

Statement by Frank Knapp, Jr.

before the Environment and Public Works Committee
Subcommittee on Waste, Superfund and Oversight Management

“American Small Business’s Perspectives on Environmental Protection Agency
Regulatory Actions”

April 12, 2016

Thank you, Chairman Rounds, Ranking Member Markey and members of the subcommittee. My name is Frank Knapp, Jr, I’m the President and CEO of the South Carolina Small Business Chamber of Commerce, a statewide, 5,000+ member advocacy organization working to make state government more small business friendly. I am also the board co-chair of the American Sustainable Business Council which through its network represents 200,000 businesses. ASBC advocates for policy change at the federal and state level that supports a more sustainable economy.

Today’s hearing topic is important for small business and the vitality of our economy. Good regulations tend to stimulate innovation and entrepreneurship in addition to limiting or preventing destructive forms of economic activity. Bad regulations, whether because they are not designed properly or are simply not needed, will be a burden on small businesses and thus harm our economy. Everyone here would prefer the former and not the latter.

However, even good regulations will have some negative impact on certain small businesses. The issue is—do the positive economic, social, environmental or health outcomes outweigh the negatives.

For example, well-constructed regulations that encourage alternative energy to reduce carbon dioxide emissions impede the use of fossil fuels, which reduces capital spending and jobs in the fossil fuel industries. However, alternative energy is much more responsive to technology-driven innovation, and so it provides much better opportunity for sustainable economic growth. In addition, it stimulates much more employment than fossil fuels. Each megawatt of electricity generated by wind and solar employs more people, pays higher salaries, and generates more capital investment than a megawatt of electricity generated from coal. In this case, such regulations not only achieve their environmental objectives but also greatly benefit our overall economy compared to the absence of these regulations.

The issue today is—does the Environmental Protection Agency and the federal government’s process of promulgating regulations adequately consider any negative impact on small businesses when developing a final regulation?

Twelve years ago we addressed this issue in South Carolina. Back then my organization worked with our state Chamber of Commerce and the state's NFIB to pass our Small Business Regulatory Flexibility Act modeled after the federal law. A few years ago the then chairman of the South Carolina Small Business Regulatory Review Committee told me that over the previous seven years his committee had reviewed about 300 proposed regulations and identified only ten that raised their concern. His Committee worked with the state agency promulgating these new regulations to satisfactorily amend the regulations to address unnecessary burdens on impacted small businesses. The Regulatory Flexibility Act works in our state because we provide the all-volunteer committee the resources they need to do an effective job on newly proposed regulations.

And there is the important point. If you want the regulatory process to be fair to all parties and you set up a mechanism to do that, it has to be adequately resourced.

Back on June 27th of 2012, I testified before the U.S. House Small Business Committee on this same subject. Mr. Keith Holman of the U.S. Chamber of Commerce also was testifying. I referred to Mr. Holman's filed written testimony in my testimony. Here is what I said back then.

"Mr. Holman correctly identifies one area where the EPA's compliance with the RFA can be improved—more resources for the rulemaking process. While there are voices we hear in Washington critical of the EPA and calls for cutting back or freezing the regulatory process, the reality is that it can work better for small businesses and the public if the EPA was better funded.

With more resources the EPA can do a better job of meeting the requirements of the RFA to the benefit of small business. However, more resources for the EPA would not only allow the agency to be more efficient and effective in complying with the RFA, it would also enable the organization to do a better job of protecting the public's and environment's health while unleashing entrepreneurial innovations and creating jobs."

That testimony was almost 4 years ago. Yet here we are still talking about the EPA's process of formulating regulations and questioning whether they are fair to small businesses. And here we are today with proposals not to adequately provide the resources to the EPA and other regulatory agencies to carry out the process Congress has enacted to protect small businesses but instead to erode the operational capacity of these regulatory agencies to do their jobs, as many so-called "regulatory reform" bills appear designed to do.

Of particular interest to the members of this subcommittee are the EPA's most recent rules—the Clean Power Plan and the Waters of the US. Are these good rules that have adequately taken into consideration the overall impact on small businesses so that not only will the desired objectives be achieved but done so in a way that minimize any negative impact on small businesses while creating benefits for the overall economy?

Regarding the Clean Power Plan, the ASBC and the South Carolina Small Business Chamber applaud the effort to reduce carbon emissions to restrain climate change and its significant negative economic impacts. Also, we understand that standards like the Clean Air Act lead to innovation and the creation of much-needed American jobs.

The Bureau of Labor Statistics shows that for every \$1 million of investment in a construction project 11 new jobs are created. For a coal-fired power plant requiring \$200 million worth of pollution control equipment, this equates to 2,200 jobs. Multiply this by dozens of projects around the country and an investment in air quality becomes a meaningful step towards economic growth and job creation even though it might lead to some loss of jobs in the coal industry itself.

Companies that make up the diverse pollution control industry's supply chain, consisting of businesses involved in engineering, design, construction, maintenance, transportation, and manufacturing of air pollution control systems and technologies stand ready to supply their services.

This month ASBC led a coalition of 25 business organizations, including the South Carolina Small Business Chamber, in filing an amicus brief with the D.C. Circuit Court of Appeals in support of the Clean Power Plan. The brief argues that unrestrained climate change will burden national, state and local economies with increased costs and business disruptions from droughts, flooding, reduced agriculture productivity, extreme weather, rising seas, and other disturbances. In addition, it points out that the Clean Power Plan will boost economic growth by generating new market-based solutions and new jobs in renewable energy.

Small business also supports the intent of the Waters of the US.

Polling commissioned by ASBC found that 92 percent of small business owners support regulations to protect our water and air, and that 80 percent supported the Waters of the US rule. Support for the clarification of federal rules under the Waters of the US crosses political lines, with 78 percent of self-identified Republicans and 91 percent of self-described Democrats supporting the rule.

Small businesses know that the risks of clean water disruptions are very real. In 2013, over a million gallons of manure were spilled into clean water sources. A spill in a Dane County, Wisconsin saw 300,000 gallons of contaminated manure spill into Six Mile Creek. Since then, the facility has had two other spills of another 100,000 gallons of manure. These spills threaten Wisconsin's dairy industry, which includes 10,290 dairy farms and accounts for nearly half of Wisconsin's agricultural sector, according to the Wisconsin Milk Marketing Board.

The 2014 Elk River chemical spill in West Virginia cost the state's economy \$19 million a day, according to a study from Marshall University. Wake Forest University estimated that cleanup of the 2014 Dan River coal ash spill in North Carolina cost upwards of \$300 million.

Besides the obvious environmental damage, water pollution brings huge economic burdens to small businesses, many of which may have to shut down temporarily if water sources are polluted.

In conclusion, the regulation promulgating process can produce good rules while protecting small businesses from unnecessary burdens if we provide the resources for agencies to expeditiously carry out the requirements Congress has already put in place. But the federal government's responsibility to impacted small businesses shouldn't stop here. Some small businesses will find compliance with federal regulations difficult. The answer is not to throw the baby out with the bathwater and invalidate existing rules. Instead we believe the solution lies in expanding the capacity of the federal government to provide regulatory compliance assistance to small businesses.

Thank you for the opportunity to speak before you today and I welcome any questions the committee may have.