



CONNECT Calls on Congress to step up oversight of federal regulations that hinder innovation

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*D.C. Contact: Timothy Tardibono
202.412.7791 timothy@connect.org*

*San Diego Contact: Jessie Womble
858.964.1300 jwomble@connect.org*

Washington D.C.—Today the Senate Committee on Small Business and Entrepreneurship will hold a hearing on “Assessing the Regulatory and Administrative Burdens on America’s Small Businesses” where the Committee will hear testimony on several fronts finding that small businesses bear the heaviest burden in complying with federal regulations.

In fact, the Small Business Administration’s Office of Advocacy recently released a report showing that compliance with federal regulations cost small businesses 36% more than large companies. One of the witnesses, Winslow Sargeant, Chief Counsel for the Office of Advocacy said, “Small businesses still face higher costs when they encounter government regulations compared to larger firms...the report shows that it costs small firms \$2,830 more per employee than larger firms to comply with government regulations. This is a 36% difference that places an unfair burden on American small business.”

The report revealed that the main drivers of the increased burden on small businesses are the cost of environmental regulations and tax compliance. Compliance with environmental regulations costs 364 % more in small firms than in large firms, while the cost of tax compliance is 206 % higher in small firms than large firms. Small manufacturing firms and small healthcare firms are particularly vulnerable to regulatory costs. The report found that the total annual cost of federal regulations in the U.S. is a staggering \$1.75 trillion.

Timothy Tardibono, Director of Public Policy for CONNECT, stated, “Chair Landrieu and Ranking Member Snowe should be commended for calling this hearing and exploring the unequal impact federal regulations have on small businesses. In these difficult economic times, start-up businesses, especially in the technology sector, need as much regulatory relief as Congress can provide. The increased costs the SBA report found are a substantial barrier to a tech start-up and its ability to thrive.”

CONNECT is a non-profit organization birthed out of the University of California—San Diego, that is dedicated to creating and sustaining the growth of innovative technology and start-up businesses. Tardibono commented further, “We have heard from small and start-up tech companies that are truly worried about federal regulations in a host of areas from the Securities and Exchange Commission possibly raising Angel Investor standards, to the Food and Drug Administration’s potential new processes for medical device approval, to the Federal Communication Commission’s effort to regulate the Internet. All combined, federal regulatory activity can send shockwaves of uncertainty through industry sectors while creating extra hurdles for start-ups and high-growth small businesses to overcome.”

Tardibono pointed out that Congress already has the statutory authority to keep the ever-growing federal bureaucracy in check through the Congressional Review Act. The Congressional Review Act gives Congress the power to disapprove agency rules by a vote in both chambers with the disapproval then being signed by the President. However, such disapproval has only occurred once in the 15 years since the CRA was enacted.



Tardibono concluded, “Congress needs to take more seriously its responsibility to review federal regulations, especially those that are likely to hinder innovation. Innovation will advance further without the excessive costs and uncertainty that some federal regulations create.”

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More about CONNECT: Since 1985, CONNECT has assisted in the formation and development of over 2,000 companies and is widely regarded as one the world’s most successful regional programs linking inventors and entrepreneurs with the resources they need for success.

CONNECT focuses on research institution support, business creation and development, entrepreneurial learning, access to capital, protection of intellectual property, public policy advocacy, awards, recognition and networking. More than 40 countries and regions have adopted the CONNECT regional economic development model, including New York City, the U.K, Sweden, Norway, Denmark, Australia and India.

CONNECT is the recipient of the 2010 Innovation in Economic Development Award in the “Innovation in Regional Innovation Clusters” category presented by the U.S. Department of Commerce’s Economic Development Administration.

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