

THE IMPACT OF GOVERNMENTAL
REGULATION ON SMALL BUSINESS
IN GEORGIA

RESEARCH PROJECT
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BY

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ABSTRACT

This study deals with the impact of governmental regulation on small business in Georgia. Interviews were held with 15 small business owners in Georgia to determine what regulations impacted their business, what the cost of regulation compliance was to their business, and what actions federal, state and local governments should take to alleviate regulatory impact on small business. Interviews with regulatory agency personnel were also conducted to provide necessary background information on the agencies identified by the study participants.

1.0 IMPACT OF GOVERNMENTAL REGULATION

1.1 INTRODUCTION

The impact of governmental regulation on small business is a current issue of national interest. Concern has been expressed in both the private and public sectors that regulatory control has a detrimental effect on small business productivity. The private sector has been instrumental in identifying the frustrations and experiences of small business in meeting regulatory requirements. These expressed problems have prompted federal and state legislators to initiate reviews of existing regulatory policies. As a result of these investigations, the need for regulatory reform has been identified. Legislation has been passed and is currently pending in federal and state governments to alleviate regulatory control of small business functions.

Through contacts with Georgia business, the Georgia Productivity Center became aware of the impact of governmental regulation on small business productivity in the state. Small business management indicated that productivity was affected by significant amounts of management effort and capital funds diverted from profit oriented activities to compliance with required regulatory controls. Although it is difficult to accurately quantify the costs associated with these two areas, the Center endeavored to conduct a preliminary investigation of governmental regulation impact on small business productivity with the objectives to qualify and quantify regulation compliance, and to identify and recommend any policies, procedures or practices that could help alleviate the impact.

Although the quantitative scope of this study is limited to identification of regulations of greatest impact to selected businesses and a cursory evaluation of the cost of compliance with these regulations, the study illuminates

the problems of regulatory control for all small businesses in Georgia. It is the desire that this study be used as an impetus for future in-depth quantitative analyses of the economic impact of governmental regulation on individual business operations.

1.2 DESCRIPTION OF STUDY

This study was designed to investigate governmental regulations using a case study approach. Five different categories of business were selected and at least two businesses in each category were studied. Information from regulatory agencies was also obtained to identify the kinds of regulations an agency administered, and to determine the method of enforcement used by the agency.

The data collection for the case studies took place over a two month period in the first quarter of calendar year 1976. The participating businesses were interviewed on a personal basis and all data were treated as proprietary. Data from regulatory agencies were collected during the same time period.

Chapter 2 of this report describes the general design of the case study approach. The various regulations impacting certain sizes and kinds of business are presented.

Chapter 3 is an in-depth analysis of the data collected from the case study participants. The regulations of greatest impact to the small businesses are discussed, and the estimated cost of compliance is presented. Consequences of non-compliance are presented from the participant's viewpoint. A general discussion of the cost analysis is also included by type and size of business.

In Chapter 4, an overview of current actions in Congress, Federal offices and regulatory agencies as well as the State of Georgia to alleviate the burden of governmental regulation on all business is discussed. Finally,

recommendations from the study participants for further actions to be taken to lessen regulation impact are presented.

2.0 DESIGN OF THE CASE STUDY

2.1 THE CASE STUDY APPROACH

The impact of governmental regulation on small business and its cost were investigated using a case study approach. Five different categories of small private business were selected: manufacturing; construction; retailing; food services; and professional services. Each category contained at least two firms with different services, number of employees or gross annual receipts. A total of 14 firms located throughout metropolitan Atlanta and north Georgia participated in the study.

Criteria defining what was and was not a "small" business developed by the Small Business Administration, commonly known as the SBA, were studied to help set the standards for selecting the case study participants. SBA criteria are established for defining "small" business for government procurement and SBA loans. The qualifications are usually based on number of employees and/or annual receipts of the firm. For purposes of this study, the criterion for a "small" business was any firm with less than 500 employees. It should be noted, however, that SBA criteria are not universally accepted among governmental agencies as definitions of what is and is not a small business. Each regulatory agency tends to define "small" business within their own guidelines.

Participants in this study had from 2 to 400 full-time employees. Only one firm, the specialty foods business, regularly hired part-time employees. This practice was implemented only during one season of the year.

Data from the participating firms were collected by personal interviews held with the company owner, general manager, comptroller or personnel director. Each interview lasted from one to two hours. Figure 2.1 is an example of the format used to conduct the interview. Each firm was sent an advance copy of

FIGURE 2.1 CASE STUDY INTERVIEW FORMAT

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SURVEY OF SMALL BUSINESS CASE STUDIES

1. CASE STUDY:
2. TYPE OF BUSINESS:
3. NUMBER OF ESTABLISHMENTS:
4. LOCATION _____ CITY _____
5. SIZE OF BUSINESS:
 - a. Average number of total employees during typical time period:
 - b. Seasonal fluctuation of employees--if any:
 - c. Number of full time employees (indicate specific function, i.e., managers, accountants, etc.):
 - d. Range of yearly business sales volume:
6. Indicate those federal, state and local agencies and regulations that affect your business by a check next to those that apply. Briefly describe the impact--for example, if you check IRS indicate what about IRS impacts you, such as record keeping for tax deposits, space required for storage of records, employee record keeping, etc. Please include those regulations or agencies not listed.

IRS	Department of Agriculture
State Sales Tax Laws	State and Federal
Department of Labor	Weights and Measures
Minimum Wage	Consumer Protection
EEO	Department of Health, Education
Affirmative Action	Welfare
OSHA	Local Health Department
Georgia Employment Security Agency	FDA
EPA	State and Local Review Boards
State and Local Business Licenses	(zoning, building codes,
(ex. professional license, liquor	design review)
license, food license)	

FIGURE 2.1 CASE STUDY INTERVIEW FORMAT (CONTINUED)

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7. Please give an estimate of your cost in complying with regulations pertaining to your business:

a.	<u>Administrative Personnel</u>	<u>Avg. Amount of Time Per Week or Month</u>	<u>Cost of Time (Wages/Hour)</u>	<u>Indirect* Costs</u>
----	---------------------------------	--	----------------------------------	------------------------

*Includes Overhead

b.	<u>Staff Personnel</u>	<u>Avg. Amount of Time Per Week or Month</u>	<u>Cost of Time (Wages/Hour)</u>	<u>Indirect* Costs</u>
----	------------------------	--	----------------------------------	------------------------

*Includes Overhead

c. Other Costs:

Forms for Tax Purposes

Special Supplies

Equipment/Storage Requirements

Renovation/Modification

8. Recommendations, suggestions and comments on regulations impacting your business, regulatory agency administration of regulations, compliance with regulation, etc.

the interview form so that they would have the opportunity to prepare necessary cost data as well as comments and recommendations on regulatory impact.

2.2 IDENTIFICATION OF REGULATIONS

A variety of businesses were selected for interview within each business category. The purpose of this was to identify as many different types of regulations as possible within a certain category of business. Also it provided a comparison across different categories to see if indeed there were certain regulatory agencies having great monetary and productivity impact independent of the kind of business. For example, the manufacturing category contained textile and electronic industries; construction included real estate development and electrical contracting firms; retailing included specialty foods stores, and a car dealership; food services included restaurants; and professional services included engineering firms.

Figure 2.2 is a list of all federal state and local regulatory agencies and regulations identified by the participating case study firms. Even with the rather small sample size of case studies, the far reaching impact of regulatory control is demonstrated by this list alone. Appendix I summarizes some of the regulatory controls of greatest impact to study participants. These will be discussed in Chapter 3.

2.3 TYPES OF REGULATION

Regulation at the federal level is divided into two general categories. These are economic regulation and social regulation. Economic regulation deals with the competitive performance of industries such as railroads, airlines, banks, trucking companies, etc. The purposes of economic regulation are to generally monitor competitive practices; to control the right to serve specific markets; and to regulate

FIGURE 2.2 REGULATORY AGENCIES AND REGULATIONS IDENTIFIED BY
CASE STUDY PARTICIPANTS

Federal

Affirmative Action Program

Census Bureau

Department of Defense

Department of Labor

Fair Labor Standards Act

Minimum Wage

Employee Retirement Income Security Act

Various Other Reporting Requirements

Department of Transportation

Environmental Protection Agency

Equal Employment Opportunity Commission

Internal Revenue Service

Employer Identification Number

Business Taxes

Employee Withholding Taxes

Social Security

Federal Unemployment Taxes

Special Taxes

Tax Deposits

Occupational Safety and Health Administration

U.S. Army Corps of Engineers

State and Local

Department of Transportation

Environmental Protection Agency

Georgia Employment Security Agency

Unemployment Insurance

Health Departments

Local Business License

Local Fire Marshall

FIGURE 2.2 REGULATORY AGENCIES AND REGULATIONS IDENTIFIED BY
CASE STUDY PARTICIPANTS (CONTINUED)

Metropolitan Atlanta Rapid Transit Authority

State and Local Review Boards

Building Codes

Contractor's License

State of Georgia Department of Agriculture

Weights and Measures

Meat Inspection

State of Georgia Department of Revenue

Income Tax Number

Sales and Use Taxes

Employee Withholding Taxes

Workmen's Compensation

Unemployment Taxes

rates charged in instances where market forces, if left to themselves, would produce or might produce unsatisfactory results judged by "competitive norms."

Social regulation deals with a variety of topics such as job safety, equal job opportunities, environmental controls, consumer protection, unemployment compensation, pension plans, social security, minimum wage, payroll requirements, and special labor laws. These topics describe some of the major areas that are addressed by social regulation. Federal regulatory agencies that administer these laws include the Environmental Protection Agency, the Occupational Safety and Health Administration, the Equal Employment Opportunity Commission, the Department of Labor and the Internal Revenue Service.

The responsibilities of many of these federal agencies are shared with counterpart state agencies. State regulatory agencies usually operate within the guidelines set by the federal agency except where these guidelines may conflict with state law or statutes. In effect, a duplicate bureaucracy is created to administer essentially the same laws at another level of government.

Most of the regulatory impact and control discussed in this report fall under the heading of social regulation. Case study participants cited these controls most frequently in their talk of regulatory impact on business cost and productivity.

3.0 ANALYSIS OF CASE STUDIES

3.1 GENERAL OVERVIEW

Regulation legislation arises from the need to solve a problem for the good of the whole society. In essence, regulation of business is to protect the public interest. Although the case study participants generally agreed that the intent of regulation is basically good, there are certain problems that arise from implementation or during administration of regulatory control. The following problems reflect the participant's viewpoint of some major problems associated with regulatory control. Appendix II contains summaries of the detailed interviews with the study participants.

- The total impact of regulatory control has never been assessed. The impact of an individual piece of legislation is usually determined at the time of passage. However, regulations passed year after year are never assessed to determine the overall cumulative effect on business of all regulations in force.
- Some regulations exist to control problems that are no longer relevant in today's society. Due to changes in technology, new regulations, or changes in culture, some regulations are no longer applicable. The problem is these outmoded regulations have not been repealed and removed from the administrative jurisdiction of agencies.
- Regulatory agencies are sometimes not adequately staffed or sufficiently prepared to administer, interpret and enforce regulations on an individual basis. This results in across the board rulings on regulatory requirements which do not recognize the special needs of small business.
- Finally, regulations from two different agencies such as the EEOC and the Department of Labor may cause a question as to which regulation a

firm should enforce. This generally means a firm must use its best judgement to conform to all regulations as accurately as possible.

As mentioned earlier, there are certain inherent limitations of this study due to the time available for the case study interviews. This study does qualitatively define the impact of governmental regulation in terms of the paperwork burden, and the consequences of non-compliance as described by the case study participants. The attempt to quantify the cost of regulation compliance was in itself a best estimate by the small business owner of the personnel time, overhead and miscellaneous items employed to conform with regulation compliance. With further analysis, employers would probably have included other costs of regulation not as apparent as those already mentioned. Though this is not a rigorous analysis of regulatory costs, the study provides a framework for future in-depth quantitative analysis based on the findings described in Section 3.4.

3.2 PAPERWORK BURDEN

The paperwork burden is a result of the numerous bookkeeping requirements, particularly federal, expected of the employer. Most agencies have forms that must be filed on a quarterly, semi-annual or annual basis. Others provide only guidelines that contain the types of information the employer is required to maintain for the agency. Generally, the method of record keeping is left to the employer's discretion. However, the employer must be cognizant of required information so that the proper data is being collected. Storage requirements are also issued by each agency. Usually, all agencies have provisions to audit to inspect an employer's records; some with and others without advance notice. Table 3.1 lists the various regulatory agencies that study participants cited as having the greatest impact on their business.

TABLE 3.1 REGULATIONS OF GREATEST IMPACT BY TYPE OF BUSINESS

<u>Firm</u>	<u># Full Time Employees</u>	<u>Annual Sales Receipts in Dollars</u>	<u>Agencies and/or Regulations of Greatest Impact</u>
Manufacturing			
A	80	1,500,000- 3,000,000	ERISA, Affirmative Action, EEOC; Dept. of Defense-DCAA; Securities and Exchange Commission; OSHA
B	400	10,000,000- 40,000,000	Census Bureau; Local Fire Marshall; OSHA; EPA; Government Inspectors
C	400	10,000,000- 40,000,000	OSHA; Ga. Workman's Compensation; Garnishment Law; EEOC; EPA
Construction			
A	6	1,000,000- 1,499,999	IRS; OSHA; GESA; EPA; Local Review Boards
B	20	1,500,000- 3,000,000	Dept. of Labor; EEOC; Affirmative Action; OSHA; Compliance Reports to regulatory agencies that fund federal projects
Retailing			
A	2	20,000- 999,999	IRS; State Sales Taxes; State and Local Business Licenses
B	80	1,000,000- 1,499,499	GESA; OSHA; IRS (Social Security, tax audit, payroll)
Food Services			
A	14	20,000- 999,999	IRS
B	23	20,000- 999,999	IRS; OSHA; U.S. Department of Agriculture
Professional Services			
A	5	20,000- 999,999	IRS; State of Georgia Taxes; EPA
B	13	20,000- 999,999	IRS; EEOC; Affirmative Action; Minimum Wage; Professional Liability; EPA; GESA

TABLE 3.1 (CONTINUED)

<u>Firm</u>	<u># Full Time Employees</u>	<u>Annual Sales Receipts in Dollars</u>	<u>Agencies and/or Regulations of Greatest Impact</u>
C	33	20,000-999,999	IRS; State of Georgia Taxes; EEOC; Affirmative Action; Minimum Wage; EPA; OSHA; GESA; UMTA; Ga. DOT; Corps of Engineers
D	55	1,000,000-1,499,999	EPA; GESA; State and Local Review Boards; ERISA
E	160	1,500,000-3,000,000	EPA; OSHA; GESA; Building Codes; Local Health Departments

In Appendix I, the details of record keeping requirements by agency are summarized. Of all the agencies, study participants cited the Internal Revenue Service (IRS), the Occupational Safety and Health Administration (OSHA), the Equal Employment Opportunity Commission (EEOC), and the Environmental Protection Agency (EPA) as those agencies requiring the greatest amount of paperwork.

Study participants with annual receipts under \$1,000,000 found the IRS and Department of Labor, Wage and Hour Division paperwork the most complex to manage. The reason for this is due mainly to the size of the firm and not the type of business. These "smaller" firms, in most cases, simply cannot afford full-time staff to handle payroll and IRS needs. Therefore, part-time bookkeepers or accountants are hired. Although any employer should be aware of all general regulatory requirements, the financial burden of non-compliance with IRS forces the small employer to add another dimension to his overall operating responsibilities for the firm. Study participants in this category were very knowledgeable of IRS federal deposit requirements for withholding taxes, social security and federal unemployment tax, and for quarterly returns of withheld income tax and social security taxes, as well as Labor Department requirements for minimum wage and payroll. This helped to insure valid results from part-time accountants, and proper compliance with regulations in the absence of part-time help. Both food services businesses had the added complexity of reporting cash tips, including credit tips, for waiters and waitresses on a monthly basis. The employee is responsible for submitting to the employer a record of the previous month's cash tip earnings. However, again the employer must make certain he receives these forms and withholds the proper social security and federal income taxes from them. Most study participants under

\$1,000,000 also cited that the State of Georgia tax requirements imposed paperwork burdens similar to IRS, particularly with regard to periodic deposits for state withholding and sales taxes.

Study participants over the \$1,000,000 annual receipts level cited OSHA, EPA, EEOC and ERISA regulations as those imposing the greatest paperwork burden on them. The Internal Revenue Service, Department of Labor fair labor standards and Georgia state income and sales taxes are all general costs of doing business to the "larger" small business. All of these firms employ full-time staff such as personnel managers, accountants, comptrollers or bookkeepers to handle these requirements as part of their duties on a daily basis.

OSHA regulations were most felt by the manufacturing firms. Both the textile and electronic supply firms had full-time staff who, as part of their duties, were assigned to keep current and informed on OSHA regulations for their type of firm. Maintaining the required sets of records on employee job-related "injuries and illness" was usually done by the personnel manager. The specialty foods firm and construction firms were also plagued by OSHA paperwork requirements. One of the major complaints of the participants was that insurance forms of their carriers were not sufficient to fulfill OSHA's detailed accident or illness report known as report #101. Because of this, the employer duplicates his efforts in completing the OSHA form which most employers agreed required little, if any, different information than the private insurance report. Employers also questioned the need to annually summarize and post all job-related injuries and illnesses for employee inspection. This imposes not only another paperwork burden on the employer, but also, as one employer stated, "Most employees don't even pay attention to the posting."

Although all the participating firms, regardless of type of business, are responsible to keep the OSHA injury and illness records, only the firms of over \$1,000,000 annual receipts really had personnel and organized procedures for fulfilling this regulation requirement. Owners of the smaller firms generally echoed the same attitude which was as one owner said "We are lucky, OSHA hasn't caught up with us yet!"

As mentioned, all firms must be knowledgeable in what safety standards do and do not apply to their certain type of business. Again, the extent of this knowledge depended upon the size of business. The firms under \$1,000,000 annual receipts had little if any knowledge or interest in what OSHA safety standards they were to fulfill. Most of them regarded OSHA as insignificant to the IRS paperwork they confronted. Study participants from the "large" small businesses including the manufacturing firms, professional services firms and construction firms indicated that they had OSHA "experts" on the staff to insure compliance with OSHA regulations in their design of facilities or on a construction site. Personnel from both construction firms were very well-informed on OSHA standards required on-the-job for their type of business. These participants were also well-versed in available OSHA training materials and manuals. The manufacturing and professional services firms had a full-time employee designed as a "safety" officer to insure that OSHA standards were being met in design work for clients as well as company wide.

Environmental Protection Agency paperwork impacted the professional services, manufacturing and construction study participants. The professional firms and the real estate development firm have as clients local governments seeking matching federal funds for facilities such as water treatment

plants, sewage treatment plants, sewage systems to replace septic tanks, etc.. EPA has the powers of application review and grant approval on these projects before federal funds are matched. One of the professional services participants states, "The paperwork is unbelievable. There are 26 items in a grant application that must be satisfied including engineering design and drawings of the facilities. The client depends on you, the professional consultant, to be aware of all EPA regulations and requirements. This usually means handling the total grant application from submission to final approval and funding." What does this mean, however, to the consultant? It means 2 to 3 weeks preparing the initial grant application, and a 4 to 12 month review period with EPA until final approval is given. During the review period, the consultant is required to answer, change or redesign the facilities in accordance with EPA desires. One of the professional services participants estimated it takes from 4 to 5 years to build and fund an EPA reviewed project.

Along with the difficult grant application process, the professional consultant must also remain informed on the latest EPA changes or amendments to regulations. One professional firm has a member of the administrative staff review the Federal Register daily for changes in EPA as well as attend regional meetings on EPA requirements. This same firm also has a source in Washington to monitor EPA changes as soon as they are instituted at the federal level. The reason for this being that the information exchange between the federal office and its regional branches and finally to the state offices is much too slow. This slow exchange of information can hurt the consultant who may have to make costly design changes if he is not aware of changes in EPA requirements.

One of the professional services firms under \$1,000,000 in annual receipts indicated they would not even attempt to respond to an EPA request for proposal through the Federal Register. "The paperwork is overwhelming," the owner stated. "I know my firm is technically competent to do the jobs, but we do not have the time or staff to complete the EPA paperwork and insure we are meeting every EPA regulation in our design. What we need is an expert in EPA proposal or grant submission and this we can not possibly afford," he added.

All the manufacturing firms have full-time staff designated to monitor EPA regulations through publications and seminars. The textile firms in particular are very cognizant of EPA requirements on waste water treatment. These firms have made large capital investments to comply with EPA regulations since they were passed in 1970. Most of the firms feel they have done as much as possible in complying and now are interested in maintaining their present status of compliance with existing regulation.

The real estate development firm discussed EPA's impact on area growth. Due to EPA's stringent review process, approval of a new county-wide storm-sanitary sewer system has been delayed for over 3 years. The review has been instigated by local special interest groups and civic clubs who have clamored for "more study" of the proposal. While EPA is "studying" the problem, new residential construction has been with septic tanks instead of with the more modern facilities. "EPA," the developer believes, "has halted growth with its paperwork requirements which will be very costly to the citizens of our area in the future."

The Equal Employment Opportunity Commission tends to impact those businesses with over \$1,000,000 in annual receipts to a greater degree than

those businesses with less than \$1,000,000 in annual receipts. The major complaint of the manufacturing firms and electrical contracting firm was that EEOC does not allow you to indicate on the application for employment the race or sex of the individual applying for the position. However, to file an Affirmative Action Program (a funding requirement for most government contracts) which is a set of specific and result-oriented procedures through which to identify where minorities and females are underutilized or discriminated against, the attempts at employment of minorities and females must be documented. In effect, firms are forced to keep an extra and essentially unlawful log of employment procedures to satisfy conflicting requirements.

An Affirmative Action Program was not an item of concern to the manufacturing firms, electrical contracting firm, or professional services firms over \$1,000,000 in annual receipts. Since an AAP is mandatory for working on federally funded projects, these firms, as a matter of course, have AAP's which are updated periodically. The paperwork involved in submitting an AAP to EEOC is usually a one-time major effort. Firms all considered the AAP as just another component of doing business. However, for the professional services firms under \$1,000,000 in gross annual receipts, an AAP was not worth the effort to them. Most of them indicated they preferred to stay clear of federally funded jobs which require an AAP since the time and cost involved in providing a satisfactory one would probably cost as much as the contract itself.

In the case of an EEOC compliance charge against one of the textile firms, the personnel manager indicated that, "We are guilty until we prove ourselves innocent." The charge made by one employee against the firm has been pending for one year and filled a whole file drawer of paperwork on

that one case. Not only is the charge being investigated, but the company's AAP, and its hiring, firing and promotion practices over the last 2 to 5 years. Besides the paperwork generated from this, lost personnel time and lawyers' fees have also cost the company a considerable amount of time and money.

Lastly, the electrical contracting firm indicated that much of the effort expended for EEOC was duplicated. This firm is required to submit weekly compliance reports on its personnel to the federal agency funding the project. This compliance report contains essentially the same data as the AAP. The irony of this is that the report eventually finds its way back to the Department of Labor and the EEOC. This duplication of effort again demonstrates the employer's involvement with unnecessary paperwork and its cost.

Study participants cited the Georgia Employment Security Agency (GESA) and the Employment Retirement Income Security Act (ERISA) as two regulations that would add to the paperwork burden as the firms continued to grow. GESA administers unemployment compensation benefits for the State of Georgia. Only two of the study firms have had claims filed against them for unemployment. One of the professional services firms indicated that their percentage contribution increased after the claim without any explanation from the GESA. The specialty foods firm indicated that in order to dispute claims against them, they were required to make several appearances before GESA as well as use legal aid to fight the claim. The owner indicated that he was required to appear before GESA on very short notice which caused disruption in both his own and his managers work schedules. As the owner stated, "It's another case of the employer having to prove he has not wronged the employee, at the employer's time and expense." The major complaint against GESA from over half of the participants was that interpretation of requirements and general information were difficult to obtain. Most employers were required to physically

make a trip to GESA to secure necessary information, forms, and data with which to insure compliance.

ERISA was a major concern of one of the professional service firms and one of the manufacturing firms, both with annual receipts over \$1,000,000. Both firms stated the act would significantly alter their present pension and welfare plan systems. Also the reporting and disclosure requirements of the act were mentioned as yet another tremendous paperwork requirement on the employer. A glance at Appendix II which summarizes the Act, attests to the great amount of required paperwork and reporting. The manufacturing firm was convinced ERISA would cost at least another \$1000 per year in legal fees to insure the firm was in compliance and submitting the required paperwork in the proper manner. A number of the firms under \$1,000,000 in annual receipts also recognized the Act as yet another costly component of growth due to an increase in the use of professional consultants.

The general consensus of the study participants was that the paperwork requirements of the regulatory agencies had become counterproductive to their initial intent. Because of the lack of coordination between agencies, employers are forced to submit identical information to a number of agencies, which in turn costs the employer administrative and staff time in duplication of overall efforts. Employers often cited the complexity of agency recording and disclosure requirements. Many employers noted that they spent hours at various agencies attempting to identify exactly how and with what they are required to comply. Since most agencies will not guarantee their advice on how to comply, most employers comply their own way, until required to change.

Employers were also concerned over the power of the regulatory agencies in their interpretation, administration and enforcement of an Act. There are essentially no controls over an agency's actions in these three areas, which leave the employer with no avenues of grievance except the courts. To challenge a regulatory agency means legal fees, court costs, and time away from business. The small business simply cannot afford this kind of challenge, even if they are in the right. The opinion of the participants was that it was usually cheaper to comply and pay, rather than challenge and pay.

3.3 CONSEQUENCES OF NON-COMPLIANCE

Non-compliance by study participants comes under two categories. First, there are those businesses that are truthfully unaware of all the regulations impacting their business. Non-compliance in this category is simply ignorance of the law. There is no checklist available to a small businessperson by which to identify those regulations that are applicable to their business. Therefore, the owner attempts to get as much information as possible that is readily available such as IRS and EEOC, and they know is directly applicable to their type of business. The small business owner is not concerned with the more obscure regulations until they are threatened by penalties or fines. It is usually at this point that the owner will move to insure the firm is in compliance.

Secondly, there are those study participants who tend to ignore or marginally comply with various regulations. This is not overt disrespect for the law, but in all cases the small businessowner does not have the time to comply with the regulation to the fullest extent. In these instances the owner feels "just lucky" that an agency representative has not inspected the business for regulation compliance. Most employers related several acts

that they were vaguely aware of and finally complied with once the information was made readily available to them.

One of the biggest problems with compliance is that participants are not always sure what is and is not required. As many participants indicated, agency personnel are not usually adequately trained to perform audits or inspections of firms for regulation compliance. One manufacturing firm cited OSHA inspections over the past two years as a "nightmare." One inspector demanded that fire extinguishers be raised from their present position on the wall to a higher one so that employees would not run the risk of injuring their heads bumping into them. This required repositioning the extinguishers throughout the plant and repainting a box around each extinguisher (another OSHA regulation). This cost the firm approximately \$2500 in equipment and labor. A year later, the former inspector was reassigned, and a new OSHA inspector showed up at the firm demanding that the fire extinguishers be lowered so that they would be within easier reach for all employees. This inconsistency cost the plant a citation for being in violation of OSHA regulations, and personnel time in challenging the citation.

Participants were very concerned about the subjective interpretation by an agency inspector of a firm's compliance or non-compliance. IRS auditors, unfamiliar with real estate development laws were assigned to audit one of the participants. As he put it, "We had to give them a crash course in real estate laws and tax provisions. The IRS people were totally unaware of those laws pertaining to our business." One of the textile firms cited an incident with an OSHA inspector who was totally unaware of the state-of-the-art machinery for the plant. This inspector almost had one operation shutdown because of his lack of understanding how far the industry

could go in complying with regulations. A professional services firm experienced a year delay in EPA approval for funding a water treatment plant due to a change in EPA reviewers. What had satisfied the former reviewer did not the new one, so the firm was required to make changes in the grant application and resubmit it for review. In essence these examples point out that the employer is literally at the mercy of agency inspectors. Again it is the case of the employer having to pay in either personnel time or cost to prove he is in the right.

3.4 COSTS OF REGULATION COMPLIANCE

One of the aims of this study is to quantify the cost of regulation. Study participants were asked to estimate the cost of regulation compliance based on employer and employee time spent in fulfilling regulation requirements. Participants were asked to separate personnel time spent on compliance and time spent on other daily business activities.

Administrative and/or staff time as well as miscellaneous costs were identified by the participants. Administrative personnel were broadly defined as owners, principals or associates engaged specifically in regulation compliance for their business. Staff is defined as full or part-time employees including bookkeepers, accountants, managers (personnel and others) and comptrollers concerned with record keeping requirements as well as the mechanics in filing the proper agency information. Miscellaneous costs included any special supplies such as forms, equipment, storage needs, renovation or modifications, legal fees and yearly audit fees required on a continuing basis to meet regulation requirements. Overhead costs such as rent, light and power were included in the administrative and staff costs. Once all the costs were totaled, they were compared to the annual gross sales receipts. This provided a measure of how much of annual receipts go for regulation compliance.

From the analysis it is found that the number of employees had little to do with the cost of regulation compliance. The cost of regulation compliance usually varies inversely with the size of the firm's gross annual receipts. In all business categories except food services, the percentage cost of regulation decreased as the annual gross receipts increased. In the food services category, the participants had similar gross annual receipts and both had similar percentages of regulation costs. This implies in effect that regulation costs are essentially a fixed cost of doing business. Figure 3.1 presents the cost of regulation compliance as a percent of annual receipts by business category.

Figure 3.2 illustrates how the cost of regulation compliance decreases as a percent of annual receipts for all businesses in the case study. As seen in Figure 3.1, firms with under \$1,000,000 in annual receipts can experience compliance costs of two times and greater that of firms with over \$1,000,000 in annual receipts.

In general, as a small firm grows, the cost of regulation compliance becomes a relatively fixed cost of doing business. In a "larger" small business, the problems of regulation compliance are distributed among a number of employees and regulation compliance is integrated with other daily activities. This does not mean, however, that regulation costs are not passed on to the consumer. In the long run, participants noted that compliance costs are passed on to the consumer, which in effect is inflating the price of the product without adding value to it. This is one point in particular that is not often stressed: the consumer pays more than once for the protection offered by regulatory control of business.

Two interesting questions about cost that could not be considered in this analysis and warrant further investigation are what regulatory costs would

FIGURE 3.1 PERCENT REGULATION COMPLIANCE COSTS ARE OF ANNUAL GROSS SALES RECEIPTS BY BUSINESS CATEGORY

<u>Type of Firm</u>	<u>Participant</u>	<u>Annual Gross Sales Receipts</u>	<u>Average¹ Percent</u>
Manufacturing	A	1,500,000 - 3,000,000	2
	B	10,000,000 - 40,000,000	<1
	C	10,000,000 - 40,000,000	<1
Construction	A	1,000,000 - 1,499,999	1
	B	1,500,000 - 3,000,000	2
Retailing	A	20,000 - 999,999	8
	B	1,000,000 - 1,499,999	4
Food Services	A	20,000 - 999,999	7
	B	20,000 - 999,999	6
Professional Services	A	20,000 - 999,999	8
	B	20,000 - 999,999	N/A
	C	20,000 - 999,999	12
	D	1,000,000 - 1,499,999	7
	E	1,500,000 - 3,000,000	4

¹ Average Percent Calculated Based on Average of Range of Annual Gross Receipts

FIGURE 3.2 PERCENT REGULATION COMPLIANCE COSTS ARE OF ANNUAL GROSS SALES RECEIPTS

<u>Annual Gross Sales Receipts</u>	<u>Range of Percent</u>	<u>Average,¹ Percent</u>
20,000 - 999,999	6 - 14	9
1,000,000 - 1,499,999	4 - 7	5.5
1,500,000 - 3,000,000	1 - 4	2.5
10,000,000 - 40,000,000	<1	.5

¹ Average values represent average of all percentages in a given range of sales receipts

be considered necessary as costs of doing organized and efficient business, and what is the lost opportunity cost of money tied up in waiting for regulatory changes to be implemented to continue project development and design. These two topics are not considered in the cost analysis previously presented, but do raise two important questions for small businesses anticipating eventual growth and expansion.

4.0 SUMMARY

4.1 CURRENT ACTIVITIES IN GOVERNMENT TO ALLEVIATE REGULATION OF SMALL BUSINESS

Interest in the impact of regulation on small business has increased at all levels of government. Investigations of regulatory agencies and their procedures are being held by Congress. The United States Senate Select Committee on Small Business made certain progress in 1974 toward reducing regulation impact on small business. The Committee's Subcommittee on Governmental Regulation worked with the Securities and Exchange Commission to provide a system for coordinating federal, state, local, and private regulatory reports to remove requirements for duplicate information reporting. The special emphasis here was on independent broker-dealers. The Subcommittee also held hearings on the reporting requirements of OSHA. The hearings were opened with a statement by Subcommittee Chairman Senator McIntyre which highlighted OSHA regulation impact on small business:

"One of the most significant problems relating to OSHA is that small business has a very difficult time in determining the requirements and regulations formulated by the Department of Labor to administer this Act. Small business can not hire the necessary expertise to insure the requirements of OSHA are fulfilled. Large business concerns, on the other hand, are able to hire such experts without affecting their competitive ability."

The Department of Labor is now making an assessment of small business difficulties experienced in fulfilling OSHA requirements. As a complement to this study, the 93rd Congress raised the exemption of administrative record-keeping for businesses employing seven persons to ten. This same bill

appropriated \$5,000,000 to cognizant state agencies for on-site consultation with small business employers who wish to seek assistance in complying with the Occupational Safety and Health Act. These state consultants do not have the power to inspect and levy fines under OSHA, but do have the authority to request removal of work hazards of immediate danger to employees.

The Commission on Federal Paperwork was also a direct result of the efforts of the U.S. Senate's Select Committee on Small Business and Subcommittee on Governmental Regulation. This 14 member Commission was created to study the paperwork problem from 1975 to 1977 with the objectives of:

- 1) encouraging immediate legislative action through Congress to ease the paperwork burden on business while also working with agencies to improve existing paperwork procedures, and
- 2) establishing procedures to prevent future uncontrolled growth of complex and redundant paperwork.

In late 1975 and early 1976, the Commission investigated the paperwork burden through a series of nationwide hearings. Participants in these hearings included representatives from private industry, government, small business, associations, federations and other interested special groups; all with complaints and recommendations on the paperwork problem. The Commission's major accomplishment to date is its recommended legislation to eliminate 24 million pages of government forms filed by employers every year. The new law will eliminate Schedule A of IRS Form 941 which employers must now file every three months listing the name, Social Security number, wages and federal taxes of each employee. The change becomes effective January 1, 1978 when employers will file this data annually, instead of quarterly. The law is estimated to save the government \$20 million a year, and employers, including small business, \$250 million annually.

The Executive Office of the President, Office of Management and Budget recently completed a study in March, 1975 on the "Small Business Reporting Burden" which covered an investigation of the Office of Management and Budget's clearance process and also the general sources of the governmental reporting burden. The study pinpointed various immediate recommendations for improving the current administration, as well as presented a model clearance process concept for OMB. Recommendations made under this study are under consideration by OMB.

Some of the most current federal legislation on reducing the paperwork burden is the Paperwork Review and Limitation Act of 1976 introduced by Senator Sam Nunn of Georgia into the Senate on March 4, 1976, and HR Bill 12048 on Regulatory Reform co-authored by Representative Elliott H. Levitas of Georgia. Senator Nunn's bill is intended to improve congressional oversight of paperwork requirements of federal departments and agencies. The bill is currently under consideration in the Senate in the Committee on Government Operations. The elements of the bill are:

- Require a paperwork impact statement that would assess the amount and type of information and forms to be required, the cost and the time to the private businessman in completing the information, and whether the information duplicates any already available within federal departments and agencies. This impact statement is to be included in any committee report on each bill and each joint resolution of a public nature, except for appropriation actions.
- Limit approval of forms by the Office of Management and Budget under the Federal Reports Act to a single calendar

year and provide that no forms whose approval has expired need to be submitted by a private individual or business. These forms would have to carry a notice to this effect.

- Require each House and Senate committee to conduct a review of the reporting requirements of agencies under its jurisdiction and report its findings at least once a year.

Representative Levitas's bill on regulatory reform amends Title 5 of the U.S. Code to improve agency rulemaking by expanding public participation, creating procedures for Congressional review of agency rules and expanding judicial review. All previous agency rules would be subject to review under HR 12048. The legislation is currently pending in the House Rules Committee.

In Georgia, legislation recently passed by the Georgia General Assembly and signed by Governor George Busbee tightened unemployment compensation benefits to unemployed workers. The legislation, which took effect on April 1, 1976, has as its major thrust the provisions of an adequate trust fund to pay compensation to those workers who lost jobs through no fault of their own. The legislation aims at strengthening work requirements for claimants to draw unemployment insurance, and attempts to prevent persons who cause their own unemployment by quitting a job or refusing suitable work when available to be paid through the unemployment insurance program. The new law also decreases the increase in tax rates to Georgia employers paying into the unemployment fund from a proposed 60 percent increase to only a 20 percent increase across the board in 1976. This change increases the liable tax base for covered Georgia workers from \$4200 to \$6000 each year.

A complete description of the new changes in the law is to be sent to all Georgia employers by July 1, 1976. This legislation demonstrates the

concern of state government in reducing the burden of regulation requirements on small business.

4.2 CONCLUSIONS AND RECOMMENDATIONS

Most of the discussion to this point has been of the problems associated with regulatory control. The question that needs to be addressed is what can and should be done to alleviate the regulatory impact on small business. Although there is now serious examination of the problem at the federal level, significant changes in the regulatory load may take years to implement and be felt by small business.

As part of the case study interview, ideas and suggestions on alleviating the regulation impact were solicited from the participants. The following recommendations are a direct result of discussions with the case study participants and reflect their views on regulatory control by government.

- A checklist of regulations for use by small business should be developed. This could be done through the Small Business Administration or Office of Budget and Management. This checklist could be done by business category or be general enough to include all possible regulatory agencies a business must consider complying with in its operation. The checklist should include not only what regulations are necessary, but also where the information is located.
- A small business ombudsman should be appointed within SBA to provide the small business person with an accessible advocate of the needs of small business. With Congress having little control over the agencies they legislate, the agencies have the sole powers of interpretation, administration and evaluation of regulatory legislation. This existing situation leaves the small business person few avenues of recourse to challenge decisions made that impact their business.

- Current regulatory reform before the Houses of Congress should be thoroughly studied to insure that the changes will indeed lessen the economic impact of regulation compliance to small business. These reforms should be closely examined to secure that review requirements of the reforms do not create even more complex bureaucracies that ultimately cost business more in regulatory control. This in turn would increase the costs to the consumer for regulatory protection as the regulatory cost to business is passed on to the consumer in the long run.
- Congress, when it legislates a new regulation, should have a negative growth plan attached to the appropriation. Instead of the traditional agency growth to justify its existence, a definite time period for the agency and its requirements should be identified. Based on these needs, a negative growth plan should be instituted for the agency so that the need for the agency will be diminished over time, or the regulatory control exercised by the agency will be done with a minimum of personnel, time and cost.
- Employers should not be expected to provide on-the-job training for agency inspectors or representatives. A number of employers cited that IRS auditors, OSHA inspectors, and EPA representatives were usually uninformed about their particular type of business. As one employer stated, "I am tired of constantly proving to IRS and OSHA people that I am within the law. Usually these representatives are totally unaware of the state-of-the-art of my particular type of business. This requires me, the employer, to train this individual so that a valid assessment of my compliance can be made."

- Report forms from various agencies requiring similar information should be standardized so that redundant and duplicate informational and statistical data need not be required from the employer. Census Bureau statistics as one employer described them are "worthless." He continued, "I don't know of any business that gives totally accurate information to the Census Bureau. The cost of providing that data is much too great. We tend to send them a gross estimate, as do most other employers we know. So if this is the case, what good does it do for me to be accurate, and what real worth is the data?" EEOC and other agency compliance reports require the employer to spend hours duplicating information that eventually all ends up in the same place. If standardized forms were available, the employer would need only to fill out one or two to satisfy all the various agency requirements. In other words, regulatory agencies should coordinate and reorganize their boundaries of responsibility. This would benefit both the government and the employer, as well as the taxpayer by decreasing the overall paperwork burden.
- Agency audits should be coordinated. Audits tie up company personnel and result in lost time and productivity during the period of an audit. A standard overall company audit procedure should be devised that is acceptable to all regulatory agencies. The regulatory agencies should be responsible for the bookkeeping and accounting procedures. The employer should not have to continually prove to all regulatory agencies that his business practices and procedures are sound.

- Agencies should disseminate understandable and clear information on their regulatory requirements. Every employer states that "it takes a lawyer" to read the act and understand requirements. Most of the informational materials are only guidelines. The buck must stop somewhere on interpretation. One employer stated that upon questioning IRS staff on the interpretation of a particular requirement was told, "I can't give you specific way to do it. Just do it your way and we'll tell you if it's right or wrong when we audit you."
- Tax credits to business for collecting taxes and keeping books as required by government regulation should be considered. Many employers felt that they were doing the "government's job" with respect to collecting withholding taxes, social security, and unemployment insurance from individual employee paychecks. Also, the bookkeeping requirements for payroll and personnel to insure the business had adequate and detailed records in case of an audit were felt to be greater than what would be needed without regulation.
- Finally, further study of the costs of regulation to individual types businesses should be conducted. A rigorous quantitative analysis of the economic impact of regulatory control will not only determine the actual costs of regulation to small business but will also provide valuable information that can be used to institute effective regulatory reform measures. An in-depth study of regulatory costs would also provide such pertinent data on such topics as: the growth potential of business into various markets due to regulatory control and cost; the competitiveness of businesses due to the economics of regulatory control and cost; and the overall economic future of small firms in coping with regulatory controls and costs.

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APPENDIX I

GENERAL DESCRIPTION OF REGULATIONS INVOLVED IN CASE STUDY ANALYSIS

The following summaries of regulations are those most often discussed with participants in the case study interviews. These summaries do not include all the possible regulations and exemptions of a law or act; rather it attempts to broadly define the regulation and its impact on small business. Further information on the regulation should be sought through communication with the administering agency.

Agency: Bureau of Census Division
Regional Dept. of Commerce Office, Atlanta

- Regulations: The Bureau of Census Division receives its authority, from Title 13 which requires mandatory participation of firms in the surveys conducted by the Census Bureau. There are a variety of surveys conducted on a weekly, bi-monthly, monthly, quarterly and annual basis and more with even less frequency. On those surveys which are voluntary, the Census Bureau must notify the firm that participation is not mandatory as different forms are required in these surveys. The number of forms issued by the Census Bureau reach into the hundreds. Although an average as to the number of forms required by the Census Bureau could not be obtained, the Director of the Bureau of Census stated that the number was quite high.
- Purpose: To provide nationwide statistical information for use by private industry and government.
- Coverage: All industries except those businesses with less than 10 employees. Information on those are obtained from IRS. Different surveys apply to different firms (i.e. Census of Business, Census of Manufacturers, Census of Wholesalers).
- Record Keeping: Every form requires different deadlines. The more often a survey is conducted the less amount of time is given to complete the form. A monthly survey has a shorter deadline than an annual survey. Failure to comply with Title 13 can result in a fine, imprisonment, or both.
- Impact: Another paperwork burden for the employer to comply with on a periodic basis. Fines and penalties for non-compliance can be issued.
- Available Information: Bureau of the Census, Department of Commerce, Washington, D.C.

Agency: Equal Employment Opportunity Commission (EEOC)

Regulation: The Equal Employment Opportunity Act of 1972, Title VII of the Civil Rights Act of 1964.

Purpose: The U. S. Equal Employment Opportunity Commission (EEOC) is an independent bi-partisan Federal agency responsible for administering Title VII of the 1964 Civil Rights Act which prohibits discrimination on the basis of race, sex, national origin, color or religion in all aspects of employment.

Coverage: Title VII covers private employers, private and public educational institutions, State and local governments, employment agencies; labor unions, and joint apprenticeship committees.

Title VII gave EEOC enforcement powers and extended coverage. This amendment is titled "The Equal Employment Act of 1972." Before the amendment, the law applied only to employers who had 25 or more employees and to unions with a membership of 25 or more. The amendment lowered the number to 15 for employers and unions effective on March 24, 1973. Also, it extended coverage to educational institutions, and to public employers, including local, state and federal government. The coverage relating to federal employment is administered by the U. S. Civil Service Commission. Coverage was expanded to prohibit discrimination by joint labor-management committees that control apprenticeship or training programs. Committee news, notices or advertising may not discriminate on the basis of race, color, sex, religion or national origin.

Record Keeping: Section 1604.12 outlines those records to be made or kept:

a) Any personnel or employment record made or kept by an employer (including but not necessarily limited to application forms submitted by applicants and other records having to do with hiring, promotion, demotion, transfer, lay-off, or termination, rates of pay or other terms of compensation, and selection for training or apprenticeship) shall be preserved by the employer for a period of 6 months from the date of the making of the record or the personnel action involved, whichever occurs later. In the case of involuntary termination of an employee, the personnel records of the individual terminated shall be kept for a period of 6 months from the date of termination. Where a charge of discrimination has been filed, or an action brought by the Commission or the Attorney General, against an employer under Title VII, the respondent employer shall

preserve all personnel records relevant to the charge or action until final disposition of the charge or the action. The term "personnel records relevant to the charge," for example, would include personnel or employment records relating to the aggrieved person and to all other employees holding positions similar to that held or sought by the aggrieved person and application forms or test papers completed by an unsuccessful applicant and by all other candidates for the same position as that for which the aggrieved person applied and was rejected. The date of "final disposition of the charge or the action" means the date of expiration of the statutory period within which the aggrieved person may bring an action in a U.S. District Court or, where an action is brought against an employer either by the aggrieved person, the Commission, or by the Attorney General, the date on which such litigation is terminated.

b) The requirements of this section shall not apply to application forms and other pre-employment records of applicants for positions known to applicants to be of a temporary or seasonal nature.

Impact:

The government enforcement agencies which maintain jurisdiction by virtue of government contracts can and do order the production of an Affirmative Action Plan.

EEOC cannot require that an organization over which it has jurisdiction produce and implement an Affirmative Action Plan; however, EEOC maintains a small force called the Voluntary Programs Section at the Regional Office to give free technical advice in the formulation of an Affirmative Action Plan when asked to do so.

An Affirmative Action Program is a set of specific and result-oriented procedures to which an organization pledges to ascertain those areas in which minorities or females are being under-utilized or otherwise discriminated against and to take positive action to correct these situations by:

- a) Having Top Level Support of the AAP.
- b) Providing job structuring so that personnel plans do not include factors which hinder the opportunities for the advancement or upward mobility of minority groups and women.
- c) Active recruiting (not just waiting for applications) of minorities and women.
- d) Having all selection procedures designed to prevent discrimination against minority groups and women.

Agency: Employment Standards Administration, Wage and Hour Division within the Department of Labor

Regulation: Fair Labor Standards Act of 1938 as Amended

Purpose: To set labor standards that are fair and equitable for all persons known as employees.

Coverage: In general, this law applies to all employees subject to minimum wage or minimum wage and overtime provisions, bonafide executive, administrative and professional employees (including academic administrative personnel and teachers in elementary and secondary schools) and outside sales employees. Exceptions to the above are listed in the regulations.

Record Keeping: Every employer must maintain and preserve a payroll or other records containing the following information for every employee covered under the act. However, as there are many employee exemptions or exceptions, the employer must investigate the regulations thoroughly to determine what records must be maintained.

- Payroll records including name, employee number (same as that used for Social Security), home address (zip code), date of birth if under 19, sex, occupation in which employed, time of day and day of week workweek begins, regular hourly rate of pay (overtime) hours worked each day and workweek, total daily and straight time earnings, overtime pay, additions or deductions to pay, records of retroactive payment of wages, records of employees working on fixed schedules.
- Certificates, agreements, plans and notices.
- Sales or business total dollar volume of sales and total volume of goods purchased or received.

The above records must be kept for three years. The following records need to be kept by the employer for two years:

- Supplementary Basic records:
 - Basic employment and earnings; records of each employee wage rate table ; and worktime schedules.
- Order, shipping and billing records.
- Records of additions to or deductions from wages paid to each individual employee.

Records must be kept by the employer in an accessible place at the place or places of employment. Records shall be open at all times to inspection and transcription by representatives of the Department of Labor.

Impact: Much of the information required under this Act is duplicated by other agencies such as EEOC, which federally fund projects. These requirements by all the agencies may force the employer to not only duplicate once--but 2 and 3 times the same type of information as employees, payroll, etc. .

Available Information: U. S. Department of Labor, Employment Standards Administration, Wage and Hour Division, Records to be Kept by Employees Under the Fair Labor Standards Act of 1938, as Amended, Title 29, Part 516, Washington, U. S. Gov't Printing Office, 1974.

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Agency: Environmental Protection Division (EPD)
Georgia Department of Natural Resources

Regulation: Environmental Protection Act

Purpose: Administers Federal Environmental Protection Agency rules and regulations along with State Regulations. EPD uses federal standards for air pollution; water pollution, and drinking water but does administer their own state standards in other areas (i.e. strip mining, solid waste disposal). In getting EPA grants, EPA takes an administrative position handling auditing, review assistance, and other administrative duties (i.e. civil rights compliance) while EPD handles the technical aspects such as investigating the firm and determining engineering and quality functions. EPA insures a quality environment by encouraging industry to use the "best" pollution-free equipment, methods and design currently available.

Coverage: All industries in the state of Georgia.

Record Keeping: All reporting to the firms is done to EPD not EPA (Georgia is one of few states--many firms in other states report to federal and state). This is because EPD is in compliance with federal standards. In such activities as water control and air control, monthly reporting is required. This usually means daily testing in order that accurate monthly figures be obtained. In other areas less frequency is required. The EPD provides the forms and the firm usually only has to provide numbers (unless figures are questionable and require interpretation). The periodic reporting is mandatory and non-compliance is punishable by fines or imprisonment or both. Penalties are enforced. At random, the EPD checks out firms in order to ensure their reporting is accurate.

Impact: Employers must keep informed of changes in regulation at both state and federal levels. Review process places cost of changes on consultant/or employer. EPA has sole power to make changes, even in contract agreements between consultants and municipalities.

Available Information: Rules and Regulations for Air Quality Controls, Chapter 391-3-1, Revised Nov., 1975.
Air Quality Control Act, No. 433, as amended through 1974.
Rules and Regulations for Ground Water Use, Chapter 391-3-2, June, 1974.
Ground Water Use Act , No. 1478, amended through 1972.
Rules and Regulation for Land Reclamation, Chapter 391-3-3, Nov., 1974.
Georgia Mining Act, No. 620, as amended through 1972.
Rules and Regulations for Solid Waste Management Chapter 391-3-4 Oct., 1974.
Solid Waste Management Act, No. 1486, as amended through 1973.
Rules and Regulations for Water Quality Controls, Chapter 391-3-6, Revised June 1974.

Agency: Georgia Department of Agriculture¹

Regulation: Weights and Measure Act of 1972

Purpose: To set forth the regulations to be used for all weights and measures or weighing and measuring devices used commercially to fix rates or charges for services, buying or selling, together with the products bought, sold, bartered or traded.

Coverage: Regulations apply equally to all weighing and measuring devices used or employed commercially or in institutions of the State of Georgia.

Impact: Registration of either an individual or an agency that shall install, repair, recondition or test commercial weighing and measuring devices is required. Businesses using these services must be aware of the requirements under this Act for this or for their equipment as inspections are held by the Department of Agriculture to insure compliance.

Available Information: Georgia Department of Agriculture, Rules of Georgia Department of Agriculture, Meat, and Poultry Inspection, Chapter 40-10-1, Published in Georgia, 1971.

Georgia Department of Agriculture, Weights and Measures - Rules and Regulations, Published in Georgia, 1972.

Other information pertaining to certain types of business are available upon request.

¹In general, the Georgia Department of Agriculture administers certain Acts under its jurisdiction. There are both state and local county health department inspectors who are responsible for inspection of businesses to insure compliance with the Department's regulations.

Agency: Georgia Employment Security Agency within the Georgia Department of Labor

Regulation: Employment Security Law As Amended Through January 1975

Purpose: To provide the guidelines for the compulsory setting aside of unemployment reserves by employers to be used for the benefit of persons unemployed through no fault of their own.

Coverage: The law covers those employees who are unemployed through no fault of their own. Employers are the contributors to the unemployment compensation fund that is used to pay benefits to the unemployed.

Impact: Employers are required to contribute to the unemployment compensation based on a certain percentage of wages payable by him with respect to employment. An employer must keep informed on the percentages to be paid by him into the fund. This requires interchange between the employer and GESA. Employer disagreement with unemployment compensation benefits filed against him are costly and time consuming for the employer to challenge.

Available Information: Georgia Department of Labor, Employment Security Agency, Employment Security Law as Amended Through January 1975, Published in Georgia, 1975.

Agency: Internal Revenue Service - Department of the Treasury

Regulation: Employer's Tax Guide

Purpose: The Employer's Tax Guide summarizes the employer's responsibilities for withholding, depositing, paying and reporting federal income tax, social security taxes and federal unemployment tax.

Coverage: These taxes apply to every employer who pays taxable wages to employees or who has employees who report tips.

Record Keeping: The employer is responsible for maintaining all records pertaining to employment taxes for inspection by the IRS. No form is prescribed for the records, they must include the following information.

- Amounts and dates of all wage, annuity, and pension payments, tips reported and the fair market value of in-kind wages paid.
- Names, addresses and occupations of employees or payees receiving such payments.
- Periods of employee employment.
- Periods employees were paid for sick leave or personal injury and amounts and weekly rate of payments.
- Employee social security numbers.
- Employee income tax withholding allowance certificates.
- Employer's identification number.
- Duplicate copies of returns filed.
- Dates and amounts of deposits made.

All records must be kept for at least five years after the date the taxes they relate to become due, or the date the employer pays the taxes, whichever is later.

Impact: The record keeping requirements of the IRS are a direct result of the various filings that must be made to IRS. These filings are as follows.

- Quarterly Return of Withheld Federal Income Tax and Social Security (FICA) Taxes.
- Adjustment to the Quarterly Return.
- Payment of Federal Unemployment Tax.
- Deposit of Withheld Income Tax and Social Security (FICA) Taxes.

If the above filings are not made in strict accordance with IRS standards, severe penalties are imposed on the employer. The employer is totally responsible for understanding, interpreting and carrying out the regulations to the satisfaction of the IRS. If the employer does not comply, he must pay the penalty.

Available Information: U. S. Department of Treasury, Internal Revenue Service, Your Business Tax Kit, Publication 454, Washington, U. S. Gov't Printing Office, 1974.

U. S. Department of Treasury, Internal Revenue Service, Employer's Tax Guide, Circular E, U. S. Gov't Printing Office.

Agency: Labor-Management Services Administration within the U.S. Department of Labor

Regulation: Employee Retirement Income Security Act 1974

Purpose: Its purpose is to protect the interests of workers and their beneficiaries who depend on benefits from employee pension and welfare plans. The law requires disclosure of plan provisions and financial information and establishes standards of conduct for trustees and administrators of welfare and pension plans. It sets up funding, participation, and vesting requirements for pension plans and makes termination insurance available for most pension plans.

The Department of Labor and the Internal Revenue Service share in the administration of the law. The pension plan termination insurance program is administered by the Pension Benefit Guaranty Corporation.

Coverage: The Act covers employee pension and welfare plans which are established or maintained (1) by any employer engaged in commerce or in any industry or activity affecting commerce or (2) by an employee organization or organizations representing employees engaged in commerce or in any industry or activity affecting commerce, or (3) by both, except those plans specifically exempted. A pension plan is any plan, fund, or program which provides retirement income to employees or results in a deferral of income by employees until the termination of employment or beyond. A welfare plan is any plan, fund, or program which provides medical, surgical, or hospital care or benefits; or benefits in the event of sickness, accident, disability, death or unemployment; or vacation benefits, apprenticeship or other training programs; or day care centers, scholarship funds, or prepaid legal services; or benefits under plans subject to Section 302(c) of the Labor Management Relations Act of 1947, other than pension benefits.

The number of participants is not a factor in determining coverage, unlike the Welfare and Pension Plans Disclosure Act, which exempted plans covering fewer than 26 participants. The WPPDA was repealed by the new law. However, certain welfare plans covering fewer than 100 participants have been exempted by regulation from certain reporting and disclosure requirements.

Record Keeping: The following reports must be filed with the U.S. Department of Labor by the administrators of employee pension and welfare plans:

- Plan description, 120 days after the plan is subject to the reporting and disclosure provisions.

- Summary plan description, 120 days after the plan is subject to the reporting and disclosure provisions.
- Any change in plan description or material modification to plan, 60 days after its adoption.
- Updated plan description at such times as the Secretary of Labor may require but not more frequently than once every five years.
- Annual report (joint form with the IRS), by date prescribed by regulation.
- Terminal reports for plans winding up their affairs, if prescribed by regulation.
- Plan documents and other information, if requested by the Secretary of Labor.

The following reports for defined benefit pension plans covered by the termination insurance provisions must be filled with the Pension Benefit Guaranty Corporation:

- Annual report, within 6 months after the end of plan year.
- Intent to terminate plan, no later than 10 days before termination date.
- Certain events which raise questions of the continued viability of a plan, within 30 days after plan administrator knows or had reason to know of their occurrence.
- Such other reports as the Corporation may require from a plan administrator who has initiated termination proceedings.
- Notice of withdrawal of a substantial employer from a plan to which more than one employer contributes or the closing of a facility which results in a decrease of 20 percent or more of the number of plan participants, within 60 days.

Pursuant to the Act's amendments to the Internal Revenue Code of 1954, reports which must be filed with the Internal Revenue Service include:

- Annual Registration Statement, listing employees separated from service of plan, for plans subject to vesting standards, due as prescribed by regulation.
- Notification of Change in Status, for plans subject to vesting standards, due as prescribed by regulations.
- Annual Return for certain pension and deferred compensation plans (joint form with Department of Labor), by date prescribed by regulation.
- Actuarial statement of valuation for certain pension and deferred compensation plans, not less than 30 days before merger, consolidation, or transfer of assets or liabilities.

- Actuarial report for defined benefit plans for the first year that new funding requirements apply and every third year thereafter, or within time prescribed by regulation.

Administrators must also make various reports available to participants and beneficiaries on a period basis. Also, an annual report of the plan must be completed.

Records on matters for which disclosure or certification is required must be kept at least SIX years after the date the documents are due for filing (or would be due except for an exemption).

Exemptions from the above requirements are possible from the Secretary of Labor.

Impact:

The law does not require a company to establish a welfare or pension plan, but existing or new plans must meet certain minimum standards. The law also provides that employees not covered by a pension plan, other than Social Security may put aside a certain amount of income tax-free to take care of retirement needs.

The Act establishes fiduciary standards. A fiduciary is anyone who exercises discretionary control or authority over plan management or who controls assets. A fiduciary may include the plan administrator; or anyone who provides investment advice to a plan for a fee or other compensation, direct or indirect; or anyone with discretionary authority or responsibility in the administration of a plan.

The Act requires a fiduciary to discharge his duties solely in the interests of the participants and beneficiaries for the exclusive purpose of providing them with the benefits and defraying the reasonable expenses of administering the plan. A fiduciary can be paid for services rendered except that no person serving as fiduciary who ALREADY receives full-time pay from an employer or union whose employees or members are plan participants may receive more than reimbursement of properly incurred expenses.

Criminal violators and penalties are:

- Any willful violation of the reporting and disclosure provisions of the Act is punishable by a maximum \$5,000 fine or maximum one year's prison term or both. For organizations such as corporations, the penalty is a maximum \$100,000 fine.
- Embezzlement, kickback, false statements, and concealment of facts or any other related violations are punishable by a maximum \$10,000 fine or maximum five year prison term or both.

- Intentional violation of the office-holding prohibition is punishable by a maximum \$10,000 fine or maximum one year prison term or both.
- Willful interference with a participant's or beneficiary's rights through fraud or coercion is punishable by a maximum \$10,000 fine or maximum one year prison term or both.

Available Information: U. S. Department of Labor, Management Services Administration, Often Asked Questions About Employee Retirement Income Security Act of 1974, Washington, U. S. Gov't Printing Office, 1975.

U. S. Department of Labor, Management Services Administration, Coverage Under the Employee Retirement Income Security Act of 1974, Washington, U. S. Gov't Printing Office, 1976.

U. S. Department of Labor, Management Services Administration, Reporting and Disclosure - Employee Retirement Income Security Act of 1974, Washington, U. S. Gov't Printing Office, 1975.

U. S. Department of Labor, Management Services Administration, Fiduciary Standards - Employee Retirement Security Act, Washington, U. S. Gov't Printing Office, 1975.

Agency: Occupational Safety and Health Administration - Department of Labor

Regulation: Occupational Safety and Health Law

Date of Effect: 4-28-71

Purpose: Employers must provide employees with employment-and a place of employment-free from "recognized hazards that are causing or are likely to cause death or serious physical harm."

Coverage: The law covers any employer who's engaged in a business affecting interstate commerce and has at least one employee. This includes almost every factory, farm, construction site, wholesale outlet, retail store; attorneys, physicians, other professionals; charitable and nonprofit organization; agricultural employees who have employees who are not members of their own family; and religious organizations that have one or more persons engaged in secular activities. There are special limited provisions for employees of federal, state and local governments.

Record Keeping: For each establishment, an employer must maintain the following records.

- Log of occupational injuries and illness (OSHA Form #100). Each recordable occupational injury and illness must be recorded within 6 working days after the employer is aware of them.
- Supplementary Records (OSHA Form #101). Employer must keep a detailed record of each injury and illness. Workman compensation forms, insurance or other reports can be substituted only if the information is the same as required on OSHA #101. Employers have 6 days after knowledge of the illness or injury within which to complete the supplementary record.
- Annual summary (OSHA Form #102). Employers must compile an annual summary based on log information within one month after the close of the year. A copy of the summary must be posted for 30 days in each establishment.
- The log, supplementary records, and summary must be kept in each establishment for 5 years following the end of the year concerned. They do not have to be submitted to the government, but must be available for inspection and copying by OSHA compliance officers or representations of other agencies having jurisdiction.

Impact: The employer must be knowledgeable about regulations applying to his particular type of business. In some cases, state laws take precedence over federal laws and employers are responsible for identifying which are applicable to their business. Compliance can be costly: special equipment, new processes or methods of operation and free medical examinations

may be required of the employer. Non-compliance can be even more costly. The law has a strict enforcement procedure with heavy fines and penalties - up to \$1000 for each violation, and up to \$1000 a day unless you correct it within a certain time! The most powerful provision of the law is that if an OSHA inspector finds a condition he feels could cause death or physical harm immediately, he can seek a court injunction. If the court agrees with the inspector, the employer will have to shut down the plant or operation until the danger is removed or corrected.

Available Information: U. S. Department of Labor

Agency: Sales and Use Tax Unit, Georgia Department of Revenue

Regulation: Georgia Retailers' and Consumers' Sales Tax of 1951 as Amended

Purpose: To set forth the rules and regulations under which taxes will be collected under this Act.

Coverage: The Act describes the requirements for collecting taxes on transactions that are sales, leases, or taxable service with which the retail dealer must comply.

Record Keeping: Every dealer must keep books and records that accurately reflect all taxes required to be collected or remitted by the Act. Records shall be maintained for a period of 3 years and be made available to the Commissioner or tax unit representatives at all times during the business day.

Impact: Dealers must file Application for Certificate of Registration for each place of business in the State. The Certificate, once received must be displayed on the premises of business. Dealer must insure that all taxes, including MARTA taxes (if applicable) are being properly collected and recorded for all transactions.

Available Information: Georgia Department of Revenue, Sales and Tax Regulations, Published in Georgia, 1975.

Agency: United States Securities and Exchange Commission

Regulation: Securities Act of 1933
Securities Exchange Act of 1934
Public Utility Holding Act of 1935
Trust Indenture Act of 1939
Investment Company Act of 1940
Investment Advisors Act of 1940
Bankruptcy Act

Purpose: To protect the investing public in securities transactions.

Coverage: The "truth in securities" law of 1933 has 2 basic objectives: 1) to provide investors with material, financial and other information, concerning securities offered for public sale, and 2) to prohibit deceit, misrepresentation and other fraudulent acts and practices in the sales of securities (whether or not they are required to be registered).

Record Keeping: Under the 1933 Act, the companies are required to complete a registration of their securities. To facilitate the registration of securities by different types of issuing companies, the Commission has prepared special registration forms which vary in their disclosure requirements to provide disclosure of the essential facts pertinent in a given type of offering while at the same time minimizing the burden and expense of compliance with the law. In general, the registration forms call for disclosure of information such as (1) a description of the registrant's properties and business, (2) a description of the significant provisions of the security to be offered for sale and its relationship to the registrant's other capital securities, (3) information about the management of the registrant, and (4) financial statements certified by independent public accountants.

Exemptions for small business with regards to registration were enacted under the 1933 Act. The law provides that offerings of securities not exceeding \$500,000 in amount may be exempted from registration, subject to such conditions as the Commission prescribes for the protection of investors. The Commission's Regulation A permits certain domestic and Canadian companies to make exempt offerings not exceeding \$500,000 in amount. Offerings on behalf of controlling persons are limited in amount to \$100,000 for each such person, not to exceed \$500,000 in all. Offerings on behalf of persons other than an issuer or its affiliates are limited to \$100,000 for each such person, not to exceed a total of \$300,000 which is not included in the \$500,000 ceiling limitation. Under certain circumstances

an estate may offer up to \$500,000 of securities. The exemption is available provided certain specified conditions are met, including the prior filing of a "Notification" with the appropriate Regional Office of the Commission and the use of an offering circular containing certain basic information in the sale of the securities. A similar regulation is available for offerings not exceeding \$500,000 by small business investment companies licensed by the Small Business Administration. Other exemptions of a more limited nature are available for other types of offerings.

Impact: The registration process and other Acts administered by the SEC inflicts more rules and regulations on the employer in the operation of a business. The small businessperson, even with certain exemptions, must complete the same burden of paperwork as the large firm that has trained experts on the staff to meet SEC requirements.

Available Information: Securities and Exchange Commission, The Work of the Securities and Exchange Commission, Washington, U. S. Gov't. Printing Office, 1974.

APPENDIX II

SUMMARIES OF CASE STUDY INTERVIEWS

This appendix provides a summary of the businesses that participated in the case study interviews. A total of 14 businesses were interviewed. However, only 13 are used in the final cost analysis due to the lack of information from one business.

BUSINESS CATEGORY: Manufacturing

BUSINESS TYPE: Electronic Supplies

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 80

ANNUAL GROSS SALES RECEIPTS: \$1,500,000 - \$3,000,000

REGULATIONS OF
GREATEST IMPACT

COMMENT

IRS	Yearly tax returns and quarterly reports are just another cost of business.
ERISA	Provisions of Law are vague and compliance requirements are not clear. It will cost extra in comptroller's time, attorney fees, accountant fees and other professional counsel.
Affirmative Action Plan and EEOC	Provisions of EEOC do not allow you to indicate race or sex on employment applications. However, for EEOC and AAP you must itemize recruitment and hiring efforts of certain types of people.
GESA	Requires routine quarterly reports.
OSHA	Has an in-plant designated safety officer that coordinates OSHA activities. Fire marshall often conflicts with OSHA.
Dept. of Defense - DCAA	Inspectors enforce only within strictest interpretation of regulation. There is usually no recourse with a negotiator, employer must pay the price of non-compliance. They can't afford to challenge it as the big companies can. Quality control clause of agency allows it the right to witness application of process. This can and often does hold up completion of a product which in turn costs the government and taxpayers dollars.
SEC	Reports required must be reviewed by lawyers and accountants as there are large fines for non-compliance.

COST OF REGULATION COMPLIANCE

Personnel

Administrative:

Approximately 12 employees involved total

Staff:

Other: Lawyer, Accountant, Storage

Cost as Percent of Annual Gross Receipts: 2

BUSINESS CATEGORY: Manufacturing

BUSINESS TYPE: Textiles

NUMBER OF ESTABLISHMENTS: 3

NUMBER OF FULL TIME EMPLOYEES: 400

ANNUAL GROSS SALES RECEIPTS: \$10,000,000 - \$40,000,000

REGULATIONS OF
GREATEST IMPACT

COMMENTS

Census Bureau

Production information required of the firm. These forms are time-consuming to complete and usually information requested is not readily available.

IRS

IRS tax reports are the most consistent reports to complete. There are many, however, they are not particularly time-consuming. This includes workman's compensation, unemployment compensation and social security.

Local Fire Marshall

Plants are inspected at the discretion of the fire marshall. This means personnel must accompany the fire marshall on a tour of facilities which takes away from the employee's normal duties--particularly if there isn't any advance notice.

State Sales and Use
Tax

Firm gets audited on goods bought out-of-state. There are certain guidelines that must be followed for keeping their books for the audit.

Government Inspectors

Inspectors have right to inspect products to insure that they are meeting government specifications set for them.

City Business Licenses

Cost of doing business based on classification of manufacturing, amount of business in corporate area of city and number of employees.

Federal Trade Commission

Required quarterly reports.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: 7 people in accounting (includes compliance)

Staff: 3-6 additional people per plant (EPA and OSHA)

Other :

Cost as Percent of Annual Gross Receipts: <1

BUSINESS CATEGORY: Manufacturing

BUSINESS TYPE: Textiles

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 400

ANNUAL GROSS SALES RECEIPTS: \$10,000,000 - \$40,000,000

REGULATIONS OF
GREATEST IMPACT

COMMENTS

OSHA

Required to keep 3 forms on file at all times including: log of job-related illnesses and injuries; detailed accident forms; and annual summary of all job-related injuries and illnesses. Annual summary must be posted 30 days. If you do not have these records, you are found in violation and fined.

Georgia Workman's
Compensation

Need to record job-related accidents every time they occur, same as for OSHA. The same info is requested as in OSHA, however, it is a completely different form. This is a duplication of effort.

EEOC

Must keep records of all applications, hiring, promotion, firing but can not indicate the race or sex of the individual. However, to satisfy EEOC and Census Bureau data collection procedures, they must keep a separate log of the race and sex of all individuals.

EPA

Occasional inspections from EPA inspectors, however, they have invested a great amount of capital to make sure they are in compliance.

Garnishment Law

Employer must collect and pay debts against an employee's paycheck for outstanding debts. Currently there is legislation pending to omit this as a responsibility of an employer.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: Plant Manager

Staff: Personnel Manager, Assistant Personnel Manager

Other: Lawyers, Accountant, Computer Services

Cost as Percent of Annual Gross Receipts: <1

BUSINESS CATEGORY: Construction

BUSINESS TYPE: Real Estate Development

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 6

ANNUAL GROSS SALES RECEIPTS: \$1,000,000 - \$1,499,999

REGULATIONS OF
GREATEST IMPACT

COMMENTS

IRS	Tax auditors are not familiar with real estate tax law exemptions. During every audit, the owner has had to inform auditor of various laws applying to his business to prove compliance with tax laws. In essence, the owner is teaching the IRS auditor how to do the work.
GESA	Tighter controls should be issued to ensure those receiving unemployment benefits are truly deserving. Compensation benefits remove the incentive to work.
OSHA	Estimates that current work complies with approximately 75% of OSHA standards. The other 25% compliance could and probably would double the cost of construction on a facility. OSHA accident and illness reporting duplicates private insurance report requirements.
EPA	Interference with growth of community due to review process for federally funded storm-sanitary sewer system. Hold up in construction of the facility will eventually cost the developer and taxpayer in renovation costs from septic tanks to sewers.
Local Review Boards	No problem once you learn and understand process of review.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: President

Staff: Secretary

Other :

Cost as Percent of Annual Gross Receipts: 1

BUSINESS CATEGORY: Construction

BUSINESS TYPE: Electrical Contractor

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 20

ANNUAL GROSS SALES RECEIPTS: \$1,500,000 - \$3,000,000

REGULATIONS OF
GREATEST IMPACT

COMMENTS

Funding Agency, Federally
Funded Project

Weekly compliance reports on personnel and payroll are due to such agencies as Ga. DOT, Federal DOT, MARTA, FAA, and Dept. of Labor. These reports request same info as EEOC requests and almost all these reports end up in the same place - the Dept. of Labor, for review.

EEOC

President of firm keeps informed on EEOC compliance requirements. Usually there are pre-construction meetings with EEOC officer present to set forth rules and regulations.

OSHA

No real problem as prime contractor on job holds safety meetings, etc. before and during each job. President does spend time keeping informed on OSHA standards and changes in rulings.

IRS - State Sales and
Income Taxes

Full time accountant handles all IRS quarterly reports, income taxes, payroll deposits, etc.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: President

Staff: Accountant, Secretary

Other: Duplicating Forms

Cost as Percent of Annual Gross Receipts: 2

BUSINESS CATEGORY: Retail

BUSINESS TYPE: Car Dealership

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 2

ANNUAL GROSS SALES RECEIPTS: \$20,000 - \$999,999

REGULATIONS OF
GREATEST IMPACT

COMMENT

IRS

Yearly gross income filings and personal tax filings are the most time-consuming at this point in business.

State of Georgia Sales and Use Tax

Monthly reports on sales tax required

Local Business License

Note: Due to the size of this business, the owner is fulfilling the role of accountant and bookkeeper as well as entrepreneur.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: Owner - Bookkeeper

Staff:

Other:

Cost As Percent Of Annual Gross Receipts: 8

BUSINESS CATEGORY: Retail

BUSINESS TYPE: Specialty Foods

NUMBER OF ESTABLISHMENTS: 4

NUMBER OF FULL TIME EMPLOYEES: 80

ANNUAL GROSS SALES RECEIPTS: \$1,000,000 - \$1,499,999

REGULATIONS OF
GREATEST IMPACT

COMMENTS

OSHA

Safety posters required to be displayed throughout stores. Record keeping requirements such as log of injuries and illnesses, detailed summaries of injuries and illnesses and annual summary all duplicate requirements of private insurance company.

State Sales and
Use Tax

Since each county has different rates, owners must establish proper rates for each store because of its location.

Ga. State Dept.
of Agriculture

Routine inspections of facilities that have cost owner in some cases due to changes directed by inspector that were of a questionable need or use. In general, sanitation and weights and measures are checked.

GESA

Claims filed against employers are difficult to challenge. In this case an unwarranted claim made against the employer cost money in his time and legal fees to dispute the claim.

IRS

Staff do not stand behind advice given on problems of the business. You are never sure if you are in compliance and it is difficult to get a proper authoritative answer on a questionable compliance procedure. Requirement such as being able to receive the federal employer number only by mail seems a little frivolous if the employer appears in person to receive it rather than send in the mail and wait.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: 2 Owners, General Manager

Staff: 4 Managers, Bookkeeper, Assistant Managers

Other :

Cost as Percent of Annual Gross Receipts: 4

BUSINESS CATEGORY: Food Services

BUSINESS TYPE: Restaurant

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 14

ANNUAL GROSS SALES RECEIPTS: \$20,000 - \$999,999

REGULATIONS OF
GREATEST IMPACT

COMMENTS

IRS	New tip declaration law requires separate books to record tips from credit cards versus the cash tips. Employer responsible for showing credit and cash tips separately on W-2 form. Storage required for at least 5 yrs. This means extra space rented to handle this as place of employment to small.
Department of Labor	New law before Congress to pay full minimum wage (now only 50% plus tips) and eliminate tips. This will be problem for employers to keep competitiveness up among waiters and waitresses so that good service is provided since all would be receiving same wage.
County Health Department	Quarterly inspection of facilities that take about 1 hour of owner's time.
Ga. Dept. of Public Health	Booklet on rules and procedures with which a restaurant should and must comply with in its operation.
Ga. Dept. of Revenue	Receive liquor licenses from them for their business.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: Owner

Staff: Secretary, Account

Other: City Liquor License, City Business License, Federal Liquor License, Supplies, Storage, Malt Beverage License

Cost as Percent of Annual Gross Receipts: 7

BUSINESS CATEGORY: Food Services

BUSINESS TYPE: Restaurant

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 23

ANNUAL GROSS SALES RECEIPTS: \$20,000 - \$999,999

REGULATIONS OF
GREATEST IMPACT

COMMENTS

IRS	Ruling 75-400 which makes employers responsible for keeping employee credit tips separate from cash tips. This will cause employee to keep another set of books either day by day or week by week for IRS. This was strictly an IRS ruling. It is now being appealed.
Dept. of Labor	HR 101-30 credit bill which requires employer to pay waiters and waitresses 100% minimum wage and eliminate the tip credit. This, as the employer sees it, will reduce the level of service since there would be little impetus to do a good job without the tip credit as an incentive. This is now being considered in Congress.
State of Georgia Income Taxes	Requests are fairly reasonable, and few.
County Health Department	Inspection every 2 or 3 months which is not time consuming to owner.
OSHA	Keeps log of job related injuries and illnesses, keeps detailed summary of injuries and illnesses, and posts an annual summary of injuries and illnesses. Also, owner maintains an up-to-date medical kit on premises at all times.
GESA	Has been no problem - yet.
U.S. Dept. of Agriculture	Beef quality rulings are not fair to consumer or retailer. Rulings are lowering the quality of meat by revising the quality standards that are used in categorizing meats for sale.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: Owner

Staff: Hostess -Bookkeeper, Bookkeeper

Other: Attorneys, Supplies, Malt Beverage Taxes, Federal Liquor License,
City Liquor License, City Business License, Storage

Cost as Percent of Annual Gross Receipts: 6

BUSINESS CATEGORY: Professional Services

BUSINESS TYPE: Engineering

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 3

ANNUAL GROSS SALES RECEIPTS: \$20,000 - \$999,999

REGULATIONS OF
GREATEST IMPACT

COMMENT

IRS State Taxes

Payroll tax deposits must be done at certain times depending on your minimum receipts in a time period. Rules are complex and require employer and bookkeeper to recheck every month to see what or what date they must deposit taxes. Also state and federal deposit dates are not the same.

EPA/Ga. Environmental
Protection Division

It is difficult to keep up with all the requirements. His competition suffers because of EPA's slowness in getting regulations out to consultants. Seminars and sessions held throughout the state do not get out information as fast as needed.

Business License Tax

No real problem as it is mainly the cost of professional registration.

Affirmative Action

Feels he's too small to be concerned with it, but it could hamper growth without one in the future.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: Owner

Staff: Part-time Bookkeeper, Part-time Secretary

Other: Extra Storage space, printing, forms

Cost As Percent of Annual Gross Receipts: 8

BUSINESS CATEGORY: Professional Services

BUSINESS TYPE: Engineering

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 13

ANNUAL GROSS SALES RECEIPTS: \$20,000 - \$999,999

REGULATIONS OF
GREATEST IMPACT

COMMENT

IRS	Secretary handles all forms, deposits, etc. for monthly, quarterly and annual reports and deposits.
GESA	This agency could be costly to us as we grow due to increases in claim and/or percentage contribution increasing.
EPA	Approval costs are quite high per project because the consultant is required to make changes, etc. during the review process. In general, area growth is checked by EPA plans and regulations. This in turn can be disastrous to future work and competition for consultants.
Professional Liability	Provisions for liability are like having another person on the staff. Administrative, legal and court costs all combine to make liability a huge cost to the small consultant.

Note: Employer noted that each requirement in itself is not a major problem. However, as the regulations that he must comply with increase over time, the total regulatory impact could be severe as well check his growth.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: 3 Owners

Staff: Accountant, Bookkeeper/Secretary

Other:

Cost As Percent of Annual Gross Receipts: N/A

BUSINESS CATEGORY: Professional Services

BUSINESS TYPE: Engineering

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 33

ANNUAL GROSS SALES RECEIPTS: \$20,000 - \$999,999

REGULATIONS OF
GREATEST IMPACT

COMMENTS

IRS

UMTA (U.S. Dept. of Transportation)

Dept. of Transportation

State Sales Tax

OSHA

GESA

U.S. Army Corps of Engineers

EPA

EEOC

Dept. of Labor Minimum Wage
and Report requirements

Note: Although this small business did not have any specific comments on each of the agencies, the general conclusion was that the total effectiveness of consulting engineers and architects has been reduced by at least 10% because of government regulations promulgated in the last six to seven years.

COST OF REGULATION COMPLIANCE

Personnel

Administrative:

Staff:

Other: Attorneys, Accountants, Marta Sales Tax

Cost as Percent of Annual Gross Receipts: 12

BUSINESS CATEGORY: Professional Services

BUSINESS TYPE: Engineering

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 55

ANNUAL GROSS SALES RECEIPTS: \$1,000,000 - \$1,499,999

REGULATIONS OF
GREATEST IMPACT

COMMENTS

IRS

It is just another cost of doing business. Felt they would keep their books very similar to the way IRS requires books to be kept.

EPA

Great cost to consultants in time spent keeping up-to-date on latest changes as well as following through grant review process. Client depends on consultant to be current on regulations and requirements. New EPA regulations as of March 1, 1976 have set down the types of contracts allowed between consultants and municipalities for construction of wastewater treatment plants. The EPA felt that there has been inadequate monitoring of these projects in the past by themselves and states, so have initiated these new rules to insure greater control of project funding in the future.

ERISA

New requirements will significantly alter their present pension and welfare plan. As well, it will cost them to alter plan to conform with new law.

Affirmative Action
- EEOC

Just regards this as another cost of doing business.

COST OF REGULATION COMPLIANCE

Personnel

Administrative: 1 Principal, 1 Associate

Staff: Comptroller, Bookkeeper, Secretary, Construction Manager

Other:

Cost as Percent of Annual Gross Receipts: 7

BUSINESS CATEGORY: Professional Services

BUSINESS TYPE: Engineering

NUMBER OF ESTABLISHMENTS: 1

NUMBER OF FULL TIME EMPLOYEES: 160

ANNUAL GROSS SALES RECEIPTS: \$1,500,000 - \$3,000,000

REGULATIONS OF
GREATEST IMPACT

COMMENT

IRS	Most of IRS work is computerized. It is just a cost of doing business .
EEOC - Affirmative Action	Have and meet all the requirements of these groups. You must comply with these for all federally funded projects.
OSHA	Have staff that interprets regulation to insure compliance in design of facilities.
EPA	Keep informed with requirements to insure design is in compliance with standards. New ruling on consultant's contracts with municipalities on wastewater treatment plants could be of economic impact.
GESA	Cost of business due to the normal changeover in employees.
Local Building Codes	Must be well-versed in from 18 - 20 codes for state projects. This requires staff to research and be knowledgeable in all these standards.
Local Health Depts.	Must conform with standards in design of health facilities. Each department has different requirements that must be researched

COST OF REGULATION COMPLIANCE

Personnel

Administrative: 1 Principal, 4 Department Managers

Staff: Comptroller, Bookkeeper, 2 Bookkeeping Assistants

Other: Computer, In-house storage, audit per year

Cost as Percent of Annual Gross Receipts: 4