A BILL FOR AN ACT

RELATING TO THE SMALL BUSINESS REGULATORY FLEXIBILITY ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. The legislature finds that Act 168, Session
- 2 Laws of Hawaii 1998, codified as chapter 201M, Hawaii Revised
- 3 Statutes, established the Hawaii Small Business Regulatory
- 4 Flexibility Act. The Act provided for a petition process to an
- 5 agency for regulatory review, periodic administrative review of
- 6 rules with small business impacts, and an independent regulatory
- 7 review board, known as the small business regulatory review
- 8 board, to consider concerns of small businesses and make
- 9 recommendations to adopt, amend, or repeal rules.
- 10 Unfortunately, the legislature also finds that the small
- 11 business regulatory review board has not been functioning as
- 12 originally envisioned. The legislature further finds that the
- 13 small business regulatory review board is actually slowing the
- 14 review process down to the point that businesses are actually
- 15 being hurt as these businesses wait in limbo for new rules to be
- 16 slowly adopted.
- 17 Accordingly, the purpose of this Act is to better ensure
- 18 that the originally-envisioned functions of the small business SB2487 HD2 HMS 2014-2947 PROPOSED.doc



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- 2 that will ensure timely review and adoption or rejection of
- 3 rules by:

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- 4 Creating the office of small business regulatory (1)5 review and the position of director of small business 6 regulatory review;
- (2) Changing the small business regulatory review board from a rule making body to a supervisory body with the 9 ability to, within ten days, approve or reject the **10** actions of the director;
- 11 (3) Requiring the director of small business regulatory 12 review and members of the small business regulatory 13 review board to receive training by the appropriate 14 division of the department of the attorney general to ensure that director and board members have a clear 15 16 understanding of the role of the office of small 17 business regulatory review, the director of small 18 business regulatory review, and members on the board 19 of small business regulatory review and the parameters 20 of the respective roles, including the hierarchy of 21 the Hawaii Revised Statutes and the Hawaii

Administrative Rules; and

1	(4) Clarifying the contents of the annual report that the
2	director of small business regulatory review must
3	submit to the legislature.
4	SECTION 2. Chapter 201M, Hawaii Revised Statutes, is
5	amended by adding two new sections to be appropriately
6	designated and to read as follows:
7	"§201M- Director; powers and duties. (a) The director
8	shall have such powers delegated by the governor as are
9	necessary to coordinate and, when requested by the governor, to
10	direct pursuant to chapter 91 all state governmental agencies in
11	matters concerning small business regulations.
12	(b) Upon receipt of an agency's proposed rules, the
13	director shall analyze the proposed rules and deliver to the
14	board a summary of the director's analysis and any
15	recommendations or decisions. The director may consult with the
16	proposing agency, board members, and any affected party to help
17	with the director's analysis before, during, and after the
18	director's analysis, recommendation, and decision has been
19	received by the board.
20	(c) After the director's analysis has either been accepted
21	by the board, rejected by the board and further amended, or
22	rejected by the board and returned to the director or after the

1	Tapse of	ten days without the board's decision, the director
2	shall dra	ft a small business impact statement detailing the
3	impact th	at the proposed rules will have on small business and
4	send the	impact statement to the agency proposing the rules, the
5	governor,	and the attorney general.
6	(d)	The director shall make an annual report to the
7	legislatu	re no later than twenty days prior to the convening of
8	each regu	lar session detailing:
9	(1)	Any requests from small business owners for review of
10		any rule adopted by a state agency;
11	(2)	The impact or effect of any rule adopted by a state
12		agency would have on small businesses;
13	(3)	Any action taken by the board in response to any
14		requests from small business owners for review of
15		rules adopted by state agencies, including any
16		recommendations made by the board to an agency or the
17		legislature regarding the need for a rule change or
18		legislation; and
19	(4)	The outcome of any action taken pursuant to paragraph
20		(3).

1	The report shall include a summary of the comments made by
2	the board to agencies regarding its review of proposed new or
3	amended rules.
4	All agencies shall cooperate with the director and assist
5	in the preparation of the report by responding to requests for
6	information made by the director.
7	(e) The director may delegate to any person such power or
8	authority vested in the director as the director deems
9	reasonable and proper for the effective administration of this
10	section.
11	§201M- Board; power and duties. (a) The board shall
12	serve a supervisory role to the director, reviewing the analyses
13	and possible recommendations and decisions of the director. The
14	board may make recommendations concerning small business
15	regulations to the director and shall meet at the call of the
16	board chairperson or the director upon notifying the board
17	chairperson. The board may also meet at the call of any board
18	member.
19	(b) Upon receipt of any analyses or possible
20	recommendations or decisions by the director, the board may
21	accept or reject all or part of these analyses, recommendations,
22	or decisions. The board shall, within ten days of receipt of
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- 1 the analyses, recommendations, or decisions of the director,
- 2 decide to accept, reject, or amend the analyses,
- 3 recommendations, or decisions of the director. Any failure of
- 4 the board to achieve quorum or make a majority decision within
- 5 the ten-day limit will result in an automatic acceptance of
- 6 director's position. If the board is able to achieve quorum and
- 7 make the decision to accept, reject or amend the director's
- 8 position, the board shall notify the director in writing of the
- 9 board's support or dissent, the reasons for the board's support
- 10 or dissent, and any possible amendments prior to the expiration
- 11 of the ten-day time limit.
- 12 (c) The board may delegate to any person such power or
- 13 authority vested in the board as it deems reasonable and proper
- 14 for the effective administration of this section."
- 15 SECTION 3. Section 201M-1, Hawaii Revised Statutes, is
- 16 amended by adding two new definitions to be appropriately
- 17 inserted and to read as follows:
- 18 ""Director" means the director of the office of small
- 19 business regulatory review.
- 20 "Office" means the office of small business regulatory
- 21 review."

1	SECTION 4. Section 201M-2, Hawaii Revised Statutes, is
2	amended to read as follows:
3	"§201M-2 Determination of small business impact; small
4	business impact statement. (a) Prior to submitting proposed
5	rules for adoption, amendment, or repeal under section 91-3, the
6	agency shall [determine] declare whether the proposed rules
7	affect small business, [and if so, the availability and
8	practicability of less restrictive alternatives that could be
9	implemented.] This section shall not apply to emergency
10	rulemaking.
11	(b) If the proposed rules affect small business, the
12	agency shall [consider creative, innovative, or flexible methods
13	of compliance for small businesses and prepare a small business
14	impact statement to be submitted with] submit the proposed rules
15	to the departmental advisory committee on small business and the
16	[board] office when the rules are essentially complete and
17	before the rules are submitted to the governor for approval for
18	public hearing. [The statement shall provide a reasonable
19	determination of the following:
20	(1) The businesses that will be directly affected by, bear
21	the costs of, or directly benefit from the proposed
22	rules;

1	(2)	Description of the small businesses that will be
2		required to comply with the proposed rules and how
3		they may be adversely affected;
4	(3)	In dollar amounts, the increase in the level of direct
5		costs such as fees or fines, and indirect costs such
6		as reporting, recordkeeping, equipment, construction,
7		labor, professional services, revenue loss, or other
8		costs associated with compliance;
9	(4)	The probable monetary costs and benefits to the
10		implementing agency and other agencies directly
11		affected, including the estimated total amount the
12		agency expects to collect from any additionally
13		imposed fees and the manner in which the moneys will
14		be used;
15	(5)	The methods the agency considered or used to reduce
16		the impact on small business such as consolidation,
17		simplification, differing compliance or reporting
18		requirements, less stringent deadlines, modification
19		of the fines schedule, performance rather than design
20		standards, exemption, or any other mitigating
21		techniques:

1	(6)	How the agency involved small business in the
2		development of the proposed rules; and
3	(7)	Whether the proposed rules include provisions that are
4		more stringent than those mandated by any comparable
5		or related federal, state, or county standards, with
6		an explanation of the reason for imposing the more
7		stringent standard.
8	(c)	When a proposed rule includes provisions that are more
9	stringent	than those mandated by any comparable or related
10	federal,	state, or county standards, the agency shall, in
11	addition t	to the information required by subsection (b), include
12	in the sma	all business impact statement information comparing the
13	costs and	benefits of the standard set by the proposed rule to
14	the costs	and benefits of the standard under the comparable or
15	related fo	ederal, state, or county law. The agency shall also
16	include a r	n explanation of its decision to impose the higher
17	standard.	The agency's comparison and justification shall
18	include:	
19	(1)	A description of the public purposes to be served by
20		imposing the standard under the proposed rule;

1	(2)	The text of the related federal, state, or county law,
2		including information about the purposes and
3		applicability of the law;
4	(3)	A comparison between the proposed rule and the related
5		federal, state, or county law, including a comparison
6		of their purposes and of the standards and their
7		application and administration;
8	(4)	A comparison of the monetary costs and benefits to the
9		implementing agency and other agencies directly
10		affected, of imposing the proposed standard, with the
11		costs and benefits of imposing or deferring to the
12		related federal, state, or county standard, as well as
13		a description of the manner in which any additional
14		fees derived from imposition of the proposed standard
15		are to be used; and
16	(5)	A comparison of the adverse effects on small
17		businesses of the standard imposed by the proposed
18		rule, with the adverse effects on small business of
19		the related federal, state, or county standard.
20	(d)]	(c) This chapter shall not apply to proposed rules
21	adopted by	y an agency to implement a statute or ordinance that
22	does not	require an agency to interpret or describe the
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- 1 requirements of the statute or ordinance, such as federally-
- 2 mandated regulations that afford the agency no discretion to
- 3 consider less restrictive alternatives."
- 4 SECTION 5. Section 201M-4, Hawaii Revised Statutes, is
- 5 amended by amending subsection (a) to read as follows:
- 6 "(a) There may be established within and administratively
- 7 attached to every department of the State or county whose rules
- 8 affect small business activities, an advisory committee on small
- 9 business. The advisory committee shall consist of three or more
- 10 odd number of members appointed by the department and may advise
- 11 more than one department. The department shall have the
- 12 authority to appoint members to the advisory committee and to
- 13 fill any vacancies. The members shall serve on a volunteer
- 14 basis and have experience or knowledge of the effect of
- 15 regulation by those departments on the formation, operation, or
- 16 expansion of a small business. No person shall serve as the
- 17 director or on the small business regulatory review board and an
- 18 advisory committee on small business concurrently. The advisory
- 19 committees shall not be subject to the requirements of chapter
- **20** 91."
- 21 SECTION 6. Section 201M-5, Hawaii Revised Statutes, is
- 22 amended to read as follows:



1	"\$201M-5 [Small business regulatory review board; powers.]
2	Office of small business regulatory review; director; small
3	business regulatory review board. [(a) There shall be
4	established within the department of business, economic
5	development, and tourism, for administrative purposes, a small
6	business regulatory review board to review any proposed new or
7	amended rule or to consider any request from small business
8	owners for review of any rule adopted by a state agency and to
9	make recommendations to the agency or the legislature regarding
10	the need for a rule change or legislation. For requests
11	regarding county ordinances, the board may make recommendations
12	to the county council or the mayor for appropriate action.
13	There is created an office of small business regulatory review
14	that shall be headed by a single executive to be known as the
15	director of small business regulatory review who shall be
16	appointed by the governor as provided in section 26-34. The
17	office shall implement this chapter and shall be placed within
18	the department of business, economic development, and tourism
19	for administrative purposes. The office shall serve the
20	governor in an advisory capacity on all matters relating to
21	small business regulations.

1	(d)	[The board shall consist of nine members, who] There
2	is create	d a small business regulatory review board not to
3	exceed ni	ne members. Except for the director, members of the
4	review bo	ard shall be appointed by the governor pursuant to
5	section 2	6-34; provided that:
6	(1)	Three members shall be appointed from a list of
7		nominees submitted by the president of the senate;
8	(2)	Three members shall be appointed from a list of
9		nominees submitted by the speaker of the house of
10		representatives;
11	(3)	Two members shall be appointed by the governor;
12	(4)	The director of business, economic development, and
13		tourism, or the director's designated representative,
14		shall serve as an ex officio $[+]$, $[+]$ voting member of
15		the board;
16	(5)	The appointments shall reflect representation of a
17		variety of businesses in the State;
18	(6)	No more than two members shall be representatives from
19		the same type of business; and
20	(7)	There shall be at least one representative from each
21		county.

- 1 For the purposes of paragraphs (1) and (2), nominations shall be
- 2 solicited from small business organizations, state and county
- 3 chambers of commerce, and other interested business
- 4 organizations.
- 5 The board shall be attached to the department of business,
- 6 economic development, and tourism for administrative purposes.
- 7 Except for the director, the term of each member shall be four
- 8 years; provided that, of the members initially appointed, three
- 9 members shall serve for four years, three members shall serve
- 10 for three years, and the remaining three members shall serve for
- 11 two years. Vacancies shall be filled for the remainder of any
- 12 unexpired term in the same manner as original appointments. The
- 13 director shall be an ex officio voting member of the council.
- 14 The council chairperson shall be elected by the council from
- 15 among the appointed members of the council.
- 16 [(c) Except for the ex officio member, all] All members of
- 17 the board shall be either a current or former owner or officer
- 18 of a business and shall not be an officer or employee of the
- 19 federal, state, or county government. A majority of the board
- 20 shall elect the chairperson. The chairperson shall serve a term
- 21 of not more than one year, unless removed earlier by a two-
- 22 thirds vote of all members to which the board is entitled. The



- 1 members of the board shall serve without compensation but shall
- 2 be reimbursed for expenses, including travel expenses, incurred
- 3 in the discharge of their duties.
- 4 $\left[\frac{d}{d}\right]$ A majority of all the members to which the board is
- 5 entitled shall constitute a quorum to do business, and the
- 6 concurrence of a majority of all the members to which the board
- 7 is entitled shall be necessary to make any action of the board
- 8 valid.
- 9 (c) The director and members of the board shall receive
- 10 training by the division of the department of the attorney
- 11 general that oversees the State's boards and commissions to
- 12 ensure that the director and the members have a clear
- 13 understanding of the role of the office, its director, and
- 14 members of the board and the parameters of the members' role,
- 15 including the hierarchy of the Hawaii Revised Statutes and the
- 16 Hawaii Administrative Rules.
- 17 (d) The department of business, economic development, and
- 18 tourism shall provide financial and administrative support
- 19 reasonably necessary for the board to conduct small business
- 20 regulatory review activities.
- 21 (e) In addition to any other powers provided by this
- 22 chapter, the board may:



1	The happe any rules necessary to imprement this chapter,
2	(2) Organize and hold conferences on problems affecting
3	small business; and
4	(3) Do any and all things necessary to effectuate the
5	purposes of this chapter.
6	(f) The board shall submit an annual report to the
7	legislature twenty days prior to each regular session detailing
8	any requests from small business owners for review of any rule
9	adopted by a state agency, and any recommendations made by the
10	board to an agency or the legislature regarding the need for a
11	rule change or legislation. The report shall also contain a
12	summary of the comments made by the board to agencies regarding
13	its review of proposed new or amended rules.] "
14	SECTION 7. Section 201M-7, Hawaii Revised Statutes, is
15	amended to read as follows:
16	"§201M-7 Periodic review; evaluation report. (a) Each
17	agency having rules that affect small business shall submit by
18	June 30 of each odd-numbered year, a list of those rules to the
19	director [small business regulatory review board;]; provided
20	that, by June 30 of each year, each agency shall submit to the
21	director [small business regulatory review board] a list of any
22	rules to be amended or repealed, based upon any new, amended, or
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- 1 repealed statute. The agency shall also submit a report
- 2 describing the specific public purpose or interest for adopting
- 3 the respective rules that affect small business and any other
- 4 reasons to justify their continued implementation.
- 5 (b) The director [small business regulatory review board]
- 6 shall provide to the head of each agency a list of any rules
- 7 adopted by the agency that affect small business and have
- 8 generated complaints or concerns, including any rules that the
- 9 [board] director determines may duplicate, overlap, or conflict
- 10 with other rules, or exceed statutory authority. Within forty-
- 11 five days after being notified by the [board] director of the
- 12 list, the agency shall submit a written report to the [board]
- 13 director in response to the complaints or concerns. The agency
- 14 shall also state whether the agency has considered the continued
- 15 need for the rules and the degree to which technology, economic
- 16 conditions, and other relevant factors may have diminished or
- 17 eliminated the need for maintaining the rules.
- 18 (c) The [board] director may solicit testimony from the
- 19 public regarding any report submitted by the agency under this
- 20 section at a public meeting held pursuant to chapter 92. Upon
- 21 consideration of any report submitted by an agency under this
- 22 section and any public testimony, the [board] director shall

1	submit an evaluation report to the next regular session of the
2	legislature. The evaluation report shall include an assessment
3	as to whether the public interest significantly outweighs a
4	rule's effect on small business and any legislative proposal to
5	eliminate or reduce the effect on small business. The
6	legislature may take any action in response to the report as it
7	finds appropriate."
8	SECTION 8. Section 201M-3, Hawaii Revised Statutes, is
9	repealed.
10	[" §201M-3 Small business statement after public hearing.
11	(a) For any proposed rule that affects small business, the
12	agency shall also submit a small business statement to the small
13	business regulatory review board and the departmental advisory
14	committee on small business after the public hearing is held.
	committee on small business after the public hearing is hera.
15	This section shall not apply to emergency rules. The small
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	This section shall not apply to emergency rules. The small
16	This section shall not apply to emergency rules. The small business statement required by this section shall provide the
16 17	This section shall not apply to emergency rules. The small business statement required by this section shall provide the following information:
16 17 18	This section shall not apply to emergency rules. The small business statement required by this section shall provide the following information: (1) A description of how opinions or comments from
16 17 18 19	This section shall not apply to emergency rules. The small business statement required by this section shall provide the following information: (1) A description of how opinions or comments from affected small business were solicited, a summary of

1		(A) Attended the public hearing;
2		(B) Testified at the hearing; and
3		(C) Submitted written comments; and
4	(3)	If there was a request to change the proposed rule at
5		the hearing in a way that affected small business, a
6		statement of the reasons for adopting the proposed
7		rule, the reason why a requested change was not made,
8		and the problems or negative result the change would
9		provide if adopted.
10	(b)	If the small business regulatory review board finds
11	that a st	atement provided pursuant to subsection (a) (3):
12	(1)	Indicates inconsistency with any of the agency's
13		determinations under section 201M-2(b); or
14	(2)	Does not address the concerns of public input,
15	the board	with good cause may request a written response from
16	the agenc	y explaining the rationale used to deny the public
17	concerns	within ten working days of receipt of the small
18	business	statement after public hearing. The agency shall
19	respond i	n writing to the board's concerns within ten working
20	days.	
21	(c)	The written response from an agency required in
22	subsectio	n (b), at a minimum, shall:
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1	(1)	Specifically address each issue and concern raised in
2		the board's request for a written response; and
3	(2)	Affirmatively state that the agency has considered all
4		written and oral testimony received at the agency's
5		public hearing and has addressed all issues or
6		concerns raised in the written and oral testimony."]
7	SECT	ION 9. Section 201M-6, Hawaii Revised Statutes, is
8	repealed.	
9	[" §2	01M-6 Petition for regulatory review. (a) In
10	addition	to the basis for filing a petition provided in section
11	91-6, any	affected small business may file a written petition
12	with the	agency that has adopted the rules objecting to all or
13	part of a	ny rule affecting small business on any of the
14	following	grounds:
15	(1)	The actual effect on small business was not reflected
16		in, or significantly exceeded, the small business
17		impact statement submitted prior to the adoption of
18		the rules;
19	(2)	The small business impact statement did not consider
20		new or significant economic information that reveals
21		an undue impact on small business;

1	(3)	These impacts were not previously considered at the
2		public hearing on the rules;
3	(4)	The rules create an undue barrier to the formation,
4		operation, and expansion of small businesses in a
5		manner that significantly outweighs its benefit to the
6		public;
7	(5)	The rules duplicate, overlap, or conflict with rules
8		adopted by another agency or violate the substantive
9		authority under which the rules were adopted; or
10	(6)	The technology, economic conditions, or other relevant
11		factors justifying the purpose for the rules have
12		changed or no longer exist.
13	(b)	Upon submission of the petition, the agency shall
14	forward a	copy of the petition to the board, as notification of
15	a petition	n filed under this chapter. The agency shall promptly
16	consider	the petition and may seek advice and counsel regarding
17	the petit:	ion from the appropriate departmental advisory
18	committee	on small business. Within sixty days after the
19	submission	of the petition, the agency shall determine whether
20	the impac	t statement or the public hearing addressed the actual
21	and signi:	ficant impact on small business. The agency shall
22	submit a	written response of the agency's determination to the
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1	small busl	ness review board within sixty days after receipt of
2	the petiti	on. If the agency determines that the petition merits
3	the adopti	on, amendment, or repeal of a rule, it may initiate
4	proceeding	s in accordance with section 91-3.
5	(c)	If the agency determines that the petition does not
6	merit the	adoption, amendment, or repeal of any rule, any
7	affected s	mall business may seek a review of the decision by the
8	board. Th	e board shall promptly convene a meeting pursuant to
9	chapter 92	for the purpose of soliciting testimony that will
10	assist in	its determination whether to recommend that the agency
11	initiate p	roceedings in accordance with section 91-3. The board
12	may base i	ts recommendation on any of the following reasons:
13	(1)	The actual effect on small business was not reflected
14		in, or significantly exceeded, the impact statement
15		submitted prior to the adoption of the rules;
16	(2)	The impact statement did not consider new or
17		significant economic information that reveals an undue
18		impact on small business;
19	(3)	These impacts were not previously considered at the
20		public hearing on the rules;
21	(4)	The rules create an undue barrier to the formation,
22		operation, and expansion of small businesses in the



1		State in a manner that significantly outweighs its
2		benefit to the public;
3	(5)	The rules duplicate, overlap, or conflict with rules
4		adopted by another agency or violate the substantive
5		authority under which the rules were adopted; or
6	(6)	The technology, economic conditions, or other relevant
7		factors justifying the purpose for the rules have
8		changed or no longer exist.
9	(d)	If the board recommends that an agency initiate
10	rulemakin	g proceedings for any reason provided in subsection
11	(c), it s	hall submit to the legislature an evaluation report and
12	the agenc	y's response as provided in subsection (b). The
13	legislatu	re may subsequently take any action in response to the
14	evaluation report and the agency's response as it finds	
15	appropriate.	
16	(e)	If the board does not recommend that an agency
17	initiate	rulemaking proceedings, the board shall notify the
18	small bus	iness of its decision and inform the small business
19	that the	small business may submit a complaint to the ombudsman
20	pursuant	to chapter 96 regarding the decision of the agency or
21	board.	

Report Title:

Small Business Regulatory Review Board; Office of Small Business Regulatory Review; Director; Annual Report

Description:

Establishes the office of small business regulatory review. Requires the director to submit an annual report to the legislature. Requires the Department of Business, Economic Development, and Tourism to provide the Board adequate financial and administrative support. (SB2487 HD2 PROPOSED)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.