

New Technology Trends on Display at the Denver Tech Expo

By John Hart, Region VIII Advocate

Advocacy leaders recently visited Colorado to take part in the third annual Denver Biz Tech Expo, which highlighted trends and issues in the high-tech community. Chief Counsel for Advocacy Winslow Sargeant and Region VIII Advocate John Hart attended the event, which was held at the Wings Over the Rockies Air and Space Museum. Sargeant was the keynote speaker at the expo's town hall panel, focusing on public policy issues affecting small business technology industries, and Hart served as the moderator.

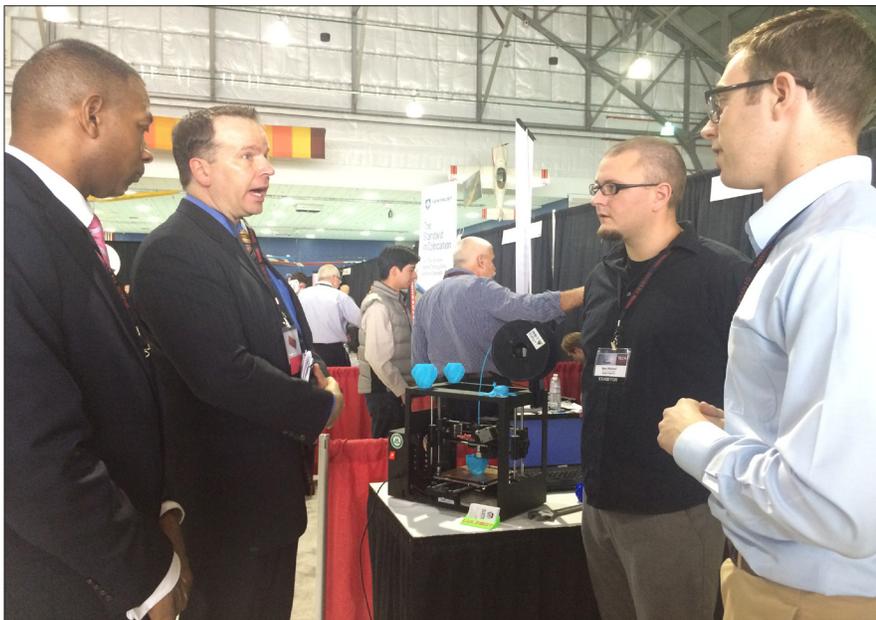
The event featured local small and mid-enterprise-level technology product and service providers presenting the latest innovations. Most of the providers were from Denver and around Colorado, but others, including several of the large company sponsors, traveled

from around the nation. The event was conceived several years ago by Colorado Technology Partners as an exhibition of Colorado's growing technology industry and innovative small business technology companies.

The highlight of the event was the town hall, featuring top government and business representatives who focused on current issues in industry development and offered informative solutions and creative ideas. The attendees were able to ask questions, respond to the discussion and foster a dialog addressing issues and concerns for industry players.

The town hall panel included the director of the Office of Innovation and Development of the U.S. Patent and Trademark Office, the president

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Chief Counsel for Advocacy Winslow Sargeant, left, and Region VIII Advocate John Hart speak with presenters at the Denver Biz Tech Expo.

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Advocacy Comments on DOJ Movie Theater Accessibility Rules

On November 24, 2014, the Office of Advocacy submitted a comment letter to the Department of Justice (DOJ) regarding a proposed rule that would require movie theaters to provide special accessibility equipment for guests with visual and hearing disabilities. The rule, entitled “Nondiscrimination on the Basis of Disability by Public Accommodations—Movie Theaters; Movie Captioning and Audio Description,” was published in August and amends regulations implementing Title III of the Americans with Disabilities Act (ADA). In the letter, addressed to the Disability Rights Section of the Civil Rights Division of DOJ, Advocacy asked that alternatives be considered for small businesses to minimize the costs of implementing the rules.

Approximately 98 percent of movie theater firms are small businesses, and these firms manage 53 percent of movie theater establishments. Advocacy consulted with representatives from many of these small theaters and was told the rule would have a significant economic impact on small theater owners. The businesses are concerned that DOJ has set an arbitrary and excessive number of required accessibility devices and that the timeframe in which theaters can purchase this equipment is too short. In addition, Advocacy believes that the Department has underestimated the compliance costs of the rule in the Initial Regulatory Flexibility Analysis (IRFA).

Advocacy’s comment letter details a variety of suggested alternatives for small businesses, including setting a lower ratio of required devices, creating a deferral for a subset of small theaters, and

providing a longer compliance time for small businesses.

The letter can be found at <http://go.usa.gov/6Rhj>. For more information, contact Assistant Chief Counsel Janis Reyes at Janis.Reyes@sba.gov or (202) 205-6533.

Advocacy Issues Comments to EPA on Petroleum Refinery Rules

On October 28, 2014, the Office of Advocacy submitted a letter to the Environmental Protection Agency (EPA) commenting on its proposed rule on air pollution from petroleum refineries. EPA’s proposed rule, “Petroleum Refinery Sector Risk and Technology Review and New Source Performance Standards,” was published in June and proposes several additional regulatory measures based on the availability of new technologies to reduce or monitor emissions. The proposal adds additional emission control requirements for storage tanks, flares and coking units at petroleum refineries and also would require monitoring of air concentrations at the fence line of refinery facilities. EPA convened but did not complete a Small Business Regulatory Enforcement Fairness Act (SBREFA) panel on this rule in 2011.

The comment letter states that small refiners have concerns about the proposed requirement for continuous fence line monitoring at all petroleum refineries, regardless of the risk imposed by those facilities, and that small refiners believe a one-size-fits-all monitoring solution imposes unnecessary costs. The letter recommends EPA exempt small entities to the extent that they do not pose a significant public health or environmental risk. If small entities are to be covered by this requirement, Advocacy recommends EPA require only the abso-

lute minimum reporting necessary to assure compliance. The letter can be found at <http://go.usa.gov/sCKJ>. For more information, contact Assistant Chief Counsel David Rostker at David.Rostker@sba.gov or (202) 205-6966.

Comments Address Energy Efficiency Standards for Ice Makers

On November 12, 2014, the Office of Advocacy sent a letter to the Department of Energy regarding proposed energy efficiency standards for automatic commercial ice makers under the Energy Policy and Conservation Act’s (EPCA) Appliance and Equipment Standards Program. The letter states that the proposed standards would have a disproportionately negative impact on small manufacturers, many of which have commented that the standards are not technologically achievable or economically feasible within the three year period prescribed by DOE.

Advocacy’s letter highlighted the importance of small manufacturing from both an energy efficiency and economic standpoint and discussed ways in which DOE can exercise its discretion under EPCA to address small business concerns. It recommends that DOE adopt an alternative to the proposed standard that is achievable for small manufacturers of automatic commercial ice makers and that it give similar consideration to small manufacturers in all future energy efficiency rulemakings.

The letter can be found at <http://go.usa.gov/6n2k>. For more information, contact Jamie Saloom at Jamie.Belcore@sba.gov or (202) 205-6890.

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Message from the Chief Counsel

Startup Accelerators Show Promise in Addressing Public Policy Goals

By Dr. Winslow Sargeant, Chief Counsel for Advocacy

In a time of economic recovery, any strategy to quickly create more jobs should be encouraged by policymakers and industry. Today, we are seeing more and more startup accelerator programs filling in the gaps. As explained in two new Advocacy reports, these innovative funding mechanisms identify high-value startups and assist them in quickly advancing to the next stage of growth, which enables them to hire more employees. The accelerator model has shown promise in the high-tech sector and is branching out to other areas. It is not yet clear how successful this model will be in other sectors, but given the success we have seen in high-tech, we are encouraged that the future of accelerators looks promising.

As defined by Advocacy's recent research report entitled *Innovation Accelerators: Defining Characteristics Among Startup Assistance Organizations*, accelerators "make seed-stage investments in promising companies in exchange for equity as part of a fixed-term, cohort-based program, including mentorship and educational components, that culminates in a public pitch event or demo day." If successful, companies may go on to become public, get acquired, or receive additional funding.

Accelerators set themselves apart from other funding mechanisms and business development programs (such as incubators) by focusing on scalable high-growth, high-value companies and by giving participants access to organizers' social networks. These features are very attractive to investors because of a potentially reduced risk in investing in these startups.

As noted in an Advocacy issue

"Any innovative approach that spurs startup development is a tool that should be explored and considered. Policymakers should continue to study the accelerator model and look for ways to improve on it."

brief entitled *Exploring the Policy Relevance of Startup Accelerators*, policymakers are taking notice of the accelerator phenomenon and how accelerators can contribute to two key policy goals: increasing regional investment in startups and spreading the distribution of startup funding.

As detailed in the issue brief, considering accelerator programs' potential high output in a short

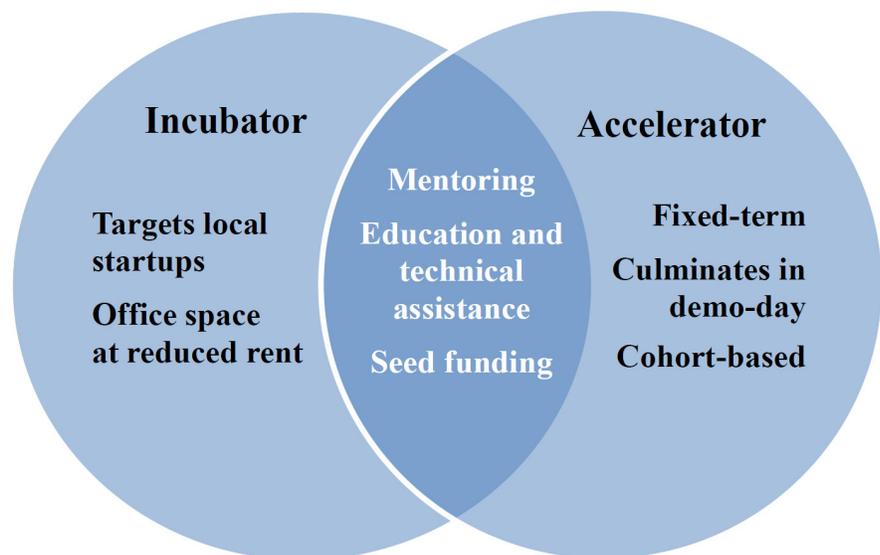
period of time, policymakers are eyeing them as an effective tool to spark regional entrepreneurship and to advance economic development across the nation. For example, the programs have the ability to provide access to capital in overlooked geographic areas or industries. In addition, the accelerator model could be an effective way to support non-profit startups which have difficulty finding funding.

I hope our stakeholders have the opportunity to review Advocacy's recent reports on accelerators. They explore how accelerator programs can be utilized to meet public policy goals and examine how well accelerators increase regional investment in startups. Policymakers must be aware of these opportunities and seek strategies to keep regional startup investment local.

Overall, startup accelerators

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Venn diagram of incubator and accelerator characteristics



Source: "Innovation Accelerators: Defining Characteristics Among Startup Assistance Organizations," Office of Advocacy, 2014.

Regional News

Women and Technology Explored at West Virginia Conference

By Ngozi Bell, Region III Advocate

Region III Advocate Ngozi Bell recently participated in the Women and Technology Conference hosted by TechConnect West Virginia at the Oglebay Resort and Conference Center in Wheeling, WV. Nearly 100 women from various branches of technology were in attendance. Bell attended several group sessions and talked about the work of the Office of Advocacy including the recently published research report on women in STEM fields.

Highlights of the event included keynote speeches by Dr. Kathryn Sullivan, the undersecretary of commerce for oceans and atmosphere and NOAA administrator, who spoke extensively about women and girls in STEM. She also spoke about the history of women, like herself, as early pioneers of the space program and the role of NOAA's environment-focused mission and the opportunity for the explorers of the future.

Another keynote speech was given by Nikki Bowman, founder and owner of New South Media Inc., a woman-owned multimedia



From left: Anne Barth, TechConnect executive director; Karen Friel, SBA WV acting district director; Natalia Olson-Urtecho, SBA Mid-Atlantic regional administrator; Nikki Bowman, New South Media president; Kristina Oliver, WV SBDC director; Mary Hunt, TechConnect Board of Directors; and Region III Advocate Ngozi Bell.

company that publishes regional lifestyle and travel magazines for a national audience. In addition, she started the “Turn this Town Around” project in which two West Virginia communities, Matewan and Grafton, have been selected to receive training, coaching and technical assistance to help resi-

dents revitalize their communities. Bowman spoke about her experiences including the challenges and rewards of owning a small business. Bowman was presented a director's choice award by SBA Region III Administrator Natalia Olson-Urtecho, who was also in attendance.

New to Advocacy

Patrick Delehanty joined the Office of Advocacy in October as a regulatory economist in the Office of Economic Research. Delehanty hails from Chicago where he was a key account manager for a global transportation and logistics company. His responsibilities included developing and executing strategic account plans and advising on the supply chain and trade policy environment.

Delehanty received his master of science in economics and policy analysis from DePaul University's Kellstadt Graduate

School of Business in Chicago. He spent the summer after graduation working as a Congressional research fellow for the House Small Business Committee. He prepared background research for committee and subcommittee hearings, including an analysis of the regulatory impacts of export compliance on small businesses. Delehanty received his bachelor of science in business from Miami University in Oxford, Ohio, with a major in finance and a minor in history. He was also part of the management team that helped build and grow an e-commerce digital technology startup.



Delehanty can be reached at (202) 205-7123 or Patrick.Delehanty@sba.gov.

Advocacy News

Advocacy Assistant Chief Counsel Recognized for Work with EPA

Assistant Chief Counsel for Environmental Policy Kevin Bromberg was recently recognized by the Environmental Protection Agency for his collaboration with the agency on rules dealing with underground storage tanks.

“This award recognizing Kevin’s hard work in cultivating a strong partnership with the EPA is well-deserved,” said Chief Counsel for Advocacy Winslow Sargeant. “His collaboration with EPA’s staff is a perfect example of the relationships that Advocacy aims to achieve in advocating for the concerns of small businesses in government.”

EPA’s Office of Solid Waste and Emergency Response (OSWER) presented Bromberg with the Excellence in OSWER Partnership Award for working with the Office of Underground Storage Tanks (OUST) over a period of four years on revisions to the rules. The award recognized Bromberg’s “exemplary effort in working collaboratively to address potential small business concerns in the underground storage tank community, responding to congressional inquiries and ensuring that the unique concerns of the small business community remain at the forefront of the OUST regulatory development effort.”

The award also recognized

staffers at OUST for their successful teamwork in working with Advocacy and small business stakeholders. Bromberg partnered with the OUST team to understand the effect the regulations would have on small businesses, which comprise 95 percent of the regulated underground storage tank community. His efforts to organize small business roundtables allowed

Advocacy and EPA to engage in stakeholder outreach which was crucial in collaborating with small businesses that would be affected by the rules.

Bromberg has worked on environmental issues at the Office of Advocacy for more than 30 years. He can be reached at Kevin.Bromberg@sba.gov or (202) 205-6964.



Assistant Chief Counsel for Environmental Policy Kevin Bromberg (center) recently received an award from the EPA for his work on underground storage tank rules. Pictured with him are other members of the EPA team who also received awards.

Accelerators, from page 3

have shown promise in advancing public policy goals. But as Advocacy’s reports show, what works in some regions of the country may not work in others. As a result, lawmakers must keep in mind a one-size-fits-all approach may not be effective.

Even so, any innovative approach that spurs startup development is a tool that should be explored and considered. Policymakers should continue to study the accelerator model and look for ways to improve on it. In this time of continuing economic recovery, any funding method that sparks innovation and therefore economic activity is worth developing and expanding.

Learn More

Innovation Accelerators: Defining Characteristics Among Startup Assistance Organizations, by C. Scott Dempwolf, Jennifer Auer, and Michelle D’Ippolito, Optimal Solutions Group, LLC, can be found at <http://go.usa.gov/sRNw>

Issue Brief: Exploring the Policy Relevance of Startup Accelerators, by Regulatory Economist Jonathan Porat, can be found at <http://go.usa.gov/sR7x>

Denver, from page 1

of the Colorado Technology Association and the president of the Colorado Women's Chamber of Commerce. A central issue was addressing the shaping of public policy directives and resources to the needs of high-technology companies in varied innovative clusters.

The key topics of the event included workforce development, infrastructure investment, intellectual property protections and recent changes in IP laws, cybercrime and policy issues with crowdfunding. Because of the recent Advocacy report on women in STEM fields entrepreneurship, much of the discussion and dialog focused on the gender gap in STEM education and the low numbers of women in high-tech entrepreneurial roles.

Sargeant and the rest of the panel members offered their take on the respective public policy solutions that their organization offered or



Region VIII Advocate John Hart, second from left, and Chief Counsel for Advocacy Winslow Sargeant, third from left, with other participants at the Denver Biz Tech Expo.

supported, including increasing specific scholarship opportunities, grants, internships and other efforts at breaking down the myth that women should not pursue STEM education and opportunities. The town hall panel culminated in

the awarding of the Denver Tech Expo Young Woman's Technology Scholarship, given to assist and motivate Denver public high school seniors to pursue a degree in technology.

Regulations, from page 2

Comments to CFPB Address Home Mortgage Disclosure Regulation

On October 27, 2014, the Office of Advocacy submitted a comment letter to the Consumer Financial Protection Bureau (CFPB) regarding proposed rules on the Home Mortgage Disclosure (Regulation C) which implements portions of the Dodd-Frank Act. The Home Mortgage Disclosure Act (HMDA) requires lenders who meet certain coverage tests to report information about mortgage applications and loans. HMDA provides the public with information about how financial institutions are serving the housing needs of their communities and promotes access to fair credit in the housing market. Section 1094 of the Dodd-Frank Act amended HMDA, and in August, CFPB pub-

lished the proposed rule to implement the amendments to HMDA.

The proposed rule requires financial institutions to report all closed-end loans, open-end lines of credit, and reverse mortgages secured by dwellings. It eliminates the requirement to report unsecured home improvement loans. In the comment letter, Advocacy expressed concerns about several of the requirements in the proposed rule. One concern is that the requirement to report additional types of transactions may be burdensome to small entities and Advocacy encouraged the CFPB not to include the additional loan types in the rule.

In addition, the proposed rule sets a loan volume threshold of 25 loans, excluding open-end lines of credit. Small entity representatives recommended thresholds ranging from 100 to 500 loans, and Advocacy encouraged the CFPB to perform a thorough analysis of

alternative thresholds.

Dodd-Frank amended HMDA to require the collection and reporting of several new data points. The proposed rule includes the changes and additional discretionary changes. Advocacy encouraged the CFPB to consider exempting small entities from the discretionary data collection until the CFPB has had an opportunity to determine whether the additional information furthers the goals of HMDA. Finally, CFPB sought comments on whether it should eliminate the requirement that the modified loan application (MLA) register be made available to the public.

CFPB convened a SBREFA panel in February which obtained input from small entity representatives about the potential economic impact and less burdensome alternatives that the CFPB was consid-

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New Report Examines Financial Health of Veteran Business Owners

The Office of Advocacy recently released a study examining the changing financial health of veterans during recent economic cycles. Entitled “Income and Net Worth of Veteran Business Owners over the Business Cycle, 1989–2010,” the report was authored by George Haynes of Haynes Consulting.

Because veterans constitute a vital part of the nation’s population and business sector, their economic success is a key objective of government efforts to expand small business and entrepreneurship opportunities. The study concludes that policy incentives to support the growth and development of veteran-owned small businesses are crucial and that programs designed to help veteran entrepreneurs could be enhanced.

The study utilizes the Surveys of Consumer Finances (SCF) conducted for the Federal Reserve Board to explore the impact of expansions and contractions of the U.S. economy from 1989 through 2010. Both descriptive analysis and analytic models are used in the study to describe changes in and key factors affecting the financial well-being of veterans.

One of the most significant findings of the study is the fact that veterans who owned small businesses fared better financially than those

who did not own a small business. It also shows that veteran households overall, plus veteran small business households, generally had lower incomes than non-veteran households and non-veteran small business households.

Other findings on financial well-being include:

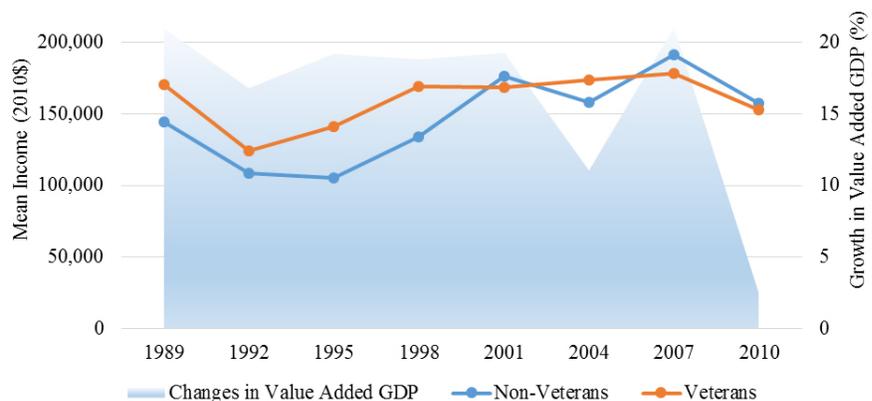
- veteran households were less likely to be classified as high income than non-veteran households;
- veteran and non-veteran small business owners realized significant declines in mean income during the severe contraction between 2007 and 2010 (Figure 1); and
- the percentage of non-veteran households with high income increased over the time period

studied while the percentage of veteran households with high income decreased.

Overall, veteran small business owners fared better financially than veterans who do not own a small business. The study concludes that programs to help veteran-owned small businesses should be supported and enhanced. These efforts could include specialized assistance from the SBA as well as business development and entrepreneurship programs such as Operation Boots to Business. Additionally, efforts by private sponsors, nongovernmental organizations or universities should be continued and strengthened.

The full text of the report can be found on Advocacy’s website at <http://go.usa.gov/6pqT>.

Figure 1: Share of high-income small business owning households by business cycle, 1989–2010.



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ering. The letter can be found at <http://go.usa.gov/sCNY>. For more information, contact Assistant Chief Counsel Jennifer Smith at Jennifer.Smith@sba.gov or (202) 205-6943.

Regulatory Alert on Proposed IRS Rules

On November 3, 2014, the Internal Revenue Service (IRS)

issued proposed regulations that prescribe how a partner should measure its interest in a partnership’s unrealized receivables and inventory items and provide guidance regarding the tax consequences of a distribution that causes a reduction in that interest. The proposed regulations affect partners in partnerships that own unrealized receivables and inventory items and that make a distribution to one or

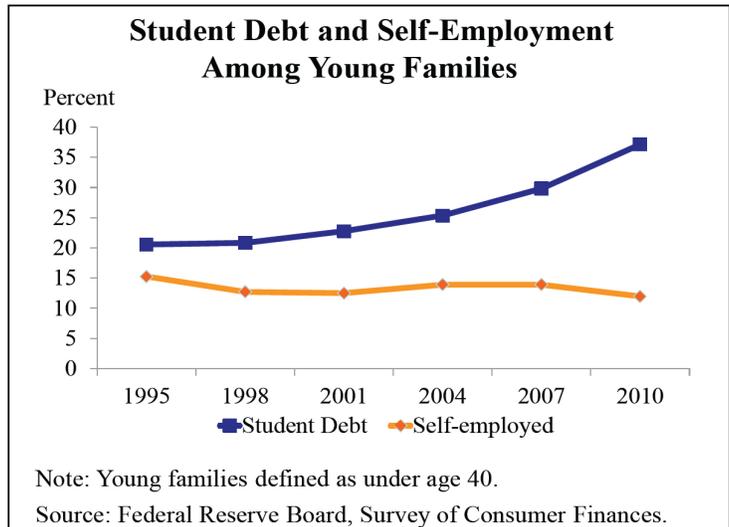
more partners. IRS estimates that “few small businesses are likely to be partners or partnerships required to make the disclosures required by the rule.” Comments on the proposed IRS rule are due February 2, 2015. More information can be found on Advocacy’s website at <http://go.usa.gov/sCRh> or by contacting Assistant Chief Counsel Dillon Taylor at Dillon.Taylor@sba.gov or (202) 401-9787.

Advocacy Releases New Fact Sheets on Student Debt, Firm Age

The Office of Advocacy's Office of Economic Research has released two new fact sheets examining trending topics in small business research.

Student Debt Among Young Entrepreneurs explores how student debt is affecting self-employment trends among younger individuals. The fact sheet shows that student debt is rising and is having a negative effect on the rate of self-employment. It also looks at other characteristics of individuals with student debt. The fact sheet can be found at <http://go.usa.gov/FxZz>.

Young Businesses Are Small, But Small Businesses Are Not Necessarily Young illustrates the relationship between firm size and age, and its comparison of small businesses and young businesses shows that these terms are not interchangeable. The median age of a small employer business is about 10 years old and not surprisingly the bulk of young businesses are small. This fact sheet can be found at <http://go.usa.gov/FxdV>.



Source: "Student Debt Among Young Entrepreneurs," Office of Advocacy, 2014.

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The Small Business Advocate

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The *Small Business Advocate* newsletter is published by the U.S. Small Business Administration's Office of Advocacy. It is distributed electronically to 35,000 subscribers.

The Office of Advocacy is the independent voice for small business in the federal government. The office is the watchdog of the Regulatory Flexibility Act (RFA) and the source of small business statistics. Advocacy advances the views and concerns of small business before Congress, the White House, the federal agencies, the federal courts, and state policymakers.

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