

**U.S. Small Business Administration  
Office of Advocacy**

**Fiscal Year 2017  
Congressional Budget Justification**

**and**

**Fiscal Year 2015  
Annual Performance Report**

# U.S. Small Business Administration Office of Advocacy

## Fiscal Year 2017 Congressional Budget Justification and Fiscal Year 2015 Annual Performance Report

### Overview

The Office of Advocacy is an independent office within the U.S. Small Business Administration. Advocacy has its own statutory charter, Title II of Public Law 94-305 as amended (15 U.S.C. § 634a *et seq.*), originally enacted in 1976. The office is headed by a Chief Counsel for Advocacy, appointed by the President and confirmed by the Senate. Advocacy works to reduce the burdens that federal regulations and other policies impose on small entities and provides vital small business research for the use of policymakers and other stakeholders.

The mission of the Office of Advocacy is to encourage policies that support the development and growth of American small businesses by:

- early intervention in federal agencies' regulatory development process on proposals that affect small entities and providing Regulatory Flexibility Act compliance training to federal agency policymakers and regulatory development officials;
- producing research to inform policymakers and other stakeholders on the impact of federal regulatory burdens on small businesses, to document the vital role of small businesses in the economy, and to explore and explain the wide variety of issues of concern to the small business community; and
- fostering two-way communication between federal agencies and the small business community.

Advocacy represents the interests of small businesses within the federal government. The office advances the views and concerns of small businesses before Congress, the White House, federal agencies, the federal courts, and state and local policymakers as appropriate. Economic research, policy analyses, and small business outreach help identify issues of concern. Documentation of the contributions of, and challenges for, small businesses in the U.S. economy provides policymakers with the information that they need to make better decisions.

In addition to those responsibilities included in Advocacy's basic charter, further duties and powers were conferred upon the Chief Counsel for Advocacy by the Regulatory Flexibility Act (RFA) of 1980 as amended (5 U.S.C. § 601 *et seq.*), and Executive Order 13272. These duties include the monitoring of federal agency compliance with the RFA, providing RFA compliance training to regulatory officials, and assisting regulatory agencies during all stages of the rule development process to mitigate the potential impact of rules on small entities while still achieving their regulatory objectives.

Public Law 111-240, the Small Business Jobs Act of 2010, further amended Advocacy’s statutory authority to require that each budget submitted by the President shall include a separate statement of the amount of appropriations requested for Advocacy, and that these funds be designated in a separate Treasury account. The Act also requires SBA to provide Advocacy with office space, equipment, an operating budget, and communications support, including the maintenance of such equipment and facilities (15 U.S.C. § 634g(b)).

Before FY 2012, Advocacy was fully integrated within SBA’s Executive Direction budget. In recognition of the office’s independent status and newly separate appropriations account, Advocacy’s FY 2013 Congressional Budget Justification and FY 2011 Annual Performance Report were for the first time presented in a separate appendix to SBA’s submission. The current budget request for FY 2017 is the fifth to use this format, which is intended to improve the transparency of Advocacy operations and costs, more clearly identify the resources available to Advocacy, and provide a basis for performance measurement.

## FY 2017 Budget Request

For FY 2017, the Office of Advocacy requests \$9.32 million in new budget authority for its direct expenses, \$200,000 greater than the amount enacted in FY 2016.

New Budget Authority <i>Dollars in Millions</i>	FY 2012 Enacted	FY 2013 Enacted <sup>1</sup>	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
	9.120	8.643	8.750	9.120	9.120	9.320

<sup>1</sup> As adjusted by sequestration.

The largest portion of Advocacy’s request, \$8.85 million, is planned for the compensation and benefits of Advocacy’s professional staff. Staffing accounts for about 95 percent of Advocacy’s total FY 2017 budget and is planned at 53 full-time equivalent positions. Of the balance of Advocacy’s request, \$150,000 is planned to supplement available carryover balances for the office’s congressionally mandated economic research program, and \$320,000 is planned for all other direct expenses, including subscriptions to legal and economic research resources, travel, training, office supplies, and other miscellaneous expenses directly attributable to Advocacy.

Pursuant to Section 1602(b) of Public Law 111-240, SBA will provide additional support to Advocacy, including office space and equipment, communications and IT services, and maintenance of equipment and facilities. The costs for these services, as well as centralized indirect expenses shared with other SBA offices, appear elsewhere in SBA’s budget request.

Small business is the engine of innovation, economic growth and job creation. Advocacy’s FY 2017 request will allow it to continue its mission of supporting the startup, development and growth of small businesses and to focus on emerging priority areas, including special initiatives on innovation and international trade. Advocacy’s activities have always required cross-agency collaboration with other federal agencies throughout government. Whether assisting agencies in achieving their regulatory goals without unnecessary adverse consequences for small entities, or adding value to the data that they collect and making it more accessible to stakeholders, or providing RFA compliance training to policy and rule development officials in more than 100 agencies, Advocacy engages every day in cross-agency cooperation to remove barriers to small business innovation, economic growth and job creation, and to provide stakeholders with the information they need to make informed decisions, as described in the Planned Performance sections below.

## Advocacy Strategic Goals

As part of the separation of Advocacy's annual budget justification and performance report from that of SBA, Advocacy adopted two strategic goals that are specific to the office, and it revised the performance indicators that are associated with these goals. The two goals align closely with Advocacy's two primary statutory responsibilities, regulatory advocacy and economic research. Three performance indicators from prior years remain unchanged, while two others were dropped. The efficiency measure of "cost per \$1 million in regulatory savings" was retained, and two new indicators were added under Advocacy's economic research strategic goal beginning in FY 2013. Information on past performance using prior discontinued indicators will continue to be presented for those years in which they were used from FY 2010 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.***

### Implementation strategies

**Monitoring of federal regulatory activity.** Advocacy's Office of Interagency Affairs monitors new federal regulatory proposals through publicly available sources such as the *Federal Register* and the agencies' periodic publication of their regulatory agendas. Many agencies also notify Advocacy directly in advance of planned regulations, particularly when these proposals have significant costs or would affect significant numbers of small entities. Pursuant to Executive Order 13272, Advocacy also consults on regulatory proposals with OMB's Office of Information and Regulatory Affairs, with which the office has a strong working relationship. In addition, the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau have special statutory requirements for notifying Advocacy of planned regulatory activity with significant effects. Advocacy also subscribes to various publications and services that specialize in tracking legislation, regulations and public policy issues.

**Solicitation of the views of stakeholders.** Advocacy conducts a continuing program of outreach to its many stakeholders in order to solicit their views on issues of concern to small businesses. One of the most important sources of input are roundtables that Advocacy sponsors on specific topics, at which representatives of small businesses, industries and government agencies can meet and informally discuss matters of current interest. Advocacy also sponsors larger conferences and symposia to discuss major issues. Advocacy maintains close contact with many congressional committees, including those with jurisdiction over the most important areas of interest to small businesses. The Chief Counsel regularly meets with business organizations and trade associations, in addition to traveling throughout the country to hear directly from stakeholders. Advocacy's ten regional advocates are the office's eyes and ears outside of Washington, and the office also receives a steady flow of input on small business concerns from its many stakeholders, including business organizations and trade associations, congressional offices, SBA offices and resource partners, and small business owners themselves.

**Engagement with federal agencies on regulations and policies affecting small businesses.** After an issue of interest has been identified, Advocacy's Office of Interagency Affairs works with regulatory development officials and policymakers to ensure that the views of small entities are known and considered in the agency's actions. This engagement can take many forms, depending on the stage of the policy or regulatory proposal. Advocacy attorneys and economists often have pre-proposal consultations with regulatory development officials in order to help them design a rule that will accomplish the agency's regulatory objectives while minimizing burdens on small entities. Advocacy also provides regulatory agencies with technical assistance of various types to help ensure agency compliance with the Regulatory Flexibility Act (RFA) and related requirements. 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. Advocacy interventions can occur at all stages of the rule development process, from confidential pre-decisional deliberative consultations before a proposal is made, to formal comments after a proposed rule has been published, to comments after a rule has been finalized. Advocacy also provides congressional testimony on issues affecting small business as requested, and the office regularly advises congressional committees on small business issues.

**Small Business Regulatory Enforcement Fairness Act (SBREFA) Panels.** The Small Business Regulatory Enforcement Fairness Act (Title II of P.L. 104-121, as amended) requires three agencies (the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau) to take special steps to ensure that the views and needs of small entities are considered early in the process of drafting rules that could have significant effects. In the SBREFA panel process, Advocacy, OMB's Office of Information and Regulatory Affairs, and the rule-writing agency develop information solicited from small entity representatives and other sources concerning the potential impacts of a new agency proposal. The panel then considers alternatives that minimize burdens, and it prepares a report with recommendations that must by law be addressed in the final rule. The extra steps required for those agencies and regulations subject to the panel process ensure that small business concerns are considered early in the rule development process, and the process is an important tool for Advocacy.

**Regulatory Flexibility Act compliance training.** The Regulatory Flexibility Act (RFA), first enacted in 1980 and strengthened in 1996 and 2010, requires most federal regulatory agencies to consider the effects of planned regulatory actions on small entities, and to take steps to minimize them when possible, including the consideration of alternatives for rules with significant impacts and the convening of SBREFA panels with special outreach provisions for certain agencies. Failure to comply with RFA requirements can result in litigation. A significant body of RFA case law has developed over the years, and courts have struck down rules because of RFA problems. Executive Order 13272 requires Advocacy to provide RFA compliance training to federal regulatory development officials, and the office has a continuing program to provide live classroom training to regulatory officials throughout the government. RFA training is customized to each individual agency or multi-agency group receiving the training. Advocacy believes that better-trained regulatory and policy staff develop smarter rules that have reduced impacts on small entities. Better compliance and reduced litigation are also favorable outcomes resulting from fully RFA-compliant rules.

**Retrospective review of regulations.** Section 610 of the Regulatory Flexibility Act requires agencies to review existing regulations periodically to determine whether they are still justifiable based on a number of factors. Advocacy has been especially concerned that the full potential of this provision in the RFA has not been realized, and the office initiated its own special effort at the retrospective review of existing regulations based on the nominations of stakeholders. This effort resulted in a number of successful rule revisions. Subsequently, President Obama signed Executive Order 13563 in January 2011, which among other provisions, directed departments and agencies throughout government to review existing significant regulations and consider how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or

excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. Advocacy has been involved in this initiative before and since its publication, and continues to work with OMB and regulatory agencies to identify regulations where regulatory cost savings can be achieved.

### **Performance objectives**

Advocacy has two performance objectives related to Strategic Goal 1:

- Objective 1.1 - the achievement of regulatory cost savings of at least \$6.5 billion in FY 2017 from rules on which Advocacy has worked; and
- Objective 1.2 - the provision of Regulatory Flexibility Act compliance training in FY 2017 to at least 100 policymakers and regulatory development officials in federal agencies which promulgate regulations that impact small entities.

Representing the concerns of small businesses before federal regulatory agencies is one of Advocacy's most important statutory missions. Advocacy has adopted the achievement of regulatory cost savings for small businesses and other small entities as an outcome performance measurement for this activity, although the office also works with agencies to advance small entity interests in other ways that do not necessarily produce measurable cost savings.

Advocacy works with federal regulatory agencies at all stages of the rule development process to help them design regulations that will minimize unnecessary costs to small entities while still achieving agency regulatory objectives. Cost savings from rules on which Advocacy has intervened consist of forgone capital or annual compliance costs that otherwise would have been required in the first year of a rule's implementation. Advocacy captures cost savings in the quarter and fiscal year in which the regulating agency agrees to changes resulting from Advocacy's intervention and not necessarily during the period in which the intervention occurred. Therefore, the results reported for any year do not reflect the total of Advocacy's interventions to date that may produce quantifiable cost savings in the future. Cost savings estimates are generally based on estimates from the agencies promulgating the rules in which Advocacy intervened, although industry estimates may be used in some cases.

A limitation of this performance measure is that it is impossible to predict with any degree of accuracy when federal agencies will publish final rules that reflect cost savings from rules in which Advocacy intervened, and it is equally difficult to predict the amount of savings likely to be achieved before action on a rule begins. Cost savings rely on externalities (i.e., it is a regulatory agency's decision to reduce the burden on small entities, not Advocacy's), so significant variations from established goals can and do occur. Also, because agencies may make further revisions to a rule, cost savings may change over time based on new information and/or further negotiations and revisions. However, even with these limitations, past performance over an extended period has demonstrated that significant cost savings have been achieved and measured.

Another limitation of this measure is that Advocacy is unable to include in its annual estimate of regulatory cost savings those savings that result solely from pre-decisional deliberative consultations or technical assistance provided to regulatory agencies. These savings are in addition to those claimed under this performance measure and are substantial but impossible to measure with accuracy.

The second performance objective for Strategic Goal 1 in FY 2017 is that Advocacy will provide Regulatory Flexibility Act compliance training to at least 100 policymakers and regulatory development staff in federal agencies which promulgate regulations that impact small entities. This is also an outcome measure, with the result that federal regulatory officials have the expertise needed to develop and publish better rules that

achieve their regulatory objectives while minimizing unnecessary burdens on small entities. Reduced RFA-related litigation and better compliance by the regulated community also result.

Executive Order 13272 requires Advocacy to provide the RFA compliance training measured by this performance indicator. Since Advocacy began its ongoing RFA compliance training program in 2004 through FY 2015, such live classroom training has been provided to officials in 18 cabinet-level departments and agencies, 67 separate component agencies and offices within these departments, 22 independent agencies, and various special groups including congressional staff, business organizations and trade associations.

### **FY 2015 Accomplishments**

During FY 2015, Advocacy achieved \$1.610 billion in first-year cost savings, \$954 million of which will also be annually recurring savings, although they will not be counted again for the purposes of performance measurement. These savings resulted from actions on eleven separate federal regulations originating in five agencies (the Environmental Protection Agency, the Occupational Safety and Health Administration, the Bureau of Land Management, the Department of Energy, and the Food and Drug Administration). Additional information will be detailed in Advocacy's annual report on Regulatory Flexibility Act activities for FY 2015, which is planned for release in February 2016. This report and those for past years can be accessed online at <http://www.sba.gov/advocacy/regulatory-flexibility-act-annual-reports>. Advocacy expects additional significant savings to be achieved as a result of its FY 2015 work on numerous other rules, but savings are not scored until a rule is finalized, and the timing for this is beyond Advocacy's control.

During FY 2015, Advocacy provided Regulatory Flexibility Act compliance training to 126 policy and rule development officials at regulatory agencies, exceeding its annual goal for this activity that at least 100 officials receive such training.

Although not used as performance indicators, two other measures relating to regulatory advocacy illustrate the diversity of activity in which Advocacy has been engaged in FY 2015. During FY 2015, Advocacy provided 28 written public comment letters to 16 different agencies about a wide variety of proposals affecting small business. During FY 2015, Advocacy's legal team hosted 20 roundtables to collect information from stakeholders on a diverse range of issues.

During FY 2015, Advocacy also continued to provide the Administration with counsel subsequent to Executive Order 13563 (*Improving Regulation and Regulatory Review*, signed by President Obama on January 18, 2011), Executive Order 13610 (*Identifying and Reducing Regulatory Burdens*, signed by President Obama on May 10, 2012), and related memoranda to the heads of executive branch departments and agencies. These directives supplement existing regulatory review processes, particularly the Executive Order 12866 process that has been in place since 1993. The new directives also reiterate key provisions of the RFA, and in particular its Section 610 "look-back" provisions mandating the periodic review of existing regulations, in addition to encouraging public participation in this process.

This important regulatory initiative is very much in keeping with Advocacy's mission, the RFA and Executive Order 13272. In fact, both Advocacy and the RFA are mentioned by name in the memorandum *Regulatory Flexibility, Small Business, and Job Creation*. In it, the President emphasized the importance of compliance with the RFA and its purposes. During 2015, Advocacy has continued to examine rules that agencies determined should be reviewed, and the office continues to provide additional counsel on which of these reviews would be likely to lead to regulatory burden reduction for small business.

Also of major importance in the office's regulatory advocacy activities is its participation in the Small Business Regulatory Enforcement Fairness Act (SBREFA) panels required by Title II of Public Law 104-121, as amended, for significant rules planned by three agencies, the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau. In the panel process, representatives of the rule-writing agency, the Office of Management and Budget, and Advocacy are empanelled to solicit information from industry representatives and other sources on the potential effects of a new agency proposal, to consider alternatives that minimize burdens, and to prepare a report with recommendations that must by law be addressed in the final rule. Although SBREFA panels are labor intensive, they have a proven track record of helping agencies write better rules. During FY 2015, EPA initiated three new panels, and OSHA and CFPB convened one new panel each.

### **FY 2017 Planned Performance**

The Office of Advocacy intends to continue to achieve regulatory cost savings and a reduced regulatory burden through its regulatory interventions. The office relies on various types of activities to achieve regulatory cost savings. These include: participating in the SBREFA panel process for regulations promulgated by EPA, OSHA, and the Consumer Financial Protection Bureau; writing official comments to federal regulatory agencies on their compliance with the Regulatory Flexibility Act and other rulemaking activities; testifying before Congress on small business issues; responding to OMB referrals on proposed legislation and regulatory proposals; participating with OMB during the Executive Order 12866 review process and during implementation of Executive Order 13272; and providing technical and RFA compliance assistance to agencies as requested at all stages of the rule development process.

In FY 2017, Advocacy has set a goal of achieving \$6.5 billion in regulatory cost savings. Although year-to-year fluctuations can and do occur, Advocacy believes that the moving ten-year average on its cost savings metric supports the sustainability of this goal over multi-year periods; the ten-year average at the end of FY 2015 was \$6.45 billion in savings per year. However, Advocacy continues to review difficulties in the quantification of cost savings resulting from rules on which it has worked. In recent years, Advocacy has helped agencies improve numerous draft rules, reducing burdens on small entities, but the agencies have not provided data upon which cost savings estimates can be based. Because Advocacy was not able to quantify savings on these rules, none were claimed. This has always been a problem for some rules, but it remains unclear whether there is some systemic problem that has made it more difficult for agencies to quantify the effects of their proposals. Advocacy continues to work with agency regulatory development officials and OMB's Office of Information and Regulatory Affairs to improve regulatory cost reporting in the future.

Advocacy will continue to train federal regulatory agency personnel on RFA compliance, as required by Executive Order 13272. Classroom training sessions were conducted by Advocacy staff beginning in FY 2004, and will continue indefinitely. Agencies have been responsive to the classroom training that their staffs have received, and many have implemented better regulatory flexibility practices as a result. Almost all federal regulatory agencies have now received RFA compliance training from Advocacy, so in FY 2017 Advocacy will continue to provide repeat "refresher" training, train new personnel, and train officials of component agencies within major departments. Advocacy expects to exceed its FY 2017 goal of providing RFA compliance training to at least 100 regulatory officials.

In FY 2017, Advocacy will continue to assist regulatory agencies in complying with the requirements of Executive Order 13563 and Executive Order 13610. These orders direct federal regulatory agencies to promote the coordination, simplification and harmonization of regulations that are redundant, inconsistent or overlapping across agencies. They also direct agencies to consider regulatory flexibility whenever possible, to ensure scientific and technological objectivity in regulatory development, and to identify means to achieve

regulatory goals that are designed to promote innovation. The orders and related guidance documents also direct agencies to review existing significant regulations and consider how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. Public participation in this process is encouraged and an accountability framework through agency reporting to OMB has been established.

In FY 2017, Advocacy will continue to work with OMB and federal regulatory agencies as they implement the retrospective review of existing regulations as provided by both Section 610 of the RFA and executive orders. Advocacy will examine rules that agencies determine should be reviewed, and provide further recommendations and technical assistance to encourage regulatory burden reduction for small business.

Advocacy is prepared for continued SBREFA panel activity in FY 2017, as the new Consumer Financial Protection Bureau promulgates regulations, in addition to major rules originating in EPA and OSHA. Although it is impossible to predict with accuracy how many of these labor-intensive panels will be convened in the future, Advocacy is prepared to accommodate this priority work.

In FY 2017, Advocacy plans to continue its innovation initiative begun in 2013 focusing 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 both its Washington staff and its ten regional advocates, Advocacy will engage innovators through meetings with entrepreneurs, venture capitalists, research universities, and industry representatives to hear first-hand what impediments exist for innovative small businesses in high-growth sectors. Advocacy will inform policymakers in the White House, the Congress, 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.

Advocacy's second special initiative relates to international trade. Advocacy's unique knowledge of how regulations affect small business give the office the ability to help the small businesses of America have a place at the table during trade negotiations. Advocacy can be their voice encouraging policies that will allow them easier access to the 95 percent of the world's customers outside of our borders. Since 2012, Advocacy has participated in several international regulatory cooperation (IRC) and international trade initiatives that will impact U.S. small businesses. Although IRC is not a new concern, President Obama's Executive Order 13609, *Promoting International Regulatory Cooperation* (May 4, 2012), has further impressed upon executive agencies the importance of cooperating with their foreign counterparts. IRC has become a subject of negotiations in recent trade agreements, as have the disproportionate burdens that small businesses may face in international trade.

Advocacy has been invited by the Office of the United States Trade Representative to participate in high-level meetings of various international working groups on regulatory cooperation, and Advocacy has received very positive feedback from its involvement in these meetings. Advocacy also anticipates involvement in future IRC efforts. Because of the experience and contacts that Advocacy has gained through these activities, the office is now actively involved in international regulatory matters that affect U.S. small businesses. The office continues to explore how it can represent U.S. small businesses both in dealing with foreign regulations and those U.S. regulations impeding small business involvement in international trade. Lowering such regulatory barriers could open vast new markets to smaller firms, and during FY 2017 Advocacy plans to continue work in this priority area.

**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.**

### **Implementation strategies**

**Adding value to raw data.** Advocacy itself is not a data collection agency (although in some contract research projects, surveys may be conducted). Instead, Advocacy's Office of Economic Research assembles and uses data and other information from many different sources to develop data products that are as timely and actionable as possible. Advocacy's efforts often add value to existing government data resources by developing information that is useful to small business stakeholders from sources that may not have been originally intended for that purpose. Advocacy economic research funds support the development of small firm data at agencies such as the U.S. Census Bureau. Other agencies which have contributed to Advocacy research include the Bureau of Labor Statistics, the Internal Revenue Service, the Social Security Administration, the Federal Reserve Board, the Departments of Education, Defense and Veterans Affairs, and additional components in the Departments of Commerce and Labor. Advocacy has used data from all of these agencies and other sources in its data and research products. Advocacy aims in all its data publications to respond to the needs of its stakeholders with products that help answer their questions and inform their decisions with the best information possible.

**Specialized contract research.** Another important activity in meeting this strategic goal is contract research to address specialized issues of concern to Advocacy's stakeholders. These issues are many and varied. Some have been addressed regularly, such as the cost of regulation, innovation, job creation, taxation, and topics relating to firms owned by women, minority and veteran entrepreneurs. Other topics reflect changing policy issues and priorities or respond to requests from stakeholders. Subject to the availability of funding, Advocacy solicits ideas for its discretionary contract research program each year, and announcements for competitive research proposals are published as small business set-asides through the regular government procurement process. Advocacy also uses contract research funds to update older studies of special value when resources are available.

**Assistance in regulatory advocacy.** Advocacy economists work with agencies throughout government every day to assess the potential impact of proposed regulations on small entities. This is an example of how the various operating divisions within Advocacy work together to advance the office's goals. Regulatory flexibility analyses, and threshold analyses to determine what RFA provisions apply to a given proposal, often turn on how many firms of what size would be affected by that proposal. Advocacy's regulatory economists provide data and economic analyses to help quantify these effects. Advocacy research funds have also supported a competitive "indefinite date – indefinite quantity" (IDIQ) contract for professional assistance on impact analyses that are needed on particularly complex proposals or ones with potentially large impacts.

**Dissemination of research.** Advocacy research products receive wide distribution. All data products and contract research studies are published online, and information on new research is included in Advocacy's monthly newsletter, *The Small Business Advocate*, which goes to more than 37,000 online subscribers. Also,

Advocacy's specialized research and data listserv goes to more than 28,000 subscribers. Roundtables are held to discuss the office's research products, in addition to conferences and symposia on topics of special interest, such as access to capital and innovation. Advocacy's Office of Interagency Affairs shares economic research with its contacts throughout government, and Advocacy's field component of ten regional advocates promotes the office's data and research products in presentations throughout the country. Advocacy data and research products are frequently cited in the press, and they are widely used by congressional offices, government policymakers, and many other stakeholders.

### **Performance objectives**

Advocacy has three performance objectives related to Strategic Goal 2:

- Objective 2.1 - in FY 2017, the publication of at least 20 research and data products related to small businesses and issues of concern to them.
- Objective 2.2 - in FY 2017, at least 360 outreach events by Advocacy's regional advocate team at which research or data developed by Advocacy or policy and regulatory issues are discussed with at least five or more small business stakeholders; and
- Objective 2.3 - in FY 2017, at least 12 presentations by Advocacy economists on Advocacy research to academic, media, or policy audiences.

In addition to regulatory advocacy, the second core responsibility of the Office of Advocacy is the development of economic research and data products relating to the role that small businesses play in the Nation's economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, factors that influence entrepreneurship, innovation and other issues of concern to small businesses.

Advocacy economists perform and publish in-house research in addition to managing contract research projects on specific issues. Advocacy economic research funds also support the development of small firm data at other agencies such as the U.S. Census Bureau. Advocacy economists also work with agencies throughout government on a daily basis to assess the potential impact of their regulations on small entities.

Advocacy is continuing its output measure of the number of its published research and data products related to small businesses and issues of concern to them. These research reports inform policymakers by providing data on small business demographics, demonstrating the importance of the role of small business in the economy, highlighting the impact of federal policies and regulations on small businesses, and providing new research on specialized issues of interest to stakeholders.

Advocacy believes that good policy requires good information, and the office's research and data products result in the outcome that policymakers have the information they need to make better decisions.

A second performance objective for Strategic Goal 2 is an output measure that Advocacy's regional advocates participate in at least 360 outreach events with at least five small business stakeholders where Advocacy research or data products or regulatory and policy issues are discussed. Advocacy makes every effort that its research and data products provide information that is both timely and actionable, with the outcome that stakeholders can make better decisions. It is also important that these stakeholders are aware of the availability of Advocacy's work, and how to access it electronically.

Many of Advocacy's stakeholders and users of its research products are located in or near Washington, including congressional offices, federal agencies, and business and trade associations. However, there is an important need to increase awareness of Advocacy's work not just in Washington, but also in communities throughout the country where the vast majority of small businesses are located. Advocacy's regional advocates promote this awareness in their respective regions. This performance indicator measures this aspect of Advocacy's continuing outreach efforts to disseminate information on economic research products and pending regulatory proposals.

A third performance objective for Strategic Goal 2 is an output measure that Advocacy economists make at least 12 economic presentations to academic, media, or policy audiences each year. Typical events in which presentations might take place include academic conferences, trade association meetings, policy symposia, think tank events, or government-sponsored events.

### **FY 2015 Accomplishments**

During FY 2015, Advocacy published 26 research and data products, exceeding its annual goal for that year of 15 reports. Advocacy's contract research publications in this period included studies on: innovation accelerators and defining characteristics among startup assistance organizations; understanding the gender gap in STEM fields entrepreneurship; the income and net worth of veteran business owners over the business cycle, 1989 – 2010; and a preliminary examination of the impact on small businesses of the Leahy-Smith America Invents Act. Because of the timing of the procurement process for Advocacy's research contracts, which typically are awarded in the fourth quarter and have one-year completion terms, additional projects are expected to be released in FY 2016.

During FY 2015, Advocacy continued to publish its *Small Business Bulletin*, which features the most current small business data available. Advocacy also continued its longstanding commitment to monitor and research trends in small business lending and finance, publishing both a new edition of its annual *Small Business Lending in the United States*, which analyzes key lending trends and individual lenders' track record in small business lending, in addition to Advocacy's *Quarterly Lending Bulletin*, which provides the most recent information possible on bank lending to small business. A new edition was also released of the popular Advocacy product *Small Business Profiles for the States and Territories*.

During FY 2015, seven new papers were added to Advocacy's series of *Issue Briefs*, including briefs on the policy relevance of startup accelerators, the implications for small business capital of equity-based crowdfunding, peer-to-peer lending, demographic characteristics of business owners and employees, a profile of veteran business owners in 2013, the often overlooked demographic of businesses owned equally by men and women, and patenting and innovative startups. Five new items were added to Advocacy's growing list of *Fact Sheets*, including products on student debt among young entrepreneurs, the relationship of firm size and age, the role of microbusinesses in the economy, employment trends from new businesses, and putting recent venture capital gains in perspective.

In September 2015, Advocacy sponsored a symposium titled *Small Business and Government: Maximizing Entrepreneurship, Driving Innovation*. The event was the fourth in a series of participant-driven conversations about the role of innovation and entrepreneurship in our economy. Entrepreneurs, venture capitalists, government officials, angel investors, funding innovators, and academics were among the participants. Panels focused on small business topics such as optimizing the relationship between small business innovators and government, regulatory barriers to innovation, maximizing the impact of entrepreneurial accelerators, and understanding problems related to immigration and international trade. This symposium was held in San Diego, following similar events previously held in Seattle, New Orleans and Pittsburgh, all four meetings being

part of Advocacy's innovation initiative. In February 2015, Advocacy published a study in connection with this initiative, entitled *Small Innovative Company Growth—Barriers, Best Practices and Big Ideas: Lessons from the 3D Printing Industry*.

Beginning in FY 2013, Advocacy adopted a new performance measure for outreach activity by its regional advocates. During FY 2015, Advocacy's ten regional advocates reported a total of 550 such outreach events, exceeding their annual goal of 360 such events for this activity.

Also beginning in FY 2013, Advocacy adopted another new performance indicator, this one for measuring outreach activity by its professional economists. During FY 2015, Advocacy economists had made 34 such presentations to academic, media, or policy audiences, substantially exceeding the annual goal of 12 such presentations.

### **FY 2017 Planned Performance**

Economic research remains one of the office's core statutory missions. Not only does it provide valuable information to Advocacy's many stakeholders, but it also plays a significant role in the office's other missions, including regulatory advocacy in particular. Regulatory flexibility analyses and policy decisions often hinge on how many firms suffer what consequences from a given proposal or policy. Advocacy's economic research also drives many of the outreach efforts that the office conducts to serve its customers. These include publications, symposia and other meetings, regional advocate activities, data requests from other agencies, and congressional inquiries.

In general, Advocacy's economic research budget supports: 1) the development and purchase of small business data from other federal agencies and special tabulations of unpublished data relating to small business that are held by these agencies; and 2) the commissioning of extramural contract research projects on specialized topics of importance to policymakers and the small business community.

For FY 2017, Advocacy's request includes \$150,000 in new funding for economic research purposes. This amount will supplement expected carryover balances which occur when solicitations for contract research proposals, for which funds must be reserved in advance, do not result in technically acceptable proposals. When this happens, the previously reserved but unused funds become available again and can be used to fund new research projects. The FY 2017 request provides sufficient funding to continue data purchases and to support data collection at other agencies that underpins a variety of Advocacy's widely used data products.

During FY 2017, Advocacy's regional advocates will participate in at least 360 meetings with at least five small business stakeholders where Advocacy research or data products or regulatory and policy issues are discussed. This activity is intended to provide broad distribution of Advocacy's work and to inform stakeholders on the availability of Advocacy resources online, as well as to solicit information from attendees. Advocacy's ten regional advocates promote this awareness in their respective regions.

Although Advocacy's regional advocates have a specific performance measure for economic research dissemination, they actually contribute to Advocacy's work in many other ways. Regional advocates are the Chief Counsel's eyes and ears outside of Washington and are on the front line in carrying out Advocacy's mission. They interact directly with small businesses, small business trade organizations, governors and state legislatures to educate them about the benefits of regulatory flexibility. Regional advocates conduct outreach to locate participants for SBREFA panels that require small entity representatives. They work closely with the ten regional Regulatory Fairness Boards to develop information for SBA's National Ombudsman. They alert businesses in their respective regions about regulatory proposals that could affect them (for example, by

alerting firms that an agency is seeking comment on the small business impacts of a proposed regulation). 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 area.

During FY 2017, Advocacy economists will make at least twelve economic presentations to academic, media, or policy audiences at organized events. Typical events in which presentations might take place include academic conferences, trade association meetings, policy symposia, or other government-sponsored events. This goal is intended to encourage Advocacy’s professional economists to share Advocacy’s work and their own research with other professionals, policymakers and opinion leaders. This outreach is in furtherance of Advocacy’s statutory mission to disseminate information of use to the small business community and to promote awareness of the office’s work.

## Performance Measurement

Following are tables depicting Advocacy performance indicators from FY 2010 through FY 2015, together with FY 2016 and FY 2017 targets. As part of the separation of Advocacy’s annual budget justification and performance report from that of SBA, Advocacy’s Chief Counsel and management team adopted revisions to the office’s pre-2012 performance metrics after a thorough review of the effectiveness of prior Advocacy performance indicators. Advocacy believes that the new performance measures beginning in FY 2013 more accurately reflect the priorities of the office under the realignment of strategic goals in that year. Three performance indicators from prior years remain unchanged, while two others were dropped. The efficiency measure of “cost per \$1 million in regulatory savings” was retained, and two new indicators were added under Advocacy’s economic research strategic goal.

<b>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 to support their start-up, development and growth.</b>									
<b>Objective 1.1 - Achievement of regulatory cost savings</b>									
<b>Performance Indicator</b>		<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Regulatory cost savings to small businesses (\$ billion)	Target	5.50	5.50	5.50	6.50	6.50	6.50	6.50	6.50
	Actual	14.90	11.70	2.45	1.53	4.81	1.61	TBD	TBD
	Variance	171%	113%	-55%	-76%	-26%	-75%	TBD	TBD
TDB - To be determined. Additional information: This goal has been used since the establishment of performance measurements in FY 2001.									
<b>Performance Indicator</b>		<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Cost per \$1 million in regulatory cost savings (\$)	Target	\$2,030	\$2,253	\$1,658	\$1,369	\$1,301	\$1,301	\$1,403	\$1,434
	Actual	\$625	\$710	\$3,445	\$5,759	\$1,793	\$5,754	TBD	TBD
TDB - To be determined. Additional information: This efficiency measure has been used since the establishment of performance measures in FY 2001. Targets for this measure are established by dividing Advocacy’s budget request for any given year by the regulatory cost savings target for that year. Actuals for this measure are established by dividing Advocacy’s actual obligations incurred (see accompanying table) by actual cost savings achieved (see preceding indicator). Unlike other performance measures, lower actual costs per million in savings than those originally targeted reflect better than expected outcomes. Accordingly, variance percentages for this efficiency measure are not used.									
<b>Objective 1.2 - Provision of Regulatory Flexibility Act compliance training to regulatory development officials throughout government</b>									
<b>Performance Indicator</b>		<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Newly trained regulatory staff with in-house expertise on Regulatory Flexibility Act (#)	Target	100	100	100	100	100	100	100	100
	Actual	193	189	148	159	132	126	TBD	TBD
	Variance	93%	89%	48%	59%	32%	26%	TBD	TBD
TDB - To be determined. Additional information: This goal has been used since FY 2004, the function being mandated by Executive Order 13272.									

**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.**

**Objective 2.1 - Publication of research and data products**

Performance Indicator		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Advocacy research & data publications (#)	Target	25	25	25	20	20	15	20	20
	Actual	24	25	28	22	22	26	TBD	TBD
	Variance	-4%	none	12%	10%	10%	73%	TBD	TBD

TDB - To be determined.  
Additional information: This goal has been used since FY 2004.

**Objective 2.2 - Outreach by regional advocates**

Performance Indicator		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Outreach events by regional advocate team using Advocacy work products (#)	Target	N/A	N/A	N/A	360	360	360	360	360
	Actual	N/A	N/A	N/A	607	536	550	TBD	TBD
	Variance	N/A	N/A	N/A	69%	49%	53%	TBD	TBD

TDB - To be determined.  
N/A - Not applicable.  
Additional information: This goal has been used since FY 2013.

**Objective 2.3 - Outreach by Advocacy economists**

Performance Indicator		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Presentations by Advocacy economists to academic, media or policy audiences (#)	Target	N/A	N/A	N/A	12	12	12	12	12
	Actual	N/A	N/A	N/A	17	26	34	TBD	TBD
	Variance	N/A	N/A	N/A	42%	117%	183%	TBD	TBD

TDB - To be determined.  
N/A - Not applicable.  
Additional information: This goal has been used since FY 2013.

**Discontinued indicators**

Performance Indicator		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
States considering legislative or executive regulatory flexibility actions (#)	Target	10	10	N/A	N/A	N/A	N/A	N/A	N/A
	Actual	8	5	N/A	N/A	N/A	N/A	N/A	N/A
	Variance	-20%	-50%	N/A	N/A	N/A	N/A	N/A	N/A

Additional information: This goal used from FY 2004 through FY 2011 under Strategic Goal 1. Prior year data is provided for those years in which indicator was in use.

Performance Indicator		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016
Instances of Advocacy work products being used in academic curricula (#)	Target	15	15	N/A	N/A	N/A	N/A	N/A	N/A
	Actual	15	0	N/A	N/A	N/A	N/A	N/A	N/A
	Variance	none	-100%	N/A	N/A	N/A	N/A	N/A	N/A

Additional information: This goal used from FY 2004 through FY 2011 under Strategic Goal 2. Prior year data is provided for those years in which indicator was in use.  
N/A - Not applicable.

Budgetary Resources	Budgetary obligations incurred						Budget Plans	
	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Administrative resources (\$ thousands)	\$9,318	\$8,309	\$8,440	\$8,811	\$8,628	\$9,264	\$9,120	\$9,320

Public Law 111-240 established a separate appropriations account for Advocacy effective in FY 2012. Prior to FY 2011, Advocacy's administrative resources included overhead and indirect costs that Advocacy shared with other SBA offices. Beginning in FY 2011, amounts reflecting Advocacy budget requests and budgetary obligations incurred reflect only amounts requested for or incurred by its own new appropriations account.

## Explanations for Variances

As indicated in the preceding charts depicting Advocacy performance indicators, significant variances occurred between Advocacy's goals for FY 2015 and actual results. Explanations for these variances follow.

**Regulatory cost savings to small businesses (75% below goal).** Advocacy did not meet its goal of \$6.5 billion in regulatory cost savings to small businesses, being able to quantify \$1.61 billion in such savings in that year. However, Advocacy's prior ten-year average at the end of FY 2015 was \$6.45 billion in savings per year, very close to the current annual goal. As explained in the preceding section on FY 2015 accomplishments under Strategic Goal #1, significant variations in this measure can and do occur from year to year due to factors over which Advocacy has no control. Cost savings rely on externalities – regulatory agencies make the actual decisions that reduce burdens on small entities, not Advocacy, and these agencies control both the timing and amount of savings when they finalize and publish their rules.

Advocacy continues to address the challenges of the quantification of cost savings resulting from rules on which it has worked. In recent years, Advocacy has helped agencies improve numerous draft rules reducing burdens on small entities, but the agencies have not provided data upon which cost savings estimates can be based. Because Advocacy was not able to quantify savings on these rules, none were claimed. This has always been a problem for some rules, but it is unclear whether there is some systemic problem that has made it more difficult for agencies to quantify the effects of their proposals. Advocacy continues to work with agency regulatory development officials and OMB's Office of Information and Regulatory Affairs to improve regulatory cost reporting in the future.

**Regulatory staff with in-house expertise on Regulatory Flexibility Act compliance (26% over goal).** Advocacy continued its aggressive RFA compliance outreach efforts in FY 2015, and agencies have also responded to the Administration's directives on regulatory review, including Executive Orders 13563 and 13610, as well as the President's memorandum to all department and agency heads, *Regulatory Flexibility, Small Business, and Job Creation*, in which the importance of compliance with the RFA and its purposes is emphasized.

**Research and data publications (73% over goal).** Advocacy is pleased to have substantially exceeded its FY 2015 goal of 15 research and data publications with the release of 26 such products, including updated revisions to its most popular periodic reports, additions to both the *Issue Brief* and *Fact Sheet* series, and a number of contract research products on specialized topics.

**Outreach events by regional advocates (53% over goal).** Advocacy's ten regional advocates substantially exceeded their goal of participation in 360 outreach events during FY 2015, with 550 such events.

**Presentations by Advocacy economists to academic, media, or policy audiences (183% over goal).** Advocacy economists substantially exceeded their FY 2015 goal of making presentations to at least 12 academic, media, or policy audiences, with 34 such presentations.

## Verification and Validation

Advocacy management has adopted verification and validation documentation in conformity with the standards used by SBA's Office of Performance Management. This documentation is reviewed annually and is on file with that office. It is also published on Advocacy's own **Performance and Budget** website at <http://www.sba.gov/advocacy/performance-budget>.

# Office of Advocacy Organization

