

Bipartisan Senate Legislation Would Ensure Office of Advocacy's Independence

by LaVita LeGrys, Congressional and Public Liaison

In April, Senator Olympia Snowe (R-Maine) and Senator Mark Pryor (D-Ark.) introduced bipartisan legislation designed to strengthen the independence of the Office of Advocacy and to bolster the federal response to small business regulatory concerns. The Independent Office of Advocacy and Small Business Regulatory Reform Act of 2008 (S. 2902) would guarantee long-term independence of the Office of Advocacy by giving it a separate line item in the federal budget. In addition, the bill would codify provisions of Executive Order 13272, requiring federal agencies to directly address comments by the Office of Advocacy on proposed regulations.

The legislation would also strengthen oversight over small

business regulatory enforcement by requiring the federal agencies to provide pertinent information upon request to the Small Business Administration's National Ombudsman. "The disproportionate burden that federal regulations often place on our small businesses cannot be overemphasized. At a time when the economy is in distress, we should be doing everything possible to remove barriers to growth," said Senator Snowe, who is the ranking member of the Senate Committee on Small Business and Entrepreneurship.

By establishing a stronger and more independent Office of Advocacy, Senators Snowe and Pryor seek to ensure that federal

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In April, Chief Counsel for Advocacy Thomas M. Sullivan traveled to China and signed a Memorandum of Cooperation with China's Office of Regulatory Burden Alleviation. On Sullivan's right is Yanhai Chen, chief of the Office of Regulatory Burden Alleviation. *(Story on page 3.)*

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Regulatory News

Advocacy Files Comments with the IRS on Proposed Guidance on 3 Percent Withholding

by Dillon Taylor, Assistant Chief Counsel

On April 24, the Office of Advocacy submitted comments on a notice issued by the U.S. Department of the Treasury and the Internal Revenue Service (IRS), “Government Entities Required to Withhold 3 Percent on Payments for Services and Property” (Notice 2008-38). The notice asks for public comments regarding forthcoming guidance implementing a federal law passed in 2005. The law requires all government entities (except for certain small state entities) to withhold 3 percent of all payments for services or property made after December 31, 2010.

Small businesses have informed Advocacy that the 3 percent withholding requirement will adversely affect all small businesses that provide services to government entities. The requirement will force most small government service providers to increase their debt level in order to ensure sufficient cash flows, and they will be forced to pass these

additional expenses on to their government customers. Small firms that are unable to secure additional debt may be forced out of the federal contracting business altogether.

Advocacy offered the following suggestions for Treasury and the IRS to consider to reduce the overall burden of the 3 percent withholding requirement on small businesses:

- Small businesses should be permitted to offset payroll tax submissions by the 3 percent amount withheld and could be reimbursed quarterly for any amounts withheld in excess of their payroll tax liabilities;
- Payments to subcontractors should be excluded from the definition of “contract amount”; and
- Federal construction contracts that are already subject to the Miller Act should be exempt from the 3 percent withholding requirement. (Contracts covered by the Miller Act are already subject to similar requirements.)

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Advocacy's letter to Treasury and the IRS may be accessed at www.sba.gov/advo/laws/comments/. For more information, contact Assistant Chief Counsel Dillon Taylor by email at dillon.taylor@sba.gov or by phone at (202) 401-9787.

Advocacy Recommends That DHS Adopt a Small-Business Friendly Approach to “No-Match” Rule

By Bruce Lundegren, Assistant Chief Counsel

On April 25, the Office of Advocacy submitted comments to the Department of Homeland Security (DHS) on its supplemental proposed rule on “Safe-Harbor Procedures for Employers Who Receive a No-Match Letter” (the “No-Match” rule). The supplemental proposed rule would establish procedures for employers to follow when they receive a letter from the Social Security Administration (SSA) indicating that an employee's name and social security num-

ber do not match the information in SSA's database.

Advocacy's letter noted that DHS is following Advocacy's advice to solicit comment on how the DHS rule would impact small entities. (See letter from Advocacy to DHS September 18, 2007, at www.sba.gov/advo/laws/comments/dhs07_0918.pdf.) Advocacy's letter recommends that DHS consider broader, more flexible alternatives that will reduce the cost and impact of the rule

on small entities. For example, Advocacy suggests that DHS consider exempting small entities or phasing in the rule over a period of years, providing additional time for small entities to correct discrepancies, providing a simpler, more straightforward safe harbor, providing special provisions for employers with short-term, seasonal, or intermittent employees, independently investigating unresolved “no-matches,” or creating

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Message from the Senior Economist

Chief Counsel Travels to China for International Exchange

by Ying Lowrey, Senior Economist

Chief Counsel for Advocacy Thomas M. Sullivan and I recently visited the People's Republic of China and had the opportunity to meet with Chinese officials and small business people. In addition to learning firsthand about this country of 42 million small and medium-sized enterprises, we were able to share information with them about small business in the United States and the Office of Advocacy's role in representing small business interests.

The trip had three main highlights: meetings with Chinese government officials and local business owners, the international conference of the Small and Medium-Size Enterprise Support System Project, and the conclusion of a Memorandum of Cooperation between the Office of Advocacy and China's Office of Regulatory Burden Alleviation.

In Beijing, the chief counsel met with municipal officials from the city of Beijing and the surrounding district of Changping. He also met two small business persons. The general manager of a business that designs rainwater capture and re-use systems, Xiaojun Pan, recounted difficulties finding sufficient human capital and equipment and discussed the need for greater policy support for his business. Baolin Zheng, general manager of a science and technology business incubator, described the city's support for his effort.

Next, we traveled to the city of Chengdu, the capital of Sichuan Province. There we attended the closing conference of the Small and Medium-Size Enterprise Support System Project on April 15. The chief counsel addressed the international audience gathered

“Sullivan emphasized the importance of stakeholder involvement and transparency in the U.S. regulatory process. Chinese officials from provincial and national agencies were fascinated by the U.S. rulemaking process...”

for the conference and explained the unique role of the Office of Advocacy within the U.S. government. Sullivan emphasized the importance of stakeholder involvement and transparency in the U.S. regulatory process. Chinese officials from provincial and national agencies were fascinated by the U.S. rulemaking process and had many questions.

On our return to Beijing, the chief counsel participated in two more important meetings. The first involved U.S. trade and diplomatic officials and China's Legislative Affairs Office. The Chinese agency that we met with, the Legislative Affairs Office, is part of the executive branch of the national government. This office drafts and reviews laws and administrative regulations, carries out research, settles disputes between national rulemaking agencies, and reviews the constitutionality of local and national rules and regulations. The meeting was one of a series of bilateral discussions in preparation for the U.S./China Strategic Economic Dialogue meetings that will take place later this year.

Later in the day, the chief counsel met with Yan Liang, deputy director of the National

Development and Reform Commission's Office of Small and Medium-Sized Enterprises, and Yanhai Chen, director of the Office of Regulatory Burden Alleviation. Ms. Liang and Mr. Chen briefed us on the status of China's 42 million small and medium-sized enterprises and their primary issues. They also described their offices' efforts to ease the regulatory burden that these enterprises face in China.

Sullivan highlighted Advocacy's role in giving U.S. small businesses a voice in government by bringing small business stakeholders and policymakers together in the rulemaking process. He highlighted how unnecessary costs and burdens can be reduced or eliminated prior to a rule's finalization and implementation. The meeting concluded with the signing of a Memorandum of Cooperation between the Office of Advocacy and Office of Regulatory Burden Alleviation by Sullivan and Chen, so as to continue the dialogue to better support small businesses in the United States and the People's Republic of China.

SBA Issues Small Business Ombudsman Model for State and Local Governments

The Small Business Administration is offering state and local governments a template for resolving regulatory enforcement issues involving small businesses by establishing their own versions of SBA's Office of the National Ombudsman.

The availability of the *Small Business Ombudsman Model for State and Local Governments* was announced on May 6 by SBA's National Ombudsman Nicholas N. Owens at a RegFair Board hearing in Kansas City, Missouri.

The National Ombudsman's primary mission is to help small businesses when they experience excessive or unfair federal regulatory enforcement actions, such as repetitive audits or investigations,

excessive fines, penalties, threats, retaliation or other unfair enforcement action by a federal agency. The model will help state and local governments and other entities create their own ombudsman process to serve the interests of small businesses, small government entities, and non-profit organizations in their communities.

The National Ombudsman has the authority to address concerns of small businesses with federal regulatory enforcement or compliance actions. The model offers a template for establishing a similar process where state and local regulatory enforcement actions are a concern for small businesses.

"This model can improve transparency in state and local governments for small businesses and the entities that regulate them," Owens said. "Fostering a small business-friendly regulatory environment across all levels of government will make it easier for small businesses to grow and succeed."

The model also will provide an overview on how the SBA's Office of the National Ombudsman serves as troubleshooter for the nation's small businesses. To access the model, visit www.sba.gov/ombudsman. To learn more, contact Christina Marinos at christina.marinos@sba.gov, or at (202) 401-8254.

Independence, from page 1

agencies are more directly responsive to the views and concerns of small businesses and as a result, the businesses will be able to thrive. "Excessive regulatory enforcement stifles the innovative ways in which small businesses contribute to our economy," said Senator

Pryor. "This critical piece of legislation will ensure that small businesses are able to focus on growth and productivity instead of rules and red tape."

Chief Counsel for Advocacy Thomas M. Sullivan applauded the bipartisan legislation, noting that the Snowe-Pryor legislation would

add transparency to the Office of Advocacy's budget. "I commend Senators Snowe and Pryor for introducing this bill. They are champions for small business in the Senate."

No-Match, from page 2

an ombudsman at DHS to assist employees in resolving "no-matches."

There are many reasons why an employee's name and social security number might not match information in the SSA database, such as misspelled names, transposed numbers, or name changes. While some "no-matches" might be for unauthorized workers, the vast majority (some 90 percent according to SSA) are for U.S. citizens or other authorized employees. However, the new rule could lead to thousands of these authorized workers being terminated because the errors in the database could not

be resolved in the narrow timeframes provided.

DHS had issued an identical No-Match rule in August 2007; however, that rule was enjoined by the Federal District Court for the Northern District of California. Advocacy recommends that DHS assess the full impact of the rule and carefully consider comments it receives from small businesses during the comment period. Advocacy also recommends that DHS issue compliance guides along with any final rule to help small business understand and comply with the rule.

For more information about DHS's proposed No-Match rule,

please contact Bruce Lundegren, Assistant Chief Counsel, at (202) 205-6144 or bruce.lundegren@sba.gov.

FIRST QUARTER 2008: THE ECONOMY AND SMALL BUSINESS

Trends

- Reflecting ongoing weakness, the U.S. economy grew 0.6 percent in first quarter 2008, mirroring the previous quarter. Consumer spending rose 1 percent on an annual basis, the slowest rate since second quarter 2001. Residential investment declines helped cause a drop of 4.6 percent in real gross private fixed investment. Nonresidential investment also declined. Industrial production fell; the Institute for Supply Management's manufacturing composite index, which remained below 50, signified a shrinking manufacturing sector. On the positive side, real exports benefited from a weaker dollar with annualized growth of 5.5 percent for the quarter and 9.5 percent year to year. Real imports rose less, at 2.5 percent.
- The public remains pessimistic about the overall economy. The small business optimism index from the National Federation of Independent Business (NFIB) fell to a record low since 1980—89.6 in March 2008. The University of Michigan consumer sentiment index was at its lowest level since February 1992, 69.5.
- Unemployment was slightly higher than in previous months at 5.1 percent in March. The U.S. economy shed 240,000 net nonfarm payroll jobs in the first quarter. The goods-producing sectors of construction and manufacturing lost 259,000 jobs in the quarter. Service sector industries were mixed, with job growth in education and health services, leisure and hospitality, other services, and government; and job losses in all other service sectors, including retail trade and financial activities. Looking ahead, the NFIB survey indicated a drop in planned hiring in the next three months. Labor productivity rose an annualized 2.2 percent in the first quarter, and self-employment remained unchanged.
- The Federal Reserve Board lowered interest rates to spur economic activity. The prime rate at the end of March was 5.25 percent—down three percentage points from September 2007. The three-month Treasury bill rate fell to an average of 1.26 percent in March, down 1.74 percent for the quarter and 3.68 percent since March 2007. The Senior Loan Officers' Survey showed weaker demand and tightening lending standards for small commercial and industrial loans. Venture capital deals were down \$660 million in the first quarter; the amount invested was still higher than in any other first quarter since 2001.
- Modest inflationary pressures persist. Consumer prices rose an annualized 3.1 percent in first quarter 2008 and, omitting food and energy costs, the so-called "core" inflation rate increased 2 percent on an annual basis. West Texas crude oil averaged \$105.56 per barrel in March, up \$13.83 since December and \$45 from the previous year. Overall wages and salaries increased an annualized 3.4 percent and benefits grew 2.3 percent. A falling dollar increases the cost of imported goods; since December, the U.S. dollar has fallen 8.2 percent against the euro, 10.6 percent against the Japanese yen, and 3.9 percent against the Chinese yuan. It remained even with the British pound over the quarter. (Exchange rates not shown in the tables below.)

Small Business Indicators

	Last five years					Last five quarters					Trends	
	2003	2004	2005	2006	2007	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	This Quarter	Q1-07 to Q1-08
Business bankruptcy filings (thousands)	35.0	34.3	39.2	19.7	28.3	6.3	6.7	7.2	8.0	--	--	--
Proprietors' income (\$billion, current dollars)	811.3	911.1	970.7	1015.1	1042.6	1027.4	1038.4	1048.7	1055.9	1056.6	↑ 0.3% (a)	↑ 2.8%
Prime bank loan rate	4.1	4.3	6.2	8.0	8.1	8.3	8.3	8.2	7.5	6.2	↓ 1.3	↓ 2.1
Rates for smallest loans (less than \$100,000):												
Variable rate loans, repricing terms of 2-30 days	4.4	4.4	6.0	7.7	7.7	7.8	8.0	7.8	7.2	5.6	↓ 1.6	↓ 2.2
Variable rate loans, repricing terms of 31-365 days	6.4	6.2	7.1	8.4	8.6	8.8	8.7	8.6	8.1	7.4	↓ 0.7	↓ 1.4
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	-7.1	13.1	9.0	4.6	-4.3	0	-1.9	-7.7	-9.6	-30.4	↓ 20.8	↓ 30.4
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	-14.7	25.9	27.3	0.2	-11.0	-5.3	-19.2	-11.8	-7.7	-23.6	↓ 15.9	↓ 18.3
Venture investment: number of deals	2926	3082	3146	3647	3914	861	1028	980	1045	922	↓ 123	↑ 61
Venture investment: total invested (\$billion)	19.7	22.5	23.0	26.6	30.5	7.5	7.4	7.8	7.8	7.1	↓ 0.7	↓ 0.4

Notes: a=annualized growth rate. The first quarter figure is for January 2008. 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 (2007-2008)					Trends	
	2003	2004	2005	2006	2007	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 07 to Mar 08
NFIB Small Business Optimism Index (1986 = 100)	101.3	104.6	101.6	98.9	96.7	94.4	94.6	91.8	92.9	89.6	↓ 5.0	↓ 7.7
NFIB: next 3 months "good time to expand" (percent of respondents)	15.7	22.3	20.6	17.4	13.9	13.0	14.0	9.0	8.0	5.0	↓ 9.0	↓ 7.0
NFIB: net percent planning to hire in the next 3 months	10.2	15.3	14.4	14.6	12.9	11.0	11.0	9.0	11.0	3.0	↓ 8.0	↓ 9.0
Self-employed, incorporated (millions)	5.0	5.2	5.3	5.5	5.8	5.9	5.8	5.7	5.8	5.8	0	↑ 0.1
Self-employed, unincorporated (millions)	10.3	10.4	10.5	10.6	10.4	10.1	9.9	9.9	10.1	9.9	0	↓ 0.5

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

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

Employment by Major Sector (millions)

	Percent small business	Last five years					Last five months (2007-2008)					Trends	
		2003	2004	2005	2006	2007	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 07 to Mar 08
Goods-producing industries	57.88	21.81	21.88	22.19	22.53	22.22	22.05	21.98	21.91	21.82	21.73	↓0.25	↓0.63
Natural resources and mining	61.93	0.57	0.59	0.63	0.68	0.72	0.74	0.74	0.74	0.74	0.75	↑0.01	↑0.04
Construction	86.14	6.74	6.97	7.33	7.69	7.62	7.52	7.47	7.43	7.38	7.34	↓0.13	↓0.36
Manufacturing	44.18	14.51	14.32	14.23	14.16	13.88	13.79	13.77	13.74	13.69	13.64	↓0.13	↓0.31
Service-producing industries	48.72	108.18	109.54	111.51	113.56	115.40	115.99	116.10	116.10	116.10	116.11	↑0.01	↑1.16
Trade, transportation and utilities	45.27	25.29	25.53	25.96	26.28	26.60	26.69	26.66	26.63	26.58	26.56	↓0.10	↓0.02
Wholesale trade	60.94	5.61	5.66	5.76	5.90	6.03	6.08	6.07	6.07	6.06	6.05	↓0.02	↑0.07
Retail trade	41.12	14.92	15.06	15.28	15.36	15.49	15.51	15.49	15.47	15.43	15.41	↓0.08	↓0.11
Information	26.16	3.19	3.12	3.06	3.04	3.03	3.02	3.02	3.01	3.02	3.01	↓0.01	↓0.02
Financial activities	41.88	7.98	8.03	8.15	8.33	8.31	8.26	8.25	8.24	8.23	8.23	↓0.02	↓0.11
Professional and business services	43.88	15.99	16.39	16.95	17.57	17.97	18.08	18.13	18.10	18.07	18.03	↓0.10	↑0.15
Education and health services	47.84	16.59	16.95	17.37	17.83	18.33	18.52	18.57	18.62	18.67	18.71	↑0.14	↑0.55
Leisure and hospitality	60.89	12.17	12.49	12.81	13.11	13.47	13.63	13.64	13.64	13.66	13.68	↑0.04	↑0.33
Other services	85.57	5.40	5.41	5.39	5.44	5.49	5.51	5.51	5.51	5.52	5.52	↑0.01	↑0.04
Government	0	21.58	21.62	21.81	21.97	22.20	22.28	22.33	22.34	22.36	22.38	↑0.04	↑0.23

Notes: Seasonally adjusted. See www.bls.gov/ces/cessuper.htm for NAICS code equivalents for each sector. The small business percentage by sector is based on 2005 firm size data. See www.sba.gov/advo/research/us05_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 (percent)	
	2003	2004	2005	2006	2007	Q1-07	Q2-07	Q3-07	Q4-07	Q1-08	This Quarter	Q1-07 – Q1-08
Real gross domestic product												
Level (\$billion)	10301.1	10675.7	11003.5	11319.4	11566.8	11412.6	11520.1	11658.9	11675.7	11693.1	↑0.6% (a)	↑2.5%
Annual percentage change*	2.5	3.6	3.1	2.9	2.2	0.6	3.8	4.9	0.6	0.6		
Real personal consumption expenditures (\$billion)*	7295.4	7561.4	7803.6	8044.1	8277.8	8215.7	8244.3	8302.2	8349.1	8369.1	↑1.0% (a)	↑1.9%
Real gross private fixed investment (\$billion)*	1557.2	1613.1	1770.2	1869.3	1825.5	1816.9	1837.4	1859.9	1787.7	1766.6	↓4.6% (a)	↓2.8%
Federal government surplus or deficit (\$billion)	-372.2	-370.6	-318.3	-220.1	-220.6	-218.5	-206.8	-230.3	-226.7	--	--	--
Real exports of goods and services (\$billion)*	1026.1	1126.1	1203.4	1304.1	1409.9	1354.7	1379.5	1441.2	1464.1	1483.8	↑5.5% (a)	↑9.5%
Real imports of goods and services (\$billion)*	1545.0	1720.0	1821.5	1928.6	1965.5	1966.8	1953.4	1974.3	1967.3	1979.7	↑2.5% (a)	↑0.7%
Corporate profits after tax (\$billion)	749.9	923.9	979.9	1099.8	1128.6	1095.2	1152.2	1152.5	1114.6	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	128.0	131.6	134.1	135.4	137.9	136.1	137.0	139.0	139.6	140.4	↑2.2% (a)	↑3.2%
Employment cost index: private sector wages & salaries (2005=100)	94.2	96.8	99.2	102.0	105.5	104.3	105.1	105.9	106.7	107.6	↑3.4% (a)	↑3.2%
Employment cost index: private sector benefits (2005=100)	88.8	94.8	99.2	102.1	104.5	103.1	104.2	105.0	105.8	106.4	↑2.3% (a)	↑3.2%

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 (2007-2008)					Trends	
	2003	2004	2005	2006	2007	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 07 to Mar 08
Unemployment rate (seasonally adjusted)	6.0	5.5	5.1	4.6	4.6	4.7	5.0	4.9	4.8	5.1	↑0.1	↑0.7
Civilian employment—16 years and older (millions, seasonally adjusted)	137.7	139.2	141.7	144.4	146.0	146.6	146.2	146.2	146.0	146.0	↓0.2	↓0.2
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	3.4	3.1	2.6	2.3	2.3	2.4	2.5	2.5	2.4	2.4	↓0.1	↑0.2
Nonfarm payrolls (millions, seasonally adjusted)	130.0	131.4	133.7	136.2	137.6	138.0	138.1	138.0	137.9	137.8	↓0.2	↑0.5
Producer price index (1982=100)	138.1	146.7	157.4	164.8	172.7	179.4	178.6	180.8	182.4	188.1	↑23.0% (a)	↑11.1%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	184.0	188.9	195.3	201.6	207.4	210.9	211.7	212.5	212.6	213.3	↑3.1% (a)	↑4.0%
Univ. of Michigan Consumers' Sentiment (1966=100)	87.6	95.2	88.6	87.3	85.6	76.1	75.5	78.4	70.8	69.5	↓6.0	↓18.9
Spot oil price per barrel: West Texas intermediate crude	31.14	41.44	56.47	66.10	72.36	94.62	91.73	92.95	95.35	105.56	↑\$13.83	↑\$45.00
New privately owned housing units started (millions, seasonally adjusted at the annual rate)	1.9	1.9	2.1	1.8	1.3	1.2	1.0	1.1	1.1	0.9	↓0.1	↓0.5
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	51.7	59.1	54.4	53.1	51.1	50.0	48.4	50.7	48.3	48.6	↑0.2	↓2.1
Industrial production (2002=100, seasonally adjusted)	101.2	103.8	107.2	109.6	111.4	112.3	112.4	112.6	111.8	112.1	↓0.3	↑1.7
3-month Treasury bills (secondary market rate)	1.01	1.37	3.15	4.73	4.35	3.27	3.00	2.75	2.12	1.26	↓1.74	↓3.68
10-year Treasury note (constant maturity rate)	4.02	4.27	4.29	4.79	4.63	4.15	4.10	3.74	3.74	3.51	↓0.59	↓1.05

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

Sources: Board of Governors of the Federal Reserve System; Dow Jones Energy Service; U.S. Department of Commerce, Bureau of the Census; Institute for Supply Management; U.S. Department of Labor, Bureau of Labor Statistics; University of Michigan, Survey of Consumers.

Research and Information Intern Brad Hock

This spring, Brad Hock has been assisting the Office of Advocacy's Offices of Information and Economic Research. Hock is a junior at Colgate University in Hamilton, New York, working toward a double major in economics and political science. He expects to graduate in Spring 2009.

During his time with the Office of Advocacy, Hock has conducted research on small business characteristics and population demographics, attended Congressional hearings on legislation affecting small businesses, and contributed to this newsletter.

In addition to his strong research, writing, and presentation skills, Hock has brought a keen interest in small business and entrepreneurship to the job. He greatly enjoyed working with the Small Business Administration on Small Business Week 2008, and he expects to be a small business person himself, at some point in the future. For now, he's moving on to an internship with the Institute of Justice this summer, then back to Colgate to finish his education.



Advocacy Intern Brad Hock.



Advocacy's Mercatus Fellow Daniel Donahue.

Advocacy's Mercatus Fellow, Spring 2008

Daniel Donahue has been the Office of Advocacy's Mercatus Fellow this spring. This regulatory studies fellowship is the result of a partnership between the Mercatus Center at George Mason University and Advocacy. The program offers second- and third-year law students who are interested in public policy and small business issues the opportunity to work at Advocacy.

Since receiving his master's degree in Asian Studies from the University of Hawai'i at Manoa, Donahue has worked in the legal field in the Washington, D.C., metropolitan area and surrounding region. He recently worked on a banking and documentary credit

law for a Maryland nonprofit, and he provides legal services on family and housing matters at a legal aid agency in Virginia. In 2008, Donahue was awarded the Virginia Bar Association Community Servant Award.

While at Advocacy, Donahue has conducted research and provided commentary on regulation pertaining to endangered species listings, furniture flammability, and railway tankers that transport chemical compounds.

Donahue is in his final semester of law school. His future plans are to work in the realm of international business law in Washington, D.C.

Research Notes

New Studies Investigate Energy Costs and Women's Human Capital

by Brad Hock, Office of Advocacy Intern

The Office of Advocacy released two new reports in April.

Characterization and Analysis of Small Business Energy Costs, by Andy Bollman of E.H. Pechan &

Associates, found that energy costs as a proportion of total input costs are higher for small businesses.

According to the study, the median commercial sector industry has a

small entity energy-cost-per-sales ratio that is 2.7 times the ratio for large entities.

The study found other indicators of the disparity in energy costs: 26

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New Studies, from page 7

of the 31 commercial industries studied have higher energy expenditures on a cost-per-dollar-of-sales basis for small firms. In addition, the smallest size establishment category (under 50 employees) pays 35 percent more for electricity than the sector average, while the largest establishment category (1,000 or more employees) pays 17 percent less than the sector average.

The study found that small businesses in the commercial sector faced a 30 percent price differential for electricity and a 20 percent price differential for natural gas, and that small businesses in the manufacturing sector faced a 28 percent price differential for distillate fuel oil and a 27 percent price differential for natural gas.

The authors used data from the U.S. Bureau of the Census, the Energy Information Administration, and the U.S. Department of

Agriculture. The report is available on Advocacy's website at: www.sba.gov/advo/research/rs322.pdf.

A second study, *Human Capital and Women's Business Ownership*, found that women are among the fastest growing groups of business owners, and it suggests that this is at least partly due to their gaining an increasing amount of human capital. This is especially evident in their educational attainment and occupational representation.

The report was presented by its authors, Darrene Hackler, Ellen Harpel, and Heike Mayer, at the annual meeting of the Urban Affairs Association in Baltimore on April 26.

According to the report, self-employed women tend to be older, are better educated, and have more managerial experience than wage and salary earners. Self-employed women are also likely to work in nontraditional occupations.

The report did not find a strong association between self-employment and such factors as age, current earnings, education, and income diversity among women. However, the report found that there are lower rates of self-employment in industries where there is less overall female participation (such as transportation).

Using data from the Current Population Survey and the Annual Social and Economic Supplement, the authors found that self-employed women and men differ little in education, preparedness, and experience.

The report is available online at www.sba.gov/advo/research/rs323tot.pdf.

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