. 93.

#### 8. Miscellaneous Comments

• “\* \* \* I sat through an IRS paperwork reduction meeting. It was part of their normal review of forms and instructions. This one happened to be on taxes filed by small farmers and they devoted, I think, about 25 minutes of their eight-hour session on this particular set of forms to paperwork reduction \* \* \* But what we found is that the IRS, in figuring out who to put together in terms of a meeting to talk about paperwork reduction, they didn't have a single farmer, they didn't have a single representative from a farm trades or any other small group. They put together a group of practitioners who essentially were accountants \* \* \* they start with the assumption that no small business and no farm is actually going to fill out their own taxes \* \* \* and when they start from that basic assumption, they assume that the types of corrections and the types of things they want to do or make clarifications to are from a practitioner's standpoint rather than from the individual standpoint.” Rosario Palmeri, House Committee on Small Business, p. 51–2.

• “If there were some way we could come up with a clever way of rewarding employees in various agencies \* \* \* if there was a way that the regulatory agencies \* \* \* would recognize the leadership of employees for taking a creative approach in trying to reduce regulatory burden in a responsible way \* \* \*.” Theresa Pugh, American Public Power Association, p. 66.

• “And I wanted to comment briefly on the same-time reporting option on your list \* \* \* I hear negative feedback about that. Companies like that things are spaced out through the year so that they can spread the workload over the one or two or three people or however many they have who handle the reporting requirements, and that if it were all due at one time of the year, they couldn't have that one person.” Fern Abrams, IPC, p. 85.

#### Appendix 5—Federal Government Initiatives To Reduce or Streamline Reporting Requirements for Businesses

Currently there are a substantial number of Federal government efforts in operation or in development that use one or more of the approaches to reduce paperwork burden for businesses, as described in the task one section of this report. Several examples follow:

1. The Food and Drug Administration (FDA) has harmonized its new drug application and biologics application forms which can be submitted electronically. Previously, there had been 21 different application forms. A second FDA example is

its work underway with the European Union and Japan to harmonize product approval application requirements and adverse event reporting. As a result of this work, businesses will be able to collect and submit essentially the same information in the same format to satisfy many countries' pre-approval and post-marketing requirements for drugs and biologics.

2. Below are two examples of cross agency consolidations of reporting requirements are instructive.

(a) The Single Source Coal Reporting project, which involves several Federal agencies plus at least 1 state, consolidate reporting by coal producers on their production activity to a single point; using one form, common data definitions where practical and beneficial, and synchronized reporting with respect to timing.

(b) The Employee Benefits Security Administration (EBSA), the Pension Benefit Guaranty Corporation (PBGC), and the Internal Revenue Service (IRS) jointly collect data from businesses on benefit plan operations using a single form. In the year 2000 the 3 agencies together streamlined the information required to be reported on the form and implemented an electronic filing and processing system. The single report is filed with a contractor who then distributes the appropriate information to each of the 3 agencies.

3. The IRS has expanded the use of the Internet and web-based technology to reduce burden on small businesses. The Small Business Community Web Site provides a variety of information, tools and products to make it easier for small businesses to comply with tax laws.

4. The Social Security Administration for many years has received Forms W–3, Transmittal of Wage and Tax Statements, and Forms W–2, Wage and Tax Statement, on behalf of both SSA and the Internal Revenue Service. SSA collects the data from employers, transcribes the paper documents not filed electronically, posts the data to their own files and provides the data to the IRS.

5. The Occupational Safety and Health Administration (OSHA) and the Bureau of Labor Statistics (BLS) collect occupational injury and illness data from individual employers in annual sample surveys. By law, BLS cannot share micro-data collected from businesses with non-statistical agencies. Although BLS is barred from sharing data with OSHA, the two agencies have developed sampling methodology and reporting procedures designed to reduce the burden on businesses in both surveys by minimizing overlap between the 2 surveys and providing businesses the opportunity to use a single form for reporting if they so choose.

6. The Department of Transportation (DOT) currently has two initiatives for consolidating reporting requirements. The first initiative consolidates reporting requirements for six of its agencies into a 1 page form for businesses to report the results of safety-related drug and alcohol tests for nearly 10 million safety-sensitive employees. This new form also reduces the number of data elements. The Coast Guard will continue to participate in this system after it is transitioned to the Department of Homeland Security.

Another noteworthy effort underway at DOT is the creation of a new application form and uniform reporting requirements for the disadvantaged business enterprise (DBE) program. At this time a business seeking certification as a DBE must fill out a different form for three DOT agencies and for multiple state and local agencies. The new form will be used by federal, state and local agencies.

#### Appendix 6—The Business Compliance One Stop as a Platform for Regulatory Burden Reduction

##### Background

SBA is the managing partner for the Business Compliance One Stop (BCOS), an initiative that is a framework for achieving the goals of the (SBPRA) Task Force.

The goal of the BCOS is to reduce the burden on business owners by making it easy to find, understand, and comply with governmental laws and regulations. The BCOS solution is to provide businesses with a single point of access to information and tools that will make it easy for them to comply. The portal offers value to the business community in three areas:

(1) *Find*: efficient access to laws and regulations at all levels of government (helps you find what applies to you as a business owner, where you live);

(2) *Understand*: compliance assistance digital guides that will help businesses determine if they are in compliance and how to comply;

(3) *Comply*: online transactions, such as allowing businesses to register their business, apply for licenses and permits, and file information electronically.

As the advocate and supporter of small businesses, SBA is the managing partner for the following reasons:

• **Core Mission**—Small businesses comprise 99 percent of all business. With its legislative mandate to help small businesses succeed, SBA “owns” the relationship with the intended beneficiaries of the initiative.

• **Outreach**—The intergovernmental scope of the project gives SBA another advantage, as no other federal agency has the breadth and depth of grassroots partnerships and experience with business development entities in over 1500 locations.

• **Relationship with the Regulatory Community**—SBA works more closely with the federal regulatory community than any other agency through its congressionally created offices of Advocacy and National Regulatory Ombudsman. Building appropriate compliance assistance tools is a natural complement to its role of “being a voice” for small businesses.

• **Experience in Cross-Agency Web Portals**—SBA is the creator and manager of Businesslaw.gov, a legal and regulatory information gateway to all 50 states and the platform for BCOS.

• **Focal Point**—SBA is willing and able to forge the necessary partnerships to manage this effort, and offers the Executive and Legislative branches a focal point for cost effective stewardship and accountability for e-government expenditures.

##### Current Partners

We presently have partnerships with nine Federal agencies, (*i.e.*, DOT, DOI, DOE, EPA,

IRS, DOL, OSHA, INS, and GSA) and seven states (*i.e.*, Illinois, Georgia, Washington, Missouri, Iowa, New Jersey and Texas). We have also enlisted the partnership of several associations to represent the business customer and provide us a true reality check, *e.g.*, NGA, NFIB, NASCIO, ATA, etc. BCOS delivers these capabilities through an Internet portal (*BusinessLaw.gov*) providing content specific to particular industries as well as help for business in general.

#### BCOS Focus

During its first year the BCOS effort focused on compliance assistance in the areas of environment, workplace health and safety, taxes and employment. For its second and third years, while continuing to make it easy to find, understand, and comply with governmental regulations, with the primary focus on creating compliance assistance tools, the BCOS initiative will place a greater emphasis on reducing the paperwork reduction, *i.e.*, the regulatory burden that emanates from having to comply with government requests for information. OMB estimates that the total federal paperwork burden is 7.7 billion hours annually of which 6.6 billion hours stem from the Department of Treasury. Evaluations of modern forms management systems which include interactive, electronic forms as well as streamlining collection processes and harmonizing data requirements across agencies have the potential to reduce by 50 percent agency costs and the small business burden.

This paperwork reduction emphasis emanates from the Small Business Paperwork Relief Task Force recommendations to reduce the burden using the following three strategies:

4. Reduce the information required through analyzing if information is needed, if definitions in different forms and forms in different agencies can be harmonized to reduce overlap;

5. Increase the effectiveness of data collection processes by collecting once and sharing data among programs and agencies;

6. Reduce the work of submitting data by using interactive, electronic, forms that aid the user.

To get faster results, the BCOS initiative will concentrate on highly regulated industries such as trucking, health care, food, and chemicals. To achieve this, the BCOS will look to a Governance Board made up of senior staff from the key regulatory agencies that can be a decision-making body. Through the guidance from the BCOS project management, the Board will ratify key development teams led by individual regulatory agencies. For instance, DOT will take the lead on reviewing the over 40 Information Collection Reports (ICRs) from 11 federal agencies and the 4 state transactions to determine where E-forms should be applied and including streamlining and harmonizing the data capture processes. Financing for these efforts will be made available by OMB or the regulatory agencies. SBA as the general manager of the BCOS will function as a secretariat for the Governance Board or Steering committee, work with associations

and small businesses to analyze the regulatory information burden, hold focus sessions, create the project plans and develop proposals for harmonizing and streamlining information requirements across government as well as providing interactive, electronic forms and suggesting how collection processes can be streamlined. We will also take the lead in building the portal and functioning prototypes or proof of concepts for the burden reduction applications.

#### BCOS Results

One of the most important outcomes of BCOS is the demonstration that Federal and state agencies can work together to reduce the regulatory burden through a variety of means. It has shown that compliance assistance is possible and effective. The following describes some of the results achieved:

#### BusinessLaw Portal

BCOS uses BusinessLaw.gov as its foundation and framework. This portal provides nearly 20,000 links to federal and state legal and regulatory information on 39 different topics, where to go to complete transactions such as licenses and permits, and a host of information on rulemaking, compliance assistance, and regulatory fairness. The portal also offers useful information on where to get help, how to contact Congress and associations, and principal considerations in choosing legal help. In concert with the goals of the BCOS team, the site is adding new navigation aids, additional digital guides or expert tools, and user-friendly transactions. Estimated savings: \$56 million annually.

#### Compliance Assistance Guides

- Alien Employee Visa Classification eTool
- Employment Eligibility Verification tool
- OSHA emergency building evacuation procedures e-Tool
- Coal Mining Report Harmonization
- Integrated State Registration and Federal EIN Web Services Application
- Choosing a Legal Structure
- Auto Dismantler & Recycler Environmental Audit Advisor
- Motor Vehicle (Class V) Waste Disposal Wells Advisor

Estimated savings from a total of 30 expert tools: \$300 million annually to businesses and \$12 million to agencies.

#### Coal Mining Report Harmonization

This project is an excellent example of agencies working together to reduce the information burden on nearly 1,000 coal miners who submit reports to DOI, DOE, EPA, DOL, IRS, and State EPAs. Eighty percent of the data in these reports are identical and require about 50,000 hours annually. A tool developed by DOI provides a one-stop submission of data that is then distributed to participating agencies. Data metrics using different definitions is automatically changed to the metric required by each agency and results in an estimated 25,000 hours saved. As the project has been progressing, agencies have begun to look at streamlining definitions, reporting periods and the need for the information in the first

place. Estimated savings: \$1 million annually.

#### Integrated State Registration and Federal Employer Identification Number Application

This example demonstrates that significant savings can ensue when state and Federal processes are integrated and offered as a single web services. State business registration requires many of the same data elements as the Federal Employer Identification Number (FEIN) submission. This tool permits the user to apply on-line for a state registration and then elect to apply for a FEIN, which is pre-populated with data from the state application. For additional information, the application asks for additional data in an interview format. IRS estimates that more than 2.4 million businesses acquire EINs annually. Estimated savings: \$96 million annually.

#### Bureau of Citizenship and Immigration Services I-9 Interactive, Electronic Tool

All U.S. employers are responsible for completion and retention of Form I-9s for each individual they hire to certify work eligibility in the United States. This includes citizens and non-citizens. On the form, the employer must verify the employment eligibility and identity documents presented by the employee and record the document information on the Form I-9. The U.S. Department of Homeland Security, Bureau of Citizenship and Immigration Services (BCIS), maintains the form. This tool developed by BCOS in cooperation with BCIS, guides the employer using an Intuit-type approach through a set of questions at the end of which the form is completed. Throughout the tool, educational material is provided in terms of instructions and answers to frequently asked questions. Estimated savings: \$12 million annually with a substantial increase in the quality of the completed form.

#### Trucking One-Stop Portal

Trucking is an important industry, contributing to 1 out of every 12 jobs and local economies. A large part of the 900,000 plus trucking firms works interstate and needs to comply with information from the Federal and state governments. The Integrated Truck One-Stop is an example of how using harmonized data capture, electronic forms and transactions and offering web services for both federal and state requirements can work for a specific industry. The planning phase is being completed for this project.

We have developed the data reference model for both federal and state regulatory requirements. With this understanding, we can develop web services that let truckers submit data to a common front end portal that then processes the requests, distributes the data to the participating user states and Federal agencies, and returns credentials, licenses, permits and payment schedules. Additionally the trucking one-stop portal will provide compliance assistance information and tools to reduce the regulatory burden. The development of a trucking one-stop portal with E-forms and streamlining and harmonization of data collection will yield an estimated savings of \$400 million annually.

### The Profiler—Personalization for Finding Compliance Assistance Resources

This tool allows the user to characterize his firm in terms of where it is located, size, industry as well as what kind of assistance the user is looking for. The tool then locates available compliance assistance resources available from five major Federal agencies. The estimated savings are \$62 million annually.

### Appendix 7—Compliance Assistance Best Practices

Best practices and lessons learned are shown for three areas:<sup>1</sup> cross-jurisdictional State-wide services, other cross-jurisdictional portal applications and specific compliance and permitting services. In addition, other sites representative of specific navigational practices and assistance tools are included in the discussion of challenges.

#### Cross-Jurisdictional State Portals

The following sources are examples of State-wide services providing compliance assistance across multiple jurisdictions:

1. The Georgia Technology Authority (GTA) is designing an enterprise portal to integrate information from disparate sources throughout the Georgia State Government. The first to benefit from this portal are the projected 400,000 Georgians a year likely to renew their driver's licenses online. It is one of the first Web services portals based on Simple Object Access Protocol (SOAP) and Extensible Markup Language (XML) to take advantage of cross-jurisdictional transactions.

2. Washington State has implemented a State portal that serves as a one-stop registry for companies to do business in the State by providing relevant information and supporting transactions online. It was developed with a comprehensive understanding of customers and their needs and deployed using a component-based architecture to support its growth and sustainability. It is one of the first and largest Government-to-Business (G2B) transaction sites available in the nation.

3. The Commonwealth of Pennsylvania has implemented a one-stop business services portal that allows businesses to electronically identify, complete and submit all business-specific registration data required to multiple State regulatory agencies. Three State agencies currently participate in the initial phase: the Department of Revenue, the Department of State, and the Department of Labor and Industry. Each agency performs critical approval and oversight functions in registering new enterprises. Fifteen hundred (1,500) businesses have submitted or changed their registrations online without incurring legal and accounting expenses previously required.

4. The State of Virginia Department of Taxation offers the ability for a business to file its sales and withholding tax online. It

provides for electronic filing and payments by both individuals and businesses, and is jointly supported by the Virginia Employment Commission and the Virginia Department of Taxation. Future plans call for seamless transactions across State agencies and integration for Federal Internal Revenue Service (IRS) and Social Security Administration (SSA) transactions.

5. The State of Mississippi has embarked upon a three-year initiative to develop a comprehensive State portal to provide e-Government services to its constituencies by building upon a flexible, open, and scalable technology foundation. Occupational license renewals for the Board of Architecture and payment processing were the first applications deployed with the initial release of the new portal in October 2001. Their success is based on a strategy of building a standards-based component architecture at the State level that can provide plug-and-play compatibility and interoperability for future applications.

#### Other Cross-Jurisdictional Portals

The following sources are examples of other services providing compliance assistance across multiple jurisdictions:

1. Inland Revenue, United Kingdom, Online Tax Filing deployed a tax filing system for employers and agents filing pay-as-you-earn taxes on behalf of employees; and a self assessment filing system for individual taxpayers. This site is an example of the rapid integration of commercial-off-the-shelf (COTS) forms processing, transaction engines and business rules to support businesses filing tax information online.

2. Miami-Dade County, Florida has one of the largest local e-Government transaction-based systems, allowing businesses and individuals to request services, track and review status of service and make payments online. It supports a host of county services from occupational licensing to the payment of parking tickets. They created a component-based architecture that promotes interoperability and enables the easy addition of Web-based transactions and tools.

3. Nova Scotia Atlantic Canada Online electronic business system (in partnership with an industry provider and the provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland) provides third-party client organizations with secure Internet access to Government information. Electronic access is provided to personal property registries and records, vehicle information, business registries, court filings and documents and more. The business model relies on an industry provider to invest \$10M in the development, implementation and management of the business and technical infrastructure that supports the online services. Organizations such as banks and law firms establish online accounts, from which small fees are automatically deducted for each transaction.

#### Specific Compliance and Permitting Applications

The following sources are examples of services providing specific compliance and permitting transactions for specific jurisdictions:

1. The Illinois Department of Revenue focused on reducing the tax and wage-reporting burden on businesses by providing an integrated capability for electronic registration, simplified tax and wage reporting, and online filing and payments. The department achieved success by developing a solid understanding of its customers' requirements and building the necessary infrastructure to provide secure digital transactions to more than 100,000 businesses. It defined a business model consistent with its mission and relied on a component-based architecture to deliver the needed business services.

2. The Ohio Bureau of Workers Compensation allows injured workers to fill out insurance claims forms electronically. As many as 80 percent of Ohio workers using the new system have been able to file claims within seven days of receiving their job-related injury, as opposed to 25–27 days for paper-based claims. Nine hundred companies have paid their workers compensation premiums online using credit cards. This site demonstrates the ability of individuals and businesses to file forms electronically, make payments online and have transactions synchronized across multiple State agencies within Ohio.

New Jersey's DEPonline is a one-stop environmental information sharing and regulatory compliance portal for business, industry and the public. DEPonline seamlessly interoperates with the New Jersey Environmental Management System (NJEMS), an integrated enterprise regulatory management solution. The portal enables business users to access status of compliance information and up-to-date regulations, apply and pay for (by credit card or check) a variety of permits and licenses and submit compliance reports online.

#### General Findings

Most cross-jurisdictional portals, particularly those at the State level, are currently in development and are facing similar issues, integrating solutions across multiple jurisdictions, developing common repeatable frameworks and addressing the diverse needs of a large customer base. While most have not achieved their stated goals, they do reveal some useful lessons learned:

Start with a comprehensive understanding of the customers, and address the services that have the largest potential gains in reducing the compliance burden and promoting efficiencies;

- Define an effective business model for delivery of services to customers, consistent with the mission and leveraging agency core competencies;

- Develop a component enterprise architecture that exploits common, repeatable standards and supports continued growth, promotes interagency collaboration and addresses user privacy and security concerns;

- Deploy proven technologies and tools, particularly those currently in use by the more successful implementations from compliance organizations; and

- Achieve interagency and intergovernmental cooperation and collaboration, an essential element in

<sup>1</sup> From a paper titled "One-Stop Business Compliance Proposed Best Practices" prepared for the Federal CIO council and the Business Compliance Assistance One Stop initiative in 2002 by a consortium of consulting firms. The whole paper can be found at <http://www.cio.gov/index.cfm?function=documents&section=best%20practices>.

providing a common, seamless One-Stop  
Business Compliance capability.

[FR Doc. 03-11311 Filed 5-8-03; 8:45 am]

**BILLING CODE 3110-01-P**