Advocacy Welcomes SBA's New Administrator

The Office of Advocacy welcomes Mrs. Linda McMahon to the Small Business Administration. The 25th Administrator, who was confirmed by the Senate on Valentine’s Day, will be an advocate for nearly 29 million small businesses in the United States.

McMahon, herself a former small business owner, will also stand up for the nearly 50 percent of American workers who are employed by a small business.

When President Donald J. Trump selected McMahon to head SBA and to be a member of his cabinet, he wrote, “Linda has a tremendous background and is widely recognized as one of the country’s top female executives advising businesses around the globe. Linda is going to be a phenomenal leader and champion for small businesses and unleash America’s entrepreneurial spirit all across the country.”

McMahon, the co-founder of World Wrestling Entertainment, is an advocate for small-business owners, particularly women. The wife of professional wrestling promoter Vince McMahon, who together founded the company more than three decades ago, has been frank about the challenges entrepreneurs often face. The pair, who met when they were teenagers in small town New Bern, N.C., built WWE from a small company where she and her husband once worried how they were going to make ends meet with a young family and 13 employees, into a publicly traded company with 800 employees.

“Small business people are people with goals and values that can’t be calculated on a profit and loss statement,” McMahon said during her Senate confirmation. “I will do my best to advocate on their behalf.”

McMahon is also a co-founder and former chief executive officer of Women’s Leadership LIVE, LLC, a company that uses live events and ongoing relationships to educate and inspire women to launch and expand their own businesses, advance their careers toward executive roles, and pursue opportunities for leadership in public service.

McMahon also advocates for women in leadership and business through an interview series with high-profile role models at Sacred Heart University in Connecticut and on PBS.

She stepped down as CEO of WWE in 2009 to run for the U.S. Senate. She is a graduate of East Carolina University. She and Vince, who recently celebrated their 50th wedding anniversary, have two adult children and six grandchildren.

Among the goals McMahon has for the SBA are to expedite disaster recovery, improve financial literacy, support disadvantaged businesses, and help provide more federal contracting opportunities for small businesses.
New Regulatory Executive Orders have Potential to Reduce Costs to Small Business

By Claudia Rodgers, Senior Counsel

President Donald J. Trump recently signed two executive orders addressing the regulatory burden faced by the private sector. On Jan. 30, 2017, E.O. 13771, Reducing Regulation and Controlling Regulatory Costs, was signed, with a goal of reducing costs associated with complying with Federal regulations. Under this E.O., a federal regulatory agency may not issue a rule in fiscal year 2017 unless it has identified at least two existing rules to be repealed. Any new costs associated with this new rule must be offset by eliminating the costs of at least two existing rules. The E.O. mandates that the total incremental costs of all new regulations promulgated by any agency this fiscal year cannot be greater than zero.

E.O. 13771 also instructed the Director of OMB to provide the heads of agencies with guidance on the implementation of this order and address the processes and standards for making decisions under this new plan. The Office of Information and Regulatory Affairs (OIRA) at OMB issued a Memorandum: Interim Guidance Implementing Section 2 of the Executive Order of January 30, 2017, on Feb. 2, 2017, answering initial questions on coverage, accounting, process and waivers. Additional guidance is expected.

A second executive order was signed on Feb. 24, 2017. E.O. 13777, Enforcing the Regulatory Reform Agenda, further outlines steps federal regulatory agencies must take when considering their regulatory agenda. This E.O. requires each agency to designate an agency official within 60 days as its Regulatory Reform Officer (RRO), who will oversee the implementation of regulatory reform at the agency. The E.O. also establishes a Regulatory Reform Task Force within each agency which will evaluate existing regulations and make recommendations to the agency head on which rules should be repealed, replaced or changed; with particular emphasis on rules that inhibit job creation, eliminate jobs, are outdated, unnecessary or ineffective or that impose costs that exceed benefits, among other criteria. An agency report detailing agency progress toward both identifying rules that fall into these categories and developing their reform initiatives and policies is due within 90 days of the date of the E.O.

Advocacy’s Recently Released Regulatory Comment Letters

Jan. 11, 2017: Re: TSCA Reporting and Recordkeeping Requirements; Standards for Small Manufacturers and Processors (Docket ID. EPA-HQ-OPPT-2016-0675). Advocacy submitted the following comments in response to the Environmental Protection Agency’s (EPA) proposed rule, “TSCA Reporting and Recordkeeping Requirements; Standards for Small Manufacturers and Processors.” Advocacy agrees that revisions to the current size standard definitions under the TSCA 8(a) reporting requirements are warranted. However, Advocacy believes that EPA has proposed this determination without fully examining all factors relevant to setting an appropriate small business size standard. Advocacy recommends EPA consider a significantly broader set of factors in its development of size standards under TSCA and recommends that EPA engage in a robust consultation with affected small entities. Advocacy further suggests that EPA should convene a Small Business Advocacy Review panel under 5 U.S.C. 609(b) to help address this challenging issue. Read more at https://www.sba.gov/sites/default/files/8a_Size_Standards_Revision_Determination:test_Advocacy_Comment_Letter.docx.pdf.

Jan. 19, 2017: Financial Responsibility Requirements for the Hardrock Mining Industry (Docket ID: EPA-HQ-SFUND-2015-0781). Advocacy submitted comments in response to the Environmental Protection Agency’s (EPA) proposed rule, “Financial Responsibility Requirements for the Hardrock Mining Industry.” The proposed rule would impose costly requirements on hardrock mines owned by small firms, without evidence that a problem exists warranting intervention. The proposal requires mines to acquire financial assurance coverage (i.e. insurance) to cover potential liabilities for releases of hazardous substances from a mine. However, these small mines are already highly regulated by robust state and Federal programs. New Federal standards risk damaging these programs which have, in recent years, effectively addressed the same issues at modern small mines. Further, EPA missed the opportunity to receive important feedback from small businesses through the Small Business Regulatory Enforcement Fairness Act (SBREFA) panel process and did not consider less costly regulatory alternatives as required by the Regulatory Flexibility Act (RFA). Read more at https://www.sba.gov/sites/default/files/CERCLA_108b_Advocacy_Comment_Letter_.pdf.
Advocacy’s Recently Issued Regulatory Alerts

On Jan. 6, 2017, the U.S. Department of Energy’s (DOE) Office of Energy Efficiency and Renewable Energy published concurrent and identical proposed and direct final rules amending energy conservation standards for consumer central air conditioners and heat pumps. On Jan. 5, 2017, DOE published a Test Procedure final rule establishing new test procedures for the air conditioners and heaters. This final rule has been delayed and will take effect on March 21, 2017. DOE is now seeking comments on its identical direct final and proposed rules for conservation standards. If adverse comments that provide a reasonable basis for withdrawal are received, the Department will withdraw the direct final rule and proceed with the proposed rule. Comments are due by April 26, 2017. Read the proposed rule and submit comments at https://www.federalregister.gov/documents/2017/01/06/2016-29990/energy-conservation-program-energy-conservation-standards-for-consumer-central-air-conditioners-and-heaters.

On Jan. 18, 2017, the U.S. Department of Energy’s (DOE) Office of Energy Efficiency and Renewable Energy published concurrent and identical proposed and direct final rules amending energy conservation standards for dedicated-purpose pool pumps. In January 2016, DOE published two final rules establishing energy conservation standards and test procedures for pumps, however these rules excluded dedicated-purpose pool pumps due to their unique application and equipment characteristics. DOE is now establishing energy conservation standards for dedicated purpose pool pumps. DOE is seeking comments on its identical direct final and proposed rules for conservation standards. If adverse comments that provide a reasonable basis for withdrawal are received, the Department will withdraw the direct final rule and proceed with the proposed rule. Comments are due by May 8, 2017. Read the proposed rule and submit comments at https://www.federalregister.gov/documents/2017/01/18/2016-31665/energy-conservation-program-energy-conservation-standards-for-dedicated-purpose-pool-pumps.

On Jan. 19, 2017, the U.S. Department of Agriculture’s (USDA) Animal and Plant Health Inspection Service (APHIS) published a proposed rule revising its regulations on the importation, interstate movement, and environmental release of certain genetically engineered organisms. The regulations were first established in 1987. This is the first comprehensive revision of the regulations, which are being updated to include advances in genetic engineering and the risks posed by such organisms. APHIS is seeking any relevant data on possible impacts to small business. Comments are due by June 19, 2017. Read the proposed rule and submit comments at https://www.federalregister.gov/documents/2017/01/19/2017-00858/gene-editing-release-organisms.

On Jan. 31, 2017, the Securities and Exchange Commission (SEC) announced that the agency would reconsider how to enforce a regulation that requires SEC filers to provide certain disclosures about the use of specified conflict minerals originating in the Democratic Republic of Congo (DRC). The link to the announcement is https://www.sec.gov/news/statement/reconsideration-of-conflict-minerals-rule-implementation.html. The comment period on this SEC announcement is open with no set closing date. The Advocacy contact is Dillon Taylor at 202-401-9787.

On Feb. 2, 2017, the Consumer Product Safety Commission (CPSC) published a notice of proposed rulemaking on Amendments to Fireworks Regulations. The rule aims to clarify and amend current fireworks standards as well as codify limits, and test procedures. The Commission believes the requirements will reduce the risk of injury. Comments are due by April 18, 2017. Read the proposed rule and submit comments at https://www.federalregister.gov/documents/2017/02/02/2017-02014/amendments-to-fireworks-regulations.

On March 2, 2017, the Department of Labor (DOL) issued a proposal to extend for 60 days rules defining who is a “fiduciary” under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code of 1986 (Code). The proposal would also extend for 60 days the applicability date of related prohibited transaction exemptions including the Best Interest Contract Exemption and amended prohibited transaction exemptions (collectively PTEs). The link to the proposed rules is at https://s3.amazonaws.com/public-inspection.federalregister.gov/2017-04096.pdf. The comment period is closed. The Advocacy contact is Dillon Taylor at 202-401-9787.
Economic News

Advocacy Increases its Research Capacity with New Software

By Richard Schwinn, Ph.D., Research Economist

Using new software tools, Advocacy is working to improve the usability of the Statistics of U.S. Businesses (SUSB) for regulatory analysis and, eventually, the public. Advocacy regulatory economists can quickly cross-reference SBA receipt and employment size-standard guidelines in assessing the impacts of regulations on narrowly defined, 6-digit North American Industry Codes.

The Office of Economic Research plans to improve several upcoming projects including SBO fact sheets and comprehensive reports, interest rate visualizations for Advocacy’s Alternative Finance series, and online charts for the Small Business Bulletin with new data visualizations and analytics. New tools will allow OER to expand Advocacy’s capacity for complex internal regulatory analysis and, eventually, the public. Advocacy regulatory economists can quickly cross-reference SBA receipt and employment size-standard guidelines in assessing the impacts of regulations on narrowly defined, 6-digit North American Industry Codes.

Blockchain: Potential Implications for Small Businesses

By Miriam Segal, Research Economist

Blockchain is perhaps best known as the technology underlying the virtual currency Bitcoin. The “Harvard Business Review” describes it as “a vast, global distributed ledger or database running on millions of devices and open to anyone.”

If this sounds like a nebulous concept, perhaps it is because “blockchain’s definition is stretching the point where it no longer refers to a particular technology or solution” although “the emergence of blockchain does signal something new.”

In order to investigate what this something new might mean for the next generation of small businesses, Research Economist Miriam Segal attended the Blockchain Opportunity Summit in New York City on Dec. 6.

The panelists, who were professionals from a variety of industries including financial services, import/export, and manufacturing, outlined the potential benefits of blockchain as well as accompanying challenges.

One of the most commonly mentioned benefits of blockchain is increased cybersecurity in financial transactions. One panelist described blockchain as superior to cloud computing regarding trust and authentication. Blockchain also has the ability to remove middlemen, replace the escrow function of banks, make illiquid assets liquid due to the ease of authentication, and improve settlement time. However, there is a cap on the number of transactions that can be processed per minute on the blockchain. But despite this, it is estimated that by 2018, more than 80 percent of banks will have implemented something involving distributed ledgers. For small businesses, these benefits could mean easier access to capital as administrative hurdles are removed.

Beyond financial assets, blockchain can be used to register and track physical assets through the supply chain. Panelists emphasized utility of this in trade finance, and another noted that digitization of the supply chain is one of the most promising applications in the next 24 months. Food safety is another potential use case, as tracking the origin of foodborne illness would be easier. The use of blockchain to track land titles (especially those with multiple owners) is promising as well. In fact, Cook County, Ill., (home to Chicago) is conducting a pilot program on this.

Finally, blockchain can be used to track intellectual property and digital property.

On Dec. 9, Segal attended a public meeting on “Developing the Digital Marketplace for Copyrighted Works” held by the U.S. Department of Commerce’s Internet Policy Task Force.

Blockchain could be particularly important for small businesses in the arts and entertainment industry, as it could make it easier for them to collect royalties and payments.

It appears that the hype around blockchain is at least partially justified, and that small businesses stand to reap many benefits from the development of this technology.

However, as of late 2016, regulatory issues surrounding blockchain have not been addressed fully. For example, a theft of nearly $80 million (USD) of cryptocurrency “Ethereum” was technically legal.

One panelist noted that adoption of advanced technology will require future regulators to be technologists in addition to lawyers. As regulators address blockchain, it is important to keep the needs of small businesses in mind.
A Hearing Summary on the “State of the Small Business Economy”

By Emily Theroux, Public Affairs Assistant

As part of Advocacy’s responsibility to its stakeholders, staff regularly attend Capitol Hill hearings and other events. Here is a summary of a recent hearing on the “State of the Small Business Economy,” hosted by the House Small Business Subcommittee on Economic Growth, Tax and Capital Access.

Post-election and in a current state of economic recovery, the House Small Business subcommittee on Economic Growth, Tax and Capital Access held a hearing to better understand the needs of small business owners in order to prioritize potential legislative solutions under the 115th Congress. The hearing first assessed the general state of the economy in terms of small business, then went on to identify the key issues small businesses are facing. The subcommittee focused on three major areas of small business concern: healthcare, tax reform, and regulatory reform.

The subcommittee chairman, Dave Brat (R-Va.), welcomed three witnesses to the hearing. Dr. Stan Veuger, a Resident Scholar at the American Enterprise Institute testified first. In his testimony, Veuger noted that while the Great Recession has had a detrimental impact on the state of small business in the last decade, the slowing growth rate of small business is considered a long-run trend, beginning decades before the recession. Veuger argued this trend is largely attributed to increasing policy uncertainty. In discussing the new Congress’ agenda, he believes the Small Business Regulatory Flexibility Improvements Act (H.R. 5) as well as the HALOS Act (H.R. 79) will be helpful in attaining the goal of creating more certainty about the business environment.

The second witness was Victor Hwang, the Vice President of Entrepreneurship at the Ewing Marion Kauffman Foundation. The focus of Hwang’s testimony revolved around startups and more specifically, the ‘Entrepreneurship Deficit.’ Like Veuger, he too attributed this issue to the long-term decline in business dynamism (startup to exit ratio). He noted that Americans are generating new businesses at half the rate of the generation before them. He argued that while the country is seeing more racial diversity, it is not being reflected in the American entrepreneurial population. He noted, “if minorities started businesses at the same rate as non-minorities, the United States would have more than one million additional employer businesses and as many as 9.5 million jobs. In terms of congressional action, Hwang suggested a focus on barriers to startups and continued public investments in entrepreneurial data collection.

The third witness was Holly Wade, Director of Research and Policy Analysis at the National Federation of Independent Business. In her testimony, Wade attributed the slow growth of small business to high levels of economic and government uncertainty as well as the burden of taxes, regulation and affordable healthcare. She noted that according to the NFIB’s 2016 Small Business Problems and Priorities survey, “two of the top ten most severe problems affecting small-business owners are uncertainty related.” However, small business optimism has increased significantly post-election. The survey also found that the toll federal taxes have on business income is considered a critical issue for 30 percent of small-business owners. As for regulation, Wade explained that the volume of regulations is the largest problem for 55 percent of small employers in terms of compliance. However, the top reported issue in operating a small business is the cost of health insurance, ranking number 1 out of 75 potential issues. In advising Congress, Wade suggested paying close attention to “artificially increasing the cost of doing business whether in the form of higher taxes, health insurance costs, or more regulations.”

For the final testimony, Ranking Member Nydia Velazquez (D-N.Y.) invited Bob Bland, the Founder and CEO of Manufacture New York. Unlike the other testimonies, Bland focused on a single small business - manufacturing. She identified the major challenges post-recession to be “access to affordable industrial space with long term leases, relocation grants for those who are displaced, and

The main takeaway from this hearing is that as our country continues to recover from the Great Recession, small business growth continues to slow in the long-run. Whether the answer to revitalizing the small business economy is found in creating new legislation or repealing bipartisan efforts are crucial to ensure that small businesses receive continued support and adequate relief.

Continued on page 7
Advocacy Releases Annual Report on the Regulatory Flexibility Act, FY2016

The report analyzes federal agencies’ compliance with the Regulatory Flexibility Act (RFA), the Small Business JOBS Act of 2010, and Executive Order 13272. The RFA is Advocacy’s most effective tool for bringing small business concerns into the regulatory process. In FY 2016, Advocacy’s intervention on behalf of small business in the federal rulemaking process resulted in foregone regulatory cost savings of almost $1.4 billion. This cost savings number comes from Advocacy’s work on seven rules that were made final in FY 2016.

These cost savings and other regulatory successes stem from small business involvement made possible by the RFA. Advocacy facilitated this during FY 2016 through 27 small business roundtables, 20 public comment letters, working closely with agencies on small business concerns, and ongoing federal agency training in RFA compliance.


New Report Highlights the Immigrant Entrepreneur

Advocacy’s Office of Economic Research released a new report, “Age and the Emergence of the Immigrant Entrepreneur,” by Research Economist Daniel Wilmoth, Ph.D.

It is the fourth in a series of reports on trends in entrepreneurship by the Office of Advocacy.

This report found an explanation for the growth in the number of immigrant entrepreneurs. Put simply, age is related to self-employment, and immigrants are getting older.

In addition, as the native-born Baby Boomers age and retire, the number of self-employed will decline.

The report shows:

- Only 5.9 percent of immigrants were self-employed in 1994, but that rose to 6.5 percent in 2015.
- Only 5.7 percent of people who had been born in the United States were self-employed in 2015.

Other findings from the report are:

- The prevalence of self-employment varies with age.
- In 1994, the typical immigrant was about 30 years old.
- In 2015, the typical immigrant was about 40 years old.
- If the immigrant population had not aged, self-employment among immigrants would have fallen from 5.9 percent in 1994 to 5.7 percent in 2015 instead of rising to 6.5 percent in 2015.

Read the report at https://www.sba.gov/sites/default/files/advocacy/Explaining_the_Emergence_of_the_Immigrant_Entrepreneur_508.pdf.


Advocacy Hosts Roundtable Discussions

The Office of Advocacy hosts roundtables to receive input on which issues are of greatest importance, and to facilitate an open and frank discussion about small business-related concerns. Roundtable meetings are open to all interested persons, with the exception of the press.

The meetings are not intended to communicate or achieve any consensus positions of the attendees. Anyone, including press, who would like to receive roundtable agendas or presentations, or be included in the regular distribution, should forward those requests to the Office of Advocacy.

For a list of recent roundtables hosted by Advocacy, visit our website at https://www.sba.gov/category/advocacy-navigation-structure/regulatory-roundtables. You may also email us at advocacy@sba.gov.
News and Notes

Advocacy Releases Annual Report on All 50 States

By Emily Theroux, Public Affairs Assistant

Advocacy released its annual report on small business for the United States and each of the 50 states. These data-rich and user-friendly profiles capture vital information on the U.S. and state-level economic growth, industry, and jobs using completely reproducible data from the leading government statistical agencies. The profiles illustrate the state and national economies in terms of small business employment, diversity, and trade. They show the most important small business industries, both in the number of firms and number of employees. They also show establishment turnover trends and county-level job change.

National small business statistics include:

• The U.S. is home to 29.6 million small businesses.
• Small businesses represent 99.9 percent of all businesses with employees and employ about 47.8 percent of the nation’s private-sector workforce.
• Small businesses with fewer than 100 employees have the largest share of small business employment.
• The top three small business industries are Health Care and Social Assistance with 8,515,726 jobs, Accommodation and Food Services with 7,712,638 jobs, and Retail Trade with 5,444,994 jobs.

Richard Schwinn, Ph.D., the Research Economist who led the project, said, “The 2017 Small Business Profiles illuminate the contributions of small businesses around the country. New features, such as maps showing the percent of overall employees working for small businesses at the county-level, aid our leaders in creating policies to serve small businesses.”

You can download the U.S. profile, as well as the state and territory profiles, at https://www.sba.gov/node/1556938.

“The 2017 Small Business Profiles illuminate the contributions of small businesses around the country. New features, such as maps showing the percent of overall employees working for small businesses at the county-level, aid our leaders in creating policies to serve small businesses,” said Richard Schwinn, Ph.D.

Advocacy Releases Report on its FY2016 Economic Research


This report details 26 the Office of Economic Research’s publications and 10 Small Business Economic Research Forums that were produced during fiscal year 2016.


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low interest working capital and lines of credit to grow these small businesses.”

Bland also commended the Obama Administration for establishing a national network of Manufacturing Innovation Institutes and urged Congress to continue in similar efforts towards easing the many burdens and barriers small manufacturers face. Additionally, she asked for House support towards a bill titled America Manufacturing Communities Act, sponsored by Sen. Kirsten Gillibrand (D-N.Y.) which would help designated Manufacturing Communities to receive federal economic development funding.

The main takeaway from this hearing is that as our country continues to recover from the Great Recession, small business growth continues to slow in the long-run. Whether the answer to revitalizing the small business economy is found in creating new legislation or repealing bipartisan efforts are crucial to ensure that small businesses receive continued support and adequate relief.

Is there a hearing in which you want to read more about in The Small Business Advocate’s Heard on the Hill section? Let us know at advocacy@sba.gov.
In Memoriam

Advocacy Remembers Julie R. Weeks

SBA’s theme for March’s annual National Women’s History Month, “Trailblazing Women in Labor and Business,” is about honoring women who have successfully challenged the role of women in both business and the paid labor force. The Office of Advocacy and its Acting Chief Council Major L. Clark III would like to recognize the contributions to women’s small business issues by the late Julie R. Weeks.

Mrs. Weeks, 59, died Feb. 18 of brain cancer. She worked in Advocacy as the Deputy Chief Counsel for Statistics and Research from 1990 to 1993, and continued her mission as an advocate for women’s rights and entrepreneurship at the Center for Women’s Business Research and as the Executive Director of the National Women’s Business Council. She was truly a trailblazer for women in business in our country and around the world.

When Weeks retired from working in the Washington, D.C., area, she resided in her dream log home in Leelanau County, Mich., where she started and grew her business, Womenable, with a mission to “improve the environment for women-owned businesses worldwide.” Womenable is a for-profit social enterprise, established in 2005, that works to improve the systems - laws, policies, programs and research-based knowledge - that support women’s enterprise creation and growth.

Weeks’ trailblazing took her around the world as she campaigned for women’s empowerment in the board room and in the living room.

Weeks lived by a quote once said by another female pioneer — American cultural anthropologist Margaret Mead — that adequately encapsulates Weeks’ short life: “Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it’s the only thing that ever has.”

Weeks is survived by her spouse, four step-children and nine grandchildren.

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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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