



October 3, 2022

VIA ELECTRONIC SUBMISSION

Brenda Mallory, Chair
Council On Environmental Quality
730 Jackson PI NW
Washington, D.C. 20503

Re: Comments on CEQ’s Development of an Environmental Justice Scorecard (CEQ Docket CEQ-2022-0004).

Dear Chair Mallory:

On August 3, 2022, the Council on Environmental Quality (CEQ) issued a request for information (RFI) to solicit feedback as it develops a system to score federal agencies’ progress on achieving environmental justice.¹ This letter constitutes the Office of Advocacy’s (Advocacy) public comments in response to the RFI. Advocacy encourages the CEQ to evaluate federal agencies’ success in reducing barriers experienced by small entity entrepreneurs in disadvantaged communities. Advocacy also encourages the CEQ to engage with small entities in disadvantaged communities to understand the unique hurdles to success they face.

The Office of Advocacy

Advocacy was established pursuant to Pub. L. 94-305 to represent the views of small entities, including small businesses, small organizations, and small governmental jurisdictions, in front of Congress, the White House, and federal agencies. Advocacy is an independent office within the U.S. Small Business Administration (SBA), so the views expressed by Advocacy do not necessarily reflect the views of the SBA or the Administration.

Background of Executive Order 14008

Executive Order 14008 – *Tackling the Climate Crisis at Home and Abroad* – mandates federal agencies to incorporate achieving environmental justice into their programs, policies, and activities.² E.O. 14008³ also mandates the creation of an annual Environmental Justice Scorecard (EJ Scorecard) to “detail the efforts of the Federal Government to address historical and current

¹ 87 Fed. Reg. 47397 (Aug. 3, 2022).

² 86 Fed. Reg. 7619 (Feb. 1, 2021).

³ E.O. 14008 also created the Justice40 Initiative to ensure that “40 percent of the overall benefits” from certain Federal investments to bolster clean energy and economic mobility would flow to “disadvantaged communities.”

environmental injustices.”⁴ The EJ Scorecard will be amended and updated annually as opportunities for improvement become apparent.⁵

The first version of the EJ Scorecard will focus on three types of activities:

- (1) Reducing harms and burdens borne disproportionately by communities.
- (2) Delivering investment benefits, including through the Justice40 Initiative.
- (3) Undertaking institutional reform to center community voices in decision making.⁶

Advocacy’s Recommendations

Owning a business can provide a more financially secure and independent future. As Advocacy noted recently, self-employed entrepreneurs are wealthier than non-self-employed workers.⁷ The median net worth of non-self-employed families is \$90,000 while the median net worth of self-employed families sits dramatically higher at \$380,000.⁸ While business ownership is an important source of wealth, minorities are underrepresented. Only 18.3% of employer firms are minority-owned, lagging their overall share of the population.⁹ Additionally, rural communities – many of which are disadvantaged, as previously noted by Advocacy¹⁰ - lag behind non-rural communities in economic growth and business start-up.¹¹

The success of small entity entrepreneurs is an important way to improve the economic well-being of their surrounding communities. Advocacy encourages the EJ Scorecard to evaluate federal agencies’ success in reducing barriers experienced by these small entity entrepreneurs. When addressing environmental inequities, disadvantaged communities should be better equipped to build wealth and economic growth through a thriving small business sector because small business success directly correlates with a reduction in economic inequality. Agencies should consider the disproportionate regulatory burden on small entities in disadvantaged communities as a burden on the long-term viability of small entities, which are an important source of economic growth and opportunity to eliminate socio-environmental inequities.

⁴ 86 Fed. Reg. 7619 (Feb. 1, 2021).

⁵ See 86 Fed. Reg. 7619 (Feb. 1, 2021).

⁶ 87 Fed. Reg. 47397 (Aug. 3, 2022).

⁷ See The Importance of Business Ownership to Wealth, available at <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/08/17095726/Small-Business-Facts-Business-Owner-Wealth.pdf> (last accessed September 19, 2022).

⁸ Id.

⁹ Small Business Frequently Asked Questions, available at <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/12/06095731/Small-Business-FAQ-Revised-December-2021.pdf> (last accessed September 19, 2022).

¹⁰ Comments on CEQ’s Beta Version of its Climate and Economic Justice Screening Tool, available at <https://cdn.advocacy.sba.gov/wp-content/uploads/2022/05/26091844/Comment-Letter-CEJS-Tool-Beta-Version-5-25-22.pdf> (last accessed September 19, 2022).

¹¹ See Small Business Facts: Growth in Number of Rural Establishments, available at <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/02/04111621/Rural-Business-Growth-Fact-Sheet1.pdf> (last accessed September 19, 2022).

As Congress has noted, regulated entities vary in size and resources.¹² Many small entities face hurdles due to economies of scale limitations and access to capital. Congress enacted the Regulatory Flexibility Act (RFA) to minimize these disproportionate regulatory burdens on small entities. The RFA requires federal agencies to assess the impact a proposed rule may have on small entities. Identifying and eliminating the unique barriers facing small entities in disadvantaged communities will allow federal agencies to both comply with the RFA and achieve important environmental justice goals.

Advocacy believes federal agencies can better achieve environmental justice goals by examining their ability to help disadvantaged communities in building wealth through small business success as one of many important metrics. In addition, Advocacy encourages CEQ to directly engage with small entities in disadvantaged communities to better understand what burdens they face so they may be properly incorporated into the EJ Scorecard.

Conclusion

The Office of Advocacy encourages the CEQ to evaluate federal agencies' success in reducing barriers experienced by entrepreneurs in disadvantaged communities in its EJ Scorecard. Advocacy further encourages CEQ to engage directly with small entities in disadvantaged communities to understand the unique hurdles they face. My office would be happy to assist in any such outreach effort. Should you have any questions or concerns, please let me or Assistant Chief Counsel Astrika Adams (Astrika.adams@sba.gov) know.

Sincerely,

/s/

Major L. Clark, III
Deputy Chief Counsel
Office of Advocacy
Small Business Administration

/s/

Astrika W. Adams
Assistant Chief Counsel
Office of Advocacy
Small Business Administration

¹² See 5 U.S.C. §601 et seq.