

President Obama Names Winslow Sargeant Chief Counsel for Advocacy

On August 19, President Barack Obama appointed Dr. Winslow Sargeant as chief counsel for advocacy, and he was sworn into the post on August 23. Dr. Sargeant brings expertise in high-tech industry, research, and government to the job of chief counsel, and he is an entrepreneur himself.

Dr. Sargeant sees the entrepreneurial spirit as uniquely American—a path to wealth and job creation, as well as a way of improving people’s lives. Most recently, he served as managing director of Venture Investors, LLC, in Madison, Wisconsin. The firm provides seed and early-stage capital to high-potential health care and IT companies. There, he specialized in computer software, hardware, and materials, and worked with technology transfer offices.

From 2001 to 2005, Dr. Sargeant worked as federal partner to small

firms as program manager in electronics for the National Science Foundation’s Small Business Innovation Research (SBIR) program. In this capacity he worked alongside Milt Stewart, the first chief counsel for advocacy. In his remarks following the swearing-in ceremony, Chief Counsel Sargeant described Milt Stewart as “a force of nature” whose passion for small business inspired him. In this same spirit, Sargeant expressed his own commitment to support and defend small business.

Dr. Sargeant also knows the challenges of starting and building a small firm. He enrolled in a Ph.D. program at the University of Wisconsin, Madison, in 1988 and left in 1992 to work at IBM in Rochester, Minnesota. He received his Ph.D. in electrical engineering in 1995, and worked at ATT/Bell Labs in Allentown, Pennsylvania.

In 1997, Dr. Sargeant and partners cofounded AANetcom, a “fabless” semiconductor integrated circuit design company. The company designed state-of-the-art computer circuits for telecom and broadband applications. In March 2000,

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Dr. Winslow Sargeant takes the oath of office from Marie Johns, deputy administrator of the Small Business Administration, becoming the sixth chief counsel for advocacy.

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Three Major Advocacy Events this Fall

The Office of Advocacy is looking forward to a busy fall season. On September 9, Chief Economist Zoltan Acs will discuss new research, *Global Entrepreneurship and the United States* (co-authored with Laszlo Szerb), at a Small Business Communicators roundtable. The meeting is an opportunity to meet face-to-face with the media and trade association contacts. (This new research is discussed on page 3 of this issue.)

The Regulatory Flexibility Act turns 30 years old in September, and Advocacy will host a symposium commemorating the anniversary on September 21. Throughout the day symposium panels will examine many current regulatory issues and review important landmarks in the history of the RFA. Advocacy will release an update to the *Cost of Regulation* study by Mark Crain at the event. Distinguished speakers will also participate, including Senator

Mary Landrieu, chair of the Senate Committee on Small Business and Entrepreneurship; Karen Mills, administrator of the U.S. Small Business Administration; and Cass Sunstein, administrator of the White House Office of Information and Regulatory Affairs.

Advocacy's focus turns to the economy in October, as the office sponsors a symposium on job creation titled, "High-Impact Entrepreneurship Outlook: Finance and Innovation Create Jobs." The event takes place on Capitol Hill and features business owners, economists, and policymakers. Topics include:

- Where we are in the early 21st century—the kinds of high-growth firms that have been creating jobs.
- The critical role of innovative ideas and the tangible and intangible economic factors that encourage them.
- Financing high-impact firms, and changes to financial incentive structures that would better support entrepreneurial firms.



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New Research Measures U.S. Entrepreneurship Position Worldwide

by Rebecca Krafft, Editor

New research from the Office of Advocacy finds that the United States is a leader in global entrepreneurship, but other nations have learned from the U.S. example and have made significant gains. *Global Entrepreneurship and the United States*, by Zoltan Acs and Laszlo Szerb, constructs a multifaceted tool for measuring and comparing countries' overall entrepreneurial health. The tool, called the Global Entrepreneurship and Development Index (GEDI), allows the comparison of 71 countries' entrepreneurial performance over a decade.

While building on earlier measures of entrepreneurship, the GEDI also improves on these by incorporating qualitative as well as quantitative aspects of entrepreneurship. Quantitative measures, such as the self-employment rate, business ownership rate, or business startups, tend to focus attention on the *quantity* of existing or nascent businesses, when the *quality* of entrepreneurship is of greater import. Referring to our current economic doldrums, the authors contend that "decreasing unemployment and job creation cannot be expected to flow from the creation of numerous tiny businesses; they are instead the result of a small number of extraordinary high-growth entrepreneurial ventures, called 'gazelles.'"

To create a more useful and realistic assessment, the authors combine 31 variables into three broad categories—entrepreneurial attitudes, entrepreneurial activity, and entrepreneurial aspirations—yielding a comprehensive yardstick. The authors use the index to assess the United States' overall entrepreneurial standing. The United States ranks third on the GEDI overall; it ranks first on the entrepreneur-

ial aspirations sub-index, sixth in entrepreneurial attitudes, and eighth in entrepreneurial activity.

The GEDI's detailed rankings reveal the strengths and weaknesses of U.S. entrepreneurship, and compare U.S. performance to the world's other major economies. In particular, the index reveals the following:

- The United States is among the world leaders in startup skills; it is a leader in competition, and first in developing new technologies.
- The United States' apparent weaknesses are the tech sector, the lack of cultural support for entrepreneurship, and the lack of high-growth business.
- In many respects a slowdown in U.S. entrepreneurial activities may be a reflection of progress by the rest of the world—learning from the U.S. model and beginning to catch up.

The data and their contribution to the business formation process are supported by three decades of research into entrepreneurship across a host of countries. The index rankings utilize economic data on firm formation, as well as institutional data on economic freedom, social and economic conditions, market dominance, and education. These data have been gathered from more than a dozen sources: the Global Entrepreneurship Monitor, the Heritage Foundation, the OECD, Transparency International, the United Nations, UNESCO, the World Bank, the World Economic Forum, and several others.

The paper is available on Advocacy's website at www.sba.gov/advo/research/rs370tot.pdf.

The Global Entrepreneurship and Development Index (GEDI)												
Entrepreneurial Attitudes Sub-Index				Entrepreneurial Activities Sub-Index				Entrepreneurial Aspirations Sub-Index				
OPPORTUNITY PERCEPTION	STARTUP SKILLS	NONFEAR OF FAILURE	CULTURAL SUPPORT	OPPORTUNITY STARTUP	TECHNOLOGY SECTOR	QUALITY OF HUMAN RESOURCES	COMPETITION	NEW PRODUCT	NEW TECHNOLOGY	HIGH GROWTH	INTERNATIONALIZATION	RISK CAPITAL

Note: The Global Entrepreneurship and Development Index is made up of sub-indices composed of several pillars. The pillars are made up of data from wide ranging sources. Source: *Global Entrepreneurship and the United States*, by Zoltan Acs and Laszlo Szerb. U.S. Small Business Administration, Office of Advocacy, September 2010.

Celebrating 30 Years of Regulatory Flexibility

by Jamie Belcore Saloom, Assistant Chief Counsel for Advocacy

This September, the Regulatory Flexibility Act (RFA) turns 30 years old, and the Office of Advocacy will celebrate three decades of work under this landmark legislation. The law dates to the late 1970s, when Congress held hearings on how regulations affect small firms and decided that changes were called for both in the culture of regulatory agencies and in the regulatory process itself. The process culminated in the passage of the RFA, which was signed by President Carter on September 19, 1980.

The RFA has continued to evolve. In 1996 Congress revisited the RFA and passed amending legislation, the Small Business Regulatory Enforcement Fairness Act (SBREFA), which gave the RFA “teeth.” SBREFA added provisions for judicial review of federal agency compliance with the RFA. It also provided for small business participation in review panels at the earliest stages of rulemaking at the Environmental Protection Agency and the Occupational Safety and Health Administration, two agencies whose rules Congress recog-

nized have a significant impact on small business. (In recent legislation creating the Consumer Financial Protection Agency, Congress included provisions requiring the new agency to hold SBREFA panels when its proposed rules could have a significant economic impact on small businesses.)

Bolstered by SBREFA, the RFA has become a powerful tool for small business advocates. With it, the Office of Advocacy has worked with federal agencies to secure billions of dollars of regulatory cost savings for small businesses and has helped create a regulatory landscape that puts small businesses on an equal footing with their

larger competitors. As it enters its fourth decade, the RFA will continue to provide training and guidance to federal agencies as they address new regulatory challenges and seek to strengthen the small business economy.



Updated Cost of Regulations Study Forthcoming

On September 21, during the RFA@30 symposium, the Office of Advocacy will host a panel examining the impacts of federal government regulations on small business. The featured piece of research that will be discussed is an updated version of *The Impact of Regulatory Costs on Small Firms*, by W. Mark Crain.

Advocacy has sponsored research on this issue since the mid-1990s; Crain's new work will be the fourth iteration of the study. The study will once again highlight the sheer magnitude of regulations that stand in the way of any American who owns or wants to start a small business. As with past studies, the more recent data again show that the smallest firms face the most outsized regulatory barriers. Since the initial study appeared, the total magnitude of regulatory costs as analyzed by the report has continued to climb, and the newest data show the trend continuing. This has happened for two reasons: first, each successive report has been broader in scope and more inclusive of the total body of regulations than its predecessors; and second, the total number of regulations on the books has continued to climb each year.

Advocacy believes that this update is important precisely because it is necessary to remain constantly aware of the total burden that regulations place on small businesses and how this burden affects their ability to create wealth, innovation, and jobs that fuel the American economy.

—Joseph Johnson, Economist

President Obama Announces Amended Regulations and New Proposals on the Anniversary of the Americans with Disabilities Act

by Janis Reyes, Assistant Chief Counsel

To commemorate the 20th anniversary of the Americans with Disabilities Act (ADA) in July, President Barack Obama announced several important actions. Foremost among these is a final rule amending the existing regulations implementing the ADA's Title III, which sets standards for making buildings accessible for people with disabilities. The new proposals also address the ADA accessibility of websites, movie theaters, and equipment and furniture.

The final rule adopts the 2010 ADA Standards for Accessible Design, a comprehensive set of new accessibility requirements that apply to public accommodations (that is, every business that opens its doors to the public). The rule had not been published when this newsletter went to press; it will become effective six months after publication in the *Federal Register*. Eighteen months after publication, compliance with the 2010 standards will be required for new construction and alterations. Information on it and the other proposals is available at www.ada.gov.

The 2010 standards also adopt new design requirements for recreational facilities, including

The final rule adopts the 2010 ADA Standards for Accessible Design, a comprehensive set of new accessibility requirements that apply to public accommodations (that is, every business that opens its doors to the public).

swimming pools, playgrounds, golf courses, amusement rides, and boating facilities. The Department of Justice has added provisions regarding the sale of tickets for accessible seating and for making accessible reservations at places of lodging.

Title III requires existing facilities to remove barriers that conflict with these standards when such modifications are "readily achievable." "Readily achievable" means "easily accomplishable and able to be carried out without much difficulty or expense." The Justice Department is adopting a "safe harbor" allowing businesses that comply with the 1991 ADA standards to postpone compliance with the 2010 standards until the building or building elements are altered. Advocacy held a Small Business

Roundtable on this rulemaking and submitted a public comment letter supporting this regulation and the safe harbor for existing buildings.

The Justice Department has also issued several advance notices of proposed rulemaking. The broadest of these would require making websites accessible for people with disabilities and could apply to public accommodations with a physical location and a related website, as well as online-only businesses. The agency is also considering ADA accessibility requirements for movie theaters and equipment and furniture utilized in public accommodations. Comments are due on January 24, 2011.

For further information, including a small business compliance guide, visit www.ada.gov or contact Janis Reyes at janis.reyes@sba.gov or (202) 205-6533.

Winslow Sargeant

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AANetcom was acquired by PMC-Sierra, a publicly traded company.

As chief counsel, Dr. Sargeant leads Advocacy's operations. These include conducting research on the U.S. small business sector, advocating for small businesses within the federal government's agencies and rulemaking processes, reaching out

to regional and state small business advocates and policymakers, and fostering public awareness of small business contributions and concerns.

Research Notes

Twelve Small Business Economic Research Contracts Awarded

by Chad Moutray, Director of Economic Research

The Office of Advocacy recently awarded 12 new research contracts. These studies primarily focus on two areas. First is the role that small businesses and entrepreneurship play in generating net new employment, innovation, and economic growth. This is a critical area given the linkages between entrepreneurship and net job creation. A few studies will examine fast-growing, high-impact firms

that may serve as economic engines to their communities for years to come. Another study will update Advocacy's widely cited statistics showing small businesses' contribution to GDP.

The second research focus is access to capital, one of the top concerns of small business owners. Researchers will examine lending patterns to small businesses over the course of the recession, includ-

ing loans to immigrant entrepreneurs and the growing importance of credit unions. Other studies will investigate how venture capital influences growth.

Researchers have been given one year from the date of the award to complete their analysis. Final studies associated with these awards will be forthcoming beginning in late 2011.

Research Firm	Location	Area of Study
1790 Analytics	Haddonfield, NJ	Examines the effects of the recession on small and large innovative firms.
Beacon Economics	San Rafael, CA	Investigates how diversification beyond minority-owned firms affects the minority-oriented venture capital fund's overall financial performance.
Beacon Economics	San Rafael, CA	Utilizes the Kauffman Firm Survey to analyze the founder and firm traits of start-up firms, as well as their venture strategies.
Corporate Research Board	Washington, DC	Updates previous Advocacy research on the importance of high-impact firms to net job creation and economic growth.
Deskins Consulting	Omaha, Neb.	Identifies which entrepreneur characteristics matter most to a state's economic growth.
Economic Consulting Services	Washington, DC	Updates statistics on the importance of small businesses to the nation's nonfarm, private real gross domestic product.
Krähenbühl Global Consulting	Chicago, IL	Analyzes recent small business lending data, particularly lending patterns of healthy and unhealthy banks, to assess how the financial crisis has affected small business access to credit.
Macrometrix	Alamo, CA	Assesses the growing importance of credit unions as a source of small business loans.
Martin Kenney	Davis, CA	Explores clustering and gazelles, with particular attention to the entrepreneurial support networks that help these firms grow.
Plehn Analytical Economic Solutions	Willow Grove, PA	Assesses the linkages between entrepreneurship, unemployment, and economic growth using data sets across various industries.
Robert W. Fairlie	Santa Cruz, CA	Examines access to capital and lending patterns of immigrant entrepreneurs, building on previous Office of Advocacy research on the importance of immigrant entrepreneurs.
Wyckoff Consulting	Norman, OK	Analyzes venture capital investments in women-led businesses; examines how the investment network in which the VC firm is embedded influences investment in these women-owned firms.

Economist George Haynes Joins Advocacy Staff

by Kathryn M. Tobias, Senior Editor

In August, the Office of Advocacy welcomed Dr. George Haynes, of Bozeman, Montana, as a senior economist in the Office of Economic Research. Haynes will hold the position through the current year. Haynes is an extension economist in the Department of Agricultural Economics at Montana State University. He is also a former small business owner. He has worked extensively with the Small Business Administration on financial structure issues, particularly commercial bank lending to small businesses. He has made contributions in the field of consumer finance, primarily in family business finance and health costs. Recently he was actively engaged in a National Science Foundation project examining the impact of disaster assistance payments on small businesses.

Haynes is the author of dozens of publications including journal articles, book chapters, conference



presentations, and monographs. In June 2009 he received a research paper award from the U.S. Association for Small Business and Entrepreneurship. He has served on the editorial board of the *Journal of Family and Economic Issues*, and

is widely sought after as a research reviewer. He is the current chair of the North Central Agricultural Experiment Station Regional Project on family business.

A Longitudinal Analysis of Early Self-Employment

by Kathryn Tobias, Senior Editor

A study released in August by the Office of Advocacy looks at groups of young people born 20 years apart and assesses the extent of self-employment in each group. Using data from the National Longitudinal Surveys of Youth, the study finds that the younger group, born in the years 1980 to 1982, has much higher self-employment rates than the older group, born in the years 1960 to 1962. The higher self-employment rates are driven by increases in black and Hispanic self-employment, and to a lesser extent by female self-employment.

The study, *A Longitudinal Analysis of Early Self-Employment*,

by Berkeley Policy Associates, provides a wealth of data on the dynamics of self-employment in early adult life and documents generational changes in these patterns for the two cohorts.

The study finds that early self-employment exposure increases individuals' engagement in self-employment in the early and mid-career years. Demographic characteristics differ considerably between those who reported self-employment and those who did not. Those who have been self-employed are more likely to be male and white, to have more educated parents, and to have grown up

in a rural area or on a farm. Financial resources—family income and net worth—increase the probability of self-employment, and an additional year of self-employment increases the level of income and net worth significantly.

The report is available on Advocacy's website at www.sba.gov/advo/research/rs367tot.pdf, and a research summary at www.sba.gov/advo/research/rs367.pdf.

IRS Proposes Regulations To Expand the Use of Electronic Payment System for Employment Taxes

by Dillon Taylor, Assistant Chief Counsel

On August 19, the Internal Revenue Service issued proposed regulations to increase the number of electronic transactions between taxpayers and the federal government. The proposed regulations would eliminate the rules for making federal tax deposits by paper coupon because the Treasury Department will no longer maintain the paper coupon system after December 31, 2010. The proposed regulations generally maintain existing rules for depositing federal taxes through the Electronic Federal Tax Payment System (EFTPS).

EFTPS deposits can be made online with a computer or by telephone. EFTPS business users can schedule payments up to 120 days in advance of the desired payment date.

Information on EFTPS, including how to enroll, can be found at www.eftps.gov or by calling EFTPS Customer Service at (800) 555-4477.

Some businesses paying a minimal amount of tax may make their payments with the related tax return, instead of using EFTPS.

More details regarding taxes required to be deposited using EFTPS, dollar thresholds, and other specific requirements are in the proposed regulations. To learn more see www.reginfo.gov/public/do/AgendaViewRule?pubId=201004&RIN=1545-BJ13.

Help Redesign Advocacy's Website

The Small Business Administration is redesigning www.sba.gov, and as part of this undertaking the Office of Advocacy's website, www.sba.gov/advo, will also get a makeover. Advocacy staffers have received many thoughtful comments about our website design from users, and we would like to put out one last call for input.

Our overall goal is to make it easy for you, the user, to find what you need quickly. Input from users is one of the most valuable and relevant sources of guidance. Please let us know if there are ways you think our webpages could be improved. Email any comments to us at advocacy@sba.gov. Thank you.

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