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The Colorado State Senate proposes Bill SB17-186, "Reduce Regulatory Burden Rules on Businesses". The Bill would require State Agencies to prepare a regulatory flexibility analysis before adopting any new rules. The regulatory flexibility analysis stipulates that Agencies must consider methods of reducing the impact of proposed rules on small business and determine the necessity of proposed rules. The Bill would require State Agencies to file the regulatory flexibility analysis with the Secretary of State concurrently with their filing of proposed rules.

The Bill stipulates that an Agency's regulatory flexibility analysis must consider the following methods for reducing the impact of a proposed rule on small business: establishing more flexible compliance or reporting requirements, and more flexible deadlines for said requirements; establishing performance standards for small businesses; and exempting small businesses from any or all requirements included in a proposed regulation.

The first question this Bill raises is whether government intervention is warranted at all. Regulation would only merit government intervention if it causes a market failure. Here, the case for market failure relies on the idea that regulatory costs are relatively higher for small firms than large firms. Moreover, that the costs of





Unfortunately, number of employees is not a particularly efficient measure of firm size. The relevant dimension of size varies among different types of regulation and business sectors. A report in *The Journal of Small & Emerging Business Law* contends that

distortionary if the motivation behind the Bill is that small firms suffer more from regulation. Further, it appears that the current definition encompasses too many firms that would have a net benefit from regulation. As such, it would be more appropriate to define small business as one having 20 employees.

Tangentially, the SBA has a variable definition for

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