

2017 NSBA SMALL BUSINESS REGULATIONS SURVEY



NSBA
National Small Business Association

AMERICA'S SMALL BUSINESS ADVOCATE

FOREWORD

The National Small Business Association (NSBA) is the nation's first small-business advocacy organization, celebrating 80 years of small-business representation in Washington, D.C. Focused on federal advocacy and operating on a staunchly nonpartisan basis, NSBA is a recognized leader of America's small-business community. Throughout the year, we conduct a series of surveys, including two Economic Reports and a series of issue-based surveys. Now, for the first time, NSBA has conducted a comprehensive survey on regulations and how they impact America's small businesses.

The 2017 NSBA Small Business Regulations Survey provides quantitative support for the need to greatly reduce regulatory complexity, streamline the web of federal, state and local regulations, and adhere to plain language statutes. Both the need for regulatory relief—as well as a road-map to achieve it—are laid out in this survey packet.

Among the most compelling data in the survey, we found that the average small-business owner is spending at least \$12,000 every year on regulations, and nearly one-in-three spends more than 80 hours each year dealing with federal regulation. We suspect these indicators would be much higher if the survey specified the inclusion in calculations of even long-standing regulations such as the 40-hour work week. It is highly likely that most small firms who took the survey simply considered such long-standing regulations a general cost of doing business rather than a regulatory burden, simply because they've dealt with them for so long.

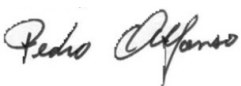
No surprise, when asked what areas of regulation are most burdensome, the federal tax code and Affordable Care Act were the top two. We also found that the small-business owner is the number one regulatory expert in most business and handles the bulk of federal regulatory compliance. Astoundingly, 14 percent of small-business owners report they spend more than 20 hours per month on federal regulations.

Most small businesses say they really started worrying about regulations within the first year of their business. When coupled with the significant regulatory costs associated with a business' first year, it's clear that regulatory burden is a major hurdle likely keeping many would-be entrepreneurs from starting their own business.

The impact of regulatory burden cannot be overstated: more than one-third have held off on business investment due to uncertainty on a pending regulation, and more than half have held off on hiring a new employee due to regulatory burdens.

The 2017 NSBA Small Business Regulations Survey was conducted on-line Nov. 28, 2016 - Jan. 10, 2017 among 1,000 small-business owners. We hope you find this survey informative and useful. Please contact NSBA's media office for inquiries at press@nsba.biz.

Sincerely,

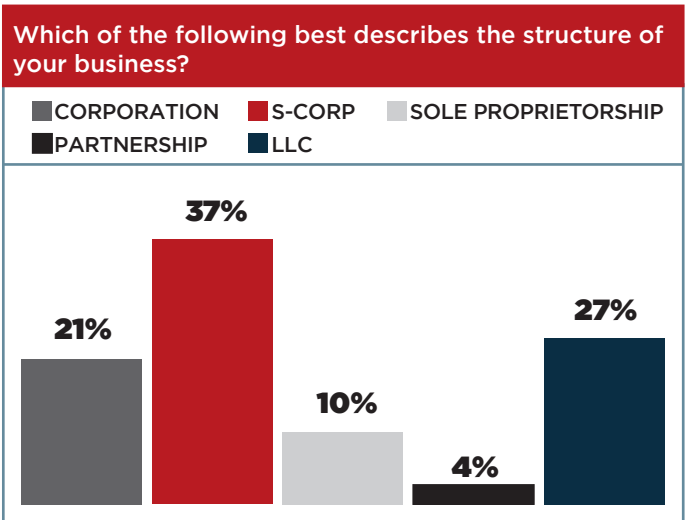
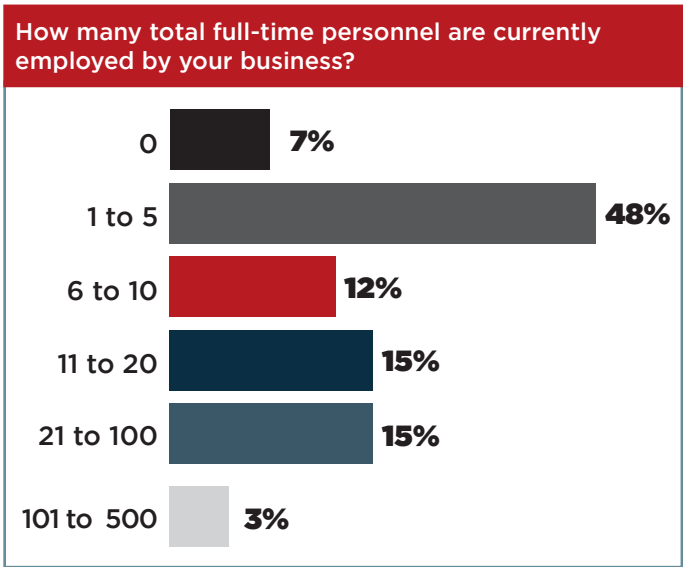


Pedro Alfonso
NSBA Chair



Todd McCracken
NSBA President and CEO

DEMOGRAPHICS

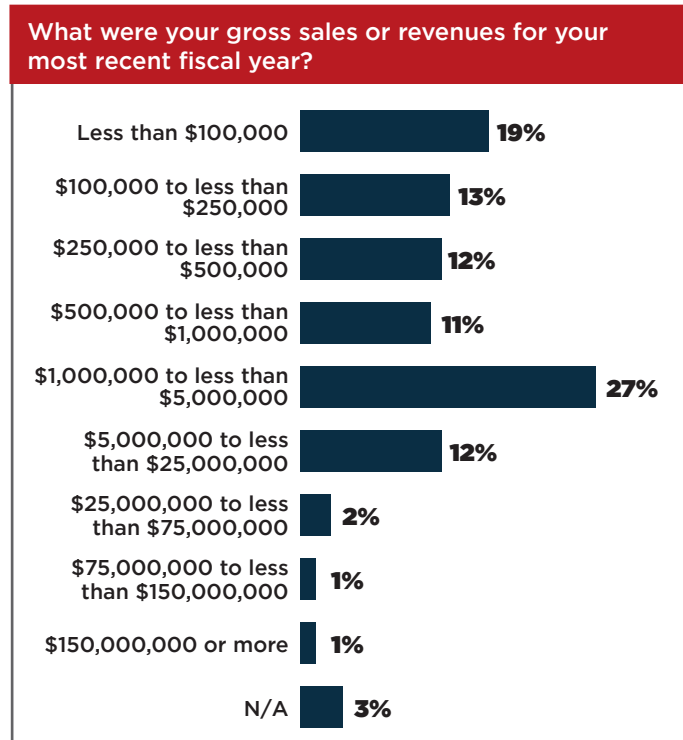


In what region is your business located?

New England	5%
Mid-Atlantic	20%
Great Lakes	15%
Farm Belt	7%
South	26%
Mountain	12%
Pacific	15%

Which of the following best describes the industry or sector in which your business operates?

Professional	13%
Manufacturing	11%
Scientific and Technical Services	11%
Construction	10%
Agriculture, Forestry, Fishing and Hunting	8%
Other Services (except Public Administration)	8%
Information (IT)	6%
Retail Trade	5%
Health Care and Social Assistance	5%
Transportation and Warehousing	5%
Wholesale Trade	4%
Educational Services	4%
Real Estate, Rental and Leasing	3%
Accommodation and Food Services	2%
Finance	2%
Administrative and Support	1%
Arts, Entertainment, and Recreation	1%
Management of Companies and Enterprises	1%
Utilities	1%
Insurance	1%
Waste Management and Remediation Services	1%



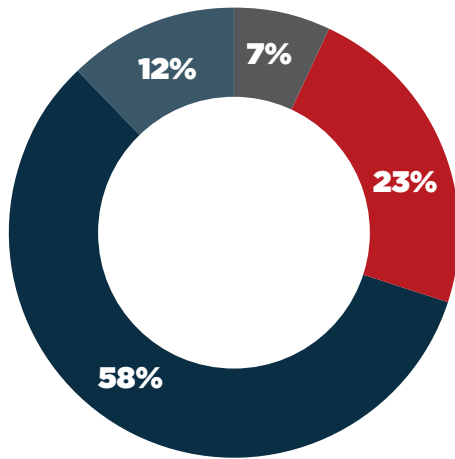
OVERALL REGULATORY BURDENS

It is critical to note that 12 percent of small-business owners say they don't even know the source of regulations impacting their business (local, state or federal)—a clear indicator that the web of local, state and federal regulations is massively confusing.

Nearly half of all small businesses said that regulations related to taxation and health care/health insurance are very burdensome.

Which source of regulation is most burdensome to your business?

■ Local (city/county)
 ■ State
 ■ Federal
 ■ I'm not sure what the source of regulations impacting my business is



Please rank each of the following areas in terms of the amount of total regulatory burden (including federal, state and local) your business incurs.

1	Tax-related
2	Health care and health insurance
3	Payroll & employee compensation
4	Industry-specific
5	Finance-related
6	Environment-related
7	Retirement/pensions
8	Workplace safety
9	Building-related

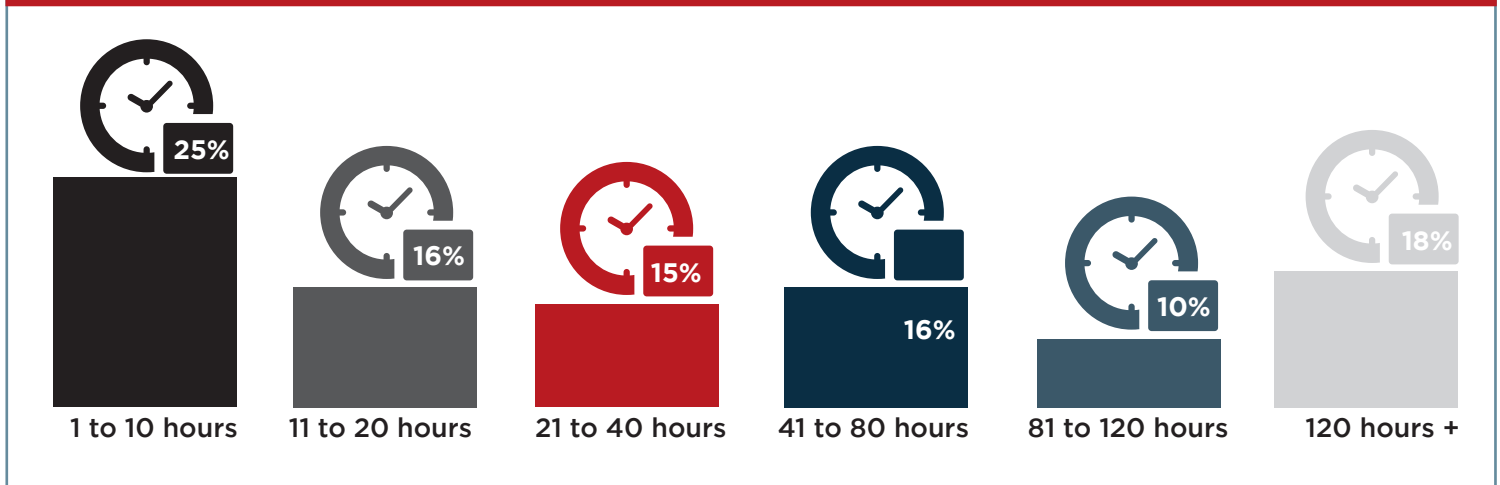
Three-in-four small firms say that federal tax code regulations are very or somewhat burdensome, and two-in-three say that the Affordable Care Act regulations are somewhat or very burdensome.

Please indicate how burdensome each of the following regulatory areas are, or would be if enacted, to your business.

Rank	Regulatory Areas	Very Burdensome	Somewhat Burdensome	Not Very Burdensome	No Impact	Not Sure
1	Federal Tax Code	38%	37%	12%	6%	7%
2	Affordable Care Act	43%	22%	11%	18%	5%
3	Overtime Rules	27%	24%	22%	22%	5%
4	State licensing Requirements	17%	28%	25%	19%	11%
5	Reporting Pay Data by Gender and Race	19%	21%	23%	26%	11%
6	Independent Contractor Test	14%	25%	26%	21%	14%
7	EPA Clean Water Rule	13%	11%	15%	45%	15%
8	Waters of the U.S. Rule	12%	9%	10%	48%	20%
9	Limit Carbon Emissions by Power Plants	8%	8%	10%	55%	19%
6	Fiduciary Rule for Investment Advisers	6%	11%	14%	47%	22%
7	Other	19%	4%	4%	34%	40%
8	Joint Employer Standards	7%	10%	17%	32%	34%

TIME SPENT ON REGULATIONS

Approximately how much TIME do you spend each year dealing with new and existing FEDERAL regulations? (i.e.: reading regulations, determining compliance, adjusting work practices, etc...)



Forty-four percent of small firms report spending 40 hours or more each year dealing with new and existing FEDERAL regulations, and nearly one-in-three spend more than 80 hours each year.

Approximately how much TIME do you spend each year dealing with new and existing STATE and LOCAL regulations? (i.e.: reading regulations, determining compliance, adjusting work practices, etc...)



When talking about STATE and LOCAL regulations, that number drops slightly to 30 percent who spend 40 hours or more each year.

MONEY SPENT ON REGULATIONS

Approximately how much MONEY in DIRECT costs do you spend each year dealing with new and existing FEDERAL regulations? (i.e.: employee pay adjustments, workplace upgrades, daily work routine changes, attorney fees, etc...)

Less than \$500	21%
\$501 to \$1,000	11%
\$1,001 to \$5,000	19%
\$5,001 to \$10,000	19%
\$10,001 to \$20,000	12%
\$20,001 to \$40,000	8%
More than \$40,000	11%

Approximately how much MONEY in DIRECT costs do you spend each year dealing with new and existing STATE and LOCAL regulations? (i.e.: employee pay adjustments, workplace upgrades, daily work routine changes, attorney fees, etc...)

Less than \$500	26%
\$501 to \$1,000	18%
\$1,001 to \$5,000	24%
\$5,001 to \$10,000	16%
\$10,001 to \$20,000	8%
\$20,001 to \$40,000	4%
More than \$40,000	4%

Nearly half of small businesses report spending more than \$5,000 annually in DIRECT costs and another \$5,000 in INDIRECT costs to deal with FEDERAL regulations.

Looking at the costs of regulations at the STATE and LOCAL level, more than half of small businesses report spending more than \$1,000 in DIRECT costs and another \$1,000 in INDIRECT costs.

Approximately how much MONEY in INDIRECT costs do you spend each year dealing with new and existing FEDERAL regulations? (i.e.: time taken away from other business tasks to understand regulations, meet with specialists, etc...)

Less than \$500	20%
\$501 to \$1,000	12%
\$1,001 to \$5,000	23%
\$5,001 to \$10,000	17%
\$10,001 to \$20,000	9%
\$20,001 to \$40,000	8%
More than \$40,000	10%

Approximately how much MONEY in INDIRECT costs do you spend each year dealing with new and existing STATE and LOCAL regulations? (i.e.: time taken away from other business tasks to understand regulations, meet with specialists, etc...)

Less than \$500	27%
\$501 to \$1,000	19%
\$1,001 to \$5,000	25%
\$5,001 to \$10,000	14%
\$10,001 to \$20,000	8%
\$20,001 to \$40,000	4%
More than \$40,000	3%

Taken cumulatively, the average small-business owner is spending at least \$12,000 every year to deal with the costs of regulation. We suspect that this number would be much higher if the survey specified the inclusion of even long-standing regulations such as ERISA in the respondent's calculation of regulatory costs, which many small firms likely just consider a cost of doing business rather than a regulatory burden.

STAFF REGULATORY RESPONSIBILITIES

The small-business owner is the number one regulatory expert in most businesses and handles the bulk of federal regulatory compliance. In one-quarter of small firms, the owner is spending more than 10 hours per month on federal regulatory compliance. Astoundingly, 14 percent of small-business owners report they spend more than 20 hours per month on federal regulations.

Which of the following people/departments in your firm spend the most time on federal regulatory compliance, including reading new or proposed regulations, making adjustments in work-flow to comply to new regulations, complying with existing regulations and all reporting required for existing regulations.

1	Myself
2	In-house accounting
3	External accounting
4	In-house HR department
5	In-house facilities manager
6	In-house IT department
7	In-house industry-specific department (i.e.: food safety)
8	External IT department
9	External industry-specific department (i.e.: food safety)
10	External HR department
11	Other

Approximately how much time do the following people/departments in your firm spend on federal regulatory compliance, including reading new or proposed regulations, making adjustments in work-flow to comply to new regulations, complying with existing regulations and all reporting required for existing regulations.

Staff Member	% spending more than 5 hours per month
Myself	40%
In-house accounting	34%
External accounting	22%
In-house HR department	23%
In-house facilities manager	16%
In-house IT department	15%
In-house industry-specific department (i.e.: food safety)	16%
External IT department	10%
External industry-specific department (i.e.: food safety)	10%
External HR department	9%
Other	8%

REGULATORY BURDEN BY AGENCY

Please select which one among the following regulatory agencies you find to be the most difficult to work with when it comes to regulatory burden and compliance assistance (excluding requirements of contractors who do business with these agencies).

Internal Revenue Service	29%
Department of Labor	14%
Environmental Protection Agency	13%
A State Agency	9%
The Occupational Safety and Health Administration (OSHA)	7%
Department of Health and Human Services	6%
Equal Employment Opportunity Commission (EEOC)	3%
Department of Commerce	2%
Securities and Exchange Commission (SEC)	1%
Federal Trade Commission (FTC)	1%
Consumer Financial Protection Bureau (CFPB)	1%
Federal Communications Commission (FCC)	1%
Other	14%

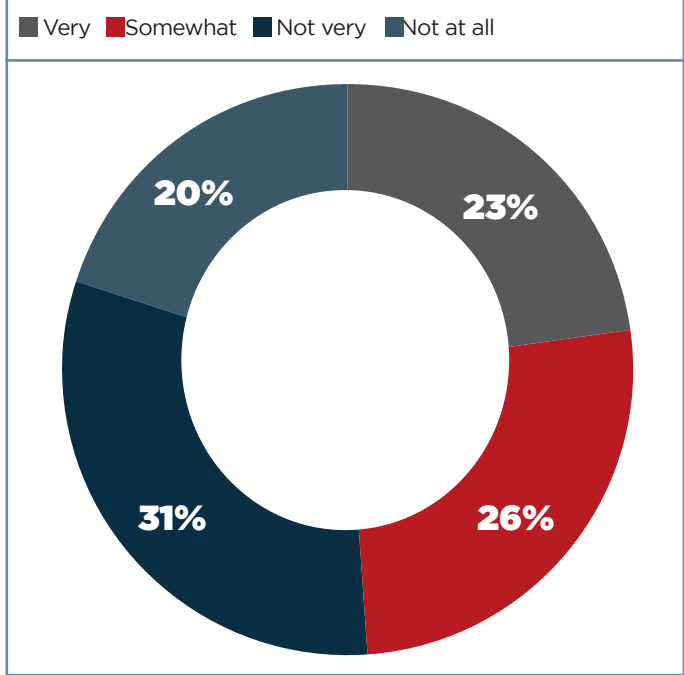
Please select which of the following is the biggest cause of regulatory difficulty with the aforementioned agency.

The complexity of rules	23%
The cost of compliance with their rules	23%
Difficulty of interpreting and understanding rules	21%
The volume of existing rules	15%
The volume of new rules	9%
Rules contradict one another within the agency's purview	4%
This agency's rules contradict other agencies' rules	4%

The fact that “complexity of rules” and “difficulty interpreting and understanding rules” combined to comprise nearly half of all regulatory difficulties is clear indication of the need for eased complexity, overall streamlining and adherence to plain language statutes.

START-UP REGULATORY COSTS

How significant a concern was regulatory compliance to you when first started your business?



When in your business did you start really worrying about compliance with regulations?

When I started it	38%
About six months in	14%
About two years in	15%
About five years in	7%
About 10 years in	12%
I am not worried about regulatory compliance	14%

More than half of small businesses say they really started worrying about regulations within the first year, underscoring that regulatory worries represent a major hurdle likely keeping many would-be entrepreneurs from starting their own business. These worries coupled with significant regulatory costs associated with a business' first year—\$83,019—and it's no wonder why we've seen lagging start-up rates in recent years.

\$83,019.23

AVERAGE REGULATORY START-UP COSTS



KEEPING ABREAST OF NEW REGULATIONS

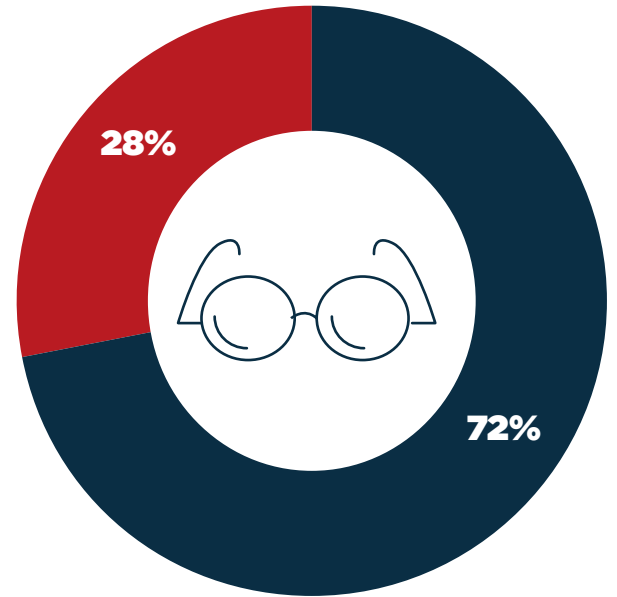
The majority of small firms rely on business associations such as NSBA and the internet or other news sources for news on regulations that may impact their firms.

Where do you find out about regulations that may impact your firm? (check all that apply)

Internet / other media or news source	53%
Business associations (like NSBA or a Chamber of Commerce)	52%
External contractors (attorney/accountant/payroll firm)	43%
From other small-business owners	41%
Industry groups (like National Restaurant Association)	40%
The U.S. Small Business Administration (SBA) and/or its Office of Advocacy	32%
Staff (legal counsel/human resources)	21%
The Federal Register	20%
Congressional resources	7%
Other	4%

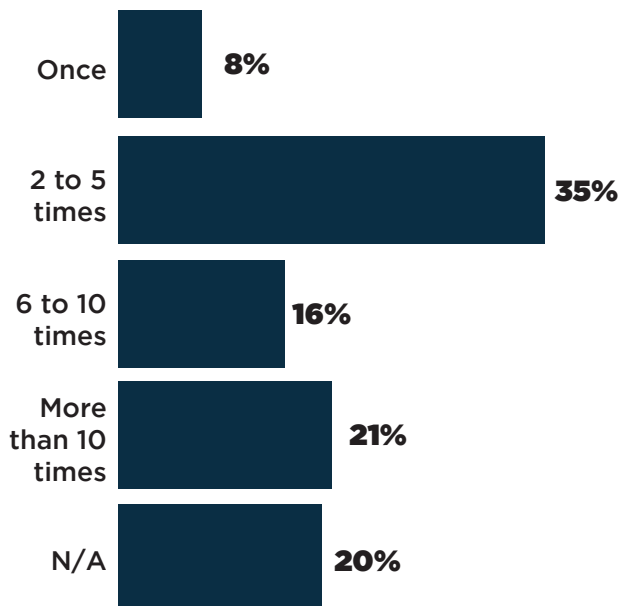
Have you ever read through proposed regulations?

■ Yes ■ No

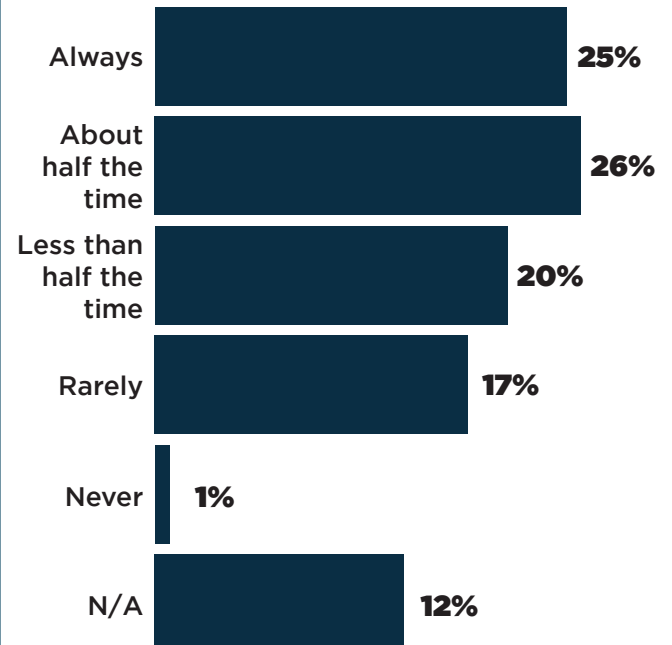


Nearly three-in-four small firms say they have read through proposed regulations, yet 63 percent say that they only have to comply with those regulations they read half the time or less, which represents HUGE time waste for many small firms.

If yes, how often have you read through proposed regulations in the last FIVE years?

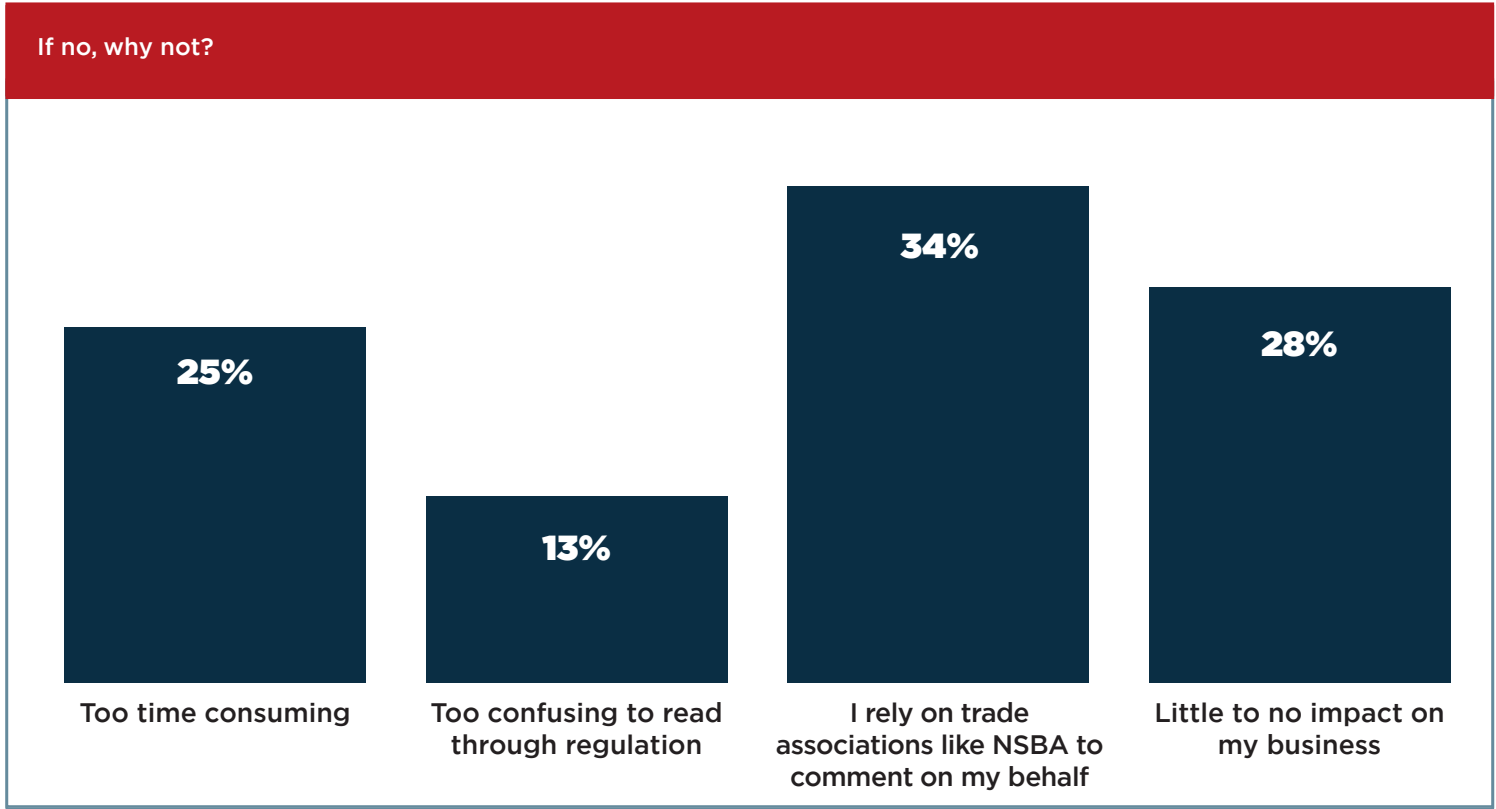
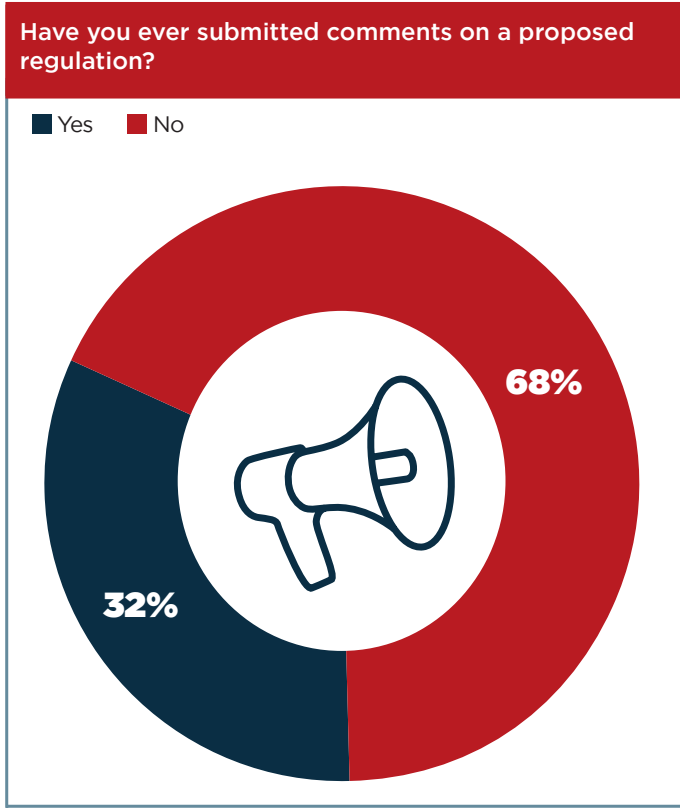


How often do you typically have to comply with the proposed regulations you read?



COMMENTING ON REGULATIONS

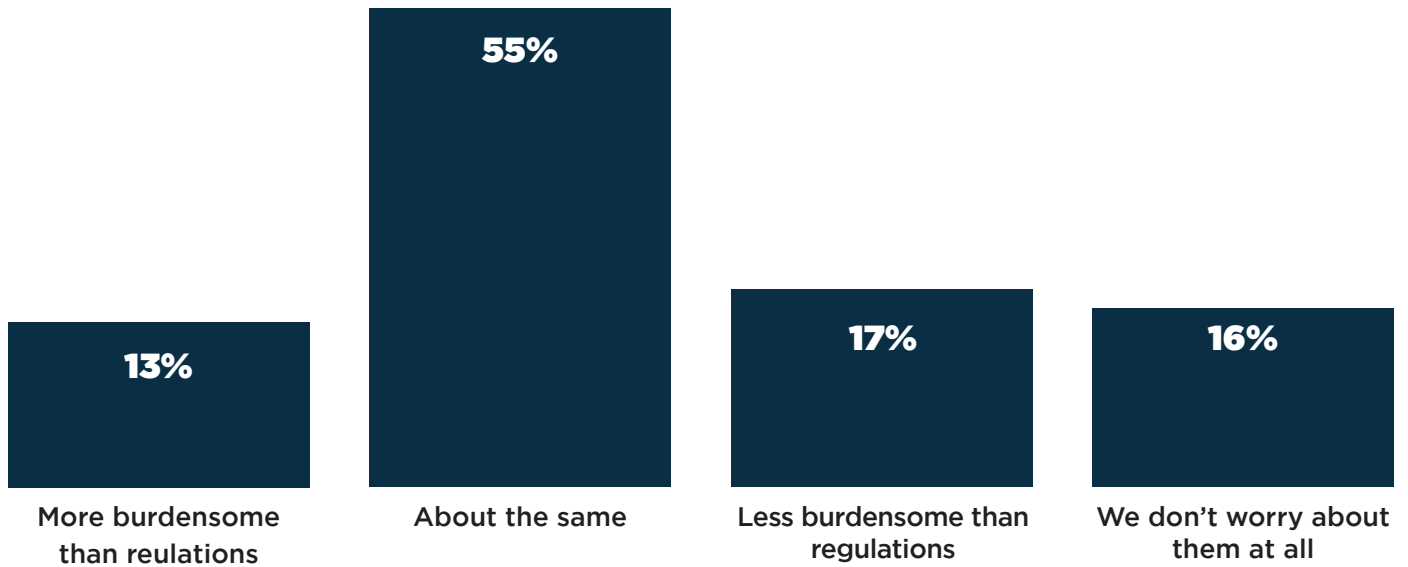
Despite the majority of small firms saying they read proposed regulations, just 32 percent have filed comments, likely due to the fact that it takes the majority of small firms two hours or more to do so. Furthermore, 38 percent say they don't submit comments because it is too time consuming or too confusing.



GUIDANCE DOCUMENTS, INTERPRETATIONS & MORE

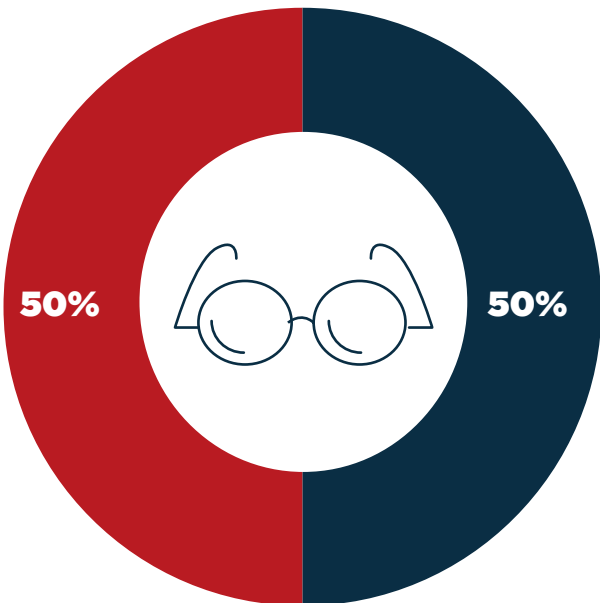
The policy focus often is on regulations. However guidance documents, interpretations and other memos related to regulatory changes are just as burdensome or more so than regulations for 68 percent of small businesses. Furthermore, the majority of small firms report having read through a guidance document and a memo of interpretation—yet another drain on their time and resources.

Compared to regulations, how significant of a burden are guidance memos and new interpretations for existing regulations for your business?



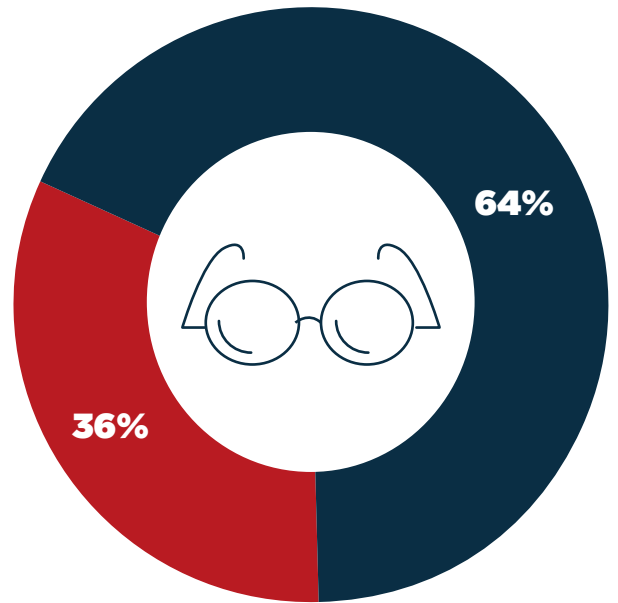
Have you ever read through memos of interpretation?

■ Yes ■ No



Have you ever read through guidance documents?

■ Yes ■ No

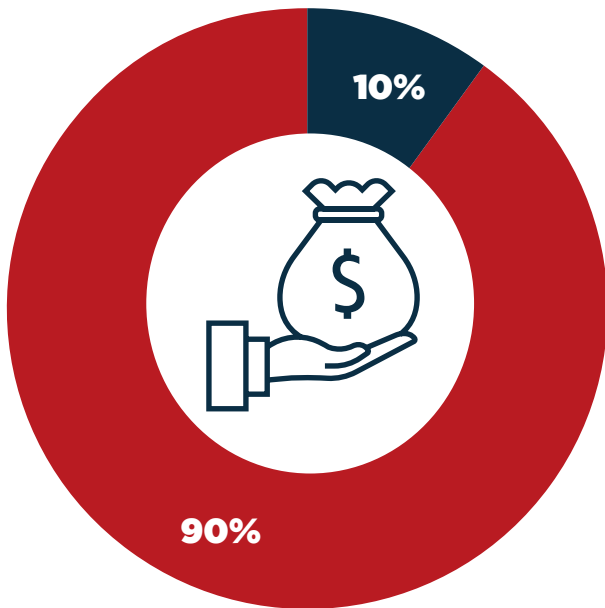


REGULATORY FINES

While the overwhelming majority of small firms have NOT been fined for regulatory noncompliance, those that have faced significant fines—the average cost of citations over five years was \$30,651.

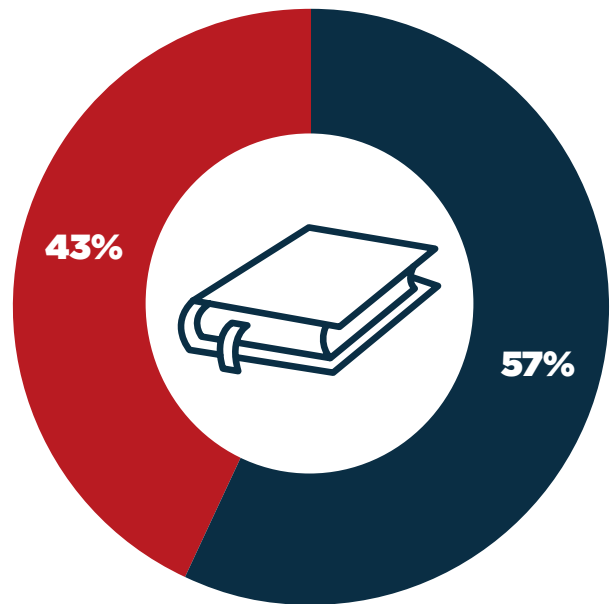
Has your business been fined ever for regulatory noncompliance?

■ Yes ■ No

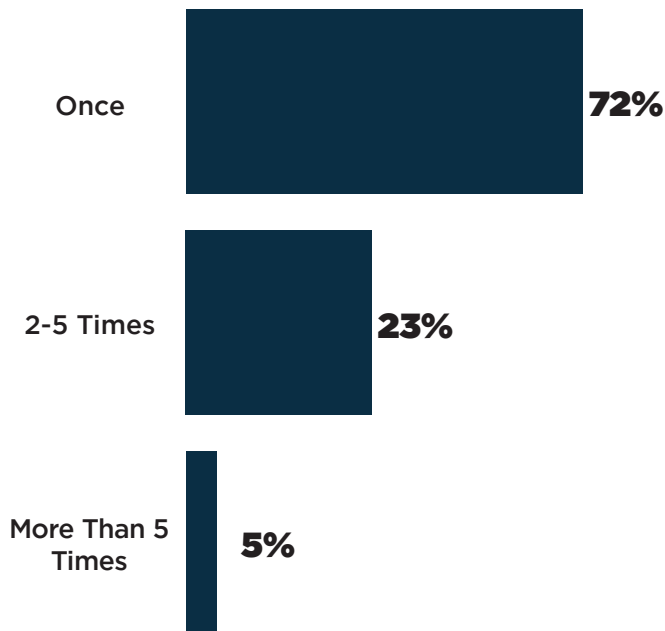


If yes, how often were these citations for the same or different rule?

■ The same rule ■ A different rule



If yes, how often in the last five years has your business been fined for regulatory noncompliance?



\$30,651.14

AVERAGE COST OF CITATIONS

IMPACTS OF REGULATION

Not surprising given the high level of confusion over the Affordable Care Act, health insurance was the number one employee benefit negatively impacted by high regulatory costs.

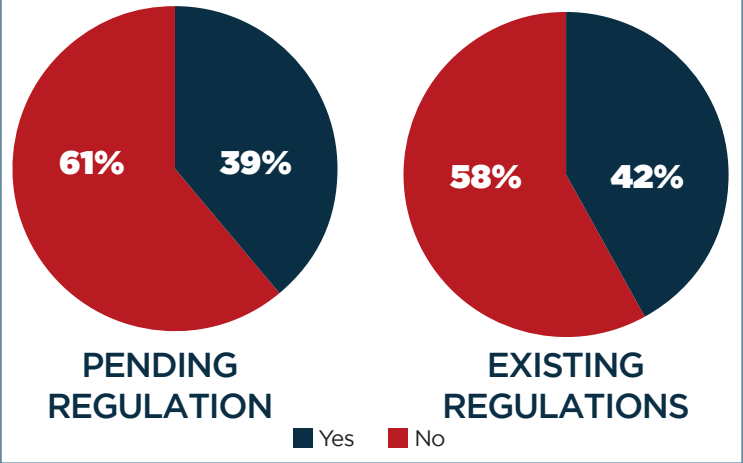
Please indicate which of the following employee benefits have been negatively impacted as a result of high compliance costs due to federal, state and local regulatory requirements. (check all that apply)

Health insurance	62%
Wage/salary increases	51%
Bonuses	36%
401K and other defined contribution retirement plans	33%
Competitive wages	32%
Paid time off	23%
Paid sick leave	22%
Pension plans and other defined benefit retirement plans	16%
Other	10%

Seventy percent of small firms say that new regulations have a very or somewhat significant impact on their plans to grow or expand their business. More than half have held off on hiring a new employee due to regulatory burdens.

The impact of regulatory burden cannot be overstated: more than one-third have held off on business investment due to uncertainty on a PENDING regulation and 42 percent have held off due to uncertainty on the meaning or interpretation of an EXISTING regulation.

Have you delayed or halted any business investment besides new hires (expansions, product development, etc.) because of uncertainty on:



Please select how regulatory burdens and their associated costs impact your business overall. (check all that apply)

Held off on implementing growth strategies	53%
Held off on hiring a new employee	52%
Held off on salary increases for employees	50%
Delayed purchase of new equipment	43%
Increased prices	39%
Reduced benefits to employees	39%
Reduced the number of employees	29%
Unable to get financing	21%
Closed stores or branches	5%

How significant an impact does regulatory uncertainty related to each of the following have on your plans to grow or expand your business?

	Very significant	Somewhat significant	Not very significant	Not at all
New regulations	39%	30%	18%	13%
The expectation of new regulations	37%	32%	17%	15%
Existing regulations	29%	35%	23%	14%

REGULATORY POLICY

Would you say the majority of regulations covering your industry...



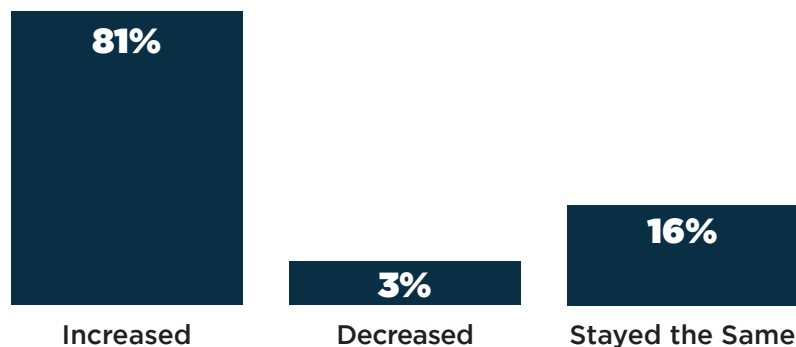
Certainly, NSBA and its members can see the need for some regulations, however 60 percent of small businesses surveyed said they believe the majority of regulations covering their industry are NOT necessary.

The U.S. Small Business Administration Office of Advocacy was ranked the number one most effective federal entity when it comes to protecting small businesses against unfair regulatory burdens.

How effective do you think each of the following currently are in protecting small businesses against unfair regulatory burdens? (Please do not indicate how effective they have the potential to be, just how effective they ARE today.)

	Very	Somewhat	Not at all	Not sure what this is
SBA Office of Advocacy	8%	32%	28%	33%
SBA Ombudsman	7%	25%	29%	39%
Small Business Regulatory Enforcement Fairness Act (SBREFA)	6%	24%	20%	49%
The Administration's Office of Information and Regulatory Affairs (OIRA)	4%	14%	27%	55%
Regulatory Flexibility Act	4%	16%	23%	58%

How do you think federal regulations have changed over the past five years?



REGULATORY RELIEF IS POSSIBLE



To achieve meaningful relief and a rational regulatory regime, NSBA urges the adoption of a national regulatory budget, which would impose strict, enforceable constraints on the ability of federal agencies to impose regulatory costs on the public. Additionally, NSBA urges lawmakers to support policies that:

- Require that agencies consider indirect costs and detailed alternatives to minimize any significant adverse impact
- Require Regulatory Flexibility Analyses as a prerequisite to a final rule being issued
- Require increased economic analyses and the Office of Information and Regulatory Affairs (OIRA) to enhance its oversight efforts
- Require that agencies use plain writing when revising or drafting new regulations
- Allow for increased enforcement flexibility and the ability to grant common-sense exemptions for first-time offenders
- Streamline paperwork, consolidate forms and harmonize data and due dates
- Require a cost-benefit analysis on proposed regulations and paperwork
- Improve information collection by: 1) strengthening the Paperwork Reduction Act's requirement that agencies' chief information officers review and certify information collection requests; 2) requiring OIRA to develop stricter approval criteria; and 3) limiting the number of information requests an agency can issue per year

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AMERICA'S SMALL BUSINESS ADVOCATE

METHODOLOGY

The 2017 NSBA Small Business Regulations Survey was conducted on-line Nov. 28, 2016 - Jan. 10, 2017 among 1,000 small-business owners, both members and nonmembers of NSBA, representing every industry in every state in the nation.