

What To Look For (certification checklist)

1. Request for comment on proposed rules	<p>Look for:</p> <ul style="list-style-type: none"> √ A request for comment on the certification; and, √ A request for comment on the threshold economic analysis and its underlying assumptions.
2. Description and estimate of number of small entities to which the rule applies	<p>Look for:</p> <ul style="list-style-type: none"> √ The North American Industry Classification System (NAICS codes) categories for those entities subject to the regulation; √ A breakdown of each industry by several entity sizes, which should include the SBA size standard for each industry; √ Any alternative operational size definition used to tier requirements under the rule; √ For each size category in each industry, information on revenues, profit or other measures of economic sustainability
3. Estimate of economic impacts on small entities	<p>Look for</p> <ul style="list-style-type: none"> √ A set of tables, charts and discussion for a typical entity in each size category in each industry; √ Estimates of the cost impacts of the proposal; √ Estimates of the beneficial impacts of the proposal
4. Criteria for “significant economic impacts”	<p>The best analyses will not use a preset criterion, but instead will examine one or more of the following:</p> <ul style="list-style-type: none"> √ <u>Long-term insolvency</u>, measured as regulatory costs significantly reducing typical profits for the size category; √ <u>Short-term insolvency</u>, measured as increased operating expenses or new debt larger than cash reserves and cash flow can support, causing nonmarginal firms to close; √ <u>Disproportionality</u>, based on whether regulations place small entities at a significant competitive disadvantage; √ <u>Inefficiency</u> based on whether the social costs imposed on small entities outweigh the social benefits of regulating them. <p>Look for a cogent explanation underlying any conclusionary statements about preset “criteria.”</p>
5. Criteria for substantial number	<p>Look for:</p> <ul style="list-style-type: none"> √ The North American Industry Classification System (NAICS codes) of those regulated; √ A stratification of each industry by size, which should include the SBA size standard for each industry; √ Any alternative operational size definition used to tier requirements under the rule; √ Description of size categories demonstrating all entities within the category share similar economic characteristics √ Whether a ‘percentage of entities significantly affected’ approach is used. √ Whether a ‘minimum number’ approach is used. (This is usually arbitrary and probably capricious.) √ Justification of whatever criterion is used. <p>Typically, if an industry is properly segmented, analysis of a typical entity within the segment will indicate whether most or few will be significantly affected, as all within the segment</p>

	should have similar economic characteristics.
6. Examination of industry segments with significant economic impacts	<p>Look for:</p> <ul style="list-style-type: none"> √ An estimate of how many segments within an industry will experience significant impacts: if even one significant segment will, an IRFA is needed. √ An estimate of entities experiencing significant impacts. Other entities with similar economic characteristics should also be adversely impacted, and finding any adversely impacted tends to imply there is a segment that deserves special attention. The resulting IRFA should materially address the problems in that segment, recognizing the rest have few, if any impacts.
7 Disclosure of assumptions	<p>Look for:</p> <ul style="list-style-type: none"> √ A discussion on how sensitive underlying assumptions are to conclusions on whether there is no significant economic impact on a substantial number of small entities; √ A discussion on the uncertainty associated with the most significant underlying assumptions; √ A presentation on the range of potential findings, as reflects the underlying uncertainty in assumptions.
8. Certification statement by the head of the agency	<p>Look for:</p> <ul style="list-style-type: none"> √ A finding under 5 U.S.C. § 605, the Regulatory Flexibility Act, that “the proposed rule, if promulgated, will not have a significant economic impact on a substantial number of small entities.”

