

Advocacy Again Asks SEC To Extend Compliance Deadline

The Office of Advocacy has urged the Securities and Exchange Commission (SEC) to provide a further extension for small public companies to comply with the requirements of Section 404 of the Sarbanes-Oxley Act. In a letter to SEC Commissioners Kathleen Casey and Paul S. Atkins, Advocacy complimented the two commissioners on their expressed desire to return to the issue of extending the compliance date for smaller public companies. This reiterates requests by Senators John Kerry and Olympia Snowe, the chairman and ranking member of the Committee on Small Business and Entrepreneurship.

On May 23, the SEC adopted changes to management guidelines to the rules requiring an annual report on internal controls on financial reporting. On May 24, the Public Company Accounting and

Oversight Board (PCAOB) adopted changes to its proposed auditing standard for assessing the effectiveness of smaller public companies' internal controls. Both documents were proposed in December 2006.

Although Advocacy supported the changes that the SEC and PCAOB made to limit the impact on smaller public companies, Advocacy told the commissioners that another year was needed to clarify the major provisions, to test whether the requirements were cost effective, and to give small entities time to implement new procedures to meet the new requirements.

Advocacy's involvement with the issue began in 2002 when the office asked the bill's original crafters to include sufficient flexibility to avoid undue impacts on small public firms. Since, Advocacy has

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Charles Burnell, owner of Burnell Marine and Supply in Brownsville, Texas, discusses regulatory concerns of the shrimping and fishing industry with SBA Region VI Advocate Eric Munson (right).

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Research Notes

Report on Minorities in Business Published

By Michael J. Brown

Minorities in Business: A Demographic Review of Minority Business Ownership, by Ying Lowrey, senior economist with Advocacy's Office of Economic Research, utilizes several sources from the U.S. Census Bureau, including the Current Population Survey and the Survey of Business Owners (SBO). The study provides a comprehensive portrait of minority-owned businesses and business owners in the United States. The Census Bureau's classification of firms by owners' demographic group has changed several times between 1982 and 2002, making it difficult to compare data over time. Lowrey's study makes adjustments to the SBO data to make comparison possible. She shows that the share of minority-owned firms rose from 6.8 percent in 1982 to 17.1 percent in 2002. This trend mirrors steady growth in the overall minority population.

Minorities are clearly making inroads in the U.S. business community—and there is room

for improvement. On average, for every dollar a White-owned firm made, Pacific Islander-owned firms made about 59 cents; Hispanic-, Native American- and Asian-owned businesses made 56 cents; while Black-owned businesses made 43 cents. The contrast of average receipts among various racial and ethnic owners provides evidence reflecting inequality along racial or ethnic lines.

According to the 2002 American Community Survey, non-Hispanic Whites constituted 68.2 percent of the total U.S. population, and minorities made up the remaining 31.8 percent. The share of businesses owned by minorities and receipts earned fell short of their share in the population. Hispanics made up 13.5 percent of the total population, owned 6.55 percent of businesses, and accounted for 2.48 percent of total receipts. Blacks were 11.8 percent of the total population, owned 5 percent of firms, and earned 0.99 percent of total receipts. Women are well-represented among minority

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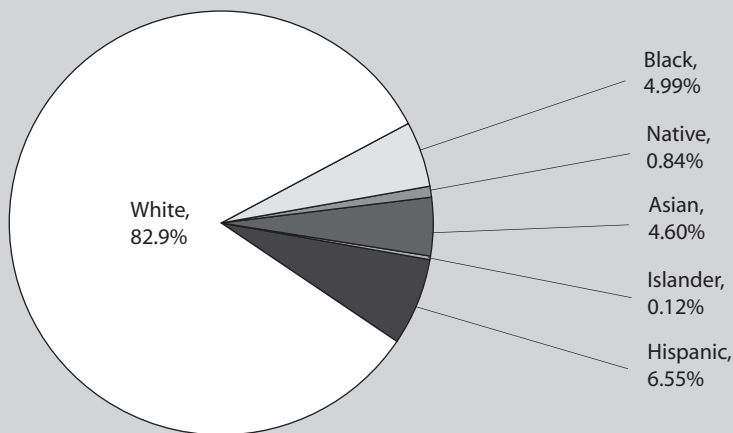
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Racial/Ethnic Composition of Business Ownership, 2002



Notes: White includes Hispanic White. Hispanic may be of any race. See the full report for discussion of data.

Source: *Minorities in Business: A Demographic Review of Minority Business Ownership*, 2007.

firm owners. For example, in 2002, women owned 29 percent of Black employer firms and 47 percent of Black nonemployer firms. Their shares among White-owned firms were lower; women owned 17 percent of White employer firms and 31 percent of White nonemployer firms.

The report is available on Advocacy's website at www.sba.gov/advo/research/rs298tot.pdf.

Michael J. Brown is a former Office of Advocacy intern.

Message from the Chief Economist

Small Business Lenders Find a Profitable Niche

by Chad Moutray, Chief Economist

Banking consolidation has been in full force for the past 20 years. According to the Federal Deposit Insurance Corporation, the United States went from 12,343 commercial banks in 1990 to 7,402 in 2006. In other words, there are nearly 5,000 fewer commercial banks today than in 1990, while the number of bank offices has increased. Most Americans have witnessed this first hand, as their bank has changed names or ownership several times in this period.

Small business advocates have long worried that bank mergers and consolidations would hamper an entrepreneur's ability to obtain financing. Small business owners are more likely than their larger counterparts to rely on "relationship lending," a practice that depends on factors other than a statistical risk profile. Small business owners conduct their financial arrangements at small banks with a personal banker—someone who knows them well and who would consider lending them funds based on more than just their credit score. With larger banks becoming more prevalent in the marketplace, many worry that the time-tested practice of building a relationship with a banker will become outdated—another casualty of progress.

In a refreshing research twist, the Office of Advocacy just released a study, *The Value to Banks of Small Business Lending*. This study by Joe Peek, an economics professor at the University of Kentucky, takes a fresh look at relationship lending and small firms. The author writes that "the added revenue associated with relationship lending exceeds the added information costs associated with evaluating and monitoring small business loans." He finds that small

commercial and industrial loans, particularly those under \$100,000, add more market value to the smallest banking organizations, with assets less than \$500 million. In other words, banks that concentrate on a small business niche can realize significant profits and increase their overall market value.

This finding is one that should get the attention of many bank presidents (as well as their small business customers). Even so, the idea that lending to small firms can be profitable is not new. In 2003, for instance, James Kolari, a professor at Texas A&M University, found that small business lending is not only profitable, it could also help larger banks diversify their portfolio and reduce the risk of failure.

The effects of consolidation are not all positive. Some studies link it to a decrease in small business lending. For example, two studies released by Advocacy—one by Steven Craig and Pauline Hardee of the University of Houston and

the other by Keypoint Consulting—show reduced access to credit after mergers and acquisitions. This research found that larger banks did not focus as much attention on their smaller customers, and they relied more heavily on credit scoring. Yet, that is only half of the story. Banking is a dynamic industry. New banking entrants and non-banking financial institutions have emerged to fill in the gaps in lending and financing. As a result, overall access to credit by small businesses has not suffered, according to Craig and Hardee.

In 2005, Advocacy's Senior Economist Charles Ou summarized the economic literature on the issue of small business lending and consolidation. Much of the analysis in this message continues to support the theme that the small business banking market is profitable; as long as small business banking markets remain competitive, both lenders and small business borrowers will benefit.

For More Information

All of the reports cited here are available on Advocacy's website:

- *The Value to Banks of Small Business Lending*, by Joe Peek (2007), www.sba.gov/advo/research/rs301tot.pdf.
- *Assessing the Profitability and Riskiness of Small Business Lenders in the Banking Industry*, by James W. Kolari (2003), www.sba.gov/advo/research/rs229tot.pdf.
- *Small Business and Micro Business Lending in the United States*, U.S. Small Business Administration Office of Advocacy (various years), www.sba.gov/advo/research/lending.html.
- *The Impact of Bank Consolidation on Small Business Credit Availability*, by Steven G. Craig and Pauline Hardee (2004), www.sba.gov/advo/research/rs234tot.pdf.
- *The Effects of Mergers and Acquisitions on Small Business Lending by Large Banks*, by KeyPoint Consulting LLC (2005), www.sba.gov/advo/research/rs254tot.pdf.
- *Banking Consolidation and Small Business Lending: A Review of Recent Research*, by Charles Ou (2005), www.sba.gov/advo/research/wkp05ou.pdf.

Regulatory News

Advocacy Asks FCC to Conduct Rulemaking on Fate of Copper Telephone Lines

On May 10 the Office of Advocacy sent a letter to the Federal Communications Commission (FCC) asking the agency to open a rulemaking to examine fully the “retirement” of copper telephone lines by incumbent telecommunications companies. Advocacy sent the letter in response to small telecom companies’ concerns about the sharp increase in petitions for copper retirement. These companies have also petitioned the FCC to open a rulemaking to explore how the copper retirement process will affect their businesses.

Today, most telecommunications services are offered over the network of copper telephone lines built during the previous century. Now, however, companies are transitioning to a fiber optic network

which enables them to provide higher speeds and bandwidths for advanced technologies. With this in mind, various incumbent telecom companies have begun to retire portions of their copper network in order to focus on their fiber deployment. These carriers plan, eventually, to roll out an extended network based on fiber technology to replace the copper network. Currently, incumbent telecom companies need only petition the FCC for permission to remove the copper network for particular markets. The number of such petitions has risen dramatically in recent months.

One of the difficulties with the transition to fiber is that many small telecom companies still rely on the original communications framework to provide services to

their customers, many of which are small businesses. As the copper network is taken out of service, these small telecom companies will find it harder to offer their services, because the current FCC rules do not require incumbents to provide access to their fiber optic network as they do for copper. Ultimately, a host of small carriers may be forced out of business. Faced with this possibility, Advocacy asked the FCC to open a rulemaking to examine whether meaningful alternatives exist to allow small telecom companies to continue to offer their services, and whether copper retirement will remove an important choice for small business customers and force them to pay more for their telecom services.

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OSHA Concludes Section 610 Review of Its Excavations Standard

The Occupational Safety and Health Administration (OSHA) recently concluded a review of its excavations standard, deciding that no regulatory changes to the standard are warranted. However, the agency did determine that additional guidance and worker training would help continue the downward trend of fewer deaths and injuries from trench and excavation work.

OSHA conducted its review in accordance with Section 610 of the Regulatory Flexibility Act, which requires federal agencies to review their existing rules periodically and consider ways to reduce the economic burden of those rules on small businesses and other small entities. Under Section 610, the agency must assess:

- The ongoing need for the rule;
- The nature of complaints or comments received concerning the rule from the public;

- The complexity of the rule;
- The extent to which the rule overlaps, duplicates, or conflicts with other federal rules and, to the extent feasible, with state and local government rules; and

- The length of time since the rule has been evaluated or the degree to which technology, economic conditions, or other factors have changed since adoption of the rule.

Section 610 mandates that each federal agency rule be reviewed within 10 years of its promulgation and that agencies publish an annual list of the rules they intend to review. Agencies must solicit public comment on the rules. OSHA is currently reviewing its rules on lead in construction and methylene chloride as well.

OSHA’s excavations standard was promulgated in 1989; it requires trenches to be sloped or stepped for stability and supported by structures

or trench boxes so they do not collapse on workers. In addition, the standard prohibits piling excavated materials close to the edge of a trench and requires that a safe means of exit (such as a ladder) be provided. OSHA’s Section 610 review concluded that its current standard has reduced deaths from approximately 90 per year to 70.

These review requirements are not new. Commonly referred to as “regulatory look-back” provisions, they began in the Carter administration and have continued through the current Bush administration.

The Office of Advocacy has long supported the concept of requiring agencies to review their existing regulations and commends OSHA for completing its review of the excavations standard. For further information, please contact Bruce Lundegren at (202) 205-6144 or bruce.lundegren@sba.gov.

FIRST QUARTER 2007: THE ECONOMY AND SMALL BUSINESS

Trends

- Overall economic growth slowed in the first quarter of 2007. Real gross domestic product grew at an annualized rate of 1.3 percent, down from 2.5 percent in the fourth quarter of 2006. Industrial production also grew slowly. Weakness in the housing sector is the primary reason for the slower growth. Housing starts averaged 2.1 million in 2005 but fell to an annualized 1.5 million in March 2007. Real gross private fixed investment fell by an annualized 6.5 percent in the first quarter. Most of the decline is attributable to housing. Excluding residential investment, investment grew by an annualized 2 percent. Real personal consumption expenditures increased by an annualized 3.8 percent.
- Consumer and small business confidence remain at their 2006 averages, which is less optimistic than the past few years. The National Federation of Independent Business survey shows this pessimism affecting some small business owners' view of the next three months; fewer of them are planning to expand their businesses or hire new workers. With that said, these survey responses are not evident in the economic statistics: personal consumption and the nation's employment picture remain bright spots overall. These confidence indicators have tended to vary inversely with the price of oil; if the cost of filling up the gas tank is higher, the public tends to be more pessimistic on these surveys, and vice versa.
- The unemployment rate in March 2007 was 4.4 percent, matching its recent low in October 2006—the lowest rate since May 2001. The economy generated 455,000 net new jobs in first quarter 2007 and almost 2 million since first quarter 2006. Employment rose in every industry except manufacturing. The bulk of these new jobs stemmed from trade, transportation, and utilities; financial activities; professional and business services; education and health services; and leisure and hospitality. Small businesses make up at least 40 percent of these sectors. Meanwhile, incorporated self-employment increased slightly.
- Interest rates remained virtually unchanged over the previous year, after several increases in 2005 and 2006. Since first quarter 2005, rates for the smallest loans have risen over 2 percent. Higher rates may be beginning to affect the demand for small business loans. While most senior bank officers see no change in demand, a growing minority is observing weaker loan demand. At the same time, venture capital investment increased to a recent high of \$7.1 billion in the first quarter, albeit with fewer deals.
- The consumer price index rose 2.8 percent since March 2006 and the producer price index rose 4.6 percent. Core inflation, which excludes energy and food costs, is lower, especially at the producer price level. Private sector wages and salaries have grown 3.5 percent and benefits, 2.3 percent, since first quarter 2006.

Small Business Indicators

	Last five years					Last five quarters					Trends	
	2002	2003	2004	2005	2006	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07	This Quarter	Q1-06 to Q1-07
Business bankruptcy filings (thousands)	38.5	35.0	34.3	39.2	19.7	4.1	4.9	5.3	5.6	--	--	--
Proprietors' income (\$billion, current dollars)	768.4	811.3	911.1	970.7	1015.1	1008.3	1011.9	1014.8	1025.3	1037.5	↑ 4.8% (a)	↑ 2.9 %
Prime bank loan rate	4.7	4.1	4.3	6.2	8.0	7.4	7.9	8.3	8.3	8.3	0	↓ 0.8
Rates for smallest loans (less than \$100,000):												
Variable rate loans, repricing terms of 2-30 days	5.1	4.4	4.4	6.0	7.7	7.2	7.7	8.0	7.9	7.8	↓ 0.1	↑ 0.6
Variable rate loans, repricing terms of 31-365 days	6.6	6.4	6.2	7.1	8.4	8.3	8.1	8.7	8.6	8.8	↑ 0.2	↑ 0.5
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	-20.0	-7.1	13.1	9.0	4.6	4.8	7.0	4.8	1.8	0	↓ 1.8	↓ 4.8
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	-40.0	-14.7	25.9	27.3	0.2	5.3	3.5	5.0	-13.0	-5.3	↑ 7.7	↓ 10.6
Venture investment: number of deals	3086	2904	3041	3107	3522	853	910	875	884	778	↓ 106	↓ 75
Venture investment: total invested (\$billion)	21.8	19.7	22.2	22.8	26.1	6.3	6.9	6.6	6.2	7.1	↑ 0.9	↑ 0.8

Notes: a=annualized growth rate. The first quarter figure is for January and measures from October. C&I = commercial and industrial loans. Trends may reflect rounding error.
Sources: Administrative Office of the U.S. Courts; Federal Reserve Board; National Venture Capital Association; U.S. Dept. of Commerce, Bureau of Economic Analysis.

	Last five years					Last five months (2006-2007)					Trends	
	2002	2003	2004	2005	2006	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 06 to Mar 07
NFIB Small Business Optimism Index (1986 = 100)	101.2	101.3	104.6	101.6	98.9	99.7	96.5	98.9	98.2	97.3	↑ 0.8	↓ 0.7
NFIB: next 3 months "good time to expand" (percent of respondents)	14.3	15.7	22.3	20.6	17.4	17.0	17.0	17.0	18.0	12.0	↓ 5.0	↓ 7.0
NFIB: net percent planning to hire in the next 3 months	10.8	10.2	15.3	14.4	14.6	19.0	10.0	17.0	13.0	12.0	↑ 2.0	↑ 3.0
Self-employed, incorporated (millions)	4.6	5.0	5.2	5.3	5.5	5.6	5.7	5.7	5.9	5.7	0	↑ 0.2
Self-employed, unincorporated (millions)	9.9	10.3	10.4	10.5	10.6	10.6	10.7	10.4	10.5	10.6	↓ 0.1	0

Sources: National Federation of Independent Business; U.S. Department of Labor: Bureau of Labor Statistics.

For previous quarterly indicators, visit www.sba.gov/advo/research/sbei.html. Note that historical data are revised periodically, and this version reflects such changes.

Employment by Major Sector (millions)

	Percent small business	Last five years					Last five months (2006-2007)					Trends	
		2002	2003	2004	2005	2006	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 06 to Mar 07
Goods-producing industries	57.61	22.55	21.81	21.88	22.19	22.58	22.53	22.52	22.55	22.49	22.53	↑ 0.01	↓ 0.04
Natural resources and mining	51.24	0.58	0.57	0.59	0.63	0.68	0.70	0.71	0.71	0.71	0.71	↑ 0.01	↑ 0.05
Construction	86.43	6.71	6.73	6.98	7.34	7.69	7.68	7.69	7.72	7.66	7.71	↑ 0.03	↑ 0.02
Manufacturing	44.00	15.26	14.51	14.32	14.23	14.20	14.14	14.13	14.13	14.12	14.10	↓ 0.03	↓ 0.11
Service-producing industries	49.36	107.79	108.18	109.54	111.50	113.60	114.42	114.65	114.78	114.96	115.09	↑ 0.45	↑ 2.01
Trade, transportation and utilities	45.35	25.50	25.29	25.53	25.96	26.23	26.32	26.35	26.38	26.40	26.45	↑ 0.10	↑ 0.22
Wholesale trade	61.58	5.65	5.61	5.66	5.76	5.90	5.93	5.96	5.95	5.96	5.96	↑ 0.01	↑ 0.09
Retail trade	42.16	15.02	14.92	15.06	15.28	15.32	15.33	15.32	15.36	15.37	15.41	↑ 0.09	↑ 0.03
Information	26.17	3.39	3.19	3.12	3.06	3.05	3.06	3.07	3.07	3.08	3.08	↑ 0.01	↑ 0.02
Financial activities	41.43	7.85	7.98	8.03	8.15	8.36	8.42	8.44	8.44	8.45	8.45	↑ 0.01	↑ 0.14
Professional and business services	44.95	15.98	15.99	16.39	16.95	17.56	17.73	17.79	17.80	17.84	17.83	↑ 0.04	↑ 0.40
Education and health services	48.08	16.20	16.59	16.95	17.37	17.84	18.02	18.06	18.10	18.14	18.19	↑ 0.13	↑ 0.48
Leisure and hospitality	62.09	11.99	12.17	12.49	12.81	13.14	13.32	13.37	13.40	13.43	13.45	↑ 0.08	↑ 0.43
Other services	86.27	5.37	5.40	5.41	5.39	5.43	5.44	5.45	5.44	5.45	5.45	0	↑ 0.03
Government	0	21.51	21.58	21.62	21.81	21.99	22.11	22.11	22.14	22.17	22.20	↑ 0.08	↑ 0.29

Notes: Seasonally adjusted. See www.bls.gov/ces/cessuper.htm for NAICS code equivalents for each sector. The small business percentage by sector is based on 2004 firm size data. See www.sba.gov/advo/research/us04_n6.pdf. Trends may reflect rounding error.

Sources: U.S. Small Business Administration, Office of Advocacy, using data from the U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics.

Macroeconomic Indicators

	Last five years					Last five quarters					Trends (percent)	
	2002	2003	2004	2005	2006	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07	This Quarter	Q1-06 – Q1-07
Real gross domestic product Level (\$billion)	10048.9	10301.1	10703.5	11048.6	11415.3	11316.4	11388.1	11443.5	11513.0	11549.1		
Annual percentage change*	1.6	2.5	3.9	3.2	3.3	5.6	2.6	2.0	2.5	1.3	↑ 1.3% (a)	↑ 2.1%
Real personal consumption expenditures (\$billion)*	7099.3	7295.4	7577.1	7841.2	8091.5	8003.8	8055.0	8111.2	8195.9	8273.6	↑ 3.8% (a)	↑ 3.4%
Real gross private fixed investment (\$billion)*	1557.2	1613.1	1770.6	1866.3	1951.3	1963.6	1968.5	1964.8	1885.6	1854.4	↓ 6.5% (a)	↓ 5.6%
Federal government surplus or deficit (\$billion)	-282.1	-392.5	-394.9	-312.5	-151.0	-134.2	-137.0	-183.2	-149.6	--	--	--
Real exports of goods and services (\$billion)*	1013.3	1026.1	1120.4	1196.1	1302.8	1269.3	1288.5	1310.0	1343.5	1339.3	↓ 1.2% (a)	↑ 5.5%
Real imports of goods and services (\$billion)*	1484.6	1545.0	1711.3	1815.3	1920.9	1905.9	1912.7	1938.8	1926.1	1937.0	↑ 2.3% (a)	↑ 1.6%
Corporate profits after tax (\$billion)	693.7	749.9	882.5	931.4	1140.7	1112.1	1115.7	1162.7	1172.3	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	123.5	128.0	131.8	134.6	136.7	136.3	136.7	136.6	137.3	137.9	↑ 1.7% (a)	↑ 1.2%
Employment Cost Index: private sector wages & salaries (2005=100)	91.6	94.2	96.8	99.2	102.0	100.8	101.8	102.4	103.2	104.3	↑ 4.3% (a)	↑ 3.5%
Employment Cost Index: private sector benefits (2005=100)	83.7	88.8	94.8	99.2	102.1	100.8	101.5	102.5	103.4	103.1	↓ 1.2% (a)	↑ 2.3%

Notes: Seasonally adjusted; *chained 2000 dollars; a=annualized growth rate. Real GDP and its components are preliminary data. Trends may reflect rounding error.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics.

	Last five years					Last five months (2006-2007)					Trends	
	2002	2003	2004	2005	2006	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 06 to Mar 07
Unemployment rate (seasonally adjusted)	5.8	6.0	5.5	5.1	4.6	4.5	4.5	4.6	4.5	4.4	↓ 0.1	↓ 0.3
Civilian employment—16 years and older (millions, seasonally adjusted)	136.5	137.7	139.2	141.7	144.4	145.6	145.9	146.0	145.9	146.3	↑ 0.3	↑ 2.6
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	2.9	3.4	3.1	2.6	2.3	2.2	2.1	2.1	2.1	2.2	↑ 0.1	↓ 0.2
Nonfarm payrolls (millions, seasonally adjusted)	130.4	130.0	131.4	133.7	136.2	136.9	137.2	137.3	137.4	137.6	↑ 0.5	↑ 2.0
Producer Price Index (1982=100)	131.1	138.1	146.7	157.4	164.8	164.6	166.0	164.2	167.3	169.7	↑ 9.2% (a)	↑ 4.6%
Consumer Price Index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	179.9	184.0	188.9	195.3	201.6	201.9	202.8	203.2	203.9	205.1	↑ 4.7% (a)	↑ 2.8%
Univ. of Michigan Consumers' Sentiment (1966=100)	89.6	87.6	95.2	88.6	87.3	92.1	91.7	96.9	91.3	88.4	↓ 3.3	↓ 0.5
Spot oil price per barrel: West Texas intermediate crude	26.10	31.14	41.44	56.47	66.10	59.37	62.03	54.57	59.26	60.56	↓ \$1.47	↓ \$2.34
New Privately Owned Housing Units Started (millions, seasonally adjusted at the annual rate)	1.7	1.9	1.9	2.1	1.8	1.6	1.6	1.4	1.5	1.5	↓ 25.3% (a)	↓ 23.0%
ISM Purchasing Managers Index—manufacturing composite (seasonally adjusted)	52.4	53.3	60.5	55.5	53.9	49.9	51.4	49.3	52.3	50.9	↓ 0.5	↓ 4.4
Industrial production (2002=100, seasonally adjusted)	100.0	101.1	103.6	106.9	111.2	111.5	112.2	111.8	112.7	112.5	↑ 0.9% (a)	↑ 2.3%
3-month Treasury bills (secondary market rate)	1.60	1.01	1.37	3.15	4.73	4.94	4.85	4.98	5.03	4.94	↑ 0.09	↑ 0.43
10-year Treasury note (constant maturity rate)	4.61	4.02	4.27	4.29	4.79	4.60	4.56	4.76	4.72	4.56	0	↓ 0.16

Notes: a = annualized growth rate. Trends may reflect rounding error.

Sources: Federal Reserve Board; Dow Jones Energy Service; U.S. Department of Commerce, Bureau of the Census; Institute for Supply Management; U.S. Department of Labor, Bureau of Labor Statistics; University of Michigan, Survey of Consumers.

Research Notes

GDP and Wealth: How Small Businesses Fare

Small businesses continue to generate half of the nation's private nonfarm gross domestic product (GDP), according to *The Small Business Share of GDP, 1998-2004*, recently released by the Office of Advocacy.

"Small business plays a big role in our economy," said Chief Economist Chad Moutray. "This study confirms just how important small business is to our economic growth and prosperity."

Written by Katherine Kobe of Economic Consulting Services with funding from the Office of Advocacy, the study is the first of its kind to use the North American Industry Classification System as the basis for analysis. The small business share of the GDP in the 16 major industries in 2004 ranged from 18 percent of the information sector to 85 percent of other services.

Over the seven-year period studied, the small business share of GDP held steady at around 50 percent. However, there has been

a long-term decline from the late 1950s when the small business share of GDP was approximately 58 percent. The report may be found at www.sba.gov/advo/research/rs299tot.pdf.

A second report released by Advocacy shows the impact of owning a small business on household wealth. *Income and Wealth: How Did Households Owning Small Businesses Fare from 1989 to 2004?*, shows that families that own businesses remain significantly more likely to be high income earners and high wealth holders than families that don't own businesses.

The report continues Advocacy's research interest in the study of wealth and income of U.S. families, especially in comparing families that own businesses and those that do not. Changes in income and wealth of households with self-employed individuals are examined in an appendix to the report.

The report is located at www.sba.gov/advo/research/rs300tot.pdf.

Copper Network, from page 4

The U.S. telecommunications market has benefited from small businesses' entrepreneurial efforts to add and improve telecom services. Small telecoms have been doing this by exploring new ways to maximize the use of the copper network and offer competitive telecom services. A transparent rule-making process which gives small businesses adequate consideration is the best way to examine complex issues such as copper retirement.

For more information, contact Cheryl M. Johns, assistant chief counsel for telecommunications, at (202) 205-6949 or cheryl.johns@sba.gov. Advocacy's letter is posted online at www.sba.gov/advo/laws/comments/fcc07_0510.pdf. A fact sheet summarizing it is located at www.sba.gov/advo/laws/comments/factsfcc07_0510.pdf.

IRS Small Business eNewsletter

The Internal Revenue Service's *eNews for Small Business* is published weekly. The electronic newsletter contains timely reminders about upcoming tax deadlines, tax compliance tips, and links to the *SSA/IRS Reporter*, a joint effort of the Social Security Administration and the IRS providing information on employment and business tax compliance and the use of electronic filing.

To start your free subscription to *eNews for Small Business*, visit www.irs.gov/businesses/small/content/0,,id=154826,00.html, type in your email address, and submit. Current and past issues of the *SSA/IRS Reporter* (in English and Spanish) are available on www.irs.gov/businesses/small/article/0,,id=109886,00.html.



On April 10, Advocacy held a roundtable to discuss the Federal Communications Commission's upcoming 700 MHz spectrum auction. Representatives from industry, the FCC and the U.S. Congress attended. Advocacy filed comments on the auction rules on May 21, in response to industry concerns raised at the roundtable.

Advocacy Seeks Research Proposals

Advocacy is seeking small business researchers, or researchers who want to become small businesses, to perform economic research via a request for quotations (RFQ). Nine topics are proposed. These RFQs are for competitive contracts, not research grants. The deadline for proposals is June 22, 2007.

To see topics Advocacy has funded in the past, visit www.sba.gov/advo/research/chron.html.

The proposal solicitations and synopses are listed in FedBizOpps, www2.fbo.gov/spg/SBA/OOA/postdatePrevDays_1.html. If this link is not active, go to www.fedbizopps.gov, click on "advanced search," scroll down to "search by agency," and select "Small Business Administration." The RFQs seek research proposals on:

- Small business tax credits,
- Small business issues surrounding U.S. military reservists,*
- Small business patents by industry and firm size,

- Other small business research topics using large databases,
- Rural small business,
- Graduate student research,
- The importance of angel investment in financing the growth of entrepreneurial ventures,
- Low-wage worker characteristics by firm size and industry, and
- Office of Advocacy research academic citation study.

Please note that regular mail to government offices in Washington, D.C., experiences significant delays. Overnight and certified mail arrive faster. Proposals cannot be submitted via fax or email. If you have further questions or are unfamiliar with the government contracting process, please view frequently asked questions from the SBA's Office of Government Contracting <http://app1.sba.gov/faqs/faqindex.cfm?areaID=6>.

**Restricted to service-disabled veteran-owned small businesses.*

SEC Deadline Extension, from page 1

issued several comment letters to the SEC and the PCAOB, held public roundtables, and testified before the U.S. Congress. Testifying before the U.S. Senate Committee on Small Business and Entrepreneurship in April, Chief Counsel for Advocacy Thomas M. Sullivan said, "There is a compelling record demonstrating that the costs of complying with Section 404 are large and disproportionately high for small public companies... Advocacy believes that the excessive cost of Section 404 internal controls reporting may restrict a new generation of small innovative companies from seeking capital in the U.S. capital markets." Sullivan's testimony is available online at www.sba.gov/advo/laws/state-ment07_0418.html.

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