



Advocacy: the voice of small business in government

March 11, 2011

Sidney Shapiro
Vice-President
Center for Progressive Reform
P.O. Box 7206, Reynolda Station
Winston-Salem, NC 27109

Mr. Shapiro:

Thank you for interest in our study and your letter dated February 8, 2011 to SBA Administrator Karen Mills and me. Upon reading your letter and your report, I respectfully disagree with your assessment. The Office of Advocacy (Advocacy) has had a long-standing obligation to research the disproportionality in the impact of federal regulations on small businesses. The *Impact of Regulatory Costs on Small Firms* series, which has been sponsored by Advocacy since 1995, provides important economic analysis on this issue and I stand firmly behind the findings in the latest report.

The Regulatory Flexibility Act of 1980 (RFA), as Amended by the Small Business Regulatory Fairness and Enforcement Act of 1996 (SBREFA), requires agencies to do analysis and develop regulatory alternatives to *minimize* the burden on small business, *without compromising* their regulatory objectives. This focus has been emphasized by recent Administrations, including by President Obama earlier this year (January 18, 2011) in Executive Order 13563 and its corresponding memos. Advocacy works closely with federal agencies on their responsibilities under the law, including by training staff on how to achieve these goals, as required by Executive Order 13272.

It is true that the study and its predecessors do not make any attempt to estimate the benefits that emanate from the federal regulations covered by this research. This academic study was designed to measure the direct impact of federal regulations on small businesses, and in particular in comparison to large businesses. The authors are careful to mention in the study that the benefits from regulation are vitally important, but the fact remains that while the benefits generally fall on society as a whole, the costs are predominantly borne directly by individuals and businesses.

This report was prepared under the OMB Information Quality Guidelines and reviewed under the Peer Review Guidelines, as implemented by the U.S. Small Business Administration. Advocacy offered the study for review to a number of individuals with expertise in regulatory cost-benefit analysis, including former heads of Federal regulatory agency economic analysis offices and academics who have published in the field. In addition, the data used in the report are publicly available and fully documented in the

report. I therefore believe that your concern over the quality of the report's conclusions or the availability of the data is unwarranted.

Thank you again for your inquiry and your critique of our study. We are always trying to improve our research and take all comments into consideration for future projects.

Sincerely,

A handwritten signature in cursive script that reads "Winslow Sargeant". The signature is written in black ink and is positioned above the typed name.

Winslow Sargeant, Ph.D.
Chief Counsel
Office of Advocacy
U.S. Small Business Administration