By Kevin McCarthy September 21, 2011 Link

Twenty-six years ago, I started a small business: a deli I creatively named "Kevin O's." At 20 years old, I had limited culinary skills and lived in a time that predated the Food Network. In short, I was pretty much making new sandwiches as I went along.

Fortunately for me, there were enough people in Bakersfield, Calif., who seemed to like my sandwiches (most famously, the turkey, cream cheese and artichoke hearts on Holland Dutch crust). My business was successful enough that I could hire a few employees, and after a while, I was able to sell the business and use the money I made to put myself through college.

When I think back to the decision I made to start Kevin O's, I don't even have to wonder whether I would take the same risk in today's regulatory environment: The answer is, unfortunately, pretty clear — I wouldn't.

I cringe at the thought that today's entrepreneurs even have to consider the costs of complying with duplicative, onerous and burdensome regulations before making that leap of faith to start a new business, purchase equipment and hire employees.

Today, there's no question that small businesses are the engine of the American economy. They represent 99.7 percent of all employer firms, pay 44 percent of the total U.S. private payroll, employ more than half of all private-sector employees and have created 64 percent of all net new jobs during the past 15 years.

It doesn't take close examination of these statistics to come to the obvious conclusion that the solution to our nation's persistently high unemployment must include a plan to allow for more robust small-business growth.

In order to flourish, entrepreneurs and small-business owners need fewer regulatory restrictions and greater access to capital to start and grow companies and get more people working. This capital allows ideas to become real products and services, which in turn create jobs in communities and value for consumers. Unfortunately, onerous federal regulations dampen both innovation and access to capital because of the restrictions and compliance burden they place on these enterprises.

In 2010, annual regulatory compliance costs totaled $1.75 trillion, which far exceeded the $191 billion collected in corporate income taxes. These compliance costs hit small businesses disproportionately — studies indicate that small companies with fewer than 20 employees spend 45 percent more per employee to comply with complex federal regulations than larger companies spend.

Additionally, restrictions on the manner in which capital may be raised stem from outdated Depression-era regulations — they predate not only Twitter and Facebook, but cellphones and color television.

One such restriction is the "solicitation prohibition" contained in Rule 506 of Regulation D of the Securities Act of 1933. It states that in order for a business owner to "solicit" capital from an investor, the business owner must have a pre-existing relationship with said investor. If the same business owner wanted to attract investments through a securities offering from individuals outside of his immediate universe, the business owner must face registration with the Securities and Exchange Commission.

SEC registration is a process that can easily cost millions of dollars and take months, depending on the business and capital being sought.

In other words, if I had wanted to expand Kevin O's deli across California's Central Valley by opening five additional stores and needed more capital than a typical business loan, a good way would be through selling securities to investors. Unfortunately, I would have been prohibited from being an entrepreneur and asking people I didn't know to invest in my business, even if they were already deemed "accredited" by the SEC.

I would have had to register with the SEC and incur all of the associated extra costs and legal fees just to solicit investment from wealthy and sophisticated millionaire investors.

This regulatory obstacle is actively preventing job creation, which is why I've introduced legislation to repeal this burdensome solicitation prohibition. My bill, the Access to Capital for Job Creators Act, will help entrepreneurs and small-business owners access the capital they need to be innovative, dynamic and, ultimately, become the thing our economy needs most right now: job creators.

This legislation is simply one step of the many that are needed to promote job creation and economic growth, but it's a vital step forward. By unshackling entrepreneurs and small businesses from excessive federal regulations, our economy's job-creation engine will once again put us back on the path to prosperity.