

In This Issue

White House Economic Summit Calls for Fundamental Change3

Message from the Chief Counsel

Remembering Milt Stewart, 1922–20043

Regulatory News

Chief Counsel Testifies on Regulatory Reform4

Telecommunications Update ... 5

Tax News

Unemployment Filing Simplified4

Regional Roundup

Seven States Pass Reg Flex Laws in 20046

Research Notes

Self-Employment Report Now Available1

Third in Series of Veterans Studies Released6

History of Small Business Research Documented7

Self-Employment Among Latinos and Women Increases

Self-employment rates for women, blacks, and Latinos have risen sharply since 1979, according to a new study by the Office of Advocacy. Between 1979 and 2003, self-employment rates increased across ethnic group and gender, and the total number of self-employed business owners increased more than 5 percent.

“Self-employment is a critical part of our economy,” said Thomas M. Sullivan, chief counsel for advocacy. “Self-employment provides the main source of income for a diverse group of over 12 million Americans. The increase in self-employment rates for women, blacks, and Latinos show that small

business ownership can move minorities and women further into our economic mainstream.”

The new report, *Self-Employed Business Ownership Rates in the United States: 1979-2003*, by Dr. Robert Fairlie was released at the Washington offices of the National Association for the Self-Employed (NASE). NASE president Robert Hughes said that the study gives “definitive evidence of the growth trend we’ve seen in entrepreneurship over the years. Particularly strong among women, blacks, and Latinos, these numbers help to better quantify the appeal of self-employment and the impact this

Continued on page 2



Advocacy’s new study on self-employment includes data on the incorporated self-employed, and it also provides demographic detail. This robust data set counts entrepreneurs such as Missouri’s Jere Smith, the self-employed owner of two businesses in Liberty and North Kansas City. Smith owns Lancelot, Inc., which provides accounting and engineering services to local commercial enterprises, and Mr. Transmission, a nationwide provider of transmission repair services.

Self-Employment, from page 1 segment of the small business population has on the economy.”

The report delves into the data behind published figures from the Bureau of Labor Statistics (BLS). Unlike BLS figures, the report counts the incorporated as well as unincorporated self-employed, and it includes detail and trends on owner demographics based on microdata made available by BLS. By counting the incorporated self-employed, the report finds that the total number of nonagricultural business owners in the United States reached 12.2 million, or 9.8 percent of the labor force, and increased by 716,000 from 2000 to 2003. (The figure published by BLS, which relies on a more restricted definition, is 9.3 million.)

Fairlie shows that while the number of self-employed has slowly crept upward over the last few decades, the make-up of the self-employed has shifted, in part due to increases among women, Latinos, and African-Americans. Women’s self-employment increased by nearly 250,000 from 2000 to 2003, reaching 3.8 million, more than double the 1979 number. Women’s self-employment rate, the percentage of the women’s labor force that is self-employed, was 6.8 percent in 2003.

The numbers of Latino self-employed increased sharply from 1979 to 2003, partly because of population increases over the period. By 2003, the number of Latino self-employed owners had surpassed the 1 million mark. In 2003, black self-employment reached its highest level—710,000—and a record rate of 5.2 percent. Asians had the highest self-employment rate among the minority categories, reaching 10.4 percent in 2003.

The numbers bear out the strong pull of self-employment for new generations of immigrants. The number of immigrant business owners increased by 384,000 from 2000 to 2003, rising to 1.8 million. Immigrant self-employment rates converged with native-born rates over the 1990s.

The group with the highest rate of self-employment for the entire period consisted of male veterans. Male veteran self-employment numbered 1.4 million in 2003, or 13.7 percent of the male veteran labor force.

View the complete text of *Self-Employed Business Ownership Rates in the United States: 1979-2003* on Advocacy’s website, www.sba.gov/advo/research/rs243tot.pdf.

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Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

Contributing Editors Brian Headd, Keith Holman, Eric Menge, John McDowell, Jerry Parshall, Joe Sobota, Viktoria Ziebarth

Production Assistant Dawn Crockett

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Self-Employment by Owner Demographic, Selected Years

	Number (Thousands)			Rate (Percent of Labor Force)		
	1979	2000	2003	1979	2000	2003
Total	7,724	11,460	12,176	9.3	9.4	9.8
Women	1,741	3,592	3,839	5.1	6.5	6.8
Men	5,982	7,868	8,336	12.1	11.9	12.4
Asian	n.a.	466	590	n.a.	9.4	10.4
African-American	297	697	710	3.8	4.9	5.2
Latino	241	732	1,032	6.1	5.9	7.0
White	7,066	9,510	9,658	10.1	10.7	11.1
Male Veterans	2,889	1,595	1,420	14.3	13.6	13.7
Immigrants	n.a.	1,404	1,788	n.a.	9.1	9.9
Native Born	n.a.	10,056	10,388	n.a.	9.5	9.8

n.a. = not available. Source: *Self-Employed Business Ownership Rates in the United States: 1979-2003*, by Robert W. Fairlie. (U.S. Small Business Administration, Office of Advocacy: 2004).

Message from the Chief Counsel

Milton D. Stewart—The Original Chief Counsel for Advocacy

by Thomas M. Sullivan, Chief Counsel for Advocacy

In November, Milt Stewart passed away at the age of 82. Milt was the first chief counsel for advocacy, and he set the tone for all four chief counsels who followed him. Many of our accomplishments are the fruit of seeds planted by Milt and the team he assembled to form the Office of Advocacy.

The Office of Advocacy had been established by Congress in 1976, and in 1978 President Jimmy Carter selected Milt to lead it. Milt organized the office as we know it today: a research arm, a legal team, a network of regional advocates, and an information office. At the same time, he inspired and nurtured a generation of leaders in small business and entrepreneurship. Many members of that original Office of Advocacy staff have dedicated their careers to small businesses—working on their behalf in federal and local government, academia, and trade associations.

Milt shared a vision of small businesses' fundamental importance with all who knew him. He found a small business nexus in the most diverse events and issues. His interest in small business was uni-

versal: from mom-and-pop startups (like the grocery store his parents operated) to the high-tech innovators (whom he championed through



Milt Stewart, chief counsel for advocacy from 1978–1981, inspired and nurtured a generation of leaders in small business and entrepreneurship.

his Small Business High Technology Institute).

As chief counsel, I have been privileged to know Milt and to experience, through him, a connection with history. Milt never hesi-

tated to pick up the phone and let me know his opinion on a current issue. And it has never ceased to surprise me how the pressing issues of today are not new. Taxes, regulation, health care—these were all on the front burner in the 1980s as they are today. Milt served as counsel for the first White House Conference on Small Business, which called on small businesses to propose legislative remedies. From these proposals emerged landmark solutions—the Regulatory Flexibility Act of 1980, the Equal Access to Justice Act of 1980, the Paperwork Reduction Act of 1980, and the Small Business Innovation Development Act of 1982. And several of these have been refined over the years.

As I travel the country, small business owners, legislators, and academics tell me again and again how different the Office of Advocacy is from any other government office—and how glad they are to know it exists. Each one of these remarks reminds me of the unflagging spirit and vision of the original chief counsel—Milt Stewart.

White House Summit Calls for Far-Reaching, Fundamental Change

On Dec. 15 and 16, the White House convened an economic conference entitled *Securing Our Economic Future*. Vice President Cheney and numerous key figures in the administration took part in the panels and presentations. President Bush delivered the closing remarks on Dec. 16, calling for changes to the infrastructure of the U.S. economy: the tax code, the health care system, the legal and tort system, worker training programs, and retirement plans.

Chief Counsel for Advocacy Thomas M. Sullivan participated in a panel on taxes and regulation. The panel dealt with the burdens and costs that taxes and regulations place on our economy, their impact on America's businesses and families, and the need for pro-growth measures to ease this drag on our economy. The panel was moderated by Treasury Secretary John Snow. Panelists included Craig Lang, co-owner of Yarrabee Farms in Iowa; Larry Mocha, president of Air

Power Systems in Oklahoma; June Lennon, a certified public accountant in South Carolina; Pamela Olson, Assistant Secretary of Treasury (2002–2004); John Lipsky, chief economist, J.P. Morgan Chase; and Susan E. Dudley, director, Mercatus Center, George Mason University.

For more information, visit the White House webpage at www.whitehouse.gov/news/releases/2004/12/images/20041216-8_w8n5185-555v.html.

Regulatory News

Chief Counsel Testifies on Progress of Regulatory Reform

On Nov. 17, 2004, Chief Counsel Thomas M. Sullivan testified before the House Subcommittee on Energy Policy, Natural Resources, and Regulatory Affairs at a hearing on the Bush Administration's record on regulatory reform. The subcommittee asked witnesses from the Office of Management and Budget (OMB), the U.S. Department of Labor, the Environmental Protection Agency, and the Office of Advocacy to evaluate progress on reforming regulations which had been identified by the public and submitted to OMB. In 2001 and 2002, OMB and federal agencies prioritized 68 regulations for reform, including several that had been nominated by Advocacy. Chief Counsel Sullivan noted that 14 of those priority reforms have now been completed by the agencies. Sullivan also observed that "in general, Advocacy believes that the public nomination process is beneficial, and that the process can and will be an effective tool for regulatory reform. Because most of these reforms require agencies to go through rulemaking, we are encouraged by the overall progress that has been achieved so far."

The public nomination process can be further improved, Sullivan added, by creating a better means for informing the public about the ongoing status of reform nominations. It is often difficult to track the progress (or lack of progress) of a reform nomination within an agency. It is also important for OMB and Congress to remain engaged in the process. Any questions about this issue may be directed to Assistant Chief Counsel Keith Holman at (202) 205-6936 or at keith.holman@sba.gov. The entire testimony is available on Advocacy's website at



On Nov. 17, Chief Counsel for Advocacy Thomas M. Sullivan testified before a subcommittee of the House Committee on Government Reform. Advocacy highlighted the value to small business of OMB's call for regulatory reform nominations in its annual report to Congress on the costs and benefits of federal regulations. Pictured here are Chief Counsel Sullivan, U.S. Department of Labor Solicitor Howard M. Radzely (center), and EPA Deputy Administrator Stephen L. Johnson.

www.sba.gov/advo/laws/test04_1117.pdf. View the final report from OMB's Office of Information and Regulatory Affairs at

www.whitehouse.gov/omb/inforeg/2004_cb_final.pdf.

Tax News

IRS Simplifies Unemployment Filing for 4 Million Small Employers

The Internal Revenue Service recently announced that it will require federal unemployment tax (FUTA) deposits only when employers' accumulated FUTA taxes exceed \$500. The prior threshold had been \$100, requiring substantially more frequent deposits. Since the maximum annual FUTA tax liability per employee is only \$56, employers with eight or fewer employees will be relieved of as many as four FUTA deposits yearly. IRS estimates that more

than 4 million small businesses will benefit from the change.

Congressional small business leaders praised the development. Rep. Donald Manzullo, Chair of the House Small Business Committee cited this as "another move by the Bush Administration to reduce costly and time-consuming regulations on our small employers." Sen. Olympia Snowe, Chair of the Senate Committee on Small Business and Entrepreneurship, praised the change as

Continued on page 5

Telecom Update: Portability, Do-Not-Fax, Broadband Reporting

Over the past year, Advocacy has been actively involved in several rulemaking proceedings before the Federal Communications Commission (FCC) which are of interest to small businesses. In each of these proceedings, Advocacy has voiced the concerns of small businesses and sought to improve the FCC's compliance with the Regulatory Flexibility Act (RFA). Advocacy encourages small businesses to periodically consult our Regulatory Alerts page, www.sba.gov/advo/laws/law_regalerts.html, and to let both Advocacy and the FCC know how any of these rulemakings will potentially affect your business.

Local Number Portability. On Nov. 18, 2004, the U.S. Court of Appeals for the D.C. Circuit heard oral arguments on an FCC rule on local number portability which requires wireline carriers to transfer telephone numbers to wireless carriers, regardless of whether there is a point of interconnection between the two. Two trade associations representing small telecommunications carriers, the National Telecommunications Cooperative Association (NTCA) and the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), challenged the FCC's final

order, claiming that the agency did not comply with the RFA when it adopted the rule. Observers noted that the three-judge panel for the Court of Appeals seemed sympathetic to the RFA argument. A final decision is expected early in 2005.

Do-Not-Fax Rules. The Office of Advocacy has been working closely with many small business groups and the Fax Ban Coalition (a broad industry alliance) to preserve the "established business relationship" exemption to the FCC's fax advertising restrictions. The U.S. House of Representatives and the U.S. Senate both passed legislation to authorize continuation of the established business relationship exemption, but changes added by the Senate after the House had adjourned for the year require that the bills be reintroduced next year in order for the authorization to reach the President and be signed into law. Anticipating this possibility, Advocacy wrote a letter to the FCC in support of the Fax Ban Coalition's petition, which the FCC granted, deferring enforcement of the FCC's fax advertising restrictions through June 30, 2005.

Broadband Reporting. The FCC released a final rule that extends local telephone service competition and broadband report-

ing requirements to all telecommunications carriers. The FCC will use these semi-annual filings as the basis of its reports to Congress on the state of broadband deployment in the United States, as required by the Telecommunications Act of 1996. Although the FCC is requiring small carriers to begin reporting with their Sept. 1, 2005, filing, the FCC also adopted suggestions made by Advocacy to reduce the burden of filing, including:

- Delaying implementation of the reporting requirements,
- Eliminating questions that confuse filers, and
- Not requiring carriers to report the precise speed at which broadband service reaches the end user.

The FCC also stated its intention to reach out to small businesses and to create a compliance guide. More information on the new rules for broadband reporting can be found on the FCC's webpage at www.fcc.gov/broadband/data.html.

For more information on Advocacy's efforts on telecommunications, please visit our website www.sba.gov/advo/ or contact Assistant Chief Counsel Eric Menge at (202) 205-6949 or eric.menge@sba.gov.

Unemployment, from page 4

"cost-effective relief for small firms least capable of keeping up with burdensome paperwork demands."

Because this deposit is still tied to a "threshold" determination (that is, filing is required when unemployment taxes pass \$500), small employers will still be required to monitor continuously their unemployment tax collections. The Office of Advocacy will continue to look for ways to lower the burden associated with monitoring payments

and the paperwork required for state unemployment regimes. More information on the IRS change is available at www.irs.gov/pub/irs-utl/td9162.pdf.

Regional Roundup

Seven States Pass Regulatory Flexibility Legislation in 2004

The year 2004 was a banner year for state regulatory flexibility legislation across the country. The Office of Advocacy's regional advocates—our eyes and ears on Main Street—have been working with state legislators, government officials, and small business organizations across the country, including some of you, to make this a legislative priority. We have found that states have varying degrees of regulatory flexibility laws on the books. Some states have nothing; many have partial statutes on the books; and a few have a complete set of regulatory flexibility statutes specific to small businesses.

Successful state-level regulatory flexibility laws should have five parts:

- A small business definition that includes most small businesses,
- A requirement that state agencies perform an economic impact analysis before they regulate,
- A requirement that state agencies consider less burdensome alternatives that still meet regulatory goals,
- Judicial review so that the law has teeth, and
- A provision for state govern-



Chief Counsel Thomas M. Sullivan recently traveled to Savannah, Ga. Sullivan presented the model regulatory flexibility bill at the National Conference of State Legislatures (NCSL) meeting. He also met with several local small business owners, including John Skiljan, owner of the Bicycle Link.

ment to periodically review all its regulations.

Likewise, there should be few, if any exemptions from the law. In addition to having a complete regulatory flexibility statute, there must be strong leadership from the executive branch and active involvement by small business owners and their organizations to ensure that the law is followed by state agencies.

In 2004, 17 states introduced regulatory flexibility legislation: California, Connecticut, Georgia, Idaho, Illinois, Kansas, Kentucky, Missouri, Nebraska, New Jersey, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Washington, and Wisconsin. Seven of these signed legislation into law:

Continued on page 7

Research Notes

New Report Examines Data Sets on Veteran-Owned Business

In December, Advocacy released *Evaluating Veteran Business Owner Data*, the third in a series of veterans' studies which Advocacy has sponsored to help fill the data gap on veterans in business. This study examines currently available data sources on veteran business ownership to compare the quality of major data sources, to review existing literature on veteran business ownership, and to make recommendations.

This project includes detailed analyses of 1992 Census data,

including distributions by ethnicity and gender of all firm owners and veteran, non-veteran, Vietnam-veteran and disabled-veteran owners. Additional analyses compare data on all firms with data on veteran-owned firms in both the Census and D&B datasets by:

- Major industry group;
 - Firm size by receipts;
 - Firm size by number of employees, and
 - Firm organization type.
- An identification, cross-match

and distribution analysis was also conducted of veteran-owned firms registered in the Federal Procurement Data System, the Department of Defense's Central Contract Registration (CCR) system, SBA's PRO-Net database, and the D&B dataset.

The report is located on Advocacy's website, www.sba.gov/advo/research/rs244tot.pdf.

State Legislation, from page 6

Connecticut, Kentucky, Missouri, Rhode Island, South Carolina, South Dakota, and Wisconsin. Since each state's legislation was tailored to fit into their current set

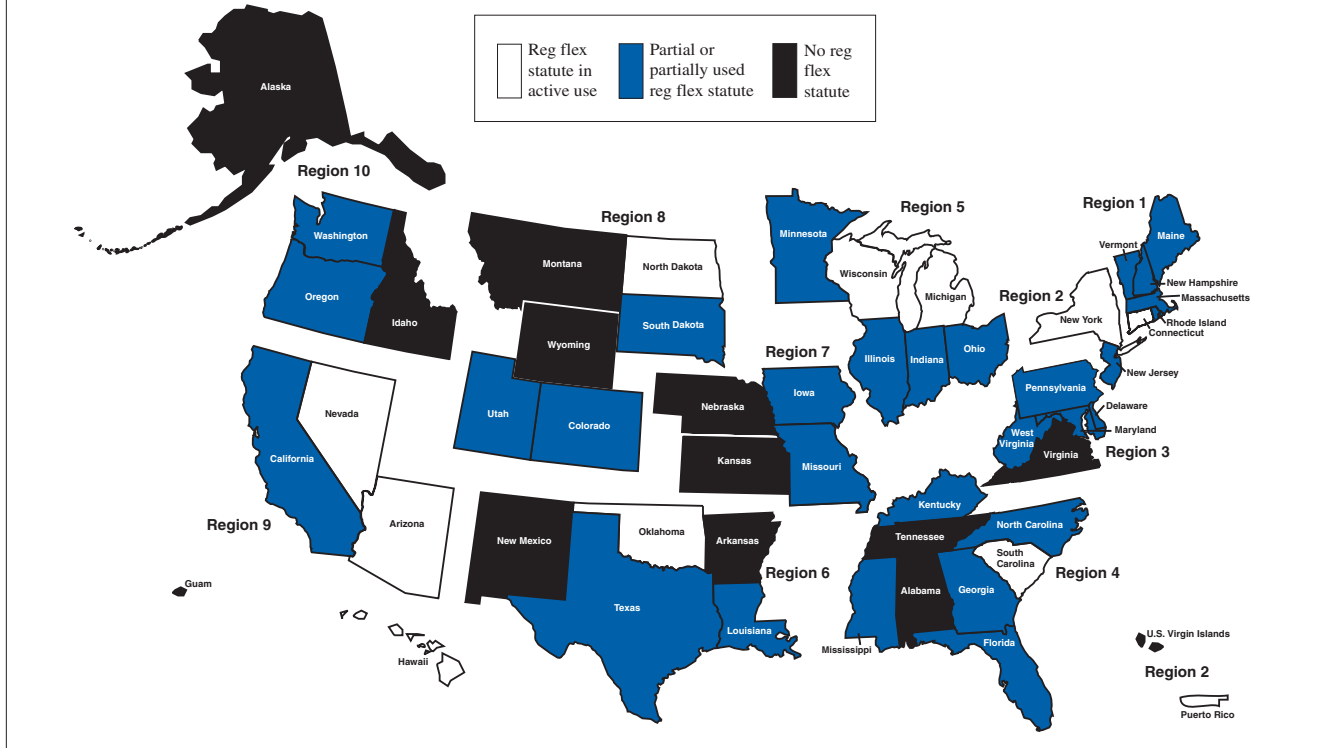
of statutes, each law is different.

The Office of Advocacy anticipates that 2005 will bring another flurry of legislative activity in the states. To learn more of the status of regulatory flexibility statutes in

your state, please visit www.sba.gov/advo/laws/law_modeleg.html or contact Viktoria Ziebarth, director of regional affairs, at viktoria.ziebarth@sba.gov or (202) 205-6565.

Model Legislation Initiative

Status of State Reg Flex Provisions, FY 2004



On the Trail of Dynamic Small Business Data

Dynamic small business data has traditionally been hard to find. However, advances in data collection are making it easier, according to *Development of Business Data: Tracking Firm Counts, Growth, and Turnover by Size of Firms*. The study, written by Catherine Armington with funding from the Office of Advocacy, traces the development of small business data over the last quarter century. It examines current sources of

dynamic small business data and issues in linking small business data over time. It shows that the Office of Advocacy has played a key role as funder and advisor to advances in small business data collection at the U.S. Census Bureau, the Bureau of Labor Statistics, and the Federal Reserve system.

A common thread among the data sources is the difficulty of capturing the dynamic nature of the small business population. Finding

new firms, determining closures, and classifying mergers and spin-offs are very complicated tasks. The historical documentation contained in the report is great reading for individuals trying to understand the strengths and weaknesses of available data, as well as for those trying to create new data sources. The complete report is online at www.sba.gov/advo/research/rs245tot.pdf.

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



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