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Announcing
Expo '05

Celebrating
National Small
Business Week

April 26-28, 2005
Washington, D.C.

Submissions Due Dec. 17 for Entrepreneurship and Economic Development Conference

Advocacy is cosponsoring a conference to highlight market-based economic initiatives in the states on March 7, 2005. The event will spotlight leaders in state government, showcasing their economic initiatives. "Putting It Together: The Role of Entrepreneurship in Promoting Economic Development" is a joint effort of the Office of Advocacy, the Kauffman Foundation, the Council of State Governments, and the National Lieutenant Governors Association.

The conference will explore state economic development initiatives that are successfully generating new firms, output, and employment. The conference will feature the best practices of state leaders in formulating innovative initiatives that spur entrepreneurship and economic growth. Advocacy will follow up with a summary document for small business owners, academics, and policymakers, as an educational tool on successful economic development initiatives.

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The Small Business Economy: Good News for Small Firms

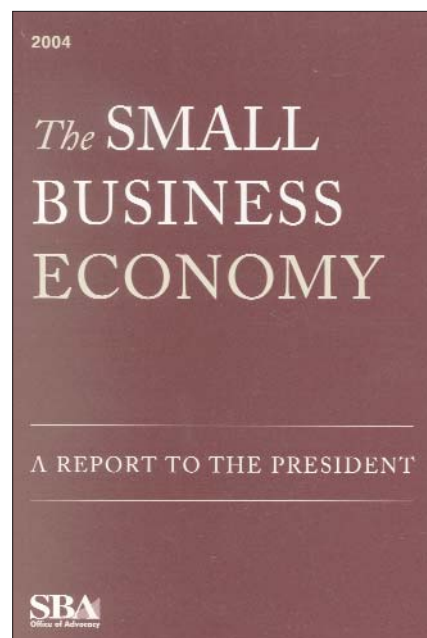
Signs of economic recovery began to appear in mid-2003, and small businesses led the way, according to the new 2004 edition of the Office of Advocacy's annual report, *The Small Business Economy*. The report analyzes 2003 data and finds that the number of firms grew, business bankruptcies declined, and sole proprietorship income increased 6.2 percent.

"Continued strong economic growth will require an environment that fosters more entrepreneurial activity," said Advocacy Chief Economist Chad Moutray in unveiling the report at Robert Morris College in Chicago, Ill.

The report examines the role small business plays in the economy, focusing on economic trends and indicators, data on innovation and technology transfer, and regulatory issues at the federal, state, and local levels. Among the report's highlights:

- Consumer and business confidence returned and the economy shifted into higher gear in the second half of 2003. Real gross domestic product increased at an

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Regional Roundup

State Level Regulatory Flexibility a Key Component of Small Business Survival

Giving small businesses a voice in how state regulations are made is a key component of small business survival, according to the annual index of the Small Business and Entrepreneurship Council (formerly SBSC). The council's Small Business Survival Index ranks the 50 states in terms of their small business-friendly policy environments. This year, the index includes information on a state's regulatory climate, based on data developed by the Office of Advocacy.

"We're proud that the Small Business and Entrepreneurship Council used our state regulatory flexibility initiative as part of their 2004 index," said Thomas M. Sullivan, chief counsel for Advocacy. "When the voice of small business is heard, policy leaders make better decisions, and that means small businesses have a greater chance of success."

The Office of Advocacy has offered state model legislation to help guarantee small businesses a seat at the table when new regulations are introduced. Similar to the federal Regulatory Flexibility Act, Advocacy's model legislation encourages entrepreneurial success by requiring state agencies to consider the impact of their policies on small business before they issue final regulations.

States with a more flexible regulatory environment for small businesses are able to attract and retain fast-growing, job creating businesses. The Small Business Survival Index 2004 quantifies state efforts on behalf of small business by ranking the policy environment for entrepreneurship across the nation. It can be found on the SBEC website at www.sbecouncil.org.

Submissions, from page 1

The conference organizers are interested in hearing from state government policymakers and economic development leaders about initiatives that have yielded small business growth, created new jobs, and improved a state's overall economy. In order for an initiative to warrant consideration for this conference, proposals must be able to document an increase in entrepreneurial activity; new initiatives must show how progress will be measured. For example, did the state tweak the tax code to encourage more home-based businesses? Has it encouraged new spin-offs from university research and development through funding of technology transfer programs? Did the state create a business-friendly environment by reducing the regulatory

burden on small businesses? These are just a few possible examples.

Winners will be recognized in several ways. They will:

- Be eligible to present and showcase their initiatives at the conference;
- Be recognized with a "Best Practices" award at the conference;
- Receive ongoing recognition, including local and national media outreach; and
- Be profiled in a summary publication that will document their success.

Complete submission guidelines are available on Advocacy's website, www.sba.gov/advo/stats/conference.html.

Submissions must be received by Dec. 17, 2004, in order to be considered. Winners who are selected to make presentations at the

The Small Business Advocate

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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/

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conference will be notified in January 2005. Attendance at the conference will be by invitation only. All submitters will be invited to attend the March 2005 conference.

To learn more, contact Chief Economist Chad Moutray, Office of Advocacy, U.S. Small Business Administration, 409 Third Street, S.W., Suite 7800, Washington, DC 20416; phone: (202) 205-6533; fax: (202) 205-6928; email: advocacy@sba.gov.

Message from the Chief Counsel

Small Business Profiles Deliver Key Info on States and Territories

by Thomas M. Sullivan, Chief Counsel for Advocacy

Small business advocates around the country will benefit from the Office of Advocacy's newly published *Small Business Profiles*. The profiles are Advocacy's most frequently used research product, since they provide essential information at the state level. If Advocacy sold anything, these would be our bestseller.

The profiles, produced annually by Advocacy's Office of Economic Research, give a picture of important small business indicators in each state

The profiles, produced annually by Advocacy's Office of Economic Research, give a picture of important small business indicators in each state using the most recently available data.

using the most recently available data. The report also features infor-

mation on the U.S. territories, though in less detail than for the states.

Each state profile has estimates of the total small businesses in each state, as well as small employer and non-employer firms. They also show growth trends for employer and non-employer firms in each state. *Small Business Profiles* are available online at www.sba.gov/advo/stats/profiles.

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.

While the profiles contain data on minority business ownership, that information comes from the 1997 Census. Advocacy eagerly awaits the publication of 2002 data from the Census Bureau's forthcoming Survey of Business Owners.

Data on business turnover—start-ups, terminations, and bankruptcies—are spelled out. Employment trends are presented in detail, showing the role of small firms in job creation and the distribution of jobs in small firms by industry. The profiles also include information on proprietors' income and trends in the number of banks in each state.

While *Small Business Profiles* pull together data for each state and territory, comparisons of state data are available in Advocacy's recently published *Small Business Economic Indicators for 2003*, located at www.sba.gov/advo/stats/sbei03.pdf.

Comparison of 2002 and 2003 U.S. Small Business Data			
	2002	2003	Percent Change 2002-2003
Number of Businesses¹			
Employer firms (nonfarm)	5,679,500e	5,696,600e	0.3
Self-employment (unincorporated)	9,926,000	10,295,000	3.7
Business Turnover			
Employer firm births	589,700e	572,900e	(2.8)
Employer firm terminations	569,000e	554,800e	(2.5)
Bankruptcies	38,540.0	35,037.0	(9.1)
Income			
Proprietors' income (\$ million)	800,354	858,904	7.3
Number of Banks by Bank Asset Size			
Below \$100 million	4,369	4,022	(7.9)
\$100 million to \$500 million	2,839	2,990	5.3
\$500 million to \$1 billion	353	393	11.3
\$1 billion to \$10 billion	311	331	6.4
More than \$10 billion	77	80	3.9
All banks	7,949	7,816	(1.7)
¹ Self-employment presented here represents individuals whose primary occupation is self-employment and they may or may not have employees. Note that some businesses file more than one tax return.			
e = Estimate using percentage changes in similar data provided by the U.S. Department of Labor, Employment and Training Administration.			

Similar information is available for all 50 states on Advocacy's website: www.sba.gov/advo/stats/profiles.

Regulatory News

Interim Final Rule Limits Scope of Country-of-Origin Labeling

The Farm Security and Rural Investment Act of 2002, commonly known as the 2002 Farm Bill, required the U.S. Department of Agriculture (USDA) to issue regulations requiring country-of-origin labeling (COOL) for certain commodities including beef, lamb, pork, fish, peanuts, fresh and frozen fruits, and vegetables. USDA's Agricultural Marketing Service (AMS) published the proposed rule in the *Federal Register* on Oct. 30, 2003. The proposal required food retailers to notify their customers of the country of origin of the covered commodities beginning on Sept. 30, 2004. By statute, the term "retailer" for the COOL regulations was defined under the Perishable Agricultural Commodities Act of 1930 (PACA), and applied to retailers that handle fresh and frozen fruits and vegetables with an invoice value of at least \$230,000 annually. The proposed rule also imposed recordkeeping and record retention requirements on food producers and retailers.

AMS acknowledged that the proposed rule was likely to have a significant economic impact on a substantial number of small entities, and therefore, AMS prepared an initial regulatory flexibility analysis pursuant to the Regulatory Flexibility Act (RFA). On Dec. 5, 2003, Advocacy filed a comment letter with AMS concerning the proposed rule. Advocacy requested that AMS expand its analysis and consider less burdensome alternatives to recognize that the rule's economic impact extended to PACA-licensed small retailers, suppliers, and producer-growers, and PACA-exempt small food entities. Advocacy encouraged AMS to lessen the burden of compliance with the rule by reducing the record retention requirements. Advocacy also provided AMS with specific data on the rule's economic impact on small entities obtained from affected small businesses and their representatives during two roundtables hosted by Advocacy on country-of-origin labeling.

Because of the controversial nature of the mandatory reporting provisions of the COOL rule, Congress delayed the implementation of the COOL rule for all covered commodities except wild and farm-raised fish and shellfish until September 2006. AMS published in the *Federal Register* an interim final rule on Sept. 30, 2004, that limits country-of-origin labeling to fish and shellfish only. Based in part on Advocacy's involvement in the rulemaking, AMS plans to delay active enforcement of the rule for one year from the publication of the rule to allow existing inventories of labels and packing materials to be exhausted by retailers and producers. AMS will also allow the label itself to establish the country of origin, and it reduced the record-keeping retention requirements to one year for producers and to the length of time the produce is on hand in the store for retailers.

Department of Justice Seeks Input on Effects of New Americans with Disability Act Requirements

According to the Americans with Disabilities Act (ADA),

No individual shall be discriminated against on the basis of disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages, or accommodations of any place of public accommodation by any person who owns, leases (or leases to), or operates a place of public accommodation.

Congress charged a little known federal agency, the U.S. Access Board, with setting the architectural standards that all newly constructed and "altered" buildings must meet in order to comply with the ADA.

In 1991, the Access Board adopted an initial set of standards, called the ADA Accessibility Guidelines. Although these guidelines applied to new and altered buildings, the ADA required the U.S. Department of Justice to enact similar requirements for existing buildings.

The Department of Justice published rules that adopted the Accessibility Guidelines in 1991 as the minimum standard that businesses had to upgrade their buildings to. For example, the Department of Justice's 1991 rule required that people with disabilities be able to "approach, enter, and exit" areas exclusively used by employees.

Federal courts use the Accessibility Guidelines as adopted by the Department of Justice to determine whether a business is ADA compliant.

However, in 2004, the Access Board revised the Accessibility Guidelines to add a requirement for wheelchair-accessible routes within the employee work area. The new rules would not exempt businesses simply because they have no employee who uses a wheelchair.

Federal rules that determine what businesses must do to make their buildings accessible under the ADA may change dramatically. Right now, the Department of Justice is considering changes to ADA rules to

Continued on page 5

ADA Rules, from page 4

reflect the new guidelines the Access Board adopted in July.

The Department of Justice is seeking comments on how it should apply disabled accessibility requirements to existing facilities that are open to the public or employees, as required by the ADA. In addition to commenting to the Department of Justice, small businesses are encouraged to contact the Office of

Advocacy to share information on the potential costs of compliance and less burdensome alternatives so that Advocacy can reflect small

business concerns in its comments to the Department of Justice. The comment deadline is Jan. 28, 2005.

For More Information

Find the proposed rule and Advocacy's description at Advocacy's Regulatory Alerts webpage, www.sba.gov/advo/laws/law_regalerts.html. Contact Advocacy's regulatory expert on the ADA proposal, Michael See, assistant chief counsel, at michael.see@sba.gov or (202) 619-0312.

2004 Economy, from page 1

annual rate of 8.2 percent in the fourth quarter. The number of firms with employees increased by 0.3 percent and the number of unincorporated self-employed increased by 3.7 percent over the course of the year. Financial markets were on track for supporting more growth.

• Home-based businesses—53 percent of the small business population—face a unique regulatory environment that can restrain their

expansion and growth. Complex IRS rules on home office deductions and a complicated test for determining independent contractor status are among the tax barriers at the federal level. Local zoning laws are also a challenge for many home-based businesses.

• Current research suggests that university spin-offs can have a dramatic effect on the economy of a region. These effects have been enhanced by government policies

such as the Bayh-Dole Act, which gave universities the rights to inventions derived from federally funded research.

The complete 220-page report is posted on the Office of Advocacy's website at www.sba.gov/advo/stats. Soft-cover copies are also available by contacting Dawn Crockett, administrative specialist, at the Office of Advocacy, (202) 205-6533 or dawn.crockett@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 Communications
- Advocacy Newsletter
- Advocacy Press
- Advocacy Research



A Voice for Small Business

Research Notes

New Report Describes Export Barriers

Responding to global competition and demand for goods and services, more and more small firms have begun the search for ways of involving themselves in international markets. In 2001, 230,736 small and medium-sized firms with fewer than 500 workers exported goods. Small and medium-sized companies account for 97 percent of all U.S. exporters; their exports were valued at \$182 billion, or 29.2 percent of all U.S. goods exported.

Small business decisions to export are influenced by many factors, the most crucial of which is the cost of developing a foreign market. At a South Carolina State Chamber of Commerce meeting in Charleston Nov. 4, Regional Advocate Pat Gartland released *Costs of Developing a Foreign Market for Small Business*. This case study of small businesses in South Carolina by Palmetto Consulting looks at the

barriers small business people identified as they moved toward marketing their products internationally.

Overall, the study found that psychological, personal, and opportunity costs, such as the time involved in learning how to perform the logistics of exporting and overcoming the fear of exporting, were often more important than out-of-pocket costs. Hence, developing a process to communicate information to small firms seems to be important in helping firms export more effectively. Other highlights:

- The sample firms initiated exporting in reaction to customer inquiries, rather than as the result of a carefully planned strategic initiative.
- Opportunity costs, especially of time, are significant barriers to increasing export behavior.
- Transaction costs are problems to be anticipated and overcome, but not insurmountable barriers to

exporting, according to the firms surveyed.

- Modern information technology was a key tool for starting and supporting exporting efforts.

- The barriers to exporting in these companies were situation-specific and did not lend themselves to a definitive list of export barriers.

The researchers identified nine small U.S. exporters in South Carolina for this study; because of the small sample, the study should not be used to draw general implications for export policy. Moreover, these firms were all outside the service sector; further research will be needed to identify how small service firms are faring in the export marketplace. To view the full study, titled *Costs of Developing a Foreign Market for a Small Business*, visit the Office of Advocacy at www.sba.gov/advo/stats.



Public Law 106-50 tasked the Office of Advocacy to develop statistical information on veteran-owned businesses and the role they play in our economy. Since relatively little data about veterans in small business exists, Advocacy commissioned a series of economic research studies on veteran entrepreneurship issues. Two reports in the series have now been published. Pictured here is one of Advocacy's roundtables on veterans' issues, which included Chief Counsel for Advocacy Thomas M. Sullivan; Rick Weidman, chairman of the Task Force for Veterans Entrepreneurship; and Cliff Waldman, author of Advocacy's newly published study, *Entrepreneurship and Business Ownership in the Veteran Population*.

Veterans and Entrepreneurship Studied

In recent years, increasing attention has been called to the entrepreneurial needs of America's veterans, particularly those veterans who have service-connected disabilities. Public Law 106-50 tasked the Office of Advocacy to develop statistical information on veteran-owned businesses and the role they play in our economy. Although there is considerable information about both small businesses and veterans, there is relatively little data about veterans in small business. Advocacy is working to fill this knowledge gap. As part of this effort, Advocacy has commissioned a series of economic research studies on veteran entrepreneurship issues.

The first of these new studies, groundbreaking research titled *Characteristics of Federal Government Procurement Spending With Veteran-Owned Businesses, FY 2000 – FY 2003*, was released in June. On Nov. 9, Advocacy released another study titled *Entrepreneurship and Business Ownership in the Veteran Population*. The new study addresses these and other questions:

- What is the current state of programs for veterans and/or service-disabled veterans who wish to start a small business or who currently own or operate a small business?
- What is the level of entrepreneurship interest and activity in the veteran population?



- What are the characteristics of businesses that veterans own or wish to start?
- What obstacles do veterans encounter in starting or managing a small business?

New data on these questions can guide policymakers on the types of assistance and the necessary level of resources to commit to veteran entrepreneurship programs and activities.

Some overall findings of Advocacy's newest veterans' study include:

- An investment in small business programs for veterans and service-disabled veterans is economically rational.
- The majority of both new and current veteran business owners either started their own business or planned to start their own business, rather than purchase an existing firm.

- More than one-third of both new veteran entrepreneurs and current veteran business owners had gained skills from their active duty service that were directly relevant to business ownership.

• Prior business ownership and employment experience positively affected an even higher percentage of both new veteran entrepreneurs and current veteran business owners than did military experience.

- Addressing the challenges of home-based business ownership and Internet use in business would be useful to veterans.

• Service-disabled veterans tended to have less prior business ownership experience than other veterans.

This and other Advocacy studies on veterans' issues, including both the full studies and summaries, can be viewed or downloaded at www.sba.gov/advo/research/#veterans.



More than one-third of veteran business owners apply skills acquired during active duty service to their businesses. Pictured above is Jeffrey Linscott, a veteran and owner of JL Aviation, with his company's Bell Jet Ranger III. This veteran-owned business provides executive helicopter services—scenic tours, aerial photography, and specialized services. In October, JL Aviation was the first to land on the newly formed dome of Mount St. Helens (pictured on left), in order to deliver measurement instruments and retrieve fresh rock samples.

CALL FOR CONFERENCE SUBMISSIONS



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