EXHIBIT 7
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SBA Office of Advocacy

A Voice for Small Business

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State Regulatory Flexibility Model Legislative Initiative

2005 Legislative Activity

1 State has enacted regulatory flexibility legislation or an executive order (EO) in 2005

- Arkansas (EO)

7 States have introduced regulatory flexibility legislation in 2005

- Alaska (HB33)
- Hawaii (HB602/SB422)
- Mississippi (HB1472/SB2795)
- New Jersey (A255/S1166)
- Utah (HB209)
- Virginia (HB1948/SB112)
- Washington (HB1445)

Current Status

10 States and **1 Territory** have active regulatory flexibility statutes

- Arizona
- Connecticut*
- Hawaii
- Michigan
- Nevada
- New York
- North Dakota‡
- Oklahoma
- Puerto Rico
- South Carolina*
- Wisconsin*

30 States have partial or partially used regulatory flexibility statutes

- Arkansas
- California
- Colorado‡
- Delaware
- Florida
- Georgia
- Illinois
- Indiana
- Iowa
- Kentucky*
- Louisiana
- Maine
- Maryland
- Massachusetts‡
- Minnesota
- Mississippi
- Missouri*
- New Hampshire
- New Jersey
- North Carolina
- Ohio
- Oregon
- Pennsylvania
- Rhode Island*
- South Dakota*
- Texas
- Utah
- Vermont
- Washington
- West Virginia‡

10 States, 2 Territories and the District of Columbia have no regulatory flexibility statutes

- Alabama
- Alaska
- Washington, D.C.
- Guam
- Idaho
- Kansas
- Montana
- Nebraska
- New Mexico
- Tennessee
- Virgin Islands
- Virginia
- Wyoming

* In 2004, the state enacted legislation or an Executive Order that offered regulatory relief for state small businesses.
‡ In 2003, the state enacted legislation or an Executive Order that offered regulatory relief for state small businesses.

February 2005

SMALL BUSINESS
RESEARCH SUMMARY

SBA Office of Advocacy

No. 250
February 2005

Report on the Regulatory Flexibility Act, FY 2004

Office of Advocacy, February 2005 [70] pages

Background

The Regulatory Flexibility Act of 1980 (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), requires federal regulatory agencies to analyze the anticipated effects of their proposed regulations on small entities and to consider equally effective alternatives that do not unduly burden small businesses. The Office of Advocacy monitors agency compliance with the law. In 2002, President Bush signed Executive Order 13272, which strengthens the RFA by directing agencies to notify Advocacy of draft rules that may have a significant economic impact on small entities to the Office of Advocacy for review. E.O. 13272 also requires the Office of Advocacy to train regulatory agencies in how to comply with the law.

Advocacy has a number of ways of becoming involved, in addition to training agencies and reviewing their proposed rules. The office participates in "SBREFA panels," which give small businesses an opportunity to be heard on specific regulations. As regulatory proposals are developed, Advocacy may prepare formal comment letters to the agencies, congressional testimony, or where warranted, "friend of the court" briefs.

Highlights

FY 2004 efforts by the Office of Advocacy to implement the RFA and E.O. 13272 helped save small businesses more than $17 billion in first-year regulatory compliance costs and $2.8 billion in ongoing annual costs (see table). In FY 2004, Advocacy focused on inadequate analysis of small entity impacts, failure to consider significant alternatives to regulatory proposals, and a lack of outreach to small businesses and other small entities. The Environmental Protection Agency and the Federal Communications Commission topped the list of agencies whose regulations received the most Advocacy attention in their importance to small firms. The report details FY 2004 comment letters and SBREFA panels.

In response to E.O. 13272, the Office of Advocacy made significant strides in training federal agencies to comply with the RFA in FY 2004. Thirty of the 66 federal agencies that affect small businesses have now been trained, and plans are under way to develop an online training module.

Agencies increasingly recognize that Advocacy's RFA expertise can help them regulate more effectively. The report notes that early intervention by the Office of Advocacy has helped agencies understand the role small businesses play in the economy and the reasons for ensuring that regulations carry out their intended purposes without unduly stifling entrepreneurial activity. Advocacy provides agencies with economic data and helps federal agencies gain input from small businesses.

The report also documents a growing movement among states to adopt statutes similar to the RFA to govern the state regulatory development process. In FY 2004, 17 states introduced small business regulatory flexibility legislation; seven signed the bills into law.

This *Small Business Research Summary* (ISSN 1076-8904) summarizes one of a series of research papers prepared by the U.S. Small Business Administration's Office of Advocacy or its research contractors. The opinions and recommendations of the authors of this study do not necessarily reflect official policies of the SBA or other agencies of the U.S. government. For more information, visit the Office of Advocacy's Internet site at **www.sba.gov/advo**.

Summary of Estimated Cost Savings, FY 2004 (Dollars)

Regulatory Proposal*	First-Year Cost Savings ($)	Annual Cost Savings ($)
HUD Real Estate Settlement Procedures Act (RESPA)	10,300,000,000	
DOT Computer Reservation System	438,000,000	438,000,000
EPA Water Pollution Regulations for Centralized Waste Treatment Facilities	75,000,000	75,000,000
EPA Industrial, Commercial, and Institutional Boiler and Process Heater Air Toxics Rule	3,750,000,000	144,230,769
EPA Plywood Manufacturing Air Toxics Rule	500,000,000	150,000,000
EPA Water Quality Requirements for Construction and Development Activities	585,000,000	585,000,000
EPA Aquaculture Effluent Limitations Guidelines	5,000,000	2,000,000
EPA Meat Processing Effluent Limitations Guideline	25,000,000	25,000,000
EPA Nonroad Diesel Engines and Fuels Rule	1,386,300,000	1,386,300,000
TOTAL	**17,064,300,000**	**2,805,530,769**

*The full report details each regulatory proposal and Advocacy's intervention to achieve cost savings in foregone regulatory costs.

Scope and Methodology

The Office of Advocacy generally bases its cost savings estimates on agency estimates. Cost savings for a given rule are captured in the fiscal year in which the agency agrees to changes in the rule as a result of Advocacy's intervention. Where possible, savings are limited to those attributable to small businesses. First-year cost savings consist of either capital or annual costs that would be incurred in the rule's first year of implementation. Recurring annual cost savings are listed where applicable.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at **advocacy@sba.gov** or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S Small Business Administration's Office of Advocacy are on the Internet at **www.sba.gov/advo/research**

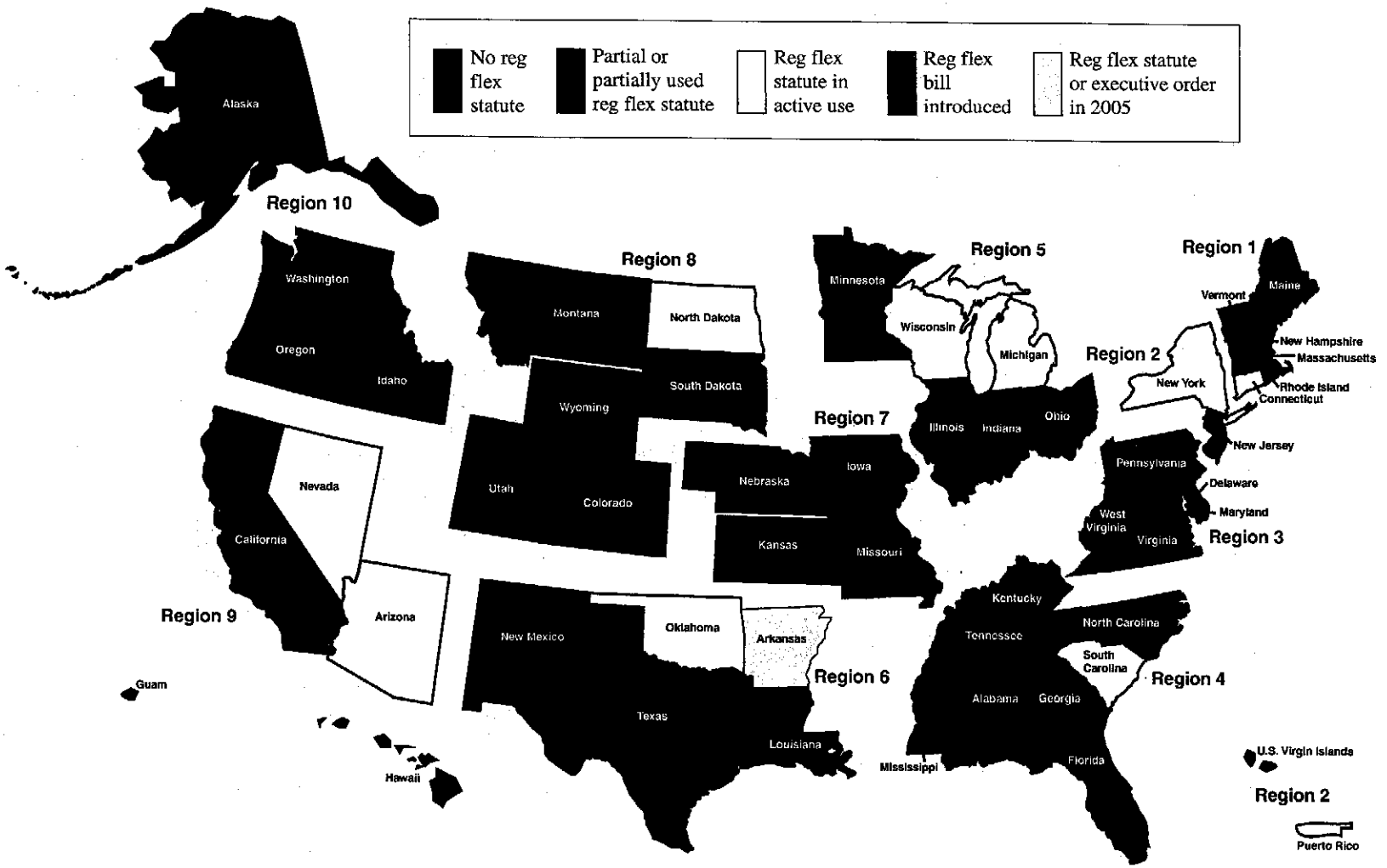
To receive email notices of new Advocacy research, press releases, regulatory communications, and publications, including the latest issue of The Advocate newsletter, visit **http://web.sba.gov/list**.

SBA

A Voice for Small Business

State Regulatory Flexibility Model Legislation Initiative

2005 Legislative Activity



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