



Office of Advocacy  
U.S. Small Business Administration

March 2001

# **Advancing Rural America**

*A summary of efforts by the U.S. Small Business  
Administration's Office of Advocacy to promote and  
support rural small business*

The Office of Advocacy of the U.S. Small Business Administration was established in 1976 by Congress under Public Law 94-305 to, among other things, examine the current role of small business in the economy, present current and historical data on the small-business sector, and identify economic trends which will or may affect the small-business sector and the state of competition. In fulfillment of this mandate, the Office of Advocacy funds research and publishes reports, such as *The State of Small Business*, *Small Business Profiles*, the *Small Business Answer Card*, and *Small Business Economic Indicators*.

For more information, write to the Office of Advocacy at 409 Third Street S.W., Washington, DC 20416, or visit the Office's Internet site at <http://www.sba.gov/advo/>.

Copies of this report are available on the Office of Advocacy's Web site at [www.sba.gov/advo/stats/#state](http://www.sba.gov/advo/stats/#state). Reprints in paper or microfiche are available for purchase from the National Technical Information Service, 5282 Port Royal Road, Springfield, VA 22161, Tel. (800) 553-6847.

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Office of Advocacy  
U.S. Small Business Administration  
Washington, D.C.: 2001

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## FOREWORD

Independence, dependability, self-reliance — these ideals of the American character are rooted in rural America. The Office of Advocacy recognizes that viable small businesses are the core of sustainable rural communities. And today, rural small businesses face special challenges — limited access to capital and technological infrastructure, an eroding employment base, and the need for agriculture to compete globally — to name a few.

In recent years, the office has devoted greater resources to studying and identifying rural issues and making information available to help address them. For instance, the office's studies on lending let rural business owners know which banks have a track record of lending to small rural businesses and small farms. The studies may also prod banks into improving their lending practices. Advocacy started *ACE-Net* (the Access to Capital Electronic Network) to expand access to early-stage equity capital for all small businesses. *ACE-Net* is a tool that is especially relevant to rural small businesses. Rural small businesses' access to capital has historically been limited and may be constrained further as bank mergers replace community banks with larger entities that are less interested in non-credit card small-sized loans. And Advocacy's regulatory review has helped assuage some of the burdens that new federal regulations would have imposed on rural small businesses.

The Office of Advocacy has also teamed with the National Rural Development Partnership (NRDP), an initiative of the U.S. Department of Agriculture, to raise institutional awareness of rural issues. Advocacy hosted one of the NRDP's Harry S. Truman Fellows for 2000-2001, Shawn Vogt Sween, who is the author of this report. In this report, Sween catalogues Advocacy's recent efforts to address issues that affect rural small businesses and, with the input of NRDP members, identifies areas of much needed future research.

Visit the Office of Advocacy's Web site at [www.sba.gov/advo](http://www.sba.gov/advo) for additional information about small businesses.



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## **INTRODUCTION**

One-quarter of all Americans live in rural areas and benefit from the resources that the Office of Advocacy offers to small business. For many reasons, local firms serving rural communities often have difficulty accessing needed technology, transportation, and services, which leads to high fixed costs. Those costs make it more difficult for rural small businesses to compete with urban small and large businesses.

The Office of Advocacy's mission, simply stated, is to encourage policies that support the development and growth of American small business in all areas of the country. The Office of Advocacy works to ensure that government policies not increase the barriers to entry for new small firms and to reduce the burdens that federal policies impose on small firms, without compromising the intent of policies or regulations. Most "one-size-fits-all" regulations and the required paperwork have a high component of fixed costs and result in a higher cost per unit of output for small firms relative to large firms. For rural small firms, the fixed costs are likely to be even higher.

Given these challenges, the Office of Advocacy has taken a leadership position in recognizing the unique needs of rural small businesses. This study outlines the work that the Office has already completed that affects rural small businesses. There is, however, additional work to be done — work that is consistently constrained by staff and budget limitations. Because Advocacy has played a leading role in calling attention to the unique needs of rural and urban small businesses, this study suggests possible directions for future work that would positively influence rural small businesses.

## **OFFICE OF ECONOMIC RESEARCH: PUBLICATIONS**

Within the Office of Advocacy, the Office of Economic Research (OER) is responsible for compiling and disseminating research and statistics on small businesses. OER assists rural businesses primarily by conducting or sponsoring research reports on rural small businesses that are of value to institutions serving rural areas. Developing data on rural areas is a fundamental part of this research. OER's development of the Business Information Tracking Series, a joint effort with the U.S. Census Bureau, has provided researchers with a powerful tool to track businesses by metropolitan or nonmetropolitan location, among many other variables.

Many of OER's studies can be found on the Office of Advocacy website at [www.sba.gov/advo/stats](http://www.sba.gov/advo/stats).

### **Small Business Finance in Rural and Urban Regions**

**October 1998**

This is the text of a presentation given by Chief Counsel for Advocacy Jere W. Glover to the Federal Reserve Bank of Kansas City. The presentation made three major points regarding rural small businesses. First, research shows that the number of gazelles (firms that have doubled in size over the past four years) are effective at creating new jobs in rural areas. But rural gazelles

have a hard time finding both equity and debt financing and are not growing as rapidly as they could.

Second, evidence exists that bank mergers may be hurting rural communities. Currently, the very smallest banks are loaning the greatest percentage of their funds to small firms and farms. These small community banks are also more likely to be active in community affairs and make smaller, low-return loans. When banks merge, small communities may lose the resources that a smaller bank offers.

Finally, the small size of rural businesses and the lack of competition from other banks increase the costs to borrowers. The Office of Advocacy's ACE-Net program could make it possible for rural companies to obtain the equity capital they need and for rural investors to reach a nationwide market of entrepreneurial firms.

### **Small Business Lending in Rural America**

**June 2000**

This directory provides data on business lending in rural America by commercial banks filing Community Reinvestment Act reports. The report strives to help small firms in rural areas locate likely lending sources and to stimulate bank competition for small firm customers. The study shows that, although 80 percent of all small business lending occurs in urban areas, loans to rural businesses are increasing at a higher rate than loans to urban businesses. Average loan sizes to small firms in rural areas have also increased. The report does outline one major problem: 20 percent of small businesses are located in rural areas and have less access to other forms of credit than small businesses located in urban areas.

### **Small Farm Lending in the United States**

**Published Yearly Since 1998**

This study ranks all banks in every state and is published individually for each state. It was originally published in 1998 as *Small-Farm-Friendly Banks in the United States*. This study provides the data to help family farm owners find the bank most likely to meet their needs. It raises concerns about the supply of credit to small farms, given the decline in the number and value of small farm loans and the number of community banks in the United States.

### **Small Farm Lending by Bank Holding Companies**

**Published Yearly Since 1999**

This study identifies the multi-billion dollar bank holding companies (BHCs) that are “small-farm-friendly” — those from which small farms have been successful in obtaining loans. In addition, it allows bank holding companies to compare how they are doing relative to their competitors. The 2000 study found that although the largest 57 BHCs held 69.2 percent of all domestic bank assets in June 1999, they accounted for just 12.5 percent of the \$48.9 billion in small farm loans (loans under \$250,000). In addition, the small farm loan portion of the BHC portfolio shrank over the 1998-1999 period, even though 15 BHCs reported increases in the share of assets in small farm loans.

## **Small Business Lending in the United States**

**Published Yearly Since 1994**

The *Small Business Lending in the United States* studies rank commercial banks' lending performance to small businesses by state. While these studies do not specifically identify rural data, the main offices of banks are listed. This information could be used by rural small businesses to identify banks located near their area. In general, banks that are located in rural areas could be assumed to be likely to lend to rural small businesses.

## **Small Business and the Changing Structure of the Livestock and Agricultural Industries**

**Draft February 2000**

This draft study summarizes previous literature on the structure of agricultural markets, studying the livestock industry in particular. In addition, it analyzes agricultural statistics from the Office of Advocacy databases. The study concludes that small firms are being squeezed out of the meat products industry and that processors are getting larger and gaining a monopoly position in large sections of agriculture.

## **Rural and Urban Areas by Firm Size, 1990-1995**

**March 1999**

This report provides an analysis of the growth of employer firms, measured by the number of business locations and employment in urban and rural areas. It contains the latest available data on urban and rural business locations and employment by major industry and state. The report also details the changing importance or share of the economy that small firms have in rural and urban areas. From 1990 to 1995, the number of urban establishments and the level of employment increased, while rural employment increased only slightly and the number of establishments declined.

## **OFFICE OF INTERAGENCY AFFAIRS: REGULATORY ACTIVITY**

The Office of Interagency Affairs employs advocates who pursue regulatory, legislative, and other policy initiatives that support small business growth. The office prepares comment letters and testimony on federal proposals that may affect small firms. The hallmark of Advocacy's efforts is addressing concerns shared by small businesses of all types. These include access to capital, burdens of regulatory compliance, costs associated with telecommunications reform, and tax policies that place undue burdens on small firm operations. In addition, the Office of Interagency Affairs tackles regulatory issues that affect specific industries.

In pursuing good public policy, the Office of Interagency Affairs also monitors federal agencies' compliance with the Regulatory Flexibility Act of 1980 (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). The RFA requires federal agencies to analyze the impact of proposed regulations if they are likely to have a "significant impact on a substantial number of small entities." The Office of Advocacy reports on agencies' compliance to Congress each year.

The Office of Advocacy has commented on a number of rules that affect rural small businesses. Additional information on advocate actions can be found at [www.sba.gov/advo/laws](http://www.sba.gov/advo/laws).

### **Access Charge Reform**

Universal service requirements help keep the cost for basic telephone service low for customers and businesses in rural areas by requiring customers in lower-cost, high-density urban areas to subsidize the higher cost of rural access. In the Telecommunications Act of 1996, Congress mandated that the subsidy be funded by an explicit charge. Congress did so because an explicit charge billed to customers would allow new competitive carriers to collect and receive universal service support and encourage competition.

The Office of Advocacy supports the goal of universal service to keep telecommunications service affordable in rural areas. In addition, Advocacy supports the efforts of Congress and the Federal Communications Commission (FCC) to make universal service subsidies explicit and based on actual measurable costs of providing service to high-cost (rural) areas.

FCC implementation of the explicit universal service subsidy has created costs and difficulties for all small businesses. For example, the long distance costs and business line costs were originally inflated to provide universal service fund support. As explicit fees have begun to be added to customers' bills, long distance and business line fees have not been reduced proportionally, and the cost of telephone service to small businesses has risen. Advocacy has encouraged the FCC to alter its implementation of the explicit universal service charges so that these unintended inequities for all small businesses (both rural and urban) are reduced.

### **Radon and Arsenic Rules**

These rules affect small rural governments and small rural water supply owners that are regulated by the safe drinking water rules. The Office of Advocacy advised the Environmental Protection Agency on methods to make the rules less expensive, potentially saving rural small businesses hundreds of millions of dollars annually. These recommendations included less stringent regulatory standards or, in the case of radon, an alternative compliance mechanism to address the same hazard. This work was done as part of the SBREFA panel process over the last two years and may help rural areas.

### **Extending Wireless Services to Tribal Lands**

The FCC has begun a series of initiatives designed to spur provision of wireless services to tribal and rural areas. One rule change designed to accomplish this goal would grant incentives to companies, particularly larger ones, that agree to provide service to low-penetration areas. In fact, the FCC appears to take the view that the larger telecommunications companies are the ones best situated to fill this need. The Office of Advocacy believes the FCC should encourage smaller local businesses to meet this need, since these companies often have strong ties to the communities they serve and are more motivated than nonlocal firms to gauge and fill the needs of rural and tribal residents.

## **Licensing Spectrum Based upon Geographic Area**

The Office of Advocacy has been involved in a number of FCC proceedings that have proposed licensing spectrum in various bandwidths on a geographic basis. The FCC has chosen to create “Economic Areas” as the geographic licensing unit in several services. Economic Areas tend to be large areas covering urban and rural jurisdictions. Advocacy believes smaller areas based on specific urban, suburban, or rural jurisdictions would be more appropriate since companies could better target the market they wish to serve. This would result in greater participation by small businesses, which would likely have difficulty competing with large businesses in the much larger economic areas. Advocacy’s position would allow small rural businesses the opportunity to compete for licenses.

## **Medicare Participation Requirements for Rural Health Clinics**

Pursuant to the Balanced Budget Act of 1997, the Health Care Financing Administration (HCFA) proposed a rule to revise certification and payment requirements for rural health clinics (RHCs). This rule redefined qualifying rural shortage areas in which RHCs must be located, established criteria for identifying RHCs that can continue to be approved as Medicare RHCs in areas no longer designated as medically underserved. The rule also limited waivers of certain non-physician practitioner staffing requirements. It also imposed payment limits on provider-based RHCs and prohibited commingling or the use of the space, equipment and other resources of an RHC with another entity. Advocacy commented that the agency did not have a factual basis for its certification, that RHCs may lose their designation, that the prohibition against commingling did not take into account legitimate office-sharing relationships (particularly in rural areas), and that HCFA should have prepared an initial regulatory flexibility analysis (IRFA).

## **Patient Restraint One-Hour Rule**

HCFA proposed a rule requiring a doctor or other licensed independent practitioner to assess the need to continue restraining patients within one hour after restraints were first used. This rule is especially burdensome for rural facilities because physicians may have to travel great distances to assess a patient. Rep. Saxby Chambliss (R-Ga.) requested information from Advocacy on whether or not HCFA complied with the Regulatory Flexibility Act (RFA) in promulgating the one-hour rule, and what possible remedial action might be taken. Advocacy concluded that no study of impact on rural facilities had been conducted and that less burdensome regulatory alternatives had not been considered; hence, the agency was in violation of the RFA. The agency should be required to reconsider the rule and prepare a proper analysis.

## **Ambulance Fee Schedule Rule**

HCFA proposed a rule designed to alter Medicare reimbursement for ambulance services, which would have had a significant impact on rural ambulance services. Specifically, HCFA proposed to base reimbursement on the beneficiary’s medical condition rather than the type of vehicle used (for example, advanced life support/ALS and basic life support/BLS). Ambulance services would have to document and submit to HCFA records of the level of medical care needed by a

beneficiary based on certain pre-determined diagnosis codes. The rule also attempted to narrow the definition of an ambulance by requiring a certain number of personnel to operate each vehicle as well as requiring certain minimum equipment and supply levels. Such rules would be difficult for rural providers, who often face higher costs because of lengthy trips. Among other things, the Office of Advocacy challenged the agency's failure to prepare an adequate analysis of the rule's impact and whether rural ambulance services were receiving adequate reimbursement levels. In the final rule, equipment requirements were reduced, staff requirements were modified to comport with state laws, and physician certification requirements were modified to give ambulance services additional time to obtain them. Congress ordered HCFA to initiate a negotiated rulemaking process to resolve the ALS-BLS reimbursement issue. The overall result was more categories of ambulance services and a greater cost shifting to rural services that will receive higher payments due to the higher costs they incur for lengthier trips.

### **Hospital Outpatient Prospective Payment System (PPS)**

HCFA proposed the Outpatient PPS rule to replace the old cost-based Medicare reimbursement system with a new system based on pre-determined rates for individual services. Such a system would fail to account for cost differences faced by rural hospitals, which have fewer economies of scale and scope. Advocacy commented that certain hospitals (for instance, cancer, rural and rehabilitation hospitals) should not be included in the Outpatient PPS rule because of their low volume and/or high costs. Because of the impact this rule would have had on hospital outpatient facilities, Congress later mandated that payments to hospitals be increased by 10 percent and that some hospitals be exempt.

### **Roadless Initiative**

The Forest Service plans to set aside 45 million acres of forestland as roadless (i.e., barring any further construction in those areas). Although it is a nationwide initiative, it mostly affects activities in national Forest Service lands in rural Montana, Oregon, Nevada, Arizona, Wyoming, Utah, Idaho, and Washington. This rule will impact rural small businesses, including timber harvesters and miners, which may not be able to get to their principal source of income. It will also have an impact on local school districts, which rely on timber payments to fund schools. The Forest Service invited Advocacy and other agencies to become involved in the regulatory process before the rule was announced, increasing the opportunity for comment on small business needs. While the original initiative included 54 million acres, the new proposal covers 45 million acres. In addition, the new proposal will not go into effect in Alaska for five years, at which time it will affect 9 million acres in Alaska. Finally, because of Advocacy's work, exemptions may be included for certain rural industries.

### **Fishing Industry**

Many rural areas rely on the fishing industry as a principal source of income. In the George's Bank area off the New England coast, the National Marine Fisheries Service (NMFS) refused to allow scallop fishing because NMFS asserted that the stock was depleted. The industry produced its own research indicating that the scallops were so abundant in George's Bank that they were dying from overcrowding. NMFS promulgated the regulation without considering the industry's

research. Advocacy stated that the agency failed to consider the industry data and suggested that ignoring the alternative of reopening George's Bank not only violated the RFA, but may also have been arbitrary and capricious. Based upon Advocacy's comments, the Secretary of Commerce ordered the agency to re-evaluate the scallop industry's research. NMFS subsequently reopened George's Bank for scallop fishing.

## **Mining**

The Bureau of Land Management (BLM) issued a rule intended to prevent mining businesses, which are located in rural areas, from mining area without reclaiming it. The rule required miners to obtain a reclamation bond, assuring that they would clean up the area once mining had finished. The Office of Advocacy notified BLM that they had not properly analyzed the impact on small businesses nor had they used a proper size standard. BLM refused to change its analysis.

The mining industry filed suit against BLM in *Northwest Mining v. Babbitt*. The court found that BLM had not used the proper size standard in doing the RFA certification, rescinded the rule, and ordered the agency to do a proper analysis.

BLM then re-proposed the rule. Meanwhile, Congress ordered a study by the National Research Council to determine whether the regulation was really needed. Since BLM's deadline for comments fell before study had been completed, Advocacy argued that BLM keep the comment period open until the study was concluded. Advocacy also argued that BLM's economic analysis was flawed and had not considered true alternatives to the rule. BLM is in the process of making the rule final.

## **Commercial Mail Receiving Agencies (CMRA)**

A new rule from the U.S. Postal Service (USPS) requires that all businesses using commercial mail receiving agencies (CMRAs) indicate so by putting "PMB" or "#" in their address. This rule could have a significant impact on rural small businesses, which may use the CMRAs as safe places to receive mail for small or home-based businesses. There may be a stigma attached to a business with such an address, and small businesses could potentially lose business because customers may not be aware of the new address requirements. Moreover, the address change would require a costly change in letterhead, business cards, and other company materials.

The Office of Advocacy stated that it does not support the rule. Advocacy became involved by hosting roundtables, attending meetings with the U. S. Postal Service, and writing comment letters challenging the legality of the action and the costs of the rule on small businesses. While the original rule was to go into effect in April 1999, it has now been postponed for all businesses until August 2001, allowing for the use of old materials and the printing of new business supplies.

## **Glacier Bay Fishing Area**

In 1997, the National Park Service (NPS) proposed a regulation prohibiting commercial fishing in nonwilderness waters of Alaska's Glacier Bay proper, an area which includes many rural small businesses. The proposal provided a 15-year seasonal exemption from the prohibition for commercial fishers who could demonstrate a reasonable history of participation in a specific Glacier Bay fishery. However, the proposal did not include an analysis of the potential impact on the fishing industry, even though the proposal would have effectively put several operations out of business and would likely have had a substantial economic impact on small fishing villages. In February 1999, Advocacy questioned the certification and urged NPS to perform an IRFA. With Advocacy's assistance, NPS prepared an IRFA and finalized the rule, which contains less stringent eligibility criteria for determining which businesses are able to fish under the exemption provisions of the rule, thereby avoiding undue impact on rural small businesses.

## **ACTIVITIES OF ADVOCACY'S REGIONAL ADVOCATES**

Regional advocates are the chief counsel's direct link to local business owners, state and local government agencies, state legislatures and small business organizations. Covering the 10 federal regions of the nation, regional advocates help identify new issues and problems of small businesses by monitoring the impact of federal and state regulations and policies on the local business communities within their regions. In addition, the Office of Advocacy employs one advocate specifically to focus specifically on rural issues. Additional information can be found at [www.sba.gov/advo/region.html](http://www.sba.gov/advo/region.html).

### **Telecommunications Act**

When the Federal Communications Commission implemented the Telecommunications Act, it changed universal service coverage for rural areas. The FCC chose to recognize only one phone line as essential in rural areas. Consequently, all rural small businesses would have been charged excessive fees for additional lines (for example, for computers and fax machines or other technologies). Bringing together members of the National Rural Development Partnership's state rural development councils, the rural regional advocate garnered support for Advocacy's position that this change was improper. Due to Advocacy's role in this issue, the FCC chose to leave universal service coverage unchanged for rural areas.

### **Distribution of Excess Government Computers to Rural Communities**

Advocacy and the rural regional advocate discovered that the Department of Health and Human Services (HHS) had a warehouse of used computers that were no longer in use by the agency. Citing a need for at least one computer in each rural community, Advocacy arranged for the transport of these machines to a storehouse where they could be distributed to rural communities. In partnership with the Rural Conservation and Development Office of the U.S. Department of Agriculture, Advocacy distributed the computers to needy rural communities. In some cases, the donation allowed the community, for the first time, to computerize its 911 service.

### **South Carolina Rural Disaster Loan**

The rural regional advocate worked with farmers in South Carolina who had received rural disaster loans. These farmers planned to upgrade their equipment but couldn't because it had been used as collateral. The advocate worked with the farmers to have the collateral released.

### **Small Business Incubator**

In Ohio, the rural regional advocate worked with the State Rural Development Council to create a small business incubator that would allow farmers to process their own commodities.

### **First Rural Small Business Investment Corporation**

In Oklahoma, state law prohibited the banking community from becoming involved in Small Business Investment Corporation (SBIC) activities. The rural regional advocate worked with the state legislature to change this law, thereby allowing small rural banks to form SBICs. Because of this work, the first rural SBIC was formed in Durant, Oklahoma.

### **Cotton Brokers Eligible for Disaster Loans**

Cotton brokers, who make contracts with cotton producers to sell the product, have traditionally not been eligible for disaster loans if something happens to the cotton crop. During a recent growing season, cotton brokers made contracts for long staple cotton. Growing conditions were such, however, that only one-half inch cotton could be harvested. The cotton brokers ultimately sold the cotton for a loss because of the contract. The Office of Advocacy worked with cotton brokers to change their eligibility status for disaster loans.

### **Rural Co-ops**

The rural regional advocate is currently working with the states of Nebraska, Kansas, Oklahoma, Texas, North Dakota, and South Dakota to explore the possibility of creating small rural co-ops that are eligible for small business loans.

### **Community Reinvestment Act (CRA) Credit for Small Rural Communities**

The rural regional advocate is working with the Federal Reserve Bank of Salt Lake City to explore how to better structure lending programs to assist small rural communities and small rural businesses. The Federal Reserve is currently considering a different form of Community Reinvestment Act (CRA) credit for these communities.

## **OTHER ADVOCACY INITIATIVES AFFECTING RURAL AREAS**

The Office of Advocacy has also been involved in several other initiatives that have had an impact on rural small businesses.

**Ace-Net: Access to Capital Electronic Network****Developed in 1997**

ACE-Net is an Internet-based listing service for securities offerings of small, growing companies located throughout the nation, which can be viewed anonymously by accredited investors. ACE-Net was developed by the U.S. Small Business Administration's Office of Advocacy, working in consultation with the U.S. Securities and Exchange Commission, the North American Securities Administrators Association, and the University of New Hampshire's Whittemore School of Business and Economics. ACE-Net is an initiative to help small businesses outside Silicon Valley (and other areas with an abundance of angel capital) to gain access to capital. It has the potential to help many rural businesses. ACE-Net is in the process of being privatized. Additional information can be found at <http://ace-net.sr.unh.edu/pub>.

**Rural Roundtable Discussions****1999-2000**

The rural regional advocate, in coordination with the Small Business Administration, state rural development councils, and other partners, has conducted six rural roundtables throughout the country. These roundtables bring together local rural leaders to discuss access to capital in rural areas. Participants have included bankers, business owners, rural development leaders, organizational representatives, investors, as well as representatives of local, state, and federal agencies. Due in part to these roundtables, SBA will implement a Rural Initiative and is in the process of determining next steps from suggestions made by participants.

**Models of Excellence Awards****1998 and 1999**

As part of the *Vision 2000* conferences of 1998 and 1999, the Office of Advocacy recognized hundreds of organizations for their contributions in creating and aiding viable small businesses. Fifteen of those organizations were recognized for their work in "rural development." For more information on award winners, visit [www.sba.gov/advo/vision.html](http://www.sba.gov/advo/vision.html).

**National Rural Development Partnership Truman Fellow**

The Office of Advocacy has recently formed a partnership with the National Rural Development Partnership (NRDP) by accepting the placement of a Truman Fellow for the 2000-2001 year. The Truman Fellow, a recent college graduate who has received the Truman Scholarship, is hired by NRDP and will work in the Office of Advocacy to increase institutional awareness of rural issues. NRDP brings together partners from local, state, tribal, and federal governments and from the for-profit and nonprofit private sectors to help rural communities improve their quality of life. If the placement of the Truman Fellow proceeds well, there will likely be many opportunities for collaboration in the future. For more information on NRDP, visit [www.rurdev.usda.gov/nrdp](http://www.rurdev.usda.gov/nrdp).

## **FUTURE EFFORTS TO IMPROVE SMALL BUSINESSES IN RURAL AREAS**

The Office of Advocacy has undertaken many projects that have had a positive impact on rural small businesses. Because of Advocacy's past leadership, it is possible for the office to continue to play a strong role in advocating for both rural and urban small businesses. Toward this end, the following are suggestions for future work that the Office of Advocacy could undertake.

### **White House Conference on Small Business**

In 1995, the White House Conference on Small Business took place. No recommendations or actions that specifically addressed unique rural small business needs came out of this conference, however. Future discussion is necessary to ensure that these unique needs are not overlooked. Ideally, a similar conference would be convened and would include representatives from both rural and urban areas, recognizing that business needs differ based on geographic location and infrastructure availability.

### **Differentiate Research into Rural and Urban Regions**

Whenever possible, the Office of Economic Research should give breakdowns of urban and rural data in its reports. For example, in banking studies, locations should be used to divide the data into urban and rural areas (or some other more appropriate geographical distinction: urban, rural-near-urban, and rural). This new interpretation of the data will be extremely useful to rural development professionals. To facilitate this process, the Office of Advocacy has recently obtained USDA data that identifies metro, near metro, and truly rural counties. Now researchers must determine how to incorporate this breakdown into research to make the results useful to both urban and rural practitioners.

### **Create and Disseminate Request-for-Proposal (RFP) Topics that Address Rural Research Needs**

The Office of Advocacy routinely requests proposals for outside research from qualified researchers. Advocacy encourages outside researchers to study topics of importance to those interested in small businesses. Although Advocacy requested rural proposals, none of those submitted were technically acceptable. This may be due to the fact that there was a short time period in which proposals could be submitted, or because the RFPs were not sent to appropriate researchers.

Once a rural research topic has been proposed, a reliable method needs to be used to disseminate the proposal topics to researchers qualified to study rural needs. The NRDP Listserv provides access to hundreds of rural professionals and agency representatives who could aid in disseminating research proposal topics. The NRDP Truman Fellow at SBA has access to this listserv.

## **Create and Disseminate Economic Research that Addresses Rural Needs**

State Rural Development Councils of the NRDP have identified several areas in which rural research could be conducted. Those research needs are included with this document. As these rural data needs are met through economic research, the Office of Advocacy must actively distribute the information to rural practitioners. Once again, the NRDP Listserv provides an easy, existing method to contact rural professionals throughout the country.

## **Explore Further Collaboration with the NRDP**

NRDP and the Office of Advocacy have much to offer one another. The Office of Advocacy should continue to explore possible collaboration with NRDP in as many ways as possible. This could include, but is not limited to: attendance at national conferences, use of NRDP dissemination channels to share information with rural areas, participation in the National Rural Development Council (a network of government agency and organizational representatives), continued support of an NRDP Truman Fellow, presentations at NRDP events, and financial support of the partnership.

## **ADDITIONAL AREAS OF RESEARCH**

The Office of Advocacy has conducted a number of research projects that contain useful data for rural areas. However, rural practitioners need even more data. To determine the topic areas of greatest importance to rural development practitioners, members of the NRDP Listserv were contacted. Members of the partnership and Advocacy staff identified the following as topics for further research.

### **General**

- Characteristics and demographics of the owners of rural small businesses.
- The number of rural small businesses.
- The number of employees working for rural small businesses.
- The growth rate of rural small businesses compared to the growth rate of urban small businesses.
- The types of businesses that exist in rural communities and their structures compared to the types of businesses that exist in urban communities.
- The success/failure rates of rural small businesses.
- A comparison of success/failure rates of rural and urban small businesses.
- The reasons behind failure rates of rural small businesses.
- The correlation between the number of small businesses in a community, the unemployment rate, various types of government assistance, and commuting patterns for rural small businesses. How those patterns differ from urban businesses.
- The impact of the global market place (Internet and e-commerce) on rural businesses.
- How rural communities have addressed/overcome challenges to assist small businesses in participating and succeeding in the global economy.
- The types of businesses that can succeed away from population centers.

## **Rural Small Business Financing**

- The sources of financing rural small businesses' new or existing ventures.
- The average loan size to rural small businesses.
- The type of rural businesses that have been financed by small business loans.
- The share of SBA loans to rural areas other than for "Disaster Declarations."
- The type of banks that exist in rural areas and the types of loans they make.
- The success rate of rural small businesses in accessing capital — equity investment and borrowing — compared to their urban and suburban peers.

## **Entrepreneurship in Rural Areas**

- The most important factors for successful rural entrepreneurs. How these factors compare to those of successful urban entrepreneurs.
- Entrepreneurship as an effective rural development strategy.
- Demographics and characteristics of rural entrepreneurs.
- Ways to train rural entrepreneurs.
- Family history of rural entrepreneurs.
- How rural communities have addressed/overcome challenges to encourage the development of entrepreneurship in rural areas.

## **Economic Development and Small Business Development**

- The economic development groups that exist in rural areas; their activities regarding industry recruitment, job creation, incentives, and small business recruitment and incentives (including tax and related incentives).
- The effectiveness of strategies attempting to encourage community development through cultural history or significant natural wonders.
- The success of towns located near remote rural cultural, historical, or recreational amenities in building viable economic strategies around these amenities.
- The availability of training for entrepreneurs, employees, or potential employees of rural small businesses.
- The role community colleges play in providing entrepreneurship training to potential small business owners.
- The responsiveness of the Job Training Partnership Act (JTPA).
- Improvements in responsiveness since the Workforce Investment Boards (WIBs) have been in place.
- Whether Small Business Development Centers are providing services to help small business owners with initial start-up difficulties.

## **Rural Health Care**

- The type of access rural small businesses have to employee health care benefits.
- The cost of benefits to employers and employees.

- The barriers small businesses face or incentives they are offered when they pool together as a group for competitive insurance rates.
- How rural communities have addressed and/or overcome healthcare challenges to assist small businesses to participate in the global economy and succeed.

### **Rural Transportation**

- Ways to help small businesses that provide transportation to rural areas succeed.

### **Rural Telecommunications**

- Qualify and quantify the “digital divide” as it affects rural small businesses.
- How the “digital divide” effectively differs by business ownership between socioeconomic groups in rural communities.
- How the availability of wide bandwidth communications infrastructure affects rural businesses.
- How rural communities have addressed and/or overcome telecommunication challenges to assist small businesses to participate in the global economy and succeed.

## **CONCLUSION**

Through its research and data development, review of federal regulations, partnerships with state and regional agencies, and other initiatives, the Office of Advocacy has positively influenced rural small businesses. This work has made Advocacy a leader in advocating for the needs of rural businesses. It is also apparent, however, that additional work remains to be done for rural small businesses. This future work will depend upon time, budgets, and staffing levels of the office.