

## Redesigned Website Helps Businesses Find Federal Compliance Information

For the first time, businesses can search for compliance information from the entire U.S. government in one place, via the newly redesigned Business.gov website. Business.gov is the official business link to the U.S. government. It was publicly relaunched in October 2006 to focus on compliance information, federal forms, and government compliance contacts. This service saves businesses time and money in locating information on tax, labor, environmental, immigration, and other requirements and regulations that often present challenges for small and mid-sized businesses.

Businesses can quickly search on Business.gov for compliance information by topic and industry and for federal forms from all major U.S. federal agencies regulating or serving businesses. Business.gov will help businesses find the best sources, reduce com-

pliance barriers and help avoid costly mistakes. State and municipal compliance information is also being phased into the site.

Business.gov is managed by the U.S. Small Business Administration (SBA) in a partnership with 21 federal agencies and is part of the President's Management Agenda. "The end goal of Business.gov is to cut through the red tape and make it easier for businesses to do business," said SBA Administrator Steven C. Preston. "This website will help streamline access to information and reduce federal compliance barriers—helping businesses save time and money."

When it was originally launched in 2004, Business.gov provided information on starting, expanding, and managing a small business. The new compliance focus is designed to better meet the needs of the business community.



At the launch of Business.gov in October, entrepreneur Warren Brown (left) welcomed the simplicity of the new regulatory compliance site. Brown is the founder of CakeLove and Love Café, as well as the host of the Food Network's Sugar Rush. Also lauding the new service were the Chamber of Commerce's William Kovacs and the National Federation of Independent Business's Andrew Langer.

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## Economic News

### 2006 Nobel Prizes Salute Entrepreneurship

This year, the Nobel Committees honored two economists with a connection to small business in two categories—economics and peace.

Columbia University professor Edmund S. Phelps was selected as the 2006 Nobel laureate in economics for his work on long- versus short-run effects of macroeconomic policy. He was among the first macroeconomists to suggest that inflationary monetary policy might reduce unemployment in the short run, but in the long run it could have no impact. In essence, unemployment would tend to settle at its “natural rate.” Professor Phelps is also a proactive advocate for entrepreneurial research. At the 2006 American Economic Association annual meeting, Phelps presented a paper at the William Baumol Special Session on Entrepreneurship, Innovation, and Growth organized by the Office of Advocacy and co-sponsored by the Ewing Marion Kauffman Foundation. The paper, entitled “Further Steps to a Theory of Innovation and Growth—On the Path Begun by Knight, Hayek

and Polanyi” will be published in Entrepreneurship, Growth and Public Policy by Cambridge University Press ([www.aeaweb.org/annual\\_mtg\\_papers/2006/0107\\_1015\\_0303.pdf](http://www.aeaweb.org/annual_mtg_papers/2006/0107_1015_0303.pdf)).

The 2006 Nobel Peace Prize was awarded to Muhammad Yunus and the Grameen Bank for their efforts to create economic and social development from the bottom up. As the press release pointed out, “Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Micro credit is one such means. Development from below also serves to advance democracy and human rights.” In making this award, the Nobel Committee recognized the important role played by entrepreneurship and small business in fostering economic growth and supporting a robust economy anywhere in the world. More importantly, in developing countries, the economic freedom created by modest economic growth and business ownership can produce greater political freedoms and the promise of a permanent escape from poverty.

#### The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

**Contributing Editors** Joe Johnson, Ying Lowrey, Bruce Lundegren, Eric Menge, Eric Munson, Chad Moutray, Claudia Rodgers, Sarah Wickham

**Production Assistant** Dawn Crockett

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## Telecommunications Update

### Identity Theft and What You Can Do About It

Identity theft is a growing concern for small businesses operating in a world that is becoming more reliant on computers, electronic commerce, and the Internet. While these technological advances have increased efficiency and spawned new business models, they have also created new dangers. One of the most common is identity theft.

Identity theft is a crime in which an imposter obtains key pieces of personal information (such as Social Security or credit card numbers) in order to impersonate some-

one else. The information is used to obtain credit, merchandise, and services in the name of the victim. The long-term effects of identity theft can be very damaging, and the perpetrators are hard to catch. Small businesses face two dangers from identity theft—their identity can be stolen and misused, or they could unknowingly sell goods or services to an imposter who has stolen someone else's identity.

The Federal Trade Commission (FTC) has created a web page to help consumers and businesses

handle identity theft: [www.ftc.gov/bcp/edu/microsites/idtheft](http://www.ftc.gov/bcp/edu/microsites/idtheft). The web page provides consumer information for suspected victims of identity theft. The business portion of the site is dedicated to helping businesses fight back against identity theft. It provides a wide range of educational materials that can serve as practical tools to help educate employees, assist victims, and deal with a data breach.

The FTC is also implementing rules to discourage identity theft.

*Continued on page 4*

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## Message from the Chief Counsel

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### Implementing State Regulatory Flexibility in Arkansas

by Thomas M. Sullivan, Chief Counsel for Advocacy

When I talk to small business owners about the regulatory hurdles they face, they tell me that they don't all come from Washington. Many come from state capitals, too. This is why—for America to remain competitive—regulatory flexibility must be successful at both the state and federal levels. And this is why the Office of Advocacy developed model legislation for the states patterned after the federal Regulatory Flexibility Act.

Since December 2002, when Advocacy launched the State Regulatory Flexibility Model Legislation Initiative, the results have been impressive. Thirty-four state legislatures have considered regulatory flexibility legislation, and 19 states have implemented it through legislation or executive order. In states that have passed regulatory flexibility laws,

Advocacy's team of regional advocates work with the small business community and state government agencies to help with implementation and to ensure the law's effectiveness. This exciting stage brings new challenges.

A success story from Arkansas demonstrates the importance of state regulatory flexibility for small business. In February 2005, Arkansas Governor Mike Huckabee signed Executive Order 05-04, requiring agencies to evaluate the economic impact of proposed regulations on small business and to consider less burdensome alternatives. The executive order also requires agencies to submit this analysis to the Department of Economic Development's Small and Minority Business Unit, which oversees the state's regulatory flexibility program.

In 2005, a new law was passed requiring the Arkansas Department of Labor to license elevator contractors, mechanics, and inspectors. At the same time, the department's Elevator Safety Board was in the process of updating its regulations for the first time in 10 years. Three costly compliance issues for small businesses soon became apparent.

The first issue concerned concerned specialty contractor licensing. (The issue emerged in discussions between the Department of Labor and the Small and Minority Business Unit, two agencies that would not have been in contact prior to Executive Order 05-04.) Small contractors whose firms specialize in installing wheelchair accessibility lifts felt that stringent testing requirements were overly burdensome. They felt that their employees did not need to meet the same requirements as mechanics who install commercial elevators in high-rise buildings.

The other two issues arose from the department's regulatory review. Elevators installed between 1963 to 1973 were going to be required to install fire service under the revised rules. Approximately 337 elevators would be affected, 200 of which were in small businesses. The cost to install the fire service was estimated at \$10,000 per elevator.

Another compliance issue affected hydraulic elevators that have a flat-bottom hydraulic jack or a single bottom cylinder. The most recent industry codes require the cylinder to be replaced with a double cylinder or one with a safety bulkhead to prevent the elevator from falling in the event of an in-ground cylinder rupture.

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An effective regulatory flexibility team: Back row, from left: Clayton Billingsley, co-owner, Tri-B Realty Inc of Little Rock; Eric Munson, region VI advocate; Larry Smothers, chief elevator inspector, and James L. Salkeld, director, Arkansas Department of Labor. Front row, from left: John Billingsley, co-owner, Tri-B Realty Inc.; John Benjamin, deputy director, Arkansas Department of Labor.

### TSA Works To Ease the Small Business Regulatory Burden

The Transportation Security Administration (TSA) recently issued clarifying revisions to two of its most costly and complex regulations: the proposed Transportation Worker Identification Credential (TWIC) rule and the final Air Cargo Security rule. The revisions are intended to ease the compliance burden on regulated entities, especially on small businesses. But critical technological and capacity issues remain.

Both the proposed TWIC rule and the final Air Cargo rule are the product of post-9/11 laws that require the Department of Homeland Security (DHS) to safeguard critical components of the nation's transportation infrastructure: ports and airports. But the massive task of securing the nation's vast transportation system from terrorist attack is more complex than one might imagine.

**TWIC.** Last spring, TSA and the Coast Guard jointly issued the proposed TWIC rule for the maritime sector. The proposal requires TSA to issue biometric security cards to individuals requiring unescorted access to secure areas of ports, vessels, and other facilities. The card

would include a computer chip with the digital photo and fingerprints of the holder. TSA would conduct background security checks prior to issuing the card, and workers would need the card to enter secure areas. Since its proposal, however, implementation of TWIC has proven highly contentious. First, there's the massive task of issuing cards for nearly 750,000 maritime workers, and secondly, the technology for the card "readers" has not been fully developed. Small businesses subject to the rule are concerned about the cost of the proposal and its potential to disrupt labor markets.

In order to ease the rollout of the TWIC rule, TSA has recently announced that it will not require biometric card readers at this time, but will delay that issue for a subsequent rulemaking. The requirement to obtain the cards themselves is still on track for December 1, at least for now.

**Air Cargo Security.** Similar to TWIC, the air cargo rule would require background checks and security training for the employees and agents of airlines and freight brokers who arrange for freight to be placed on airlines (a significant

source of revenue for airlines). The rule is intended to shore up the transportation network where packages are picked up at a warehouse and delivered to an airport pending shipment. TSA's rule would have required complex training and background checks beginning in December, but it became apparent that businesses would be unable to meet the deadlines because of the large number of employees and agents subject to the rule. Accordingly, TSA has announced it will phase in the requirements of the rule over the next several months, beginning with the most important workers first.

**Conclusion.** No one questions the need to safeguard the nation's ports and airports from terrorist attack, and TSA and other Department of Homeland Security agencies are to be commended for the Herculean effort they have made to develop regulations to get the job done. The agency is also to be commended for understanding that the rules cannot be so burdensome that they shut down commerce. TSA's flexibility in moving forward with these rules should serve as a model for future efforts.

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### Identity Theft, *from page 2*

The proposed regulation would establish guidelines for creditors on identity theft "red flags"—patterns, practices, and specific forms of activity that indicate the possible existence of identity theft. Creditors would have to establish reasonable policies and procedures for implementing the red flag guidelines as well as how to handle discrepancies on credit reports. For more information on the proposed rules, go to [www.ftc.gov/opa/2006/07/idtheftred-flagjoint.htm](http://www.ftc.gov/opa/2006/07/idtheftred-flagjoint.htm).

On September 18, Advocacy filed a comment with the FTC on the regulatory impacts and available alternatives in response to the FTC's proposed rule on identity theft red flags. Advocacy spoke with representatives of small business from a variety of different industries to determine the impact of the proposed rule. The small businesses believe that the economic impact of the rule will be significant. While they are supportive of the overall goals of the rulemaking, they believe that it will take a substantial amount of time for them to review the 31 red flags identified by

the FTC, to determine which ones are relevant to their businesses, to develop a policy on identity theft prevention, and to train employees to apply it.

Advocacy presented significant alternatives based on its outreach. These alternatives included: delay the implementation, create a shortened list of red flags, and provide a certification form. Advocacy also recommended that the FTC issue a compliance guide for small businesses to walk them through each step in the program. Advocacy's letter may be accessed at [www.sba.gov/advo/laws/comments](http://www.sba.gov/advo/laws/comments).

## THIRD QUARTER 2006: THE ECONOMY AND SMALL BUSINESS

### Trends

- The U.S. economy grew 1.6 percent in the third quarter of 2006, down from 5.6 percent in the first quarter and 2.6 percent in the second. The slower growth reflects lower business investment, especially in residential housing. Real personal consumption grew an annualized 3.1 percent during the quarter, up from 2.6 percent the previous quarter. Real imports grew at a faster annualized rate—7.8 percent—than real exports at 6.5 percent. Industrial production fell during the third quarter, but was up for the year.
- Both the National Federation of Independent Business' Optimism Index and the University of Michigan's Consumer Sentiment Survey show that overall confidence in the economy improved. The September NFIB survey also found more small business owners stating that the next three months were a "good time to expand" and hire new workers.
- The unemployment rate in September was 4.6 percent, the same as in June, but lower than in July and August. The economy generated 501,000 net new jobs in the third quarter, with service-producing industries accounting for all of the change. The manufacturing and retail trade sectors lost employment during the quarter, but all other industries saw an increase or no change. Industries with the largest shares of small business employment—construction, other services, wholesale trade, and leisure and hospitality—added 153,200 net new jobs over July levels. Incorporated self-employment saw a slight decrease in the third quarter, but overall self-employment was higher than a year ago.
- The prime rate increased to an average of 8.3 percent in the third quarter, up 0.4 percent for the quarter and 1.8 percent for the year. Other rates rose similarly. Higher interest rates weakened the demand for small business loans over the year, but the Senior Loan Officer Survey finds more bankers seeing stronger demand than weaker demand for small business loans. Venture capital investment is down from the last quarter.
- Business bankruptcy filings have fallen dramatically since the laws were revised in October 2005. While no figures are yet available for the third quarter, there were 4,100 and 4,900 filings in the first two quarters of 2006. If the trend continues, the number of business bankruptcy filings in 2006 will be significantly smaller than in previous years. A similar fall-off is found in personal bankruptcy filings.
- Inflation remained under control in the third quarter, helped by falling energy prices. The consumer price index rose an annualized 0.8 percent during the quarter, 2.1 percent since September 2005. The average price of petroleum fell \$7.07 per barrel between July and September.

### Small Business Indicators

|   | Last five years |       |       |       |       | Last five quarters |       |        |        |        | Trends       |                |
|---|-----------------|-------|-------|-------|-------|--------------------|-------|--------|--------|--------|--------------|----------------|
|   | 2001            | 2002  | 2003  | 2004  | 2005  | Q3-05              | Q4-05 | Q1-06  | Q2-06  | Q3-06  | This Quarter | Q3-05 to Q3-06 |
| Business bankruptcy filings (thousands)   | 40.1            | 38.5  | 35.0  | 34.3  | 39.2  | 9.5                | 12.8  | 4.1    | 4.9    | --     | --           | --             |
| Proprietors' income (billions of current dollars)   | 771.9           | 768.4 | 811.3 | 911.1 | 970.7 | 967.3              | 996.8 | 1008.3 | 1011.9 | 1013.4 | ↑ 0.6% (a)   | ↑ 4.8%         |
| Prime bank loan rate  | 6.9             | 4.7   | 4.1   | 4.3   | 6.2   | 6.4                | 7.0   | 7.4    | 7.9    | 8.3    | ↑ 0.4        | ↑ 1.8          |
| Rates for smallest loans (less than \$100,000):   |                 |       |       |       |       |                    |       |        |        |        |              |                |
| Variable rate loans, repricing terms of 2-30 days   | 7.4             | 5.1   | 4.4   | 4.4   | 6.0   | 6.1                | 6.7   | 7.2    | 7.7    | 8.0    | ↑ 0.3        | ↑ 1.9          |
| Variable rate loans, repricing terms of 31-365 days   | 8.7             | 6.6   | 6.4   | 6.2   | 7.1   | 7.1                | 7.7   | 8.3    | 8.1    | 8.7    | ↑ 0.6        | ↑ 1.6          |
| Senior loan officers (percent of respondents):  |                 |       |       |       |       |                    |       |        |        |        |              |                |
| Net small firm C&I lending standards (those whose standards were eased minus those tightened) | -39.4           | -20.0 | -7.1  | 13.1  | 9.0   | 0                  | 4.2   | 4.8    | 7.0    | 4.8    | ↓ 2.2        | ↑ 4.8          |
| Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)      | -36.6           | -40.0 | -14.7 | 25.9  | 27.3  | 33.4               | 16.7  | 5.3    | 3.5    | 5.0    | ↑ 1.5        | ↓ 28.4         |
| Venture investment: number of deals   | 4464            | 3073  | 2887  | 3024  | 3092  | 771                | 794   | 829    | 907    | 797    | ↓ 110        | ↑ 26           |
| Venture investment: total invested (billions of dollars)                                      | 40.5            | 21.8  | 19.6  | 22.1  | 22.7  | 5.6                | 5.7   | 6.2    | 6.8    | 6.2    | ↓ 0.6        | ↑ 0.6          |

Notes: a=annualized growth rate. The third quarter figure is for July and measures from April. C&I = commercial and industrial loans. Trends may reflect rounding error.

Sources: Administrative Office of the U.S. Courts; Board of Governors of the Federal Reserve System; National Venture Capital Association; U.S. Department of Commerce, Bureau of Economic Analysis.

|  | Last five years |       |       |       |       | Last five months (2006) |      |      |      |      | Trends       |                    |
|--|-----------------|-------|-------|-------|-------|-------------------------|------|------|------|------|--------------|--------------------|
|  | 2001            | 2002  | 2003  | 2004  | 2005  | May                     | June | July | Aug  | Sept | This Quarter | Sept 05 to Sept 06 |
| NFIB Small Business Optimism Index (1986 = 100)                    | 98.4            | 101.2 | 101.3 | 104.6 | 101.6 | 98.5                    | 96.7 | 98.1 | 95.9 | 99.4 | ↑ 2.7        | ↓ 0.6              |
| NFIB: next 3 months "good time to expand" (percent of respondents) | 12.3            | 14.3  | 15.7  | 22.3  | 20.6  | 18.0                    | 13.0 | 16.0 | 13.0 | 18.0 | ↑ 5.0        | ↓ 1.0              |
| NFIB: net percent planning to hire in the next 3 months            | 11.6            | 10.8  | 10.2  | 15.3  | 14.4  | 14.0                    | 9.0  | 15.0 | 17.0 | 17.0 | ↑ 8.0        | 0                  |
| Self-employed, incorporated (millions)                             | 4.5             | 4.6   | 5.0   | 5.2   | 5.3   | 5.4                     | 5.5  | 5.5  | 5.4  | 5.4  | ↓ 0.1        | ↑ 0.3              |
| Self-employed, unincorporated (millions)                           | 10.1            | 9.9   | 10.3  | 10.4  | 10.5  | 10.6                    | 10.7 | 10.7 | 10.7 | 10.7 | 0            | ↑ 0.3              |

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

**Editorial Note:** This issue features new "Trends" columns in the tables. These provide a quick numerical snapshot of recent and year-to-year changes in the statistics, lending further support to the bullets above. The trends are differences and follow the same unit of measure as the other data in that row, except where noted. For example, the employment data by sector are presented in millions of workers; therefore, the trends are also in millions of workers.

## Employment by Major Sector (millions)

|                                     | Percent small business | Last five years |               |               |               |               | Last five months (2006) |               |               |               |               | Trends       |                    |
|-------------------------------------|------------------------|-----------------|---------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------|---------------|--------------|--------------------|
|                                     |                        | 2001            | 2002          | 2003          | 2004          | 2005          | May                     | June          | July          | Aug           | Sept          | This Quarter | Sept 05 to Sept 06 |
| <b>Goods-producing industries</b>   | <b>57.61</b>           | <b>23.87</b>    | <b>22.55</b>  | <b>21.81</b>  | <b>21.88</b>  | <b>22.14</b>  | <b>22.41</b>            | <b>22.44</b>  | <b>22.42</b>  | <b>22.43</b>  | <b>22.42</b>  | <b>↓0.01</b> | <b>↑0.28</b>       |
| Natural resources and mining        | 51.24                  | 0.61            | 0.58          | 0.57          | 0.59          | 0.62          | 0.67                    | 0.68          | 0.68          | 0.68          | 0.68          | ↑0.01        | ↑0.05              |
| Construction                        | 86.43                  | 6.83            | 6.71          | 6.73          | 6.97          | 7.28          | 7.50                    | 7.50          | 7.50          | 7.51          | 7.52          | ↑0.02        | ↑0.19              |
| Manufacturing                       | 44.00                  | 16.44           | 15.26         | 14.51         | 14.31         | 14.23         | 14.23                   | 14.26         | 14.24         | 14.23         | 14.22         | ↓0.04        | ↑0.03              |
| <b>Service-producing industries</b> | <b>49.36</b>           | <b>107.96</b>   | <b>107.79</b> | <b>108.18</b> | <b>109.54</b> | <b>111.32</b> | <b>112.71</b>           | <b>112.82</b> | <b>112.95</b> | <b>113.18</b> | <b>113.33</b> | <b>↑0.52</b> | <b>↑1.63</b>       |
| Trade, transportation and utilities | 45.35                  | 25.99           | 25.50         | 25.29         | 25.53         | 25.91         | 26.04                   | 26.04         | 26.05         | 26.05         | 26.06         | ↑0.02        | ↑0.12              |
| Wholesale trade                     | 61.58                  | 5.77            | 5.65          | 5.61          | 5.66          | 5.75          | 5.84                    | 5.85          | 5.85          | 5.85          | 5.87          | ↑0.02        | ↑0.10              |
| Retail trade                        | 42.16                  | 15.24           | 15.02         | 14.92         | 15.06         | 15.25         | 15.23                   | 15.22         | 15.22         | 15.21         | 15.20         | ↓0.02        | ↓0.07              |
| Information                         | 26.17                  | 3.63            | 3.39          | 3.19          | 3.12          | 3.07          | 3.06                    | 3.06          | 3.05          | 3.06          | 3.06          | 0            | ↓0.01              |
| Financial activities                | 41.43                  | 7.81            | 7.85          | 7.98          | 8.03          | 8.14          | 8.32                    | 8.32          | 8.32          | 8.33          | 8.36          | ↑0.05        | ↑0.19              |
| Professional and business services  | 44.95                  | 16.48           | 15.98         | 15.98         | 16.39         | 16.88         | 17.28                   | 17.32         | 17.36         | 17.40         | 17.42         | ↑0.10        | ↑0.42              |
| Education and health services       | 48.08                  | 15.65           | 16.20         | 16.59         | 16.95         | 17.34         | 17.68                   | 17.70         | 17.74         | 17.81         | 17.84         | ↑0.14        | ↑0.39              |
| Leisure and hospitality             | 62.09                  | 12.03           | 11.99         | 12.18         | 12.49         | 12.80         | 13.01                   | 13.02         | 13.06         | 13.10         | 13.13         | ↑0.10        | ↑0.30              |
| Other services                      | 86.27                  | 5.26            | 5.37          | 5.40          | 5.41          | 5.39          | 5.41                    | 5.40          | 5.40          | 5.40          | 5.42          | ↑0.01        | ↑0.04              |
| Government                          | --                     | 21.12           | 21.51         | 21.58         | 21.62         | 21.81         | 21.92                   | 21.95         | 21.97         | 22.02         | 22.05         | ↑0.10        | ↑0.19              |

Notes: Seasonally adjusted. See <http://www.bls.gov/ces/cessuper.htm> for NAICS code equivalents for each sector. The small business percentage by sector is based on 2004 firm size data. See [http://www.sba.gov/advo/research/us04\\_n6.pdf](http://www.sba.gov/advo/research/us04_n6.pdf). Trends may reflect rounding error.

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 |         |         |         |         | Trends       |               |
|--|-----------------|---------|---------|---------|---------|--------------------|---------|---------|---------|---------|--------------|---------------|
|  | 2001            | 2002    | 2003    | 2004    | 2005    | Q3-05              | Q4-05   | Q1-06   | Q2-06   | Q3-06   | This Quarter | Q3-05 - Q3-06 |
| Real gross domestic product (billions)                             | 9890.7          | 10048.9 | 10301.1 | 10703.5 | 11048.6 | 11115.1            | 11163.8 | 11316.4 | 11388.1 | 11432.9 | ↑1.6% (a)    | ↑2.9%         |
| -- Annual percentage change *                                      | 0.8             | 1.6     | 2.5     | 3.9     | 3.2     | 4.2                | 1.8     | 5.6     | 2.6     | 1.6     |              |               |
| Real personal consumption expenditures (billions)*                 | 6910.4          | 7099.3  | 7295.4  | 7577.1  | 7841.2  | 7895.3             | 7910.2  | 8003.8  | 8055.0  | 8116.2  | ↑3.1% (a)    | ↑2.8%         |
| Real gross private fixed investment (billions)*                    | 1598.4          | 1557.2  | 1613.1  | 1770.6  | 1866.3  | 1855.9             | 1927.0  | 1963.6  | 1968.5  | 1958.7  | ↓2.0% (a)    | ↑5.5%         |
| Federal government surplus or deficit (billions)                   | 46.7            | -247.9  | -372.2  | -382.0  | -309.2  | -396.1             | -263.5  | -147.0  | -131.5  | --      | --           | --            |
| Real exports of goods and services (billions)*                     | 1036.7          | 1013.3  | 1026.1  | 1120.4  | 1196.1  | 1200.5             | 1228.4  | 1269.3  | 1288.5  | 1309.0  | ↑6.5% (a)    | ↑9.0%         |
| Real imports of goods and services (billions)*                     | 1435.8          | 1484.6  | 1545.0  | 1711.3  | 1815.3  | 1808.1             | 1865.0  | 1905.9  | 1912.7  | 1948.9  | ↑7.8% (a)    | ↑7.8%         |
| Corporate profits after tax (billions)                             | 563.2           | 693.7   | 749.9   | 882.5   | 931.4   | 887.5              | 968.9   | 1112.1  | 1115.7  | --      | --           | --            |
| Nonfarm business sector output per hour for all persons (1992=100) | 118.6           | 123.5   | 128.0   | 131.8   | 134.9   | 135.8              | 135.8   | 137.2   | 137.6   | 137.6   | 0            | ↑1.3%         |
| Employment Cost Index: private sector wages & salaries (2005=100)  | 88.8            | 91.6    | 94.2    | 96.8    | 99.2    | 99.4               | 100.1   | 100.8   | 101.7   | 102.5   | ↑3.2% (a)    | ↑3.1%         |
| Employment Cost Index: private sector benefits (2005=100)          | 80.1            | 83.7    | 88.8    | 94.8    | 99.2    | 99.6               | 100.4   | 100.8   | 101.5   | 102.5   | ↑4.0% (a)    | ↑2.9%         |

Notes: Seasonally adjusted; \*Chained 2000 dollars; a=annualized growth rate. Real GDP and its components are preliminary data. Trends may reflect rounding error.

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 (2006) |       |       |       |       | Trends       |                    |
|--|-----------------|-------|-------|-------|-------|-------------------------|-------|-------|-------|-------|--------------|--------------------|
|  | 2001            | 2002  | 2003  | 2004  | 2005  | May                     | June  | July  | Aug   | Sept  | This Quarter | Sept 05 to Sept 06 |
| Unemployment rate (seasonally adjusted)  | 4.8             | 5.8   | 6.0   | 5.5   | 5.1   | 4.6                     | 4.6   | 4.8   | 4.7   | 4.6   | 0            | ↓0.5               |
| Civilian employment—16 years and older (millions, seasonally adjusted)                     | 136.9           | 136.5 | 137.7 | 139.2 | 141.7 | 144.0                   | 144.4 | 144.3 | 144.6 | 144.9 | ↑0.5         | ↑2.4               |
| Civilian unemployed—15 weeks and over (millions, seasonally adjusted)                      | 1.8             | 2.9   | 3.4   | 3.1   | 2.6   | 2.3                     | 2.1   | 2.3   | 2.4   | 2.3   | ↑0.2         | ↓0.3               |
| Nonfarm payrolls (millions, seasonally adjusted)   | 131.8           | 130.3 | 129.9 | 131.4 | 133.5 | 135.1                   | 135.3 | 135.4 | 135.6 | 135.8 | ↑0.5         | ↑1.9               |
| Producer Price Index (1982=100)  | 134.2           | 131.1 | 138.1 | 146.7 | 157.4 | 165.3                   | 165.9 | 167.1 | 167.9 | 165.4 | ↓1.2% (a)    | ↑2.0%              |
| Consumer Price Index (all urban consumers and all items; seasonally adjusted, 1982-84=100) | 177.0           | 179.9 | 184.0 | 188.9 | 195.3 | 201.9                   | 202.3 | 203.2 | 203.7 | 202.7 | ↑0.8% (a)    | ↑2.1%              |
| Univ. of Michigan Consumers' Sentiment (1966=100)  | 89.2            | 89.6  | 87.6  | 95.2  | 88.6  | 79.1                    | 84.9  | 84.7  | 82    | 85.4  | ↑0.5         | ↑8.5               |
| Spot oil price per barrel: West Texas intermediate crude                                   | 25.92           | 26.10 | 31.14 | 41.44 | 56.47 | 70.94                   | 70.96 | 74.41 | 73.05 | 63.87 | ↓\$7.07      | ↓\$1.70            |
| ISM Purchasing Managers Index—manufacturing composite (seasonally adjusted)                | 43.9            | 52.4  | 53.3  | 60.5  | 55.5  | 54.4                    | 53.8  | 54.7  | 54.5  | 52.9  | ↓0.9         | ↓5.1               |
| Industrial production (2002=100, seasonally adjusted)                                      | 99.9            | 100.0 | 100.6 | 104.7 | 108.1 | 112.2                   | 113.4 | 113.8 | 113.8 | 113.1 | ↓0.9% (a)    | ↑5.6%              |
| 3-month Treasury bills (secondary market rate)   | 3.39            | 1.60  | 1.01  | 1.37  | 3.15  | 4.72                    | 4.79  | 4.95  | 4.96  | 4.81  | ↑0.02        | ↑1.39              |
| 10-year Treasury note (constant maturity rate)   | 5.02            | 4.61  | 4.02  | 4.27  | 4.29  | 5.11                    | 5.11  | 5.09  | 4.88  | 4.72  | ↓0.39        | ↑0.52              |

Notes: a = annualized growth rate. Trends may reflect rounding error.

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, Survey of Consumers.

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

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## Regulatory News

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### Internal Revenue Service Schooled in the Regulatory Flexibility Act

The Office of Advocacy has recently conducted five successive Regulatory Flexibility Act (RFA) training sessions at the Internal Revenue Service (IRS). Attorneys, rule writers, branch chiefs, and other IRS employees participated in these intensive training sessions to learn how to comply with the RFA.

The RFA requires agencies to review their draft regulations for their potential economic impact on small entities in hopes that the agencies will make changes to draft rules that will reduce the burden on small business, while still accomplishing the agency's regulatory objective. Congress passed the

RFA in 1980 and strengthened it in 1996. In 2002, President Bush signed Executive Order 13272, emphasizing the importance of small business and the RFA. The E.O. requires agencies to notify Advocacy of important rules that may affect small business and to give every appropriate consideration to any comments on a rule submitted by Advocacy.

The E.O. also requires Advocacy to train every federal regulatory agency on how to comply with the RFA. While Advocacy has previously held a training session at the IRS, these recent intensive sessions were designed to reach additional

rule writing staff at the agency in an effort to improve their RFA compliance and consideration of their rules' impact on small business.

These sessions have already led to a closer working relationship between the IRS and the Office of Advocacy. Advocacy is encouraged by the requests for input on various rules and RFA considerations by the IRS. Advocacy looks forward to scheduling five to ten more sessions at the IRS and to working closely with staff as the agency develops new and existing regulations with an eye toward their impact on small business.

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### Arkansas, *from page 3*

The agency estimated that approximately 350 elevators might be affected; 208 of these were located in small firms. The least expensive retrofit would cost about \$10,000 per elevator.

Because of Arkansas's regulatory flexibility law, the Department of Labor and its Elevator Safety Board considered the analysis by the Department of Economic Development's Small and Minority Business Unit, plus input from many small businesses. All parties recognized the public safety issues at stake, and they approached the process in a cooperative manner.

As a result of this collaborative effort, the final regulations reflect flexibility for small business. A restricted class of license with a less stringent testing requirement was created for elevator mechanics who only install wheelchair accessibility lifts. Owners of elevators without fire service or with flat-bottom hydraulic jacks were given five years to comply with the new regulations. In addition, the regulations

allow exceptions to the requirements if a small business can show undue hardship and assure reasonable safety.

This is a clear example of how a strong state regulatory flexibility law facilitates productive working

relationships among small business stakeholders and state regulators. The result of this collaborative effort was a set of rules that will be less harmful to businesses while still accomplishing the state's public safety goals.



The Arkansas Department of Labor and small business owners worked closely in revising state elevator regulations. Pictured here are James L. Salkeld, director, and Larry Smothers, chief elevator inspector, Department of Labor; and Clayton Billingsley, co-owner, Tri-B Realty Inc.

## Tips for Employers of National Guard and Reserve Personnel

As the nation celebrates Veterans Day on November 11, nearly half of the men and women serving in our armed forces are members of the National Guard and Reserve. Their performance must meet the same standards as their active duty counterparts. Employers are vital to enabling employees who are members of the National Guard and Reserve to serve their country. Here are some suggestions from the National Committee for Employer Support of the Guard and Reserve (ESGR) on how to support employees in the Guard and Reserve:

- Learn more about the role of the National Guard and Reserve. Ask employees what they do and how they fit into the “big picture” of national defense.
- Get to know employees’ military commanders and supervisors. Ask for advance notice of employees’ annual military duty schedule and work out conflicts early, while alternative arrangements may be possible.
- Sign a Statement of Support for the National Guard and Reserve, and display it prominently. These are available from ESGR’s website, [www.esgr.mil](http://www.esgr.mil).
- Review personnel policies to ensure they comply with the Uniformed Services Employment and Reemployment Rights Act.
- Involve the entire management team in promoting your support of the National Guard and Reserve.
- Accept that there may be occasional concerns with your employment of “citizen soldiers” and their requirement to perform military duty. Seek to resolve concerns as soon as they arise. The relationship



between Guardsmen and Reservists and their employers works best when all parties communicate clearly and frequently.

- Seek assistance from the local or national ESGR committee. ESGR’s volunteer ombudsmen act as confidential, neutral liaisons for employers and employees in need of assistance regarding their rights and responsibilities.

- Don’t hesitate to call upon the employee’s military commander or supervisor if there is a conflict. They may be able to offer alternatives to meet individual needs. For more information, please visit ESGR at [www.esgr.mil](http://www.esgr.mil) or call (800) 336-4590.

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