



Office of Advocacy

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**Statement of**

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U.S. Small Business Administration**

**Before the**

**U.S. Senate Committee on Small Business and Entrepreneurship  
Roundtable**

**on**

**SBA Reauthorization for Advocacy Programs, Entrepreneurial  
Development Programs and Government Contracting/Business  
Development Programs**

**April 9, 2003  
9:00 a.m.**

Madame Chair, Members of the Committee, and roundtable participants, as you discuss the reauthorization process for SBA, I would like to highlight some Office of Advocacy accomplishments and advise you on one legislative proposal that can strengthen the office and ensure its effectiveness in the future. Advocacy's accomplishments are fundamentally tied to its independence. It is my belief that a budget line item is the best and most efficient way to ensure that our office's independence will last well beyond my tenure as Chief Counsel. A line item will help ensure that government continues to be accountable to small business through compliance with the Regulatory Flexibility Act (RFA), the Small Business Regulatory Enforcement Fairness Act (SBREFA), and Executive Order 13272.

The two bedrock principles that underlie the Office of Advocacy's ability to represent small businesses effectively are independence and flexibility. The office is able to present the views of small business to lawmakers and policymakers independent of the views of the U.S. Small Business Administration (SBA) and the Administration. The office has broad statutory authority, which gives it the flexibility to be both reactive and proactive on matters of concern to the small business community.

### **Holding Government Accountable to Small Business**

Advocacy's accomplishments and challenges are documented in our latest annual RFA report to Congress. That report documents our access to rules in the earliest stages of the rulemaking process. The Office of Advocacy is able to bring common sense solutions and perspective from small business into the rulemaking process. And it is working. Our regulatory intervention efforts resulted in a cost savings of \$21 billion in fiscal year 2002 alone. \$21 billion in foregone regulatory costs, when compared to Advocacy's budget, means that for every dollar spent, we saw a return of over \$2700.

The \$21 billion in cost savings exceeded even my expectations and are attributable to both my office's involvement and the President's leadership in holding government accountable for how it affects small business. One year ago President Bush stood before hundreds of our country's most successful women entrepreneurs, down the street at the Ronald Reagan Building and International Trade Center, and rolled out his small business plan. He committed to removing regulatory barriers that stifle job growth. The President is counting on the Office of Advocacy to lead that effort, and the \$21 billion cost savings is a good start.

On August 13, 2002, President Bush signed Executive Order 13272, titled "Proper Consideration of Small Entities in Agency Rulemaking." The Executive Order strengthens the Office of Advocacy and promotes greater federal agency compliance with the RFA. Under the Executive Order, Advocacy is required to, among other things, notify agencies of the requirements of the RFA, review the RFA policies and procedures of all

federal regulatory agencies for adequacy, and train all federal agencies on RFA compliance. Our office is well under way in the effort to meet the President's small business priorities. We have published our own draft guidance on RFA compliance, we have reviewed the federal agency RFA policies and procedures that have been submitted to us, and we are in the process of soliciting outside contractors to help us implement the training requirement.

Focusing our efforts here in Washington is not enough. As part of our mandate to make legislative and nonlegislative proposals for eliminating excessive or unnecessary regulations on small entities, Advocacy has started a nationwide initiative to pursue implementation of regulatory flexibility at the state level. To accomplish this, the Office of Advocacy is promoting model state RFA legislation through our Regional Advocates. We currently have eight Regional Advocates in the ten SBA regions. They are my office's "Main Street reality check." Our Regional Advocates take the pulse of Main Street small businesses every day and make sure that we stay on track here in Washington, DC. Their interaction with governors, state legislators, and small business leaders in the states provide a perfect liaison for our model bill initiative.

A December 2002 study by Advocacy highlighted the status of small business friendly laws and regulations in each state. Advocacy has used the report as a roadmap to help state leaders learn how they may benefit from RFA legislation. I am pleased to report that at least nine states have introduced RFA legislation to date as a result of our initiative.

## **Research to Create Greater Awareness of Small Business Contributions**

Advocacy continues to publish vital small business research to help guide legislators and policymakers, and to increase recognition of the important role that small business plays in the U.S. economy. Advocacy is working toward establishing research-based focus groups to promote entrepreneurial academic research. We expect the long-term result of this initiative will be to increase the base of scholars researching issues concerning small business. In addition to our outreach efforts, a stream of innovative and timely research continues to be produced by our own economists and outside contractors. The true value of these reports, though, is in their usefulness to our constituents, including the Committee on Small Business & Entrepreneurship. Research from the Office of Advocacy is often cited by government officials as well as private sector representatives in a number of venues—the press, journal articles, and elsewhere. Moreover, the academic community has been eager for this research, as evidenced by conference presentations and publication requests. For example, a research paper, funded by the Office of Advocacy, on bank lending to small businesses, will be presented at an upcoming conference at the Federal Reserve Board of Chicago. Advocacy is proud of the fact that additional research from our own economists is being considered for publication in professional journals.

## **Advocacy's Budget Process**

When you examine the statutory mandate of Advocacy and the authority the office has to defend small entities, it becomes obvious why Advocacy is independent. The Office of Advocacy is supposed to be critical of government that treats small business unfairly. SBA is a regulatory agency. And when it comes to proposed regulations, Advocacy treats SBA the same as we do the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), the Department of Transportation (DOT), the Internal Revenue Service (IRS), and the other agencies. The Office of Advocacy makes sure that SBA adequately considers their impact on small entities before they finalize rules (the basic requirement of the RFA and

SBREFA). The system is flawed when the Office of Advocacy's budget is determined by a part of government it holds accountable for compliance with the RFA.

The current budget process is a dangerous one because the Office of Advocacy's budget is too easily pillaged when administration priorities change. A budget line-item for Advocacy would certainly help address the problems identified above. A line-item would provide assurance to small entities that they can continue to count on the Office of Advocacy as a strong and independent voice on their behalf.