



Advocacy: the voice of small business in government

Testimony of

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***United States Senate
Committee on Small Business and Entrepreneurship***

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Washington, D.C.
Topic: Office of Advocacy Fiscal Year 2014 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.

Chair Landrieu, Ranking Member Risch, and Members of the Committee, good morning. As Chief Counsel for Advocacy, I thank you for the opportunity to appear before the Committee today to discuss the Office of Advocacy's budget request for Fiscal Year 2014.

Advocacy's independence and new separate account legislation

First, on behalf of the entire Advocacy team, we would like to again thank the Committee for the tremendous support you have shown for our office over the years. Underscoring this support was a provision in Public Law 111-240 that established in the Treasury a separate account for Advocacy, in addition to a requirement that SBA provide operating support for our office. These provisions have enhanced our independence and have increased transparency for our many stakeholders on our costs and operations.

There is a long legislative history supporting the Congressional intent that Advocacy is an independent office housed within SBA, and that its mission and activities, and the discretion exercised by the Chief Counsel in their implementation, are independent of the SBA and its management and normal chain of command. As you know, Advocacy has its own statutory charter, Public Law 94-305, which is not part of the Small Business Act. The Regulatory Flexibility Act (RFA) also conveyed additional duties and powers on the Chief Counsel, as did Executive Order 13272.

Advocacy's independence allows us to take strong positions in our comment letters, publications, testimony and other work, without going through clearance within the executive branch. While such review and coordination is certainly appropriate for most agencies, in our case it is not. That is because it is the job of each Chief Counsel to transmit directly to policymakers the unfiltered views of our small entity stakeholders.

Advocacy now has statutory line-item funding, segregated in a separate Treasury account similar to that of the SBA Inspector General. This means that Congress sets the amount available for direct Advocacy costs, and these funds are not commingled with other SBA funding. The enactment of these Advocacy budgetary provisions underscores our independence and indicates

that Congress intended to identify clearly the resources available to Advocacy, provide a basis for performance measurement, and promote certainty in Advocacy budgets. The statutory line-item for Advocacy became fully operational in FY 2012, and the President’s budget request for FY 2014 is the third that reflects the establishment of the new Treasury account for our office.

Advocacy’s FY 2014 budget request

In recognition of the need for federal agencies to reduce their budget requests during the current economic conditions, the Office of Advocacy requests \$8.455 million for its direct expenses in FY 2014, a reduction of \$191,000 (or 2.2 percent) from its FY 2013 enacted level.

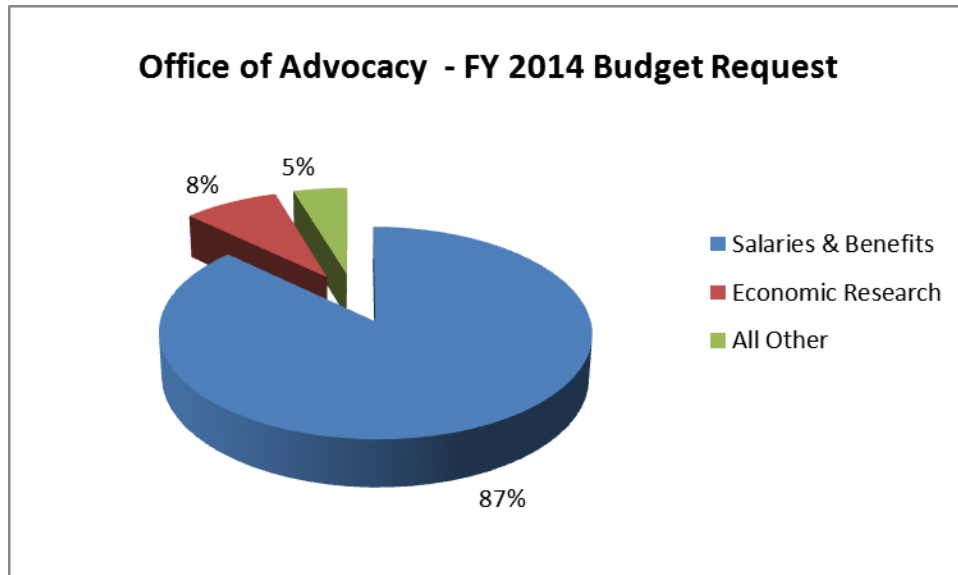
<i>Dollars in Millions</i>	FY 2012 Enacted Level	FY 2013 Enacted Level	FY 2014 Request
New Budget Authority	9.120	8.646	8.455

This amount includes \$7.36 million to support 46 positions, the same number that Advocacy currently has when fully staffed. Advocacy’s professional staff is our most important asset, and it is appropriate that the largest share of our budget goes to human resources.

The FY 2014 budget request will also support an economic research program of \$700,000. This includes funding for data acquisition, specialized contract research, support of custom data tabulations at other agencies, and related costs. In recent years, Advocacy has produced an average of 25 new reports or data products each year. Because much of the reduction in Advocacy’s budget request has come from this area, we expect a modest reduction in the number of such reports in the future, with our revised annual goal being 20 reports or data products.

The balance of our request, \$395,000, 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.

Together, staffing and research account for 95 percent of Advocacy’s total request, and any significant reduction from the amounts requested necessarily come from one or both of these areas.



Additional support for Advocacy in the FY 2014 budget request

In addition to a separate account for Advocacy, Public Law 111-240 also included a provision that SBA was to supply Advocacy with operational support such as office space, rent and utilities, telecommunications, equipment and maintenance, etc. Advocacy negotiated a Memorandum of Understanding (MOU) with SBA’s Office of the Chief Financial Officer and other SBA support offices in which the agency 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 & payroll services). Although the support package for Advocacy that SBA is now providing will not be charged to our appropriation account, the costs for these services and other indirect overhead appear elsewhere in SBA’s budget. Because these overhead costs do not affect our direct costs, and because they for the most part reflect SBA accounting conventions, Advocacy will not be directly involved in their calculation or reporting.

Revisions to strategic goals and performance metrics

The Government Performance and Results Act of 1993 (GPRA), as amended by the GPRA Modernization Act of 2010 (Public Law 111-352), requires federal agencies to establish strategic goals and more detailed performance objectives to meet these goals. Programs and offices within agencies have performance indicators to measure progress in meeting these goals and objectives, and final performance measurements are reported publicly each year. In the past, Advocacy's performance indicators have supported an SBA objective to "foster a small business-friendly environment by reducing burdens on small business and improving collection of relevant small business data." However, with the establishment of our own separate appropriations account and budget appendix, Advocacy now has its own strategic goals and metrics.

Advocacy's two strategic goals closely align with the office's primary statutory missions, regulatory advocacy and economic research. These revisions will not change in any way our commitment to providing small businesses with an effective voice in the regulatory process and providing our stakeholders with high-quality research and data products. The current fiscal year, FY 2013, is the first in which the performance objectives and metrics for Advocacy's revised strategic goals have been fully in place. A detailed discussion of the revisions to Advocacy's goals and performance metrics is included in the Advocacy appendix to SBA's congressional budget justification document, along with our annual performance report for FY 2012 and goals for FY 2013 and FY 2014. There are the two strategic goals that we have adopted going forward:

- *Advocacy Strategic Goal 1:* To be an independent voice for small businesses inside the government and to assist federal agencies in the development of regulations and policies that minimize burdens on small entities in order to support their start-up, development and growth.
- *Advocacy Strategic Goal 2:* To develop and disseminate research and data on small businesses and the role that they play in the economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, innovation, and factors that encourage or inhibit small business start-up, development and growth.

New Innovation Initiative

Last year, Advocacy launched a new effort which we call the Innovation Initiative. This effort focuses on the specific needs and concerns faced by high-growth companies and entrepreneurs. These innovative businesses face different challenges in starting, maintaining and growing their operations than do other types of small businesses. They often pioneer technologies, business models, and practices that are not yet addressed by the federal government's existing regulations and processes.

Using Advocacy's ten regional advocates, supported by the office's attorneys and economists in Washington, Advocacy is conducting outreach to engage innovators, entrepreneurs, investors, research universities, and industry representatives to hear first-hand what impediments exist for innovative small businesses in high-growth sectors. We have already had two highly successful regional conferences in Seattle and Pittsburgh as part of the Innovation Initiative. Advocacy will inform policymakers in the Congress, the White House, and federal agencies of specific concerns heard in its outreach efforts, and it will work with the relevant agencies to facilitate the adoption of regulations and administrative practices that take into account the needs of high-growth small businesses.

Conclusion

I would like to conclude by citing a benchmark that demonstrates what a good investment Advocacy is for America's taxpayers. On average during the most recent five years for which we have final data (FY 2008 through FY 2012), each \$981 Congress has spent on Advocacy has yielded \$1 million in regulatory cost savings for America's small businesses.

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 in our work to know that we have this support. 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.