

## In This Issue

President Unveils Small  
Business Agenda . . . . .1

### Message from the Chief Counsel

Heroes for America and  
and Small Business . . . . .3

### News Briefs

Small Business Poll on  
Owner Satisfaction . . . . .2

Highlights of the White  
House's Small Business  
Plan . . . . .4

RFA Enforcement Saved  
Small Businesses  
\$4.4 Billion . . . . .6

Milt Stewart Reaches  
Another Milestone . . . . .7

Small Business Week 2002 . . .7

OIRA and Advocacy  
Sign MOU . . . . .8

## President Unveils Small Business Agenda at Women's Entrepreneurship Summit

On March 19, 2002, President George W. Bush announced his Small Business Agenda, a sweeping vision that will help level the competitive playing field between large and small businesses, creating an environment in which entrepreneurs flourish. The plan contains several provisions to strengthen the Office of Advocacy, enhance enforcement of the Regulatory Flexibility Act, and enhance coordination and regulatory review between the Office of Management and Budget and the Office of Advocacy.

President Bush delivered his remarks to the Women Entrepreneurship in the 21st Century summit, a two-day gathering cosponsored by the U.S. Department of Labor, the Public Forum Institute, and the Small Business Administration. The President called for a federal role that is limited, yet nurturing: "I do

not believe the role of government is to create wealth . . . The role of government is to create an environment that encourages risk taking, an environment that facilitates the flow of capital, and an environment in which people can realize their dreams."

President Bush's plan consists of five major initiatives:

- Creating new tax incentives for job-creating investments,
- Giving more power to provide health care for uninsured employees and better health care options for employees,
- Tearing down regulatory barriers to job creation,
- Saving taxpayers dollars by ensuring full and open competition to government contracts, and
- Providing small businesses the information they need to succeed.

Turn to pages 4 and 5 for highlights of the plan.



President George W. Bush addresses the Women Entrepreneurship Summit on March 19, 2002. SBA Administrator Hector Barreto (seated) later addressed the audience about SBA initiatives for women entrepreneurs.

# Makin' Money, Havin' Fun, and Doin' Good— Finding the Formula for Business Success

by Jason S. Bassett, Office of Advocacy

What makes a business successful? How do business owners evaluate their own success? These are some of the questions posed in a recent National Federation of Independent Business (NFIB) small business poll. The survey report, titled *Success, Satisfaction, and Growth*, summarizes the responses of more than 750 small business owners. While financial growth, market supremacy, and an owner's personal satisfaction are likely aspects of success, the poll finds that ultimately, success in business is in the eye of the business owner.

Personal satisfaction from something as demanding as owning and operating a small business is inherently important to the firm's success. Of the 750-plus small business owners, 28 percent stated that their personal satisfaction from the business was a "10" on a 10-point scale. Two-thirds rated their contentment as an "8," and just 12 percent rank their personal satisfaction lower than a "5." Most owners gave a higher rating to their personal satisfaction from owning a business than to the business's success. This may partially explain why financially marginal firms remain in business.

It is no wonder that so many owners derive personal satisfaction from their businesses, since most spend the bulk of their time doing what they like to do. Forty-two percent spend most of their time working in the daily operations of their firms. Fifteen percent do a small portion of everything in the business. A relatively small number (10 percent) spend the majority of their time in the planning and strategy phase of their firm, and just 6 percent said that they spend the largest part of their day handling the financial aspects of their business.

Growth is a common gauge of business success, though a some-

what misleading one at that. The data in the survey show that most small firms are content with their current size. Those owners who want their businesses to expand only seek modest growth goals. Only 14 percent cited growth as one of the most influential factors in appraising the firm's success.

However, a firm's progress is still an important factor for over half of current small business owners. Fifty-one percent indicated that they want their business to grow, 43 percent wanted to keep their ventures the same size, and only 3 percent would prefer their firms were smaller. Of the 43 percent who were happy with their firm size, many said that growing their business might be accompanied by risks that they were not prepared to assume.

Though it is not necessarily a reflection of success, turnover in small business is enormous. Nearly one employer in five suggests they plan to "get out" in the next few years. Of this 20 percent, over half will try to sell their business, 16 percent plan to pass their firm onto an heir, and 15 percent will shut down all together. Only one in four of those contemplating an exit plans to start a new endeavor after leaving their current one.

The NFIB Research Foundation, under the leadership of William J. Dennis, Jr. and Advocacy's former director of economic research, Bruce D. Phillips, conducted this poll to determine the precise factors that make small business owners consider their businesses successful. Surprisingly, it was not the conventional measures that turned up: financial return, rapid growth, or market dominance. While the answers varied, there were several constants. Personal satisfaction, a quality product, ethical treatment of employees, customers and business

## The Small Business Advocate

**Editor** Rebecca Krafft

**Managing Editor** Rob Kleinsteuber

**Contributing Editors** Kathryn Tobias, John McDowell, Jason S. Bassett

**Production Assistant** Darlene Moyer-Mahmoud

*The Small Business Advocate* (ISSN 1045-7658) is published monthly by the U.S. Small Business Administration's Office of Advocacy and is distributed to Small Business Administration field staff and members of the U.S. Congress. *The Small Business Advocate* is available without charge from the Office of Advocacy, U.S. Small Business Administration, Mail Code 3114, Washington, DC 20416.

Send address changes to: *The Small Business Advocate*, Mail Code 3114, U.S. Small Business Administration, Washington, DC 20416. Include your current address label.

*The Small Business Advocate* online: [www.sba.gov/advo/news/](http://www.sba.gov/advo/news/)

Electronic delivery of *The Small Business Advocate* is available by visiting [www.sba.gov/advo/news/](http://www.sba.gov/advo/news/). Subscriber information will be kept confidential and not used for any purpose except for newsletter delivery. To discontinue print delivery of *The Small Business Advocate*, send an e-mail with your current mailing information to [advocacy@sba.gov](mailto:advocacy@sba.gov) or call (202) 205-6533.



Federal Recycling Program  
Printed on recycled paper.

associates were cited as central to small business success. The report captures this subtle mix by observing that "a good business is about makin' a little money, havin' a little fun, and doin' a little good"—a philosophy that small business owners "appear to subscribe to in a big way."

## For More Information

To order *Success, Satisfaction and Growth*, an NFIB National Small Business Poll, visit [www.nfib.com](http://www.nfib.com) and click on Issues, then Research and Background.

---

## Message from the Chief Counsel

---

### Heroes for America and Small Business

by Tom Sullivan, Chief Counsel for Advocacy

*Following are excerpts from remarks delivered at the ceremony swearing in Tom Sullivan as chief counsel for advocacy on March 1, 2002.*

I would like to talk for a few minutes about heroes.

On September 11, 2001, we entered an age of awareness of the heroes all around us. They have been bright lights in the darkness, serving as examples for all of us to follow. We all have our personal heroes. And in the wake of the September 11 terrorist attacks, our country has heroes.

We think, for example, of Todd Beamer, Mark Bingham, and others on United Airlines Flight 93—the flight they forced down in Pennsylvania. Those heroes saved hundreds, if not thousands of lives—maybe even the lives of some of the people in this room—who were working that day in the places the hijackers of that plane had targeted. The passengers on Flight 93 are examples for us all. And of course we all think of the hundreds of firefighters, policemen, and emergency care professionals who gave their lives rescuing others, and the hundreds more who

continued rescue and cleanup efforts long afterward.

There are other heroes too, lighting the way for other professions. Some of them are business people—for example, Don Pintabona, executive chef at the Tribeca Grill, a restaurant closed down right after September 11 because of its close proximity to the World Trade Center. Mr. Pintabona decided to use his kitchen to make food for the rescue teams working around the clock looking for survivors. It wasn't easy to get the food where it needed to be—but when another chef joked that they should ship the meals by water, Mr. Pintabona got the idea of putting the food service on a boat. They opened up operations on a ship at a Battery Park marina just across from the devastation. In less than two days, they were open, cooking meals, and serving up to 15,000 people a day!

President Bush must have had people like Don Pintabona in mind when he said in an address to the nation right after the attacks: “Our country’s wealth is not contained in glass and steel; it is found in the skill and hard work and entrepreneurship of our people, and those

are as strong today as they were two weeks ago.”

Small business people often carry on efforts that can be described as heroic. They start up businesses, often with few resources other than their own sweat and determination. They use their ingenuity to create not only new products, but also new ways of doing things. Not only do they create most of the new jobs—they also hire and train more women, more young and old people, minorities, immigrants, and people who have been on welfare than their larger counterparts.

That’s where I get to my next group of heroes—the people who go to the mat to defend small businesses and create an environment where small business competition can thrive. They are the advocates who speak out for small business. Many of you are those advocates—and that is the core function of the office I am honored to head.

The Office of Advocacy was created in 1976 to gather information about small businesses and to speak out for them, especially within the halls of government.

From what I’ve seen, even in the short time since my confirmation as the office’s chief counsel, Advocacy’s job can be as daunting as the confrontation between David and Goliath. But it can be as rewarding as the public recognition of America’s small business heroes and knowing that we are helping make the American Dream possible.

So it is a great honor and pleasure for me to be given the job of heading up this fine team of public servants—really, heroes to the small business community. And, to have the support of all of you assembled here this afternoon.



SBA Administrator Hector Barreto delivers the oath of office to Thomas M. Sullivan. Tom’s fiancée, Juliane Carter, holds the Bible.

---

## The White House Small Business Agenda

---

### Highlights of the White House's Small Business Plan, March 19, 2002

*The complete text is available from [www.whitehouse.gov/infocus/smallbusiness/agenda.html](http://www.whitehouse.gov/infocus/smallbusiness/agenda.html).*

The role of government is not to create wealth, but to create an environment where entrepreneurs can flourish. The President believes that low taxes and clear, sensible regulations are essential to helping all 25 million small businesses in America. Equally important, the President believes we must work to ensure that employees of small businesses have access to high-quality health care and reliable pensions. And for those small businesses that deal with the federal government, the contracting process should be fair, open, and straightforward.

#### Tax Incentives

High tax rates inhibit entrepreneurial activity because they act as a tax on success, claiming a larger share of income from flourishing enterprises, while the government shares little of the risk of loss. The President congratulates the Congress for already taking bipartisan action to help small businesses. The President believes that the following proposals would build on this strong record:

- **Increase small business expensing.** This proposal would allow more small businesses to immediately expense more new investment. Under current law, firms with up to \$200,000 in new investments can immediately expense (rather than depreciate) the first \$25,000. Under this proposal, firms with up to \$325,000 in new investments could immediately expense the first \$40,000.

- **Simplify taxes for small businesses.** The Treasury Department will shortly announce final rules to allow service-oriented businesses with less than \$10 million in gross receipts to use cash accounting rather than accrual accounting. This

change will significantly reduce the paperwork burden for hundreds of thousands of small businesses. In addition, the President has directed the Treasury Department to finalize the proposed rules on the capitalization of intangible assets as quickly as possible. Finally, the President has instructed the Treasury Department to conduct a study on additional ways to simplify taxes on small businesses.

- **Permanently repeal the death tax.** The death tax can fall most heavily on small businesses that are asset rich but cash poor. This pro-

---

#### The bias of the death tax against the family-owned small business is the antithesis of the American Dream.

---

posal would permanently repeal the death tax, allowing family-owned businesses to be passed from one generation to the next without having to sell assets to pay a punitive tax. The President believes that the bias of the death tax against the family-owned small business is the antithesis of the American Dream.

#### Health Care Options

Small businesses frequently have trouble providing health care and pensions to their employees. The President believes that we must work equally hard to increase health security for the employees of small businesses. Specifically, he proposes the following steps:

- **Permit associations to provide health insurance.** Under this proposal, industry associations such as the National Federation of Independent Businesses could

effectively pool together their members to offer health insurance policies, called Association Health Plans. This change would give small businesses the same kind of purchasing power and coverage options that large firms can provide for their employees. The establishment of nationwide standards for association health plans means small businesses will have access to lower cost plans, greater administrative efficiencies, and much greater flexibility in the design and choice of benefits.

- **Dramatically improve Medical Savings Accounts.**

Medical Savings Accounts (Archer MSAs) combine a tax-free saving account with a high-deductible health insurance plan, providing a lower-cost health care option that is ideal for small businesses. Unfortunately, the excessive restrictions on MSAs have prevented small businesses from taking full advantage of their potential. This proposal would eliminate the current cap on the number of MSAs allowed nationwide and would lower the required deductible from \$1,650 to \$1,000 for an individual plan and from \$3,300 to \$2,000 for a family plan.

#### Regulatory Fairness

The complex, confusing, and cumbersome maze of federal regulations costs small businesses 60 percent more per employee than it costs large businesses.

Entrepreneurs cannot operate effectively in an environment of uncertainty and confusion. And compliance with these regulations can be very costly—averaging \$7,000 per employee by one estimate. The President believes that the following proposals would improve the regulatory environment for entrepreneurs:

• **Strengthen the SBA Office of Advocacy.** The Small Business Administration Office of Advocacy should ensure that the interests of small businesses are fully considered when agencies begin crafting new regulations. Agencies should thoroughly review the potential impact of regulations on small businesses well before they submit new regulations to the Office of Management and Budget (OMB). To better ensure this outcome, the President will provide the Office of Advocacy with greater enforcement powers through an executive order. Under this order, the Office of Advocacy will have the power to compel agencies, if they fail to study the impact of a new regulation on small businesses, to explain in writing why they did not undertake a study. The Office of Advocacy would make these explanations public (consistent with applicable laws) and work with the OMB Office of Information and Regulatory Affairs (OIRA) to ensure that regulations are well prepared before they are submitted to OMB.

• **Increase coordination between OIRA and the SBA Office of Advocacy.** Today, the Office of Advocacy and OIRA are signing a memorandum of understanding that is designed to ensure that these two offices work closely together to ensure that agencies consider small business issues as early as possible in the regulation writing process.

• **Allow small businesses to earn interest on their checking accounts.** Due to outdated, Depression-era laws, small businesses are not allowed to earn interest on their checking accounts. For many small businesses, the interest income on their checking account balances would defray other significant costs. The President believes that banks should be able to pay interest on small business checking accounts.

• **Seek comments from small businesses on ways to improve regulations.** The President has instructed the director of the OMB to seek the views and comments of small businesses on existing federal government regulations, paperwork requirements, and guidance documents. Today, the OMB OIRA is announcing a 60-day public comment period under the Regulatory Right to Know Act. OIRA is also releasing the 2002 draft *Report to Congress on the Costs and Benefits of Federal Regulations*. This report focuses special attention on the needs and concerns of small businesses.

• **Strengthen enforcement of the Regulatory Flexibility Act.** The President has also instructed the director of the OMB to work with the SBA Office of Advocacy

---

### Entrepreneurs cannot operate effectively in an environment of uncertainty and confusion.

---

to strengthen the enforcement of the Regulatory Flexibility Act. This Act requires agencies to prepare an analysis of the impact of new regulations on small businesses before they are put in place. OMB will send back to agencies any proposed rules that have not taken the impact on small businesses into serious consideration, as is required.

#### **Government Contracting**

Government contracting should not exclude small businesses in the bidding process. The President supports the following proposals to improve the access of small businesses to government contracts:

• **Ensure that government contracts are open to all small businesses that can supply the government's needs.** Contracting should be accomplished through full and open competitive proce-

dures. Therefore, the President has instructed the director of the OMB to review contracting practices at agencies with significant procurement activities to determine whether their contracting practices reflect a strong commitment to full and open competition.

• **Avoid unnecessary contract bundling.** Small businesses bring innovation and lower costs to the government. When contracts are bundled together, small businesses are at a disadvantage if they are not capable of supplying all the contracts. Accordingly, the President has instructed the director of the OMB to prepare a federal government strategy for unbundling contracts wherever practicable.

• **Streamline the appeals process for small businesses that contract with the federal government.** Small businesses that work with the government should not have to face a costly, complicated and burdensome appeals process when they are in a dispute with the government over a contract.

Currently, there are eight different executive branch civilian boards of contract appeals (BCAs)—all with different rules of procedure. In order to ease the administrative burden on small businesses, this legislative proposal would consolidate these eight BCAs into one board.

#### **Access to Information**

The federal government has numerous information sources to help provide small businesses with the information they need to succeed. These include:

- [www.businesslaw.gov](http://www.businesslaw.gov),
- [www.dol.gov](http://www.dol.gov),
- [www.sba.gov/advo](http://www.sba.gov/advo), and
- [www.export.gov](http://www.export.gov).

• **Business Compliance Self-Service One-Stop.** This Internet site, which will be ready in 2003, will help small businesses go through the permitting, licensing, and regulatory steps required wherever they are located.

## RFA Enforcement in 2001 Saved Small Businesses More Than \$4.4 Billion

Small businesses saved at least \$4.4 billion in potential regulatory compliance costs because a number of proposed regulations were not implemented, according to the Office of Advocacy's report on federal agency compliance with the Regulatory Flexibility Act (RFA) during fiscal year 2001.

The Office of Advocacy monitors agency compliance with the law, which requires federal agencies to determine whether a proposed regulation will have a disproportionate effect on small businesses and, if so, to explore alternative solutions that still achieve the agency's policy goals. Enforcement of the law has improved since passage of the Small Business Regulatory Enforcement Fairness Act (SBREFA) in 1996.

The effort to improve agency compliance was elevated to a new level of importance by President Bush's Small Business Agenda. The agenda includes a commitment to issue an executive order giving Advocacy the authority to compel agencies to give a written explanation should they fail to comply with the RFA. With this increased authority, Advocacy expects to reduce the number of agencies noted in the report as "ongoing RFA compliance concerns."

"The President has delivered on his pledge to support small business," said Thomas M. Sullivan, chief counsel for advocacy. "By helping federal agencies to proactively consider the unique needs of small business, the President's directive will save small business even more in foregone regulatory compliance costs," he said.

### Cost Savings Achieved in 2001.

The report contains numerous examples of regulatory cost savings achieved through the implementation of the RFA.

- Small businesses saved some \$3 billion in one-time costs when

President Bush signed a joint congressional resolution disapproving the ergonomics standard—an OSHA rule that would have required most business owners to have a plan in place to address musculoskeletal disorders as a result of repetitive stress injuries. "We believe the SBREFA panel report and our cost analysis played a significant role in Congress's decision to prevent the rule's implementation," Sullivan said.

- Three EPA rules governing the reporting of lead, control of sulfur in diesel fuel, and control of air toxics from cars and trucks were modified to save small businesses more than \$265 million.

- A Forest Service rule would have prohibited construction and reconstruction of roads on 58.5 million acres of national forest lands and cost small businesses \$231.3 million in annual compliance costs. Partly as a result of the problems that emerged during this so-called "roadless" rulemaking, the Forest Service's appropriation act for 2001 contained a provision funding the review of all Forest Service rules and regulations to determine whether they are in compliance with the RFA.

- The Federal Acquisition Regulation Council stopped implementation of a procurement rule on contractor responsibility that would have imposed new reporting requirements on federal contractors and cost \$28 million annually.

Consulting Small Business Up Front. Beyond these cases of specific savings, Advocacy has been working through the RFA and SBREFA processes to bring about better rulemaking at federal agencies up front. The changing culture at the Internal Revenue Service (IRS), whose rules affect every small business, is one example.

"In FY 2001, the IRS was more likely to request suggestions from small businesses about the most troublesome regulatory requirements and the best approach to solving such problems before the rules were published," said Sullivan. "That is exactly how the RFA intends the regulatory process to work."

*The Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act, Fiscal Year 2001* is available at [www.sba.gov/advo](http://www.sba.gov/advo) and from the National Technical Information Service, (800) 553-6847, [www.ntis.gov](http://www.ntis.gov).



The RFA helps Advocacy protect the smallest of the small. Eureka, Mont. (pop. 1,000) faced the prospect of losing most of its jobs if the Forest Service's roadless conservation rule had taken effect.

## Milt Stewart Reaches Another Milestone; Founding Chief Counsel Set Course for Today's Office of Advocacy

Milton D. Stewart, the "Father of Advocacy," continues to break new ground. This March, Milt celebrated his 80th birthday. The Office of Advocacy, current and past staff, wish Milt a very happy birthday and many more fulfilling years to come.

From 1978 to 1981, Milt served as Advocacy's founding chief counsel and set forth a vision that lives on in Advocacy's work today.

Milt saw the necessity of developing a body of small business economic research and applying that research to create sound public policy. He pioneered today's cooperative efforts within government to study the impact of regulation and to distribute that impact in an equitable fashion. Today's Regulatory Flexibility Act is the fruit of Milt's vision.

In an interview in October 2001, Milt recalled his proudest accomplishment with Advocacy as the Small Business Innovation Development Act, enacted in 1982.

"Although it was not enacted until after my term of office," he said, "it was a direct result of the work done during my term. There were other significant achievements, but this was the most impor-



Advocacy's founding chief counsel, Milt Stewart (seated), is flanked by his four successors: Jere Glover, Tom Sullivan, Tom Kerester, and Frank Swain.

tant, by far." The act established the Small Business Innovation Research program, which requires federal agencies with research programs of a certain size to set aside a percentage of their research dollars for small companies under a three-phase research award process.

In 1997, Advocacy awarded Milt the "Lifetime Small Business

Advocacy Award," in recognition of more than five decades of service on behalf of small business.

To honor him on his 80th, President Bush sent Milt a letter commemorating the event, and Senators John Kerry (D-Mass.) and Christopher "Kit" Bond (R-Mo.) cosponsored a Senate resolution.

Happy Birthday, Milt!

## Small Business Week 2002, May 5-11

Every spring during National Small Business Week, the U.S. Small Business Administration celebrates the dedication and success of small businesses across America. The theme of this year's celebration is "Small Business: Where America Works."

This year, seven individuals have been selected to receive national advocacy awards and three to receive special awards. The Advocates of the Year were selected because of their outstanding efforts to improve the climate for small business.

The special award categories are Small Business Exporter, Young

Entrepreneur, and Entrepreneurial Success. The selection of the winners is based not only on the financial success of the business but also on employee growth, innovation, and community involvement. The winners come from diverse backgrounds and represent a wide range of geographic areas.

You can read about this year's winners on Advocacy's website, [www.sba.gov/advo](http://www.sba.gov/advo). The May issue of *The Small Business Advocate* will also salute them and include biographical profiles of each.



# OIRA and Advocacy to Cooperate in Reducing Burdensome Regulation

On March 19, 2002, the Office of Advocacy and the Office of Information and Regulatory Affairs (OIRA) entered into a memorandum of understanding to reduce the federal regulatory burden on small entities and generate improved agency compliance with the Regulatory Flexibility Act. In the MOU, the two offices commit themselves to work together to ensure that federal agencies properly comply with the Regulatory Flexibility Act. The offices will share information to ensure that agencies adequately consider the impact of their proposed regulations on small businesses in their regulatory flexibility analyses and certifications of economic impact.

OIRA is known as the regulatory arm of the Office of Management and Budget. It reviews federal rules for their economic impact and has the authority to amend and possibly reject agency regulatory proposals.

“Advocacy and OIRA recognize that the best way to prevent unnecessary regulatory burden is to participate in the rulemaking process at the earliest stage,” said OIRA Administrator John D. Graham. “Since Advocacy and OIRA share similar goals, we are glad to formalize our working relationship on behalf of all small entities,” he said.

“I’m pleased that President Bush has recognized the hard work Advocacy does on behalf of small business,” said Chief Counsel for Advocacy Tom Sullivan. “By announcing this agreement as part of his small business agenda, the President has demonstrated his commitment to reduce the negative effects of regulations on the job creators of our economy—small businesses.”

The agreement between Advocacy and OIRA will help implement the President’s small business agenda: helping to tear down regulatory barriers to job cre-

ation by small businesses and giving small business owners a voice in the complex and confusing federal regulatory process. Above all, this change will be achieved without sacrificing the goals of environmental quality, travel safety, worker protection, and financial security for working families.

The complete text of the March 19 MOU can be found on Advocacy’s website, [www.sba.gov/advo](http://www.sba.gov/advo).

## The e-Advocate

More than 2,000 people have signed up to receive *The Small Business Advocate* electronically. These subscribers receive the e-copy almost two weeks earlier than print subscribers do, and they help our office save postage and printing costs. To sign up, visit Advocacy’s webpage at [www.sba.gov/advo](http://www.sba.gov/advo).

---

U.S. Small Business Administration  
Office of Advocacy  
Mail Code 3114  
409 Third Street, S.W.  
Washington, DC 20416

Official Use  
Penalty for Private Use, \$300

*Return Service Requested*

FIRST CLASS  
POSTAGE AND FEES PAID  
U.S. Small Business Administration  
Permit No.G-82