



Testimony in Opposition to H-7449

Relating to Small Business Regulatory Fairness

House Committee on Small Business

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The Economic Progress Institute (EPI) **opposes Representative Paplauskas' H-7449** which would amend Rhode Island's "Small Business Regulatory Fairness in Administrative Procedures" statute in a likely harmful way – transforming the current requirement to produce a **descriptive** economic impact statement into a **prescriptive** document setting in place a new requirement, one **likely to generate considerable litigation and discourage good regulation**.

The current regulation is aimed at *protecting* small businesses by providing legislators and regulators with valuable information about the economic impact of regulations. This reasonably includes the production of "A statement of the effect or probable effect on impacted small businesses." However, the proposed amendment calls for "a **finding** that the anticipated compliance costs of a proposed rule scale proportionally with the business size, and do not impose fixed costs that larger businesses are able to absorb more easily." [emphasis added] This means that all economic impact statements would, in essence, need to *certify* that any proposed regulation *does* scale costs. This is no longer a description appropriate to an economic impact statement used to evaluate, but a new statutory requirement.

The fact is that many regulations have fixed costs that will never scale with business size, and this is a known feature of such regulation. It is simply unreasonable to expect scaling in all cases, which include licensing, compliance training, and reporting.

The LIKELY HARMS from this legislation are serious ones:

- If enacted, the amended statute would likely trigger widespread litigation affecting matters of workplace safety, taxation, labor, and the environment.
- The state would be forced to spend funds and time addressing such legal challenges.
- Many regulations could fail or be repealed, removing environmental and health and other protections for workers and consumers.
- Larger corporations are likely to benefit most from this, rather than the small businesses the law aims to protect. For example, regulations that protect small businesses from unfair competition may be blocked because the costs do not scale by business size.
- In addition, the fear of litigation may have the negative effect of discouraging the adoption of wise regulations at the outset.



We urge you *not* to send this legislation to the full chamber. At the least, if this legislation were to advance, it ought to be amended to remove any requirement for a specific *finding* and instead include an *analysis* of costs and *whether* they scale and are even scalable.