

## Advocacy Hosts Roundtable To Discuss Recent RFA Decision

The Office of Advocacy hosted a small business regulatory roundtable in August to discuss the most recent court case involving the Regulatory Flexibility Act (RFA), *Aeronautical Repair Station Association v. Federal Aviation Administration*. The case involved the FAA's new drug and alcohol testing rule, which mandates drug and alcohol testing programs for the maintenance personnel of

air carriers and repair stations. However, the final rule, issued in January 2006, extended the testing requirements to the contractors and subcontractors of these companies as well. As a result, many more companies (e.g., dry cleaners, metal finishers, and other companies that provide maintenance services to the aviation industry) were subject to the rule than FAA had calculated.

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## GAO Report Examines Agency Efforts To Review Existing Regulations

In August, the Government Accountability Office (GAO) published a report documenting the need for greater public participation and transparency in federal agencies' review of their existing regulations. The Office of Advocacy's new small business Regulatory Review and Reform (r3) initiative addresses many of the issues the GAO report raises.

The report, *Reexamining Regulations: Opportunities Exist To Improve Effectiveness and Transparency of Retrospective*

*Reviews*, documents the success and failure of federal agencies' efforts to review existing regulations (see [www.gao.gov/new.items/d07791.pdf](http://www.gao.gov/new.items/d07791.pdf)). The report spotlights agencies' implementation of section 610 of the Regulatory Flexibility Act (RFA), which mandates that agencies periodically examine their existing regulations to measure changing impacts on small business. The GAO report finds that agencies' implementation of section 610 often suffers from a

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### r3 Website Features Nomination How-To's

Advocacy's r3 website contains new information and updates. Advocacy recently added complete nomination criteria guidelines to assist small businesses in nominating regulations that should be reviewed. Visit [www.sba.gov/advo/r3/r3\\_nomination.pdf](http://www.sba.gov/advo/r3/r3_nomination.pdf) to consult the guidelines. Submit nominations to [advocacy@sba.gov](mailto:advocacy@sba.gov) or contact Assistant Chief Counsel Keith Holman at (202) 205-6936.

A complete series of questions and answers regarding the r3 initiative is now available at [www.sba.gov/advo/r3/r3\\_questions.pdf](http://www.sba.gov/advo/r3/r3_questions.pdf).

All r3 initiative information can be found at [www.sba.gov/advo/r3](http://www.sba.gov/advo/r3).

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## RFA Roundtable, from page 1

Following promulgation of the rule, the Aeronautical Repair Station Association (ARSA), a trade association representing aviation repair stations, filed suit in the D.C. Circuit Court of Appeals. ARSA's suit alleged that the rule exceeded FAA's authority and that the agency had failed to include all of regulated companies (i.e., the contractors and subcontractors at any tier) in its RFA analysis. While the court, in a 2-1 decision, refused to overturn the rule, it did agree with ARSA that FAA had failed to perform an adequate RFA analysis and ordered the agency to prepare a new analysis.

Under the RFA, federal agencies are required to prepare and make available for public comment a regulatory flexibility analysis for each rule that is expected to have a significant economic impact on a substantial number of small entities. The analysis must describe who is regulated by the rule, how much it will cost to comply, and what alternatives the agency considered that would have minimized the economic impact on small businesses. The preparation and substance of

the analysis is subject to judicial review by federal courts.

Advocacy's roundtable included two panels that explored the RFA and the present case. The first panel included former Chief Counsel for Advocacy Jere Glover, now of the Brand Law Group, and David Frulla of Kelley Drye Collier Shannon; it explored the legislative and judicial underpinnings of the RFA. The second panel, featuring Andrew Herman of the Brand Law Group and Sarah MacLeod of ARSA, discussed the specifics of the *ARSA v. FAA* case.

The Office of Advocacy had submitted comments to FAA during the rulemaking process stating that the agency's RFA analysis was improper because it failed to include all of the companies that would be subject to the rule. However, FAA declined to address these concerns and issued the final rule without revising its analysis. The case is significant because it demonstrates that federal courts will enforce the RFA against federal agencies, and uphold the public's right to compel agency compliance with the law—a law that is designed to give small businesses a voice in the rulemaking process.



More than 60 small business trade representatives attended Advocacy's roundtable on the Regulatory Flexibility Act.

## The Small Business Advocate

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## Message from the Chief Counsel

### Finishing One Job, Beginning Another

by Thomas M. Sullivan, Chief Counsel for Advocacy

One of the important tasks given to the Office of Advocacy by President Bush's Executive Order 13272 is that Advocacy train every federal regulatory agency in how to comply with the Regulatory Flexibility Act (RFA). The five-year long effort is paying off—agencies are now doing a better job of considering the needs of small businesses when they write new regulations. With the initial round of training of agencies complete, Advocacy is ready to go to work helping small business address the impact of agencies' existing regulations.

Executive Order 13272, titled "Proper Consideration of Small Entities in Agency Rulemaking," was signed by President Bush on August 13, 2002. It requires Advocacy to inform agencies about the basic requirements of the RFA, and specifically to "provide training to agencies on compliance with the [RFA]." After developing the curriculum for a hands-on training program, Advocacy's staff began visiting agencies in 2003. In May 2006, Advocacy made computer-based RFA training modules available to agencies so that agency employees can get initial or refresher RFA expertise on demand. By late 2007, Advocacy had trained some 66 agencies, departments, and independent commissions that write rules affecting small business.

What has the impact of training been? The majority of the agency personnel that Advocacy trained had little or no experience with the RFA before the training, despite the fact that they write rules affecting small business. Following the training, most agencies have been

more willing to share draft documents with Advocacy, and agencies now prepare better small business impact analyses during rulemakings. For the most part, agencies

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**"For the most part, agencies have learned that they must provide a factual basis for their assertion that a rule will not have a significant impact on a substantial number of small entities."**

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have learned that they must provide a factual basis for their assertion that a rule will not have a significant impact on a substantial number of small entities. It has now become uncommon for these agencies to issue boilerplate statements of impact without an explanation in the proposed rule. This progress can be directly attributed to the RFA training sessions' focus on providing more information to small entities in the proposed rule and analyzing small entity impacts

as early as possible in the rulemaking process.

With the first round of RFA training essentially complete, Advocacy is turning its attention to the existing regulatory burden facing small business. By one estimate, the total cost to comply with current regulations is \$1.1 trillion, and small business pays a disproportionate share of that cost. Advocacy wants to reduce regulatory burden by identifying and reforming existing rules that are outdated, ineffective, or unworkable. Advocacy's new Regulatory Review and Reform—or r3—initiative ([www.sba.gov/advo/r3](http://www.sba.gov/advo/r3)) is designed to give small business a voice in the review and reform of existing rules. Just as the RFA training effort has been successful in helping agencies consider small business when making new rules, the r3 initiative will work to help agencies consider small business when evaluating their existing rules.



Advocacy's online RFA compliance training was launched in May 2006.

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## Regional Roundup

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### Judicial Review and State Regulatory Flexibility Laws

by Katherine G. Putnam

In December 2002 the Office of Advocacy introduced the State Model Legislation Initiative to assist states in developing their regulatory regimes by providing draft legislation modeled after the federal Regulatory Flexibility Act (RFA). Since then, 22 states have adopted regulatory flexibility legislation. In the last year alone, 13 states have introduced regulatory flexibility legislation.

While small businesses in many states have clearly benefited from the program's success, there are still eight states without any form of regulatory flexibility. While many states have responded with progressive legislation, others have voiced concern over the potential for the judicial review provision of the model legislation to invite litigation.

Recent research by the Office of Advocacy suggests that this concern may be unfounded. Since 2002 there have been 20 cases raising a regulatory flexibility issue in state courts. These 20 cases are

distributed across only 10 states. A review of these cases indicates the following:

- By comparing the federal and state case law, the average number of state cases per year is substantially lower than the average number of RFA-related federal court opinions.
- States that have adopted regulatory flexibility legislation over the past five years (such as South Carolina and Indiana) have not faced an influx of lawsuits in their state court systems.
- The number of cases filed per state seems to be a function of population, duration of the regulatory flexibility statute, and state-specific subject matter.
- The subject matter of a number of the cases focuses on environmental regulations.

Furthermore, the case law in states such as Oregon, which has had a regulatory flexibility statute in place since 1981, provides an example of how adoption of a regulatory flexibility statute modeled

after the federal version can even decrease litigation. Oregon has used precedent and deference to agency revisions of regulations to articulate limitations on litigation.

The federal Regulatory Flexibility Act had limited success in curbing excessive regulatory burdens until a judicial review provision was enacted in 1996 under the Small Business Regulatory Enforcement Fairness Act (SBREFA). The effect of SBREFA has been to give the RFA "teeth" and to focus regulatory officials' attention on small business issues. Judicial review appears to be having the same effect on the state level, as it provides an incentive for agencies to conduct a thorough and well-reasoned economic impact and regulatory flexibility analysis at the start of the rulemaking process and thereby avoid litigation.

*Katherine G. Putnam worked as an intern in Advocacy's Office of Interagency Affairs in summer 2007.*

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### SBA Issues Agency Procurement Scorecard

In August, the Small Business Administration released its first-ever Small Business Procurement Scorecard. The scorecard rates 24 federal agencies' performance in meeting small business procurement goals: whether they have reached their annual small business contracting goals and their progress in making contracting opportunities available to small businesses. The grading system uses colors—green, yellow, and red—to indicate the agency's degree of success in meeting stated goals and standards.

The scorecard will help agencies measure their achievements and progress in making contracting opportunities available to small businesses, improve the accuracy of contracting data regarding small businesses, and provide the public the opportunity to assess agencies' performance in meeting these goals. For fiscal year 2006, the scorecard rated seven agencies green, five yellow, and 12 red in meeting their small business procurement goals. In the category of progress toward making contracting opportunities

available, 12 agencies were rated green, eight yellow, and four red.

Each federal agency has a different small business contracting goal, determined annually in consultation with SBA. SBA ensures that the sum total of all of the goals exceeds the 23 percent target established by law.

For fiscal year 2006, \$77.7 billion in federal contracts were awarded to small businesses, up \$2.7 billion from the previous year.

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## What is a small business?

The Office of Advocacy defines a small business for research purposes as an independent business having fewer than 500 employees. Firms wishing to be designated small businesses for government programs such as contracting must meet size standards specified by the U.S. Small Business Administration (SBA) Office of Size Standards. These standards vary by industry; see [www.sba.gov/size](http://www.sba.gov/size).

## How important are small businesses to the U.S. economy?

### Small firms:

- Represent 99.7 percent of all employer firms.
- Employ about half of all private sector employees.
- Pay more than 45 percent of total U.S. private payroll.
- Have generated 60 to 80 percent of net new jobs annually over the last decade.
- Create more than half of nonfarm private gross domestic product (GDP).
- Supplied 22.8 percent of the total value of federal prime contracts in FY 2006.
- Hire 40 percent of high tech workers (such as scientists, engineers, and computer workers).
- Are 52 percent home-based and 2 percent franchises.
- Made up 97 percent of all identified exporters and produced 28.6 percent of the known export value in FY 2004.
- Small innovative firms produce 13 times more patents per employee than large patenting firms, and their patents are twice as likely as large firm patents to be among the one percent most cited.

Source: U.S. Dept. of Commerce, Bureau of the Census; Advocacy-funded research by Kathryn Kobe, 2007 ([www.sba.gov/advo/research/rs299tot.pdf](http://www.sba.gov/advo/research/rs299tot.pdf)); Federal Procurement Data System; Advocacy-funded research by CHI Research, 2003 ([www.sba.gov/advo/research/rs225tot.pdf](http://www.sba.gov/advo/research/rs225tot.pdf)); U.S. Dept. of Labor, Bureau of Labor Statistics, Current Population Survey; U.S. Dept. of Commerce, International Trade Administration.

## How many small businesses are there?

**In 2006, there were 26.8 million businesses in the United States, according to Office of Advocacy estimates.** Census data show that there were 5.9 million firms with employees and 19.5 million without employees in 2004. Applying the sole proprietorship growth rates to the nonemployer figures and similar Department of Labor growth rates to the employer figures produces the 26.8 million figure. Small firms with fewer than 500 employees represent 99.9 percent of the 26.8 million businesses (including both employers and nonemployers), as the most recent data show there were more than 17,000 large businesses in 2004.

Source: Office of Advocacy estimates based on data from the U.S. Dept. of Commerce, Bureau of the Census, and U.S. Dept. of Labor, Employment and Training Administration.

The SBA's Office of Advocacy was created by Congress in 1976 to protect, strengthen, and effectively represent the nation's small businesses within the federal government. As part of this mandate, the office conducts policy studies and economic research on issues of concern to small business and publishes data on small business characteristics and contributions. For small business resources, statistics, and research, visit the Office of Advocacy's home page at [www.sba.gov/advo](http://www.sba.gov/advo).

## How do regulations affect small firms?

**Very small firms with fewer than 20 employees annually spend 45 percent more per employee than larger firms to comply with federal regulations.** These very small firms spend four and a half times as much per employee to comply with environmental regulations and 67 percent more per employee on tax compliance than their larger counterparts. For data broken out by industry, see [www.sba.gov/advo/research/rs264tot.pdf](http://www.sba.gov/advo/research/rs264tot.pdf).

### Annual Cost of Federal Regulations by Firm Size, All Business Sectors (Dollars)

Type of Regulation	Cost per Employee for Firms with:	
	<20 Employees	500+ Employees
All Federal Regulation	\$7,647	\$5,282
Environmental	3,296	710
Economic	2,127	2,952
Workplace	928	841
Tax Compliance	1,304	780

Source: *The Impact of Federal Regulations on Small Firms*, an Advocacy-funded study by W. Mark Crain, 2005 ([www.sba.gov/advo/research/rs264tot.pdf](http://www.sba.gov/advo/research/rs264tot.pdf)).

## How many businesses open and close each year?

**Estimates for businesses with employees indicate there were 649,700 new firms and 564,900 closures in 2006.**

### Starts and Closures of Employer Firms, 2002–2006

Category	2002	2003	2004	2005	2006
New Firms	569,750	612,296	628,917	653,100e	649,700e
Closures	586,890	540,658	541,047	543,700e	564,900e
Bankruptcies	38,540	35,037	34,317	39,201	19,695

e = Advocacy estimate. For a discussion of methodology, see Brian Headd, 2005 ([www.sba.gov/advo/research/rs258tot.pdf](http://www.sba.gov/advo/research/rs258tot.pdf)).

Source: U.S. Dept. of Commerce, Bureau of the Census; Administrative Office of the U.S. Courts; U.S. Dept. of Labor, Employment and Training Administration.

## How many new jobs do small firms create?

**Over the past decade, small businesses created 60 to 80 percent of the net new jobs.** In the most recent year with data (2004), small firms accounted for all of the net new jobs. Firms with fewer than 500 employees had a net gain of 1.86 million new jobs. Large firms with 500 or more employees lost more jobs than they created, for a net loss of 181,122 jobs. For information on employment dynamics by firm size from 1989 to 2004, see [www.sba.gov/advo/research/data.html#us](http://www.sba.gov/advo/research/data.html#us).

Source: U.S. Dept. of Commerce, Bureau of the Census.

## What is small firms' share of employment?

**Small businesses employ about half of U.S. workers.** Of 115.1 million nonfarm private sector workers in 2004, small firms with fewer than 500 workers employed 58.6 million and large firms employed 56.5 million. Firms with fewer than 20 employees employed 21.2 million, and firms with 100 employees, 41.8 million. Although small firms create 60 to 80 percent of net new jobs, their share of employment remains steady since some firms grow into large firms as they create new jobs.

Source: U.S. Dept. of Commerce, U.S. Bureau of the Census.

## What is the survival rate for new firms?

**Two-thirds of new employer establishments survive at least two years, and 44 percent survive at least four years, according to a recent study.** These results were similar for different industries. Firms that began in the second quarter of 1998 were tracked for the next 16 quarters to determine their survival rate. Despite conventional wisdom that restaurants fail much more frequently than firms in other industries, leisure and hospitality establishments, which include restaurants, survived at rates only slightly below the average. Earlier research has explored the reasons for a new business's survivability. Major factors in a firm's remaining open include an ample supply of capital, being large enough to have employees, the owner's education level, and the owner's reason for starting the firm in the first place, such as freedom for family life or wanting to be one's own boss.

Source: "Survival and Longevity in the Business Employment Dynamics Database" by Amy E. Knaup, *Monthly Labor Review*, vol. 128, no. 5 (May 2005), pp. 50-6; "Redefining Business Success: Distinguishing Between Closure and Failure" by Brian Headd, *Small Business Economics*, vol. 21, no. 1 (August 2003), pp. 51-61.

## How are small businesses financed?

**Commercial banks and other depository institutions are the largest lenders of debt capital to small businesses.** They accounted for almost 65 percent of total traditional credit to small businesses in 2003. (This includes credit lines and loans for nonresidential mortgages, vehicles, equipment, and leases.) Credit cards account for much of the growth in small business lending over the past few years. For more information, see Advocacy's annual publication, *Small Business Lending in the United States* ([www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html)).

## What is the role of women, minority, and veteran entrepreneurs?

- Of the 23 million nonfarm businesses in 2002, women owned 6.5 million businesses. These firms generated \$940.8 billion in revenues, employed 7.1 million workers, and had \$173.7 billion in payroll. In addition, another 2.7 million firms were owned equally by both women and men; these firms added another \$731.4 billion in revenues and employed another 5.7 million workers.
- In 2002, minorities owned 4.1 million firms that generated \$694 billion in revenues and employed 4.8 million people. Hispanic Americans owned 6.6 percent of all U.S. businesses; African Americans, 5 percent; Asian Americans, 4.6 percent; American Indians or Alaska Natives, 0.8 percent; and Native Hawaiian or other Pacific Islanders, 0.1 percent.
- Male veterans' self-employment rates were higher than those of non-veterans from 1979 to 2004. The rate was 13.7 percent in 2003, compared to 12.2 percent for non-veterans.

- According to a study on veteran business ownership, about 22 percent of veterans in the U.S. household population were either purchasing or starting a new business or considering purchasing or starting one in 2004, and almost 72 percent of these new veteran entrepreneurs planned to employ at least one person at the outset of their new venture.

Source: U.S. Dept. of Commerce, Bureau of the Census, Survey of Business Owners; Office of Advocacy: *Women in Business* ([www.sba.gov/advo/research/rs280.pdf](http://www.sba.gov/advo/research/rs280.pdf)) and *Minorities in Business* ([www.sba.gov/advo/research/rs298.pdf](http://www.sba.gov/advo/research/rs298.pdf)); Advocacy-funded research by Robert Fairlie, 2004 ([www.sba.gov/advo/research/rs243.pdf](http://www.sba.gov/advo/research/rs243.pdf)) and Waldman Associates, 2004 ([www.sba.gov/advo/research/rs242.pdf](http://www.sba.gov/advo/research/rs242.pdf)).

## What research exists on the cost and availability of health insurance?

According to a National Federation of Independent Business membership survey, the cost and availability of health insurance are a top small business issue. Aspects of insurance that drive small business concern are premium increases and administrative costs. Advocacy research shows that: (1) insurers of small health plans have higher administrative expenses than those that insure larger group plans, and (2) employees at small firms are less likely to have coverage than the employees of larger entities.

These results are confirmed by the Kaiser Family Foundation, which also finds that firm size is an important indicator of whether a firm offers health insurance. This survey shows that about half of businesses with fewer than 10 workers offer health benefits to their employees. The ratio grows to about three-fourths for firms with 10–24 employees, to almost 90 percent for firms with 25–49 employees, and to 98 percent for firms with 200 employees or more. Two-thirds of workers in firms of all sizes take health insurance coverage if offered.

Source: National Federation of Independent Business; Kaiser Family Foundation; Advocacy-funded research by Rose C. Chu and Gordon R. Trapnell, 2003 ([www.sba.gov/advo/research/rs224tot.pdf](http://www.sba.gov/advo/research/rs224tot.pdf)); Joel Popkin and Company, 2005 ([www.sba.gov/advo/research/rs262tot.pdf](http://www.sba.gov/advo/research/rs262tot.pdf)); and Econometrica, Inc., 2007 ([www.sba.gov/advo/research/rs295tot.pdf](http://www.sba.gov/advo/research/rs295tot.pdf)).

## Whom do I contact about regulations?

**To submit comments on proposed regulations, send email to [advocacy@sba.gov](mailto:advocacy@sba.gov) or visit Advocacy's regulatory alerts page at [www.sba.gov/advo/laws/law\\_regalerts.html](http://www.sba.gov/advo/laws/law_regalerts.html).**

To inquire about unfair regulatory enforcement, contact SBA's Office of the Ombudsman at [ombudsman@sba.gov](mailto:ombudsman@sba.gov).

## How can I get more information?

**For more detailed information, visit [www.sba.gov/advo](http://www.sba.gov/advo). Sign up at <http://web.sba.gov/list> for email delivery of Advocacy's newsletter, press, regulatory news, and research.** For RSS feeds, visit [www.sba.gov/advo/rsslibrary.html](http://www.sba.gov/advo/rsslibrary.html). Economic research by the Office of Advocacy can be found at [www.sba.gov/advo/research](http://www.sba.gov/advo/research). Specific points of interest include:

- Firm size data (U.S., state, and metropolitan static and dynamic data): [www.sba.gov/advo/research/data.html](http://www.sba.gov/advo/research/data.html)
  - Small firm lending studies (1994–present): [www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html)
  - State economic profiles (1995–present): [www.sba.gov/advo/research/profiles](http://www.sba.gov/advo/research/profiles)
  - *The Small Business Advocate* monthly newsletter (2000–present): [www.sba.gov/advo/newsletter.html](http://www.sba.gov/advo/newsletter.html)
- Direct questions to (202) 205-6533 or [advocacy@sba.gov](mailto:advocacy@sba.gov).

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## Research Notes

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### Two New Reports Study Impact of Wages and Benefits on Employee Turnover and the Effect of Wealth and Race on Start-up Rates

Establishment size matters in determining employee compensation and job tenure, concludes a new study released by the Office of Advocacy in July. The study found that, all other things being equal, employees of larger establishments have longer job tenures than those working in smaller establishments. Moreover, the study found that service and manufacturing occupations pay more in larger establishments as well.

Written by John Hope and Patrick Mackin of SAG Corporation, the study determined that each additional year of tenure on a job reduces the probability of turnover by 81 percent. It also established that offering benefits reduces the probability of an employee leaving in a given year by slightly more than 26 percent.

“The reasons for shorter job tenure and lower compensation in smaller establishments are not yet well understood,” said Dr. Chad Moutray, chief economist for the Office of Advocacy. “Smaller

establishments tend to be younger, and younger firms are more volatile. Their higher closure rate could be a major factor in determining job tenure rates. More study is needed to fully understand this phenomenon,” he said.

The report, *The Relationship Between Employee Turnover and Employee Compensation in Small Business*, analyzes a unique set of data drawn from the National Longitudinal Survey of Youth gathered by the Bureau of Labor Statistics. The complete text can be found at [www.sba.gov/advo/research/rs308tot.pdf](http://www.sba.gov/advo/research/rs308tot.pdf).

Another report, *The Effect of Wealth and Race on Start-up Rates*, by Maritza Salazar of BCT Partners, explores the role of wealth on the likelihood of becoming self-employed. It uses the Panel Study of Entrepreneurial Dynamics (PSED) to uncover whether wealth affects the start-up outcomes of minorities and nonminorities differently.

The study shows that net wealth is positively correlated with the

probability that a nascent entrepreneur will start a new company if the nascent entrepreneur is in the top 25 percent of the wealth distribution. This research also shows that wealth affects the outcomes of minority entrepreneurs slightly differently than it influences the outcomes of their white counterparts. The complete report can be found at [www.sba.gov/advo/research/rs307tot.pdf](http://www.sba.gov/advo/research/rs307tot.pdf).

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### Procurement Scorecard, from page 4

This amount is 22.8 percent of federal procurement subject to small business goals, just short of the overall goal established by law at 23 percent.

SBA’s scorecard builds on a series of initiatives by the Bush Administration to improve small business access to federal contracts. At the request of the White House’s Office of Federal Procurement Policy and SBA, federal agencies spent months reviewing 11 million contract actions from the past two years to cleanse the federal contracts database of miscoded

contracts. On June 30, federal regulations were changed so that contracts awarded to small companies that were subsequently acquired by large corporations will no longer count towards federal agency small business goals—even if the acquisition took place before the rule change.

The scorecard is located at [www.sba.gov/idc/groups/public/documents/sba\\_homepage/sbgr\\_fy\\_2006\\_small\\_businesspr.html](http://www.sba.gov/idc/groups/public/documents/sba_homepage/sbgr_fy_2006_small_businesspr.html).

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lack of clear standards, insufficient public participation and comment, and inadequate communication of the results to stakeholders.

The Office of Advocacy's new r3 initiative directly addresses these issues. The initiative will

- Offer agencies guidance and training on how to implement section 610 of the RFA,

- Solicit recommendations from the small business community on rules that should be reviewed, and
- Provide public updates on the status and results of agency retrospective reviews.

"Today's GAO report makes clear that federal agencies need to do a better job of reviewing existing regulations," said Thomas M. Sullivan, chief counsel for advocacy. "The Office of Advocacy's

r3 initiative will help them do that. At over \$1.1 trillion per year, the cost of complying with the volumes of federal rules and regulations now exceeds the per-family cost of healthcare. We owe it to small business to try to streamline, update, and reform those rules to minimize their cost."

For more information on Advocacy's r3 initiative, visit [www.sba.gov/advo/r3](http://www.sba.gov/advo/r3).

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## Revised Small Business FAQ Debuts

Every year the Office of Advocacy updates its *Small Business Frequently Asked Questions* or *FAQ*. Advocacy has just released the 2007 version.

The *Small Business FAQ* provides information that is useful for speeches, news releases, and research. It contains the latest federal data on small business (those with fewer than 500 employees), including an updated estimate of the number of small businesses, which now has reached 26.8 million. This total includes both employer firms (more than 6 million) and non-employer firms (more than 20 million).

The *FAQ* also contains statistics on small business contributions to the economy, as well as data on small business survival, owner demographics, health care questions, regulatory costs, and federal procurement.

A copy of the *FAQ* is included on pages 5 and 6 of this newsletter, and it is available at [www.sba.gov/advo/stats/sbfaq.pdf](http://www.sba.gov/advo/stats/sbfaq.pdf).

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