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February 1, 2024

The Honorable Brad Finstad
United States House of Representatives
1605 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Finstad:

On behalf of NFIB, the nation's leading small business advocacy organization, I write in support of the *Prove It Act*. This legislation would strengthen the requirements for agencies to analyze the impact of regulations on small businesses and increase small business engagement in the regulatory process.

NFIB members annually rate "unreasonable government regulation" as one of the top concerns facing small businesses.¹ Unfortunately, the red tape and compliance burdens of small businesses continue to grow exponentially. According to a recent analysis, the total cost of federal regulations in 2022 was \$3.079 trillion.² The study found that the average U.S. company pays roughly \$13,000 per employee to comply with federal regulations.³

The pace of regulation has significantly increased over the last three years. As of January 26, 2024, President Biden had imposed more than \$454 billion of final rule costs and 279 million paperwork hours.⁴ These regulatory costs are massive. However, they pale in comparison to the proposed \$616 billion of regulatory costs and 191 million paperwork hours that are under development by the administration.⁵

Small businesses often do not have compliance officers or lawyers to help navigate these massive new regulatory burdens. And existing laws like the Regulatory Flexibility Act (RFA) were enacted to minimize the disproportionate impact that federal regulations have on small businesses. However, as NFIB's 2023 study found, agencies use loopholes in the RFA to underreport, minimize, or ignore the impact of regulations on small businesses.

This circumvention of the RFA is unacceptable and small businesses ultimately pay the regulatory price in forgone growth and opportunity. That is why legislation like the *Prove It Act* is so important. The *Prove It Act* seeks to address the loopholes in the RFA by increasing small business input in the regulatory process and strengthening the requirements for agencies to examine the impacts of regulations on small businesses.

¹ Holly Wade & Andrew Heritage, *Small Business Problems & Priorities*, NFIB Research Center, August 2020, <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>.

² National Association of Manufacturers, *The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business*, October 2023, <https://nam.org/wp-content/uploads/2023/10/Regulations-Exec-Summary.pdf>.

³ *Id.*

⁴ Dan Goldbeck, *EPA Proposals Rule the Week*, American Action Forum, January 29, 2024, <https://www.americanactionforum.org/week-in-regulation/epa-proposals-rule-the-week/>.

⁵ Dan Goldbeck, 2023: The Year in Regulation, American Action Forum, January 3, 2024, <https://www.americanactionforum.org/insight/2023-the-year-in-regulation/>.

NFIB supports the *Prove It Act* and urges Congress to promptly enact this legislation. Small businesses appreciate your continued leadership to reduce onerous regulatory burdens and red tape.

Sincerely,

A handwritten signature in black ink, appearing to read 'JLM', written in a cursive style.

Josh McLeod
Director, Federal Government Relations
NFIB