

*Testimony of*

*The Honorable Winslow Sargeant, Ph.D.  
Chief Counsel for Advocacy  
U.S. Small Business Administration*

*United States Senate  
Committee on Small Business and Entrepreneurship*

**Date:** April 9, 2014  
**Time:** 11:00 a.m.  
**Location:** Room 428  
Russell Senate Office Building  
Washington, D.C.  
**Topic:** Office of Advocacy Fiscal Year 2015 Budget

*Created by Congress in 1976, the Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. The Chief Counsel for Advocacy, who is appointed by the President and confirmed by the U.S. Senate, directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Issues are identified through economic research, policy analyses, and small business outreach. The Chief Counsel's efforts are supported by offices in Washington, D.C., and by Regional Advocates. For more information about the Office of Advocacy, visit <http://www.sba.gov/advocacy>, or call (202) 205-6533.*

Chairwoman Cantwell, Ranking Member Risch, and Members of the committee, good morning. As Chief Counsel for Advocacy, I would like to thank you for the opportunity to appear before the committee today to discuss the Office of Advocacy's budget request for Fiscal Year 2015. This submission is part of the President's request for SBA and the government as a whole, and it accordingly has the full support of the administration. However, because Advocacy is an independent office within SBA, my testimony is not circulated for comment through the Office of Management and Budget (OMB) or other federal offices, and my views on matters other than the official budget request do not necessarily reflect the position of the administration or of the SBA.

### **Advocacy activity update**

Before outlining Advocacy's budget request for FY 2015, I would like to update you on the office's activity during the last completed fiscal year, FY 2013, and so far this year.

**Cost savings.** My top priority remains to ensure that the concerns of small business are heard in the regulatory process. We continue to work with agencies across government to help them mitigate the potential costs of regulation for small entities. Advocacy achieved more than \$1.5 billion in quantifiable first-year cost savings from our work on rules that went final in FY 2013. These savings resulted from actions on seven separate federal regulations originating in five agencies: the Environmental Protection Agency, the National Oceanic and Atmospheric Administration, the Department of Labor, the Department of Agriculture, and the Internal Revenue Service. Other rules that became final had significant savings, although not precisely quantifiable. One example is the Mortgage Servicing Rule finalized by the Consumer Financial Protection Bureau. The agency estimated that the one-time cost savings for small businesses resulting from RFA compliance ranged from \$1 billion to \$2.3 billion. Overall, as a result of Advocacy's efforts, RFA compliance helped save at least \$2.5 billion in first-year regulatory costs for small entities, while ensuring that agencies were able to meet their regulatory goals. However, it is important to note that this metric can vary considerably because we do not control what final cost-saving actions agencies take or when they take them. Advocacy's prior five-year

average at the end of FY 2013 was \$7.51 billion in savings per year, well above our annual goal of \$6.5 billion.

Additional information on all of these rules is detailed in Advocacy's annual report on our Regulatory Flexibility Act activities for FY 2013. This report and those for past years can be accessed online at <http://www.sba.gov/advocacy/823/4798>. In addition to FY 2013 cost savings, I am pleased to report that since the beginning of FY 2014, Advocacy has already achieved another \$4.7 billion in cost savings resulting from actions on two rules originating in the Department of Health and Human Services and the Environmental Protection Agency.

**Regulatory comment letters.** During FY 2013, I signed 26 public comment letters to 16 different agencies on a variety of issues. So far in the current fiscal year, through March 1, 2014, another eight public comment letters have gone to six agencies. In addition to our formal public comments, Advocacy is in daily contact with agencies throughout the government to provide technical assistance in RFA compliance. Such assistance can include estimates of the numbers of businesses likely to be affected by a proposal, legal opinions on RFA issues, the review of draft materials, arranging consultations with affected industry representatives, and other assistance specific to each case.

**RFA compliance training.** The working relationship between Advocacy and the federal agencies is critical to Advocacy's success. Executive Order 13272 requires Advocacy to provide training to federal regulatory development officials on RFA compliance, and agencies have been responsive to Advocacy's training. In FY 2013, 159 regulatory and policy officials received classroom training, and 26 more officials have been trained so far in FY 2014. As a result of this training by Advocacy, federal regulatory agencies develop smarter rules that have reduced impacts on small entities.

**Roundtables.** Also in furtherance of the RFA and Executive Order 13272, we continue to work closely with our colleagues in OMB's Office of Information and Regulatory Affairs to ensure that small business concerns are heard early in the regulatory development process. To help us understand those concerns, Advocacy hosted 21 small business roundtables in FY 2013,

and we have had another six so far this fiscal year. These roundtables have explored issues as diverse as financial regulation, taxes and pensions, OSHA and EPA rules, financial regulation, aviation and transportation rules, communications issues, and the critical habitat designation process.

**Research and data publications.** Our economic research team published 22 research or data products in FY 2013. Advocacy continued our longstanding commitment to monitor and research trends in the small business economy. Updates were released of popular Advocacy products such as *Small Business Profiles for the States and Territories* and *Small Business Data Resources*. So far this year, Advocacy has released another twelve publications, including three in a new series of Issue Briefs. Advocacy's Issue Briefs provide timely and concise information on important small business economic issues. These briefs are relevant to small business researchers and policymakers as well as stakeholders involved in small business advocacy and program development. The new briefs include a *Profile of Veteran Business Owners*, *Demographic Characteristics of Business Owners*, and *Access to Capital for Women-and Minority-Owned Businesses*. Also underway are a variety of contract research projects on specialized issues. Additional information on all of the research products Advocacy released in FY 2013 can be found in the *Annual Report of the Office of Economic Research, FY 2013* and can be accessed online at [http://www.sba.gov/sites/default/files/files/13\\_OER\\_Ann\\_Rpt.pdf](http://www.sba.gov/sites/default/files/files/13_OER_Ann_Rpt.pdf).

**Presentations by Advocacy economists.** Advocacy economists make professional presentations to academic, media, or policy audiences at organized events. Typical events include academic conferences, trade association meetings, think-tank policy symposia, or government-sponsored events. This outreach furthers Advocacy's statutory mission to disseminate information to the small business community and to promote awareness of the office's work. During FY 2013, Advocacy economists made seventeen such presentations, exceeding our annual goal of at least twelve each fiscal year.

**Communications outreach.** Our information team keeps in touch with concerned stakeholders through Advocacy's website, print, email, and social media. Our monthly newsletter, *The Small Business Advocate*, reaches 34,000 electronic subscribers. Specialized

email Listservs reach thousands more, including 23,000 research subscribers and 21,000 regulatory subscribers. We also provide frequent information updates via Facebook, Twitter, and Advocacy's blog, *The Small Business Watchdog*.

**Regional advocates.** Regional advocates are vital for the two-way communication that Advocacy needs from the vast majority of small entities that operate outside of the Washington, D.C., area. They interact directly with small business owners, small business trade organizations, and state officials to educate them about the benefits of regulatory flexibility. Regional advocates conduct outreach to identify areas of concern for small business and assist headquarters staff with specific actions, such as recommending participants for SBREFA panels that require small entity representatives. In addition, regional advocates work with the ten regional Regulatory Fairness Boards in their respective regions to develop information for SBA's National Ombudsman. They also alert businesses in their respective regions about regulatory proposals that could affect them. During FY 2013, Advocacy's ten regional advocates participated in 607 outreach events, exceeding their annual goal of at least 360 events.

**Staffing.** Now that Advocacy's appropriations for FY 2014 have been finalized, we are back to our planned personnel level of 47 positions.

### **Advocacy's separate account legislation**

The Small Business Jobs Act of 2010, Public Law 111-240, included a provision that established in the Treasury a new separate account for Advocacy and required that SBA provide additional operating support for the office. Fiscal year 2012 was the first year Advocacy received this statutory line-item funding. Congress sets the amount available for direct Advocacy costs, and these funds are not commingled with other SBA funding. The enactment of these budgetary provisions underscored our independence and indicated that Congress intended to identify clearly the resources available to Advocacy and to provide a basis for performance measurement.

Advocacy’s FY 2015 congressional budget justification and FY 2013 annual performance report are presented in a separate appendix in the SBA Congressional Budget Justification. Advocacy believes that this format improves the transparency of Advocacy operations and costs.

I am pleased to report that our separate line-item is working well. I would like to thank Congress for providing us with \$8.75 million in new budget authority for FY 2014, with the enactment on January 17<sup>th</sup> of our FY 2014 appropriations in Public Law 113-76. We are especially appreciative that Advocacy’s funds continue to remain available until expended, a provision that originated in this committee. With this provision, Advocacy is able to continue funding for valuable research despite delays that could prevent their publication. The timing of these is under the control of SBA’s contracting operations, not Advocacy. In some cases, delays prevent funding in the current fiscal year, or in other cases, proposals are not viable. This allows us to conduct this important research in the next fiscal year.

**Advocacy’s FY 2015 budget request**

In recognition of the need for federal agencies to reduce their budget requests during the current economic recovery, the Office of Advocacy requests \$8.455 million in new budget authority for our direct expenses in FY 2015. Although this is a reduction of \$295,000 (or 3.4 percent) from our current FY 2014 enacted level, we are able to prioritize activities to accomplish our mission, even if we are not able to do everything we could do if additional funds were available.

<i>Dollars in Millions</i>	<b>FY 2013 Enacted Level *</b>	<b>FY 2014 Enacted Level</b>	<b>FY 2015 Request</b>
New Budget Authority	8.643	8.750	8.455

\* This level was the result of sequestration adjustments to Advocacy’s FY 2012 enacted level of \$9.12 million.

Of the \$8.455 million in new budget authority, \$7.75 million is planned to support 47 staff positions. Advocacy's professional staff is our most important asset, and therefore, it is appropriate that the largest share of our budget (almost 92 percent) goes to human resources.

The FY 2015 budget request will also support new economic research program funding of \$350,000. This includes funds for data acquisition, support of custom data tabulations at other agencies, specialized contract research, and related costs. In recognition of the need for federal agencies to reduce their discretionary spending, Advocacy plans to reduce the awarding of economic research contracts in FY 2015. However, the request does provide sufficient funding to continue at current levels long-standing data purchases that are vital as part of the office's economic research and publication program. Accordingly, we expect a reduction in the number of contract research reports in the future, with our revised annual goal being 15 reports or data products in FY 2015, down from 20 this year.

The balance of our request, \$355,000, covers all other direct expenses, including travel, training, office supplies, subscriptions to legal and economic research resources, and other miscellaneous expenses directly attributable to Advocacy.

#### **Additional support for Advocacy in the FY 2015 budget request**

In addition to a separate account for Advocacy, a section of the 2010 Jobs Act, §1602(b) of Public Law 111-240, also provided that SBA was to supply Advocacy with operational support such as office space, rent and utilities, telecommunications, equipment and maintenance, and so forth. Advocacy has negotiated a Memorandum of Understanding (MOU) with SBA's Office of the Chief Financial Officer and other SBA support offices. In the MOU, SBA has agreed to provide all of the items contemplated in the new law without charge to Advocacy's appropriation account, including centralized indirect expenses shared with other SBA offices (such as procurement and payroll services). The support package for Advocacy that SBA is now providing will not be charged to our appropriation account. The cost for these services and other indirect overhead appears elsewhere in SBA's budget. Advocacy is not directly involved in their calculation.



## **Conclusion**

Each year, I like to close my budget remarks with an important performance metric that all of us on the Advocacy team are very proud of, the annual calculation of the cost per \$1 million in regulatory savings attributable to Advocacy interventions. This number is the total of one-time regulatory cost savings achieved in a given year or years, divided by the total cost of Advocacy for that year or period. On average during the most recent five years for which we have final data (FY 2009 through FY 2013), each \$1,212 spent on Advocacy has yielded \$1 million in regulatory cost savings. Although this metric can vary from year to year because we do not control what final cost-saving actions agencies take, or when they take them, it always makes a pretty good case that your investment in Advocacy yields a good return.

In conclusion, let me again thank the Committee and its staff for the tremendous support you have given the Office of Advocacy for so many years. It helps us immeasurably, and we look forward to continuing to work with you on issues of importance to small business. I would be pleased to answer any questions that you might have.