

## Junk Fax Protection Act Allows Small Businesses to Communicate with Customers

On July 9, President George W. Bush signed into law the Junk Fax Prevention Act of 2005. The law codifies the “established business relationship” exemption to the Telephone Consumer Protection Act of 1991, which small businesses have used over the past decade to send faxes to their customers.

In 2003, the Federal Communications Commission (FCC) eliminated the established business relationship exemption and required all businesses to have express written permission from the recipient before sending a commercial advertisement via fax, regardless of any prior relationship. The FCC stayed enforcement of this rule three times in response to petitions from groups that represent many small businesses.

The Junk Fax Prevention Act overturns the overly broad regulations issued by the FCC in July 2003. Those regulations would

have made it illegal for businesses to send faxes to even long-time customers unless they had specific written permission to send a fax to a particular number. The FCC regulations were opposed by more than 600 businesses and trade associations that formed the Fax Ban Coalition.

“The passage of the Junk Fax Prevention Act of 2005 by both the U.S. House and Senate is good for small businesses and their customers,” said Chief Counsel for Advocacy Thomas M. Sullivan. “Junk faxes remain illegal, but real estate agents can still fax listings based on a telephone request, jobbers can fax updated price lists to stores, and caterers can fax menus to brides-to-be. It’s bipartisan win-win legislation that’s good for all concerned,” he said.

The legislation prohibits sending unsolicited fax advertisements to

*Continued on page 4*



On August 9, Alaska Governor Frank Murkowski signed House Bill 33, which implements key elements of the small business regulatory flexibility model legislation drafted by the Office of Advocacy. Governor Murkowski (left) was joined at the signing ceremony by SBA Administrator Hector Barreto. (See story on page 11.)

## In This Issue

### Message from the Chief Counsel

Regional Advocacy Going Strong . . . . . 3

### Legislative News

President Signs Junk Fax Protection Act . . . . . 1

Snowe Sponsors Bills to Strengthen the RFA . . . . . 4

### Regulatory Update

Advocacy Takes Part in HUD’s RESPA Hearings . . . . . 4

### Economic News

Small Business Indicators for Second Quarter 2005 . . . . . 5-6

New! Small Business Profiles for States and Territories . . . . . 2

Report on Cost of Benefits . . . 2

### Regional Roundup

Extending Increased Section 179 Expensing Limits . . . . . 7

New Regional Advocates: Bob Judge, Ray Marchiori. . . . . 8

Getting in Touch With Your Regional Advocate. . . . . 9

State RFA Progress in 2005. . 10

Alaska, Oregon Sign Regulatory Flexibility Legislation . . . . . 11

---

## Research Notes

---

### Small Businesses Stimulate the U.S. Economy—In Every State and Territory

By James Heisey, Office of Advocacy Intern

As entrepreneurs and innovators, small business owners represented a diverse group in 2004 and continued to keep the economy productive. The Office of Advocacy's just released report, *Small Business Profiles for the States and Territories, 2005*, provides copious information on the performance of small businesses. It uses the most current federal data available, including the latest information from the Census Bureau on minority business ownership. The new data, the first in five years, were released in early August.

The *Small Business Profiles* study, produced annually by Advocacy's Office of Economic Research, provides small business advocates nationwide with a snapshot of key small business indicators on the state level. The report also features information on the U.S. territories, though in less detail than for the states.

Each state's profile offers information on the overall number of small businesses in the state, as

well as on small employer and non-employer firms. Nationally, small businesses comprised 99.7 percent of all firms with employees. The *Small Business Profiles* also show growth trends for employer and non-employer firms in each state.

Are you interested in finding out more information about your state's small businesses? Earlier versions dating to 2001, as well as this year's study, can easily be compared on Advocacy's website at [www.sba.gov/advo/research/profiles](http://www.sba.gov/advo/research/profiles). How important are small businesses to your state? A very large percentage of firms with employees are small businesses, ranging from a low of 92.9 percent in Delaware, to a high of 99.2 percent in California.

Who are your state's business owners? Each profile gives the latest data about business ownership: the number of women-owned businesses, how many people they employ, and their revenues. Data on women's self-employment are also presented.

This year's *Small Business Profiles* also contain the latest

information on minority business ownership. Released by the Bureau of the Census in early August, these data are the first update to minority business statistics since those pertaining to 1997 were released.

Data on business turnover—including business formation, termination, and bankruptcy—are all detailed. Employment trends are presented in detail, including the number of people employed in each state's small and large firms in each major industry, and the number of jobs gained and lost in large and small firms in each state.

#### The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

Contributing Editors James Heisey, Jim Henderson, John McDowell, Eric Menge, Jennifer Smith, Kathryn Tobias, David Voight, Sarah Wickham, Viktoria Ziebarth

Production Assistant Dawn Crockett

*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 SBA 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, MC 3114, Washington, DC 20416; [advocacy@sba.gov](mailto:advocacy@sba.gov); (202) 205-6533. For delivery changes, send your current address label with your request to the above address. For back issues, contact National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; [www.ntis.gov](http://www.ntis.gov).

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

Electronic delivery of *The Small Business Advocate* is available by visiting [www.sba.gov/advo/newsletter.html](http://www.sba.gov/advo/newsletter.html). Subscriber information is kept confidential and not used for any purpose except newsletter delivery.



Federal Recycling Program  
Printed on recycled paper.

---

### New Research Shows the Cost of Benefits

A new research report from the Office of Advocacy examines the cost of health care, pensions, and other benefits by firm size. The report, *The Cost of Employee Benefits in Small and Large Businesses*, specifically looks at the cost of health insurance, pension plans, paid vacation, and sick leave.

The report finds that the offering of benefits and their associated costs can vary dramatically with firm size. For instance, the latest data show that the per-participant administrative costs of defined-contribution pension plans (such as 401(k) plans) are as much as 14

times more for the smallest firms than for their largest counterparts.

The authors also examined the share of all private industry employees eligible to enroll in health insurance plans. They found that about 40 percent of employees in the smallest firms were eligible for health insurance coverage, compared with slightly more than 77 percent of the largest firms' employees.

Joel Popkin and Company wrote the study with funding from the Office of Advocacy. The complete text can be found at [www.sba.gov/advo/research/rs262tot.pdf](http://www.sba.gov/advo/research/rs262tot.pdf).

## Message from the Chief Counsel

### Advocacy's Regional Team Going Strong

by Thomas M. Sullivan, Chief Counsel for Advocacy

The Office of Advocacy's regional advocates serve as my eyes and ears throughout the country. They play a special role, listening to the concerns of small businesses across the country, and educating local, state, and federal officials on regulatory flexibility and the importance of small business.

Having representatives from the Office of Advocacy throughout the country allows my office to better identify and assess the key concerns of small businesses and communicate them to federal officials here in Washington, D.C.

Regional advocates are Main Street's direct contact with our office. As a team, they bring a diverse set of experiences and skills to their jobs. Some have started small businesses, one has served as a member of Congress, and others have worked in state economic development. One has served in local government; another is an expert in urban entrepreneurship. Their professional breadth and civic involvement are tremendous assets to small businesses.

Regional advocates elevate issues to the Washington, D.C., office and apprise small businesses in communities throughout the nation of Advocacy's work on regulatory issues and economic research. They frequently participate in local roundtables and write editorials on pressing concerns of the small business community.

The regional team remains focused on two important priorities. First, the regional advocates have been educating state policymakers on the benefits of Advocacy's state regulatory flexibility model legislation. The legislation is modeled after the federal Regulatory Flexibility Act and encourages states to measure the impact of proposed regulations on small business and consider less burdensome alternatives. Since December 2002, 33 state legislatures have considered some form of regulatory flexibility legislation, and 15 states have enacted new regulatory flexibility laws. In addition, four governors have signed executive orders to implement regulatory flexibility.

For more information on the progress of state regulatory flexibility model legislation, visit [www.sba.gov/advo/laws/law\\_modeleg.html](http://www.sba.gov/advo/laws/law_modeleg.html).

Second, the regional advocates have been meeting with professors and deans leading entrepreneurship programs in colleges and universities. In these meetings, regional advocates present Advocacy's latest research and data available on small business and entrepreneurship issues. This effort is meant to spark interest among undergraduate and graduate students in entrepreneurship and small business. Ultimately, their study, research, and papers that detail information on entrepreneurial phenomena will be more readily available for business leaders, government officials, and heads of state.

Please contact the regional advocate in your region to learn more about Advocacy's activities in the states and to make them aware of the issues that concern you (see page 9). Not only are they valuable resources for small business owners, the regional advocates are great listeners as well.



*Courtesy NECN, used by permission.*

Regional advocates raise consciousness about small businesses and the issues that concern them, and they speak out on their behalf. In June, Region X Advocate Connie Marshall (left) spoke at the Idaho Tech Launch 2.0 Conference in Sun Valley, Idaho. Region I Advocate Steve Adams (far right) appeared on New England Cable News' *Business Day* in August.

---

## Legislative Update

---

### S. 769 and S. 1388 Would Help Plug Holes in the RFA

The Office of Advocacy's efforts to reduce small business regulatory burdens helped save small businesses over \$17 billion in foregone regulatory costs last year.

Advocacy monitors agency compliance with the Regulatory Flexibility Act (RFA) of 1980, as strengthened by the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996. The RFA requires federal agencies to consider approaches to regulatory objectives that will be less burdensome to small businesses.

Over time federal agencies have found ways to bypass the RFA's small business protections. Senator Olympia Snowe (R-Maine), chair of the Senate Small Business and Entrepreneurship Committee, has introduced two bills that would go

a long way to help Advocacy be an even more effective voice for small business in the federal government.

The Small Business Compliance Assistance Enhancement Act of 2005 (S. 769), would make it easier for small businesses to comply with complex federal regulations by requiring agencies to issue timely plain English compliance guides for federal regulations that have a big impact on small businesses. It would give agencies clear guidance and would require them to report annually to Congress on their progress.

Senator Snowe's second bill, the Regulatory Flexibility Reform Act of 2005 (S. 1388), would require agencies to identify indirect, as well as direct, economic impacts of their proposed regulations on small business. The requirement would

address the trickle-down effects of regulations on businesses that are not directly regulated but suffer economic harm.

It would also codify into law Executive Order 13272, signed by President Bush in 2002. This executive order requires agencies to notify Advocacy before issuing proposed rules that impact small businesses and to respond to Advocacy's comments on the draft rules.

S. 1388 also strengthens requirements to review existing 10-year-old regulations to ensure agencies remove or modify unnecessary regulations that impose a present-day burden.

The proposals in these two bills would level the playing field for small business and would help the Office of Advocacy become an even more effective fighter for small business.

---

## Regulatory Update

---

### Advocacy Participates in HUD's Hearings on RESPA

This summer, the Office of Advocacy cosponsored three small business roundtables with the U.S. Department of Housing and Urban Development (HUD) on proposed reforms to the Real Estate Settlement Procedures Act (RESPA). On July 29, 2002, HUD published a proposed rule titled "RESPA: Simplifying and Improving the Process of Obtaining Mortgages to Reduce Settlement Costs to Consumers." The proposed changes, including disclosure of mortgage broker fees and packaging, would have

impeded a small business's ability to compete and affected several types of real estate businesses, including mortgage brokers, bankers, realtors, and settlement service providers.

In response to considerable feedback from small businesses, consumers, other federal agencies, and members of Congress, HUD withdrew the reform proposal in early 2004. HUD promised to gather more information on obtaining mortgages and settlement costs, and to reach out to Congress, affected

members of the industry, consumers, and other federal agencies before proposing further RESPA changes.

The Advocacy and HUD roundtables produced excellent industry feedback and suggestions from the participants about RESPA reform, as well as the changes in the real estate market and home settlement process that have occurred since HUD issued its proposed rule in 2002. Additional information can be found at [www.hud.gov/respareform](http://www.hud.gov/respareform).

---

### Junk Fax Act, from page 1

anyone who has requested that they not be sent. Unsolicited faxes can be sent if the senders have an established business relationship with the customer and the fax contains a conspicuous notice on its first page that the recipient may request not to

be sent any further unsolicited faxes. To prevent third-party mass marketers from buying fax lists, businesses must obtain fax numbers either directly from the recipient, or from a published source such as a directory, advertisement, or Internet site.

The costs to comply with the

FCC's rule would have been substantial, as the rule potentially applied to all small businesses in the country. A U.S. Chamber of Commerce survey found the average annual small business cost would have been at least \$5,000 in the first year and more than \$3,000 thereafter.

## SECOND QUARTER 2005: THE ECONOMY AND SMALL BUSINESS

### Trends

- The overall economy continued to expand and create new jobs in the second quarter of 2005. Real gross domestic product grew at an annualized rate of 3.3 percent—the ninth consecutive quarter of real GDP growth over three percent. The components of GDP, though, showed mixed results from the first to the second quarter of this year. Real personal consumption and real exports were higher, but real gross private fixed investment was slightly lower. Importantly, industrial production and proprietors' income have both continued to grow throughout 2005.
- Consumers and small businesses remained upbeat as the second quarter ended. Both the National Federation of Independent Business's Optimism Index and the University of Michigan's Consumer Sentiment Survey were higher in June than in April.
- The unemployment rate has dipped to 5.0 percent—its lowest point since September 2001. The U.S. economy has created 1.1 million net new jobs so far this year, with 584,000 of those stemming from the second quarter. The four industries with the largest percentage of small business employment—construction, other services, wholesale trade, and leisure and hospitality—added 210,200 net new jobs during the quarter. Every industry with the exception of manufacturing gained employment between March and June. Both incorporated and unincorporated self-employment has remained relatively flat during the quarter, according to the Current Population Survey.
- Interest rates continued to increase, reflecting the Federal Reserve's efforts to stabilize a growing economy. Comparing the second quarters of last year to this year, variable rates for small loans of less than \$100,000, for instance, increased from 4.2 to 5.7 percent and from 6.1 to 7.1 percent for short-term loans of less than one month and one month to less than year, respectively. Other rates rose similarly. According to the Senior Loan Officer's Survey, though, small firm lending remains strong. Meanwhile, venture investment deals grow at a consistent pace, \$5.8 billion in the second quarter.
- The price of West Texas crude reached \$56.26 a barrel in June, an increase of nearly \$2 from March and significantly higher than the average in previous years. Despite high energy costs, however, consumer and producer prices rose only modestly in the second quarter. In the labor market, private sector wages and salaries have risen 1.2 percent in the first two quarters of this year, whereas private sector benefits have jumped 1.9 percent.

### Small Business Indicators

|   | Last five years |       |       |       |       | Last five quarters |       |       |       |       |
|---|-----------------|-------|-------|-------|-------|--------------------|-------|-------|-------|-------|
|   | 2000            | 2001  | 2002  | 2003  | 2004  | Q2-04              | Q3-04 | Q4-04 | Q1-05 | Q2-05 |
| Business bankruptcy filings (thousands)   | 35.5            | 40.1  | 38.5  | 35.0  | 34.3  | 8.2                | 7.6   | 7.8   | 8.1   | --    |
| Proprietors' income (billions of current dollars)   | 728.4           | 771.9 | 768.4 | 810.2 | 889.7 | 898.4              | 889.1 | 900.9 | 917.9 | 942.4 |
| Prime bank loan rate  | 9.2             | 6.9   | 4.7   | 4.1   | 4.3   | 4.0                | 4.4   | 4.9   | 5.4   | 5.9   |
| Rates for smallest loans (less than \$100,000):   |                 |       |       |       |       |                    |       |       |       |       |
| Variable rate loans, repricing terms of 2-30 days   | 9.7             | 7.4   | 5.1   | 4.4   | 4.4   | 4.2                | 4.6   | 4.5   | 5.3   | 5.7   |
| Variable rate loans, repricing terms of 31-365 days   | 9.9             | 8.7   | 6.6   | 6.4   | 6.2   | 6.1                | 6.3   | 6.5   | 6.6   | 7.1   |
| Senior loan officers (percent of respondents):  |                 |       |       |       |       |                    |       |       |       |       |
| Net small firm C&I lending standards (those whose standards were eased minus those tightened) | -20.4           | -39.4 | -20.0 | -7.1  | +13.1 | +19.6              | +3.7  | +18.2 | +9.1  | +22.7 |
| Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)      | -3.3            | -36.6 | -40.0 | -14.7 | +25.9 | +38.1              | +38.9 | +25.5 | +13.7 | +45.5 |
| Venture investment: number of deals   | 7819            | 4453  | 3046  | 2840  | 2910  | 805                | 646   | 787   | 703   | 750   |
| Venture investment: total invested (billions of dollars)                                      | 105.0           | 40.8  | 21.7  | 19.4  | 21.3  | 6.1                | 4.6   | 5.6   | 4.9   | 5.8   |

Note: The second quarter figure for the Senior Loan Officers Survey is for April, which measures from January. C&I loans refers to commercial and industrial loans. Sources: Administrative Office of the U.S. Courts; Board of Governors of the Federal Reserve System; National Venture Capital Association; U.S. Bureau of Economic Analysis.

|  | Last five years |      |       |       |       | Last five months (2005) |       |      |       |       |
|--|-----------------|------|-------|-------|-------|-------------------------|-------|------|-------|-------|
|  | 2000            | 2001 | 2002  | 2003  | 2004  | Feb                     | Mar   | Apr  | May   | June  |
| NFIB Small Business Optimism Index (1986 = 100)                    | 100.3           | 98.4 | 101.2 | 101.3 | 104.6 | 103.7                   | 102.5 | 99.8 | 100.8 | 100.8 |
| NFIB: next 3 months "good time to expand" (percent of respondents) | 19.2            | 12.3 | 14.3  | 15.7  | 22.3  | 24                      | 19    | 18   | 18    | 22    |
| NFIB: net percent planning to hire in the next 3 months            | 15.6            | 11.6 | 10.8  | 10.2  | 15.3  | 16                      | 10    | 11   | 15    | 13    |
| Self-employed, incorporated (millions)                             | 4.5             | 4.5  | 4.6   | 5.0   | 5.2   | 5.1                     | 5.4   | 5.5  | 5.4   | 5.3   |
| Self-employed, unincorporated (millions)                           | 10.2            | 10.1 | 9.9   | 10.3  | 10.4  | 10.6                    | 10.7  | 10.8 | 10.7  | 10.5  |

Sources: National Federation of Independent Business; Current Population Survey, U.S. Bureau of Labor Statistics

Released August 24, 2005

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

### Employment by Major Sector (millions)

|                                     | Percent small business | Last five years |               |               |               |               | Last five months (2005) |               |               |               |               |
|-------------------------------------|------------------------|-----------------|---------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|
|                                     |                        | 2000            | 2001          | 2002          | 2003          | 2004          | Feb                     | Mar           | Apr           | May           | June          |
| <b>Goods-producing industries</b>   | <b>48.41</b>           | <b>24.65</b>    | <b>23.87</b>  | <b>22.55</b>  | <b>21.81</b>  | <b>21.88</b>  | <b>22.07</b>            | <b>22.09</b>  | <b>22.13</b>  | <b>22.14</b>  | <b>22.14</b>  |
| Natural resources and mining        | 38.24                  | 0.60            | 0.61          | 0.58          | 0.57          | 0.59          | 0.61                    | 0.62          | 0.62          | 0.62          | 0.63          |
| Construction                        | 96.15                  | 6.79            | 6.83          | 6.71          | 6.73          | 6.96          | 7.13                    | 7.16          | 7.21          | 7.22          | 7.23          |
| Manufacturing                       | 42.34                  | 17.27           | 16.44         | 15.26         | 14.51         | 14.33         | 14.32                   | 14.32         | 14.30         | 14.30         | 14.28         |
| <b>Service-producing industries</b> | <b>55.03</b>           | <b>107.14</b>   | <b>107.96</b> | <b>107.79</b> | <b>108.19</b> | <b>109.59</b> | <b>110.81</b>           | <b>110.90</b> | <b>111.16</b> | <b>111.28</b> | <b>111.44</b> |
| Trade, transportation and utilities | 52.32                  | 26.22           | 25.99         | 25.50         | 25.29         | 25.51         | 25.71                   | 25.74         | 25.80         | 25.84         | 25.85         |
| Wholesale trade                     | 62.79                  | 5.93            | 5.77          | 5.65          | 5.61          | 5.65          | 5.69                    | 5.70          | 5.71          | 5.72          | 5.72          |
| Retail trade                        | 42.92                  | 15.28           | 15.24         | 15.02         | 14.92         | 15.04         | 15.13                   | 15.13         | 15.16         | 15.19         | 15.20         |
| Information                         | 25.56                  | 3.63            | 3.63          | 3.39          | 3.19          | 3.14          | 3.13                    | 3.13          | 3.15          | 3.15          | 3.15          |
| Financial activities                | 39.73                  | 7.69            | 7.81          | 7.85          | 7.98          | 8.05          | 8.17                    | 8.17          | 8.18          | 8.19          | 8.21          |
| Professional and business services  | 44.83                  | 16.67           | 16.48         | 15.98         | 15.99         | 16.41         | 16.78                   | 16.80         | 16.84         | 16.85         | 16.91         |
| Education and health services       | 47.84                  | 15.11           | 15.65         | 16.20         | 16.59         | 16.95         | 17.19                   | 17.21         | 17.24         | 17.29         | 17.33         |
| Leisure and hospitality             | 61.43                  | 11.86           | 12.03         | 11.99         | 12.18         | 12.48         | 12.65                   | 12.66         | 12.72         | 12.74         | 12.76         |
| Other services                      | 86.16                  | 5.17            | 5.26          | 5.37          | 5.40          | 5.43          | 5.46                    | 5.46          | 5.47          | 5.47          | 5.48          |
| Government                          | 0                      | 20.79           | 21.12         | 21.51         | 21.58         | 21.62         | 21.73                   | 21.73         | 21.75         | 21.75         | 21.76         |

Notes: Seasonally adjusted. See <http://www.bls.gov/ces/cesuper.htm> for NAICS code equivalents for each sector. The small business percentage by sector is based on 2002 firm size data. See [http://www.sba.gov/advo/stats/us\\_02\\_n6.pdf](http://www.sba.gov/advo/stats/us_02_n6.pdf) for more information.

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 |        |        |        |        |
|---|-----------------|--------|--------|--------|--------|--------------------|--------|--------|--------|--------|
|   | 2000            | 2001   | 2002   | 2003   | 2004   | Q2-04              | Q3-04  | Q4-04  | Q1-05  | Q2-05  |
| Annual change, real gross domestic product                            | 3.7             | 0.8    | 1.6    | 2.7    | 4.2    | 3.5                | 4.0    | 3.3    | 3.8    | 3.3    |
| Real personal consumption expenditures (billions)*                    | 6739.4          | 6910.4 | 7099.3 | 7306.5 | 7588.6 | 7536.6             | 7617.5 | 7698.8 | 7764.9 | 7828.3 |
| Real gross private fixed investment (billions)*                       | 1679.0          | 1629.4 | 1548.9 | 1627.4 | 1794.4 | 1813.0             | 1833.4 | 1863.9 | 1902.9 | 1879.0 |
| Federal government surplus or deficit (billions)                      | 189.5           | 46.7   | -247.9 | -382.8 | -406.5 | -413.5             | -411.6 | -371.6 | -293.5 | --     |
| Real exports of goods and services (billions)*                        | 1096.3          | 1036.7 | 1013.3 | 1031.2 | 1117.9 | 1110.2             | 1125.0 | 1144.5 | 1165.3 | 1200.3 |
| Real imports of goods and services (billions)*                        | 1475.8          | 1435.8 | 1484.6 | 1552.6 | 1719.2 | 1711.9             | 1731.5 | 1778.6 | 1810.7 | 1801.6 |
| Corporate profits after tax (billions)                                | 552.8           | 563.2  | 693.7  | 799.7  | 890.3  | 887.3              | 858.2  | 926.4  | 925.6  | --     |
| Nonfarm business sector output per hour for all persons (1992 = 100)  | 115.5           | 118.5  | 123.3  | 128.0  | 132.3  | 132.2              | 132.7  | 133.5  | 134.5  | 135.3  |
| Employment Cost Index: private sector wages and salaries (1989 = 100) | 146.0           | 151.4  | 156.4  | 160.9  | 165.0  | 164.5              | 165.7  | 166.4  | 167.2  | 168.4  |
| Employment Cost Index: private sector benefits (1989 = 100)           | 156.0           | 163.7  | 171.7  | 182.5  | 195.4  | 194.1              | 196.7  | 199.9  | 202.0  | 203.6  |

\*Chained 2000 dollars.

Note: Seasonally adjusted.

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 (2005) |        |        |        |        |
|---|-----------------|--------|--------|--------|--------|-------------------------|--------|--------|--------|--------|
|   | 2000            | 2001   | 2002   | 2003   | 2004   | Feb                     | Mar    | Apr    | May    | June   |
| Unemployment rate (seasonally adjusted)                                     | 4.0             | 4.8    | 5.8    | 6.0    | 5.5    | 5.4                     | 5.2    | 5.2    | 5.1    | 5.0    |
| Civilian employment—16 years and older (millions, seasonally adjusted)      | 136.9           | 136.9  | 136.5  | 137.7  | 139.2  | 140.1                   | 140.5  | 141.1  | 141.5  | 141.6  |
| Civilian unemployed—15 weeks and over (millions, seasonally adjusted)       | 1.3             | 1.8    | 2.9    | 3.4    | 3.1    | 2.9                     | 2.8    | 2.7    | 2.7    | 2.4    |
| Nonfarm payrolls (millions, seasonally adjusted)                            | 131.8           | 131.8  | 130.3  | 129.9  | 131.3  | 132.9                   | 133.0  | 133.3  | 133.4  | 133.6  |
| Producer Price Index (1982 = 100)   | 132.7           | 134.2  | 131.1  | 138.1  | 146.7  | 151.6                   | 153.6  | 155.0  | 154.4  | 154.1  |
| Consumer Price Index (seasonally adjusted, 1982 = 100)                      | 172.2           | 177.0  | 179.9  | 184.0  | 188.9  | 192                     | 193.2  | 194.2  | 194.1  | 194.1  |
| Consumer Sentiment Survey (1966 = 100)                                      | 107.6           | 89.2   | 89.6   | 87.6   | 95.2   | 94.1                    | 92.6   | 87.7   | 86.9   | 96.0   |
| Spot oil price per barrel: West Texas intermediate crude                    | 30.30           | 25.92  | 26.10  | 31.14  | 41.44  | 47.97                   | 54.31  | 53.04  | 49.83  | 56.26  |
| ISM Purchasing Managers Index—manufacturing composite (seasonally adjusted) | 51.7            | 43.9   | 52.4   | 53.3   | 60.5   | 55.3                    | 55.2   | 53.3   | 51.4   | 53.8   |
| Industrial production (1997 = 100, seasonally adjusted)                     | 115.4           | 111.3  | 111.0  | 110.9  | 115.5  | 118.3                   | 118.6  | 118.2  | 118.6  | 119.7  |
| M2 money stock (billions, seasonally adjusted)                              | 4798.2          | 5214.9 | 5609.5 | 5997.1 | 6269.1 | 6451.6                  | 6472.3 | 6469.1 | 6470.3 | 6502.6 |
| 3-month Treasury bills (secondary market rate)                              | 5.82            | 3.39   | 1.60   | 1.01   | 1.37   | 2.54                    | 2.74   | 2.78   | 2.84   | 3.22   |
| 10-year Treasury note (constant maturity rate)                              | 6.03            | 5.02   | 4.61   | 4.02   | 4.27   | 4.17                    | 4.50   | 4.34   | 4.14   | 4.18   |

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

Released August 24, 2005

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

---

## Regional Roundup

---

### Extending Increased Section 179 Expensing Limits Will Help Small Businesses Grow

Congress should extend the increased Section 179 expensing limits for small business, according to testimony by Rocky Mountain Regional Advocate Jim Henderson. Henderson testified before a Colorado field hearing of the U.S. House of Representatives Committee on Small Business, Subcommittee on Workforce, Empowerment, and Government Programs in August.

Section 179 of the Internal Revenue Code allows small businesses to deduct all or part of the cost of certain property and equipment in the year it is placed into service, rather than deducting its cost over several years. In 2003, President Bush signed a tax relief bill which increased the Section 179 limit to \$100,000. The tax

change has encouraged small businesses to invest in their businesses. The increased Section 179 limit is set to expire in 2008.

Testifying at the Fort Collins hearing, Henderson said that the increased Section 179 expensing limit is “having a significant positive impact on small businesses because it increases their cash flow and dramatically reduces the paperwork necessary to account for the capitalization of purchased business property.”

Moreover, since the previous more restrictive limits will go back into effect in 2008, Advocacy “believes the expensing limits should be extended as called for in Chairwoman Musgrave’s legislation H.R. 1678” and that “ultimately Advocacy hopes the limits will be

made permanent” as called for by President Bush.

Advocacy research shows that increasing marginal tax rates on business income reduces the chances that entrepreneurs will open new firms while it increases the likelihood that they will exit the market. Further, decreasing marginal tax rates across the board spurs entrepreneurship by increasing the rate of new firm formation and slowing the rate of firm closure.

“Expansion of the expensing provisions of Section 179 is important to small businesses right here in Colorado,” Henderson said. He cited the experience of Mark Patterson, a tax accountant with the firm Stockman Kast Ryan and Company in Colorado Springs, who has many clients that have taken advantage of Section 179’s increased expensing provision. Patterson advised a new medical clinic that started in 2003 to use Section 179. Henderson noted that starting a medical clinic requires a significant amount of upfront capital investment; by availing itself of the Section 179 expensing provisions, the clinic increased its working capital enough to hire two key employees. “The clinic’s chance of being successful was increased because it was able to have the latest equipment and technology from day one,” Henderson said.

Extending the increased expensing limits of Section 179 will establish lower tax liability for small firms and thus help increase firm formation, retention, and job growth.

For Henderson’s complete testimony, visit [www.sba.gov/advo/laws/test05\\_0809.pdf](http://www.sba.gov/advo/laws/test05_0809.pdf).



Representative Marilyn Musgrave (R-Colorado) chaired the field hearing of the House Small Business Subcommittee on Workforce, Empowerment, and Government Programs, held in Fort Collins, Colorado, in August. She was joined by Colorado Representative Bob Beauprez (R-Colorado).

## Bob Judge and Ray Marchiori Appointed as Regional Advocates

In July, two new regional advocates were appointed to the Office of Advocacy's regional team. Regional advocates link the Office of Advocacy to small business owners, state and local government agencies, state legislators, and small business associations.

Former Pennsylvania Secretary of Revenue Bob Judge was appointed to represent Region III, covering Delaware, the District of Columbia, Maryland, Pennsylvania, West Virginia, and Virginia. Ray Marchiori will represent Region V, covering Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

### Region III Advocate

Bob Judge  
U.S. Small Business  
Administration  
Robert NC Nix Sr., Federal  
Building  
900 Market Street, 5th Floor  
Philadelphia, PA 19107  
(215) 580-2703 (phone)  
(202) 481-6552 (fax)  
[robert.judge@sba.gov](mailto:robert.judge@sba.gov)

### Region V Advocate

Ray Marchiori  
U.S. Small Business  
Administration  
500 West Madison Street  
Citicorp Center, Suite 1240  
Chicago, IL 60661-2511  
(312) 353-8614 (phone)  
(202) 481-6550 (fax)  
[raymond.marchiori@sba.gov](mailto:raymond.marchiori@sba.gov)

"Bob Judge and Ray Marchiori are a great addition to President Bush's small business team," said Chief Counsel for Advocacy Thomas M. Sullivan. "Bob's experience in dealing with regulatory issues, particularly in the tax arena faced by small businesses, will allow him to immediately help entrepreneurs. Ray's experience in all levels of government and his family background in small business will allow him to work with small business owners interested in reducing the regulatory burden."



Region III Advocate Bob Judge

Former Pennsylvania Secretary of Revenue Bob Judge served the Commonwealth of Pennsylvania in the Ridge Administration, working to make tax compliance and paperwork less burdensome for small businesses. He helped draft legislation that reduced the corporate net income tax and eliminated the minimum capital stock and franchise tax.

"I look forward to being a part of the Office of Advocacy and to bringing the concerns of small business owners in Region III to Washington, D.C.," said Judge.



Region V Advocate Ray Marchiori

Ray Marchiori has extensive local, state, and federal government experience, including serving as chief of staff at the Rural Development/Rural Utilities Service of the U.S. Department of Agriculture. Previously he served as a commissioner of the Northeastern Illinois Planning Commission and executive director of the DuPage County (Illinois) Workforce Board.

Marchiori grew up working in his family's restaurant in Hennepin, Illinois. In high school he started a small business that helped pay for his education at Northern Illinois University.

"I am excited to be able to use my governmental experience and small business background to promote policies that strengthen entrepreneurs," said Marchiori.

For more information about Advocacy's regional activities visit [www.sba.gov/advo/region.html](http://www.sba.gov/advo/region.html).



**Region I (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island & Vermont)**

Steve Adams  
Small Business Administration  
10 Causeway Street, Room 812  
Boston, MA 02222-1093  
(617) 565-8418 phone  
(202) 481-6500 fax  
stephen.adams@sba.gov

**Region II (New Jersey, New York, Puerto Rico & Virgin Islands)**

Vacant  
Small Business Administration  
26 Federal Plaza, Room 3108  
New York, NY 10278  
(212) 264-7750 phone  
(202) 481-5857 fax

**Region III (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia & West Virginia)**

Bob Judge  
Small Business Administration  
Robert NC Nix Sr., Federal Building  
900 Market Street, 5th Floor  
Philadelphia, PA 19107  
(215) 580-2703 phone  
(202) 481-6552 fax  
robert.judge@sba.gov

**Region IV (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina & Tennessee)**

Patrick Gartland  
Small Business Administration  
233 Peachtree St., N.E., Suite 1800  
Atlanta, GA 30303  
(404) 331-3081 phone  
(202) 481-0257 fax  
patrick.gartland@sba.gov

**Region V (Illinois, Indiana, Michigan, Minnesota, Ohio & Wisconsin)**

Ray Marchiori  
Small Business Administration  
500 West Madison Street  
Citicorp Center, Suite 1240  
Chicago, IL 60661-2511  
(312) 353-8614 phone  
(202) 481-6550 fax  
raymond.marchiori@sba.gov

**Region VI (Arkansas, Louisiana, New Mexico, Oklahoma & Texas)**

Eric Munson  
Small Business Administration  
2120 Riverfront Drive, Suite 250  
Little Rock, AR 72202-1794  
(501) 324-7379 ext. 249 phone  
(202) 481-6515 fax  
eric.munson@sba.gov

**Region VII (Iowa, Kansas, Missouri & Nebraska)**

Wendell Bailey  
Small Business Administration  
323 W. Eighth Street - Suite 307  
Kansas City, MO 64105-1500  
(816) 374-6380 phone  
(816) 374-6339 fax  
wendell.bailey@sba.gov

**Region VIII (Colorado, Montana, North Dakota, South Dakota, Utah & Wyoming)**

Jim Henderson  
Small Business Administration  
721 19th Street, Suite 400  
Denver, CO 80201  
(303) 844-0503 phone  
(303) 844-0506 fax  
james.henderson@sba.gov

**Region IX (Arizona, California, Guam, Hawaii, Nevada, American Samoa, Trust Territories & Commonwealth of the Northern Mariana Islands)**

Michael T. Hull  
Small Business Administration  
2828 N. Central Avenue, Suite 800  
Phoenix, AZ 85004  
(602) 745-7237 phone  
(202) 481-0450 fax  
michael.hull@sba.gov

**Region X (Alaska, Idaho, Oregon & Washington)**

Connie Marshall  
Small Business Administration  
1200 Sixth Avenue, Suite 1805  
Seattle, WA 98101-1128  
(206) 553-5231 phone  
(206) 553-4155 fax  
connie.marshall@sba.gov

**To contact the Office of Advocacy in Washington, DC:**

**Director of Regional Affairs**

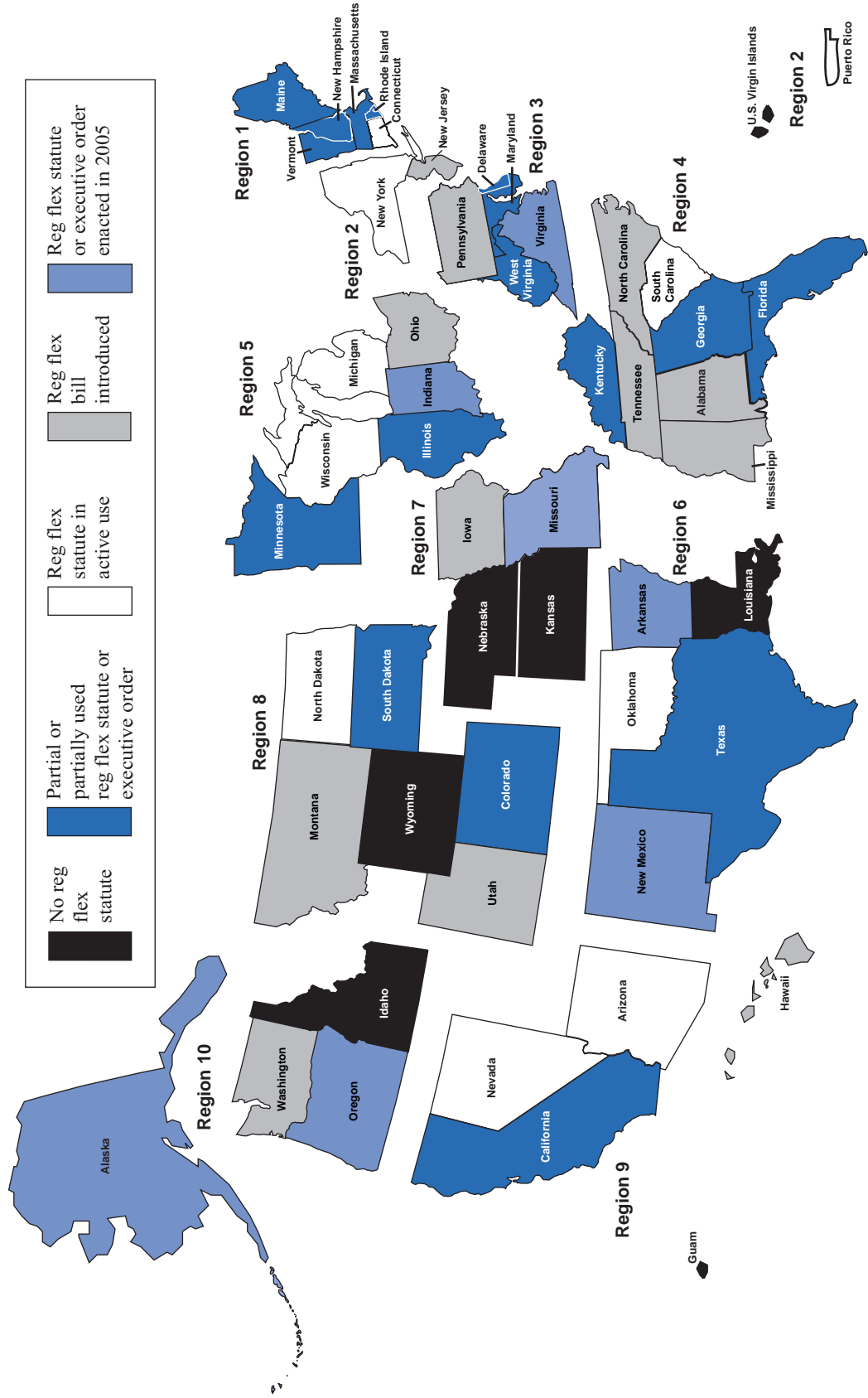
Viktoria D. Ziebarth  
(202) 205-6565 direct  
(202) 481-2345 fax  
viktoria.ziebarth@sba.gov

**Regulatory and Legislative Counsel for Regional Affairs**

Sarah H. Wickham  
(202) 205-6972 direct  
(202) 481-6013 fax  
sarah.wickham@sba.gov

# State Regulatory Flexibility Model Legislation Initiative

## 2005 Legislative Activity



## Alaska and Oregon Enact New Laws To Support Small Business

Small businesses in Alaska and Oregon will face a friendlier regulatory environment, thanks to new laws that give them a voice in the state regulatory process.

On August 9, Alaska Governor Frank Murkowski signed into law House Bill (H.B.) 33, which implements key elements of the small business regulatory flexibility model legislation drafted by the Office of Advocacy. Similar to the federal Regulatory Flexibility Act, the model legislation encourages entrepreneurial success by requiring state agencies to consider the impact of their policies on small business before they issue final regulations.

H.B. 33 enhances Alaska's current administrative procedure laws by including a small business definition; requiring agencies to analyze the economic impact of a proposed regulation on small business before they regulate; and requiring agencies to consider flexible regulatory approaches for small business while at the same time accomplishing the agency's objective.

"H.B. 33 is a step in the right direction to ensure the small business community in Alaska has a voice in crafting the regulations that affect their ability to make a living," said Governor Murkowski. "This in turn will mean that agencies specified in the bill will have to consider the adverse impacts to small business before promulgating regulations. I am encouraged by this move to help return common sense to the regulatory process affecting the very important sector of our economy."

With the support and leadership of Oregon Speaker of the House Karen Minnis and state Representative Kim Thatcher, Oregon Governor Ted Kulongoski created a friendlier small business regulatory environment by signing H.B. 3238 on August 29. The new law enhances Oregon's administrative procedure laws by requiring agencies to analyze the economic impact of a proposed regulation on small business before they regulate.

"Small companies are the backbone of our state's economy and

should not have to shoulder disproportionate regulatory costs and burdens," said Representative Thatcher. H.B. 3238 also requires agencies to conduct a review of existing rules every five years to ensure the rule has helped achieve its intended effect and that there is a continued need for a rule.

The addition of H.B. 3238 to Oregon's existing regulatory flexibility laws completes a sound regulatory framework for small businesses in Oregon. "I'm pleased that our collaboration with the SBA and others has delivered this model legislation for Oregon," said Governor Kulongoski. "These changes will help us continue to strengthen Oregon's business climate while maintaining our high standards and quality of life."

To learn more, visit [www.sba.gov/advo/laws/law\\_modeleg.html](http://www.sba.gov/advo/laws/law_modeleg.html) or contact Sarah Wickham, regulatory and legislative counsel for regional affairs, at (202) 205-6972 or [sarah.wickham@sba.gov](mailto:sarah.wickham@sba.gov).

## Small Business: Your issues are our issues at the SBA Office of Advocacy.

Access Advocacy Listservs for the latest regulatory alerts and small business statistics. Email notices will provide a hotlink to the new material, so your in-box won't fill up with large documents. At <http://web.sba.gov/list>, check:

- ADVOCACY NEWSLETTER**
- ADVOCACY PRESS**
- ADVOCACY REGULATORY NEWS**
- ADVOCACY RESEARCH**



*Advocacy: the voice of small business in government*



This summer, Advocacy's chief economist, Chad Moutray, met with high school students participating in the Summer Economics Institute in Alexandria, Virginia. Moutray (second from left) conducted a seminar on the importance of small businesses in the local community and the U.S. economy. The institute is headed by Jack Henes (far right), of T.C. Williams High School. It is a joint project of St. Stephen's and St. Agnes School, Alexandria City Public Schools, and the Alexandria Chamber of Commerce. In addition to attending economics presentations around the Washington metropolitan region, the students also took part in summer internships in the public and private sectors.

---

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

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

Official Use  
Penalty for Private Use, \$300

Return Service Requested