



Advocacy: the voice of small business in government

August 16, 2007

The Honorable Alan B. Mollohan, Chair
Honorable Rodney Frelinghuysen, Ranking Member
House Appropriations Subcommittee on Commerce,
Justice, Science, and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Re: Census Funding in the FY 2008 Commerce, Justice, Science Appropriations Bill

Dear Chairman Mollohan and Representative Frelinghuysen:

I am writing to bring to your attention concerns raised by small business researchers regarding H.R. 3093, the FY 2008 Commerce, Justice, Science Appropriations bill.

During floor consideration of H.R. 3093, the House of Representatives adopted an amendment that would cut funding for the Periodic Censuses and Programs by \$10 million. If enacted, this cut would eliminate the Survey of Business Owners and Self-Employed Persons (SBO), according to the impact statement prepared by the U.S. Census Bureau. Through this letter, I wish to explain how the Office of Advocacy and researchers who study entrepreneurship and small business rely on SBO and other firm size data produced by the U.S. Census Bureau.

Congress established the Office of Advocacy under Pub. L. 94-305 to represent the views of small businesses before Federal agencies and Congress. Advocacy is an independent office within the U.S. Small Business Administration (SBA), thus the views expressed in this letter do not necessarily reflect the views of the SBA or the Administration.


The Office of Advocacy is congressionally mandated to report on small business ownership by women, minorities, veterans, and service-disabled veterans and substantially relies on the data collected in the SBO to carry out that mission. The SBO is a vital resource because it is the only comprehensive, regularly collected survey that provides information on the economic and demographic characteristics of the nation's businesses and business owners. The loss of this data will hamper policymakers and researchers' understanding of the many contributions and challenges of our nation's small businesses. In addition, the SBO is one of the few data sources that discuss the number of franchise, family-owned, and home-based businesses in the United States. With the information from the SBO survey, we can better conduct research that recognizes the financing needs of small business and other issues of importance.

Small businesses drive the U.S. economy. Therefore, it is important to understand their characteristics and contributions. Small businesses represent 99.7 percent of all employer firms, employing half of all private sector employees. Over the last decade, small businesses generated 60 to 80 percent of net new jobs.

I have enclosed for your review the most recent list of research studies produced by the Office of Advocacy using the Survey of Business Owners (SBO) and the firm size data from the U.S.Census Bureau. You may find a comprehensive listing of our research at: <http://www.sba.gov/advo/research>.

Thank you for the opportunity to share my views on H.R.3093. I look forward to working with you on this and other issues of importance to the small business community.

Sincerely,



Thomas A. Sullivan
Chief Counsel for Advocacy

cc: The Honorable David R. Obey, Chairman, House Committee on Appropriations
The Honorable Jerry Lewis, Ranking Member, House Committee on Appropriations
The Honorable Nydia M. Velazquez, Chair, House Committee on Small Business
The Honorable Steve Chabot, Ranking Member, House Committee on Small Business
The Honorable Carlos M. Guitierrez, Secretary of Commerce
The Honorable Charles Louis Kincannon, Director, U.S. Census Bureau

Enclosure

Office of Advocacy Research and Data Utilizing the Survey of Business Owners (SBO) and Firm Size Data from the U.S. Census Bureau

Data

The firm size data, which is released annually, is highly dependent on the economic census (Survey of Business Owners) as well as Company Organization Survey data from the U.S. Census Bureau. See <http://www.sba.gov/advo/research/data.html> for this information, which currently contains data from 1988 to 2004, and is produced by the Statistics of U.S. Businesses division of the U.S. Census Bureau for the Office of Advocacy.

Special tabulations from the 2002 Survey of Business Owners were purchased by the Office of Advocacy to prepare tables and a summary report. This includes information on owner demographics (women, minorities, veterans, and service-disabled veterans), home-based businesses, franchising, and other small business owner characteristics. A report on this data is forthcoming and is being prepared by Office of Advocacy economists Brian Headd and Radwan Saade.

Research (listed in reverse chronological order, 2003 to present):

Rural And Urban Establishment Births And Deaths Using The U.S. Census Bureau's Business Information Tracking Series (BITS), a working paper by Larry Plummer and Brian Headd (forthcoming).

Small Business Growth: Searching for Stylized Facts, a working paper by Brian Headd and Bruce Kirchoff (forthcoming).

State and Territory Small Business Profiles, an annual publication by Victoria Williams (<http://www.sba.gov/advo/research/profiles/>).

The Small Business Economy, an annual chapter in *The Small Business Economy: A Report to the President*, by Brian Headd, with accompanying appendix data tables by Brian Headd and Victoria Williams (<http://www.sba.gov/advo/research/sbe.html>).

Veterans in Business, a chapter in the 2007 edition of *The Small Business Economy: A Report to the President*, by Jules Lichtenstein and Joseph Sobota (forthcoming).

The Small Business Share of GDP, 1998-2004, a research report by Kathryn Kobe of Economic Consulting Services (<http://www.sba.gov/advo/research/rs299tot.pdf>), April 2007.

Minorities in Business: A Demographic Review of Minority Business Ownership, a research report by Ying Lowrey (<http://www.sba.gov/advo/research/rs298tot.pdf>), April 2007.

Small Business and State Growth: An Econometric Investigation, by Donald Bruce, John Deskins, Brian Hill, and Jonathon Rork (<http://www.sba.gov/advo/research/rs292tot.pdf>), February 2007.

Volatility and Asymmetry of Small Firm Growth Rates Over Increasing Time Frames, by Rich Perline, Robert Axtell, and Daniel Teitelbaum (<http://www.sba.gov/advo/research/rs285tot.pdf>), December 2006.

Women in Business: A Demographic Review of Women's Business Ownership, a research report by Ying Lowrey (<http://www.sba.gov/advo/research/rs280tot.pdf>), August 2006.

An Empirical Approach to Characterize Rural Small Business Growth and Profitability, a research report by Innovation & Information Consultants, Inc. (<http://www.sba.gov/advo/research/rs271tot.pdf>), February 2006.

Business Estimates from the Office of Advocacy: A Discussion of Methodology, a working paper by Brian Headd (<http://www.sba.gov/advo/research/rs258tot.pdf>), June 2005.

The Innovation-Entrepreneurship NEXUS: A National Assessment of Entrepreneurship and Regional Economic Growth and Development, a research study by Advanced Research Technologies, LLC (<http://www.sba.gov/advo/research/rs256tot.pdf>), April 2005.

Using Census BITS to Explore Entrepreneurship, Geography, and Economic Growth, a research report by Zoltan Acs and Catherine Armington (<http://www.sba.gov/advo/research/rs248tot.pdf>), February 2005.

Dynamics of Minority-Owner Employer Establishments, 1997-2001, a research report by Ying Lowrey (<http://www.sba.gov/advo/research/rs251tot.pdf>), February 2005.

Firm-Size Dynamics of Industries: Stochastic Growth Processes, Large Fluctuations, and the Population of Firms as a Complex System, a research report by Daniel Teitelbaum and Robert Axtell (<http://www.sba.gov/advo/research/rs247tot.pdf>), January 2005.

Development of Business Data: Tracking Firm Counts, Growth, and Turnover by Size of Firms, a research report by Catherine Armington (<http://www.sba.gov/advo/research/rs245tot.pdf>), December 2004.

Evaluating Veteran Business Owner Data, a research report by Jack Faucett Associates and Eagle Eye Publishers (<http://www.sba.gov/advo/research/rs244tot.pdf>), December 2004.

Redefining Business Success: Distinguishing Between Closure and Failure, a research report by Brian Headd published in *Small Business Economics*, Volume 21, Number 1 (August 2003), pp. 51-61. (See http://www.sba.gov/advo/stats/bh_sbe03.pdf).