

BUILDING THE

Foundation for a New Century

Final Report
on Implementation of the Recommendations of the
1995 White House Conference on Small Business

Washington, D.C.:
U.S. Small Business Administration
2000

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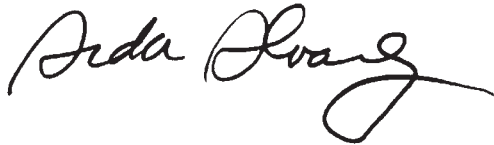
Office of the President of the United States
106th Congress of the United States

We present to you the *Final Report on Implementation of the Recommendations of the 1995 White House Conference on Small Business*.

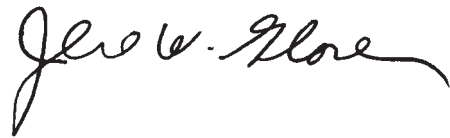
For the past five years, the Office of Advocacy and the staff of the U.S. Small Business Administration have worked with the White House, the Congress, federal agencies and the small business community to address the delegates' recommendations. The conference delegates provided a comprehensive agenda listing the policy priorities of the nation's small business community.

Significant progress has resulted from this process, and the report highlights the legislative and administrative actions that have contributed to these accomplishments.

The record of policy actions is unprecedented. Action has been taken on nearly every recommendation, and the small business community has been well served by these efforts. We look forward to continuing this implementation process.



Aida Alvarez
Administrator



Jere W. Glover
Chief Counsel for Advocacy

U.S. Small Business Administration
Washington, D.C.
July 2000

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Executive Summary

“As we stand on the threshold of the new millennium, we know that our nation’s continued economic success will depend on the vitality of our nation’s small business community.”

— *President Bill Clinton, congratulating the 1999 National Small Business Week winners*

The theme of the 1995 White House Conference on Small Business was Foundation for a New Century. The efforts of the more than 2,000 delegates have shaped the public policy debates in Washington as the 21st century begins. The agenda set forth at this conference has generated significant legislative and administrative changes. The 60 final recommendations encompassed areas such as access to capital, the globalization of markets, and the effect of taxes on small business formation and development. These ideas and proposals originated by small business people represent their best efforts at ensuring that this growing sector of the economy enters the next century with strength.

The success of the implementation efforts carried out by a nationwide implementation team of delegates is astonishing: policymakers have addressed more than 90 percent of the issues outlined in the 60 final recommendations. To date, the number of 1995 conference recommendations that have resulted in administrative and legislative policy changes exceeds that from any previous conference. These results demonstrate that the 1995 White House Conference on Small Business has been the most successful and productive conference of its kind ever held.

The nation’s small business agenda has forged a common purpose between President Clinton and the Congress. Both have worked in a bipartisan manner to address the recommendations of this White House Conference with meaningful action. Twenty laws implementing the conference’s recommendations have been enacted. This coopera-

tion is also evident in the Congress and administration’s continued efforts to maintain a balanced budget. Small businesses voted balancing the federal budget a top priority at both previous White House Conferences on Small Business. The federal government achieved a sizeable budget surplus in fiscal year 1998, and in 1999 the White House and the Congress reached agreement on the first budget of the 21st century that will keep the United States on course to pay off the publicly held debt by 2015.

Another important success for the 1995 conference has been an improvement in access to capital for women-, minority-, and veteran-owned small businesses. The Congress passed legislation to streamline access to capital for the U.S. Small Business Administration’s (SBA) women’s business centers and enhanced small business assistance for veterans through the Veterans

“Our mission is to help small businesses succeed, and the numbers speak volumes about small business success. The SBA is having a tremendous impact on the small business sector, which is the engine for our unprecedented economic prosperity.”

— *SBA Administrator Aida Alvarez*

Entrepreneurship and Small Business Development Act of 1999. The SBA licensed its first Hispanic small business investment corporation and the first two women’s SBICs at the end of 1998.

These efforts to expand credit availability have been supported by the SBA’s work over the past several years:

★ Since the beginning of 1993, the agency has helped almost 375,000 small businesses obtain more than \$80 billion in loans, more than in the entire prior history of the agency, which was created in 1953.

★ Since the beginning of 1993, the SBA has approved more than \$12 billion in loans to more than 80,000 small businesses owned by women, more than double the amount recorded during the previous 20 years.

★ Since 1993, the SBA has approved more than \$18 billion in loans to nearly 80,000 minority-owned businesses, more than double the amount recorded during the previous 20 years.

★ Since its inception in 1958, the SBA’s venture capital program has put \$30 billion into the hands of small business owners to finance their growth. About two-thirds of that has been invested since the beginning of 1993, in more than 13,000 businesses.

★ Venture capital firms licensed and funded by the SBA have produced profits to the taxpayer of almost \$225 million since 1995, enough to fund the agency's entire venture capital program for nine years. The payments represent the taxpayers' share of the profits realized from investments made with funds backed by the SBA. The payments go to the U.S. Treasury.

★ Since 1990, federal agencies under the SBA's leadership have delivered more than \$407 billion in contracts to small businesses. Of that, more than \$55 billion has gone to 8(a) companies whose owners have been certified as being economically and socially disadvantaged.

★ During the past 10 years, while total federal contracting has remained relatively stable at just under \$200 billion per year, 8(a) contract awards have increased by 81.5 percent, from \$3.4 billion to \$6.2 billion.

★ The Small Business Administration reduced its staff level by 24 percent over the past decade, from just over 4,100 employees in 1990 to around 3,100 in 1999. At the same time, the SBA's loan portfolio doubled from \$25 billion in 1993 to nearly \$50 billion in 2000.

In the regulatory arena, one of the conference delegates' top priorities was strengthening the Regulatory Flexibility Act of 1980 (RFA) and reforming small business compliance assistance. The Congress amended the RFA through the enactment of the Small Business Regulatory Enforcement Fairness Act of 1996. As a result, the regulatory environment for small businesses has improved. Federal agencies are increasing outreach to small businesses before promulgating rules, and more agencies are seeking guidance on compliance with the RFA. In fiscal year 1999 alone, RFA interventions by the Small Business Administration's Office of Advocacy — the office charged with monitoring compliance with the Regulatory Flexibility Act — led to changes in final regulations that reduced potential regulatory costs by almost \$5.3 billion.

The White House and the Congress continue to recognize the importance of small businesses in the realm of technology and innovation. The SBA has implemented and improved upon the Small Business Innovation Research program, and the Congress has continued to support expansion of small business technology through enactment of the Small Business Year 2000 Readiness Act of 1999 and the Internet Tax Freedom Act of 1998.

The implementation success story is nationwide. States are focusing on the ideas and initiatives that the 1995 delegates produced. State delegations continue to meet, hold regional calls and

In fiscal year 1999 alone, RFA interventions by the Small Business Administration's Office of Advocacy — the office charged with monitoring compliance with the Regulatory Flexibility Act — led to changes in final regulations that reduced potential regulatory costs by almost \$5.3 billion.

conferences, and visit members of Congress and state officials. Governors have examined the 60 recommendations of the 1995 conference, and several are working to implement these ideas at the state level.

Clearly, the White House Conference delegates, through hard work and diligent follow-up efforts, have laid the foundation for a new small business century. The White House, the Congress, and federal and state agencies have cemented that foundation by passing and implementing so many of the conference's recommendations. Now the nation's small businesses can build on that groundwork to generate economic growth in the 21st century.

Legislation Implementing Recommendations of the 1995 White House Conference on Small Business

1999

- ★ American Inventors Protection Act
- ★ SBIC Technical Corrections Act
- ★ Small Business Year 2000 Readiness Act

1998

- ★ Internal Revenue Service Restructuring and Reform Act
- ★ Department of Defense Reform Act
- ★ Federal Activities Inventory Reform Act
- ★ Omnibus Budget Reconciliation Act
- ★ Paperwork Reduction Act Amendments

1997

- ★ Balanced Budget Act
- ★ Taxpayer Relief Act
- ★ HUBZone Act

1996

- ★ Small Business Regulatory Enforcement Fairness Act
- ★ Small Business Job Protection Act
- ★ Health Insurance Portability and Accountability Act
- ★ Economic Growth and Regulatory Paperwork Reduction Act
- ★ Telecommunications Act
- ★ Federal Acquisition Reform Act
- ★ National Securities Markets Improvement Act
- ★ Small Business Programs Improvement Act

1995

- ★ Small Business Lending Enhancement Act
-

Achievements in the Issue Areas

The following narrative highlights significant implementation activity in the issue areas identified by the delegates in their final 60 recommendations.



Easing the Tax Burden

The White House Conference delegates expressed their concerns about tax issues in their tax policy recommendations. The Congress and the administration have continued efforts to maintain a balanced budget. After President Clinton signed the Balanced Budget Act of 1997, the U.S. government achieved a sizeable surplus for FY 1998 (the first budget surplus in over 30 years). In 1999, the administration and the Congress reached agreement on the first budget of the 21st century that will keep the United States on course to pay off the publicly held debt by 2015. The new budget provides funding, subject to authorization, to leverage investment in underserved areas and stimulates small businesses in low- and moderate-income neighborhoods.

Since the 1995 White House Conference on Small Business, the Clinton administration and the Congress have implemented some important tax legislation. Signed into law on July 22, 1998, the Internal Revenue Service Restructuring and Reform Act of 1998 addresses issues raised by the delegates. The legislation allows for reorganization of the Internal Revenue Service (IRS) for the benefit of taxpayers, and creates a Taxpayer's Bill of Rights. The act also lowers the holding period for long-term capital gains, and provides technical corrections to the Taxpayer Relief Act of 1997.

Under the Restructuring and Reform Act, the newly restructured Internal Revenue Service will be built around four organizational units with end-to-end responsibility for serving specific groups of taxpayers. One of the units will be the Small Business and Self-Employed Operating Division, which will serve all small business taxpayers. The primary focus of this unit will be to work with small businesses to teach them about their federal tax responsibilities and to develop less burdensome and more practical means of compliance.

Until recently, an IRS determination of tax liability has been presumed correct, and the taxpayer usually had the burden of proving the IRS wrong in tax litigation. The IRS Restructuring and Reform Act shifts the burden of proof to the IRS when the taxpayer meets certain conditions, such as maintaining records and backup information, as currently required under the tax code. The shift should help small businesses that were at a disadvantage in assuming the burden of proof.

Delegates to the 1995 White House Conference on Small Business continue to be active and involved with the Internal Revenue Service. Several of the WHCSB tax chairs have been named to serve on the IRS commissioner's advisory

council. Another delegate serves on the congressionally created Electronic Tax Administration Advisory Committee.

The IRS has also made two important changes designed to improve small business tax administration. First, beginning January 1, 2000, taxpayers will not be required to use the Electronic Federal Tax Payment System (EFTPS) unless they have annual tax deposits greater than \$200,000. The threshold was \$50,000. As a result of the change, about 65 percent of the taxpayers now required to use EFTPS will no longer have to do so. Second, in 1998, the IRS increased the minimum amount for requiring quarterly tax deposits from \$500 to \$1,000. Because of this change, about 3 million small business employers will not have to deposit employment taxes.

Furthermore, following a 1999 hearing on the tax filing and reporting burdens on small business owners, the Senate Committee on Small Business announced on the IRS Web site that it would conduct an online "unpopularity" poll of IRS forms, schedules, and instructions. The purpose of the poll is to identify which filing and reporting materials are most burdensome on small business owners so that the Congress can present to the IRS commissioner a list of the documents that are most in need of common-sense review and revision.

Small businesses began to offer new retirement benefits in 1998, the first year SIMPLE 401(k) and IRA plans were permitted as a result of tax changes enacted in 1996, following WHCSB recommendations. The number of businesses opening these and other defined contribution retirement plans appears to be growing rapidly, although a tally is not yet available.

In the State of the Union address for 2000, President Clinton announced an effort to encourage more small businesses to offer pensions for their employees. The president is seeking a 50 percent tax credit for qualified contributions to employees' pensions. President Clinton also announced plans to create retirement savings accounts. The president's proposal builds on the successful model of individual development accounts (IDAs), extending generous matches to all low- and moderate-income families to encourage them to save. However, many business owners say they cannot commit at the beginning of the year to making a specific level of retirement contributions at year's end. The Office of Advocacy is working with WHCSB delegates and other small business benefits advisors to explore ways of increasing the flexibility and simplicity of retirement options. Some improvements may be achievable under present law with minor adminis-

trative or regulatory changes by the Internal Revenue Service. Other enhancements will require legislation.

Improving Access to Capital

Access to capital—whether startup or venture capital—is a continuing problem for all small businesses. The White House Conference on Small Business delegates addressed the difficulty of raising capital in a number of their recommendations. These ideas reflected concern with secondary markets, pension funds, banking regulations and expanded loan programs.

Among the highest priorities for the Small Business Administration are increasing small business access to credit and capital and continuing to transform the SBA into a 21st century leading-edge financial institution. These goals involve expansion of the SBA finance programs, along with improved management and analysis of credit needs. SBA's programs include the 7(a) business loan guarantee, Section 504 economic development loan, microloan, small business investment company, disaster loan, and surety bond programs. Congress has designed each of these programs to provide access to capital and credit for small businesses that encounter barriers to borrowing in the private unsubsidized market.

SBA's credit programs have continued to provide valuable financial assistance to small businesses of all types. For FY 1999, the 7(a) program loan approval totaled \$10.15 billion. SBA's 504 certified development company loans totaled almost \$2 billion. The combined dollar amount of \$12.15 billion is a record, exceeding the previous mark of nearly \$10.9 billion in FY 1997.

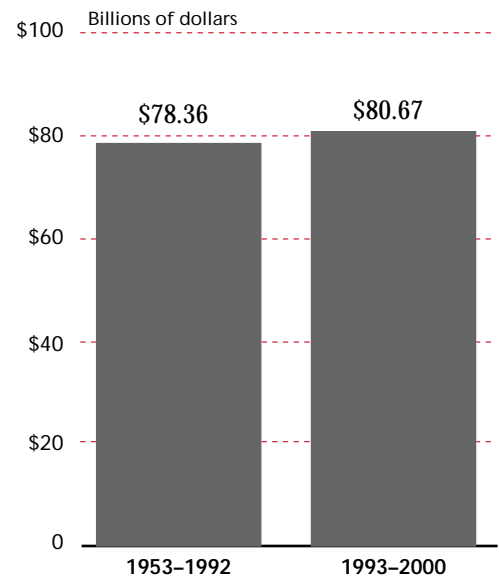
In September 1998, the SBA revamped two of its most popular finance programs, the LowDoc program and the SBAExpress, increasing the amount that can be approved under each program to \$150,000. These improvements make smaller loans more accessible to the start-ups and "New Market" entrepreneurs who need them, by streamlining the process and simplifying the amount of paperwork.

All areas of the women-owned business sector have grown significantly. The 8.5 million women-owned businesses in 1997 accounted for more than one-third of all businesses and generated \$3.1 trillion in revenues. SBA programs have advanced to meet this growing sector's needs. (For more statistical information on woman-owned businesses, see *Women in Business*, prepared by the SBA Office of Advocacy, located at www.sba.gov/stats/wib.pdf.)

Often, micro-borrowers are women, particular-

SBA Loan Activity

Dollar value of SBA lending, 1953–1992 and 1993–2000



ly lower-income women who have difficulty obtaining financial assistance in other ways. SBA's microloans are small loans under \$25,000 for start-up businesses, coupled with intensive technical assistance. The SBA's microloan program recorded 1,091 loans amounting to more than \$11 million in 1998. Each microloan creates or retains about 1.6 jobs. This program is seeing more growth and demand.

The small business investment company program fills the gap between venture capital—available primarily at larger dollar values to more established companies—and the more modest needs of small businesses that are starting or growing. The SBA licensed 53 new SBICs in FY 1999. Most notable was the creation of four women-managed SBICs. A private study found that only 2 percent of the \$33 billion in venture capital investments currently goes to women-owned firms, although women own about 40 percent of all U.S. firms. A White House Conference delegate heads the woman-managed SBIC located in Nashville, Tennessee.

Additionally, Congress passed legislation in 1999 for the SBA's women's business centers program. The legislation increases the program's appropriation from \$8 million to \$11 million.

Like women-owned businesses, minority-owned businesses also have difficulty obtaining loans through traditional lending sources. SBA licensed its first Hispanic SBIC in December of 1998. A record 28 percent of all SBA guaranteed loan dollars in FY 1999 went to minority borrow-

ers—almost \$3.36 billion to 12,127 minority-owned businesses.

The Congress improved access to capital for veterans who own small businesses by passing the Veterans Entrepreneurship and Small Business Development Act of 1999. President Clinton signed the legislation into law on August 16, 1999. The act makes certain small business assistance more available to veterans by expanding veterans' eligibility, directing certain departments and agencies to take action, and establishing new institutions to assist. Among other things, the act requires the SBA to defer repayment of the principal and interest on any direct 7(a) loan to an eligible reservist or qualified borrower upon written request.

Answering the need for year 2000 computer bug assistance for small business, President Clinton signed into law the Small Business Year 2000 Readiness Act on April 2, 1999. The law required the SBA to provide for a loan guaranty program to address the year 2000 computer problems of small business concerns.

The Small Business Administration's Office of Advocacy has launched an innovative, nationwide Internet-based listing service that provides information to angel investors on small, dynamic, growing businesses seeking \$250,000 to \$3 million in equity financing. *Ace-Net* allows small businesses to raise equity capital at a fraction of current costs and time expended. The SBA obtained a "no action" recommendation from Securities and Exchange Commission staff. The North American Securities Administrators Association, Inc., supported the SBA's model exemption from state laws for small business stock offerings to angel investors and developed the first in a series of proposed "model terms and conditions" that may reduce both the cost and time of raising capital. The *Ace-Net* service is available at www.sba.gov.

Changing the Regulatory Climate

The burdens of government regulations and paperwork are daunting to many small businesses. Depending on the business, they can expect to confront a full range of obligations that may not necessarily advance productivity, increase profits, or improve services or products. The delegates to the White House Conference on Small Business confronted these concerns by developing constructive recommendations for both administrative and congressional action.

The delegates focused their energy on a wide-ranging change to federal agencies' approach to small business. At the top of the list were suggestions for strengthening the Regulatory Flexibility

Act of 1980 (RFA) and reforming small business compliance assistance. In response, in 1996, Congress enacted the Small Business Regulatory Enforcement Fairness Act (SBREFA), which amended the RFA in several critical respects. The SBREFA amendments to the RFA were designed to ensure meaningful small business input during the earliest stages of the regulatory development process. The amendments also required agencies to provide more detailed and substantive analyses of regulatory economic impacts. SBREFA also reaffirmed the authority of the chief counsel for advocacy to file *amicus curiae* briefs in regulatory appeals brought by small entities.

The SBREFA amendments added two key provisions to the RFA:

★ **Small Business Advocacy Review Panel Process:** SBREFA mandates that an interagency review panel be convened to ensure small business participation in the development of rules by the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA) when such rules are expected to have a significant impact on a substantial number of small entities.

★ **Judicial Review of Agency Compliance:** SBREFA authorizes aggrieved small businesses appealing from agency final actions to seek judicial review of agency failure to comply with the RFA.

Three years after SBREFA amended the RFA, there are visible signs that the regulatory environment for small businesses has changed for the better. As highlighted in the chief counsel for advocacy's annual report on agency compliance with the RFA, during the past few years, small businesses have played active roles in bringing about some fundamental changes in the way federal agencies view the RFA and their responsibilities under the law. A cultural change is under way in the agencies as a result of the SBREFA amendments. Because of RFA intervention by the Office of Advocacy, small businesses, and SBREFA panels, the federal agencies—to their credit—made changes to final regulations in fiscal year 1999 that reduced potential regulatory costs by almost \$5.3 billion. This was accomplished without compromising public policy objectives.

Numerous agencies have implemented changes to their regulatory processes. They have noticeably enhanced outreach efforts to small businesses, conducted internal training on compliance with the RFA, and committed resources to ensure adequate regulatory flexibility analyses. Other agencies are learning to comply with the RFA the hard way, through litigation. Federal regulatory agencies, along with the small business community, are

beginning to monitor the latest court cases resulting from the judicial review provisions of the RFA.

Most significantly, agencies and the Congress are paying special attention to the changes brought about by the addition of the small business advocacy review panel process. As a procedure for gathering public comments, this SBREFA amendment to the RFA mandates that small business representatives be consulted early in the rule-making process by policymakers of the EPA and OSHA—two agencies that have a major impact on a wide range of industries dominated by small businesses. The panel process allows small businesses to take a seat at the regulatory development table, and this new process is making a difference.

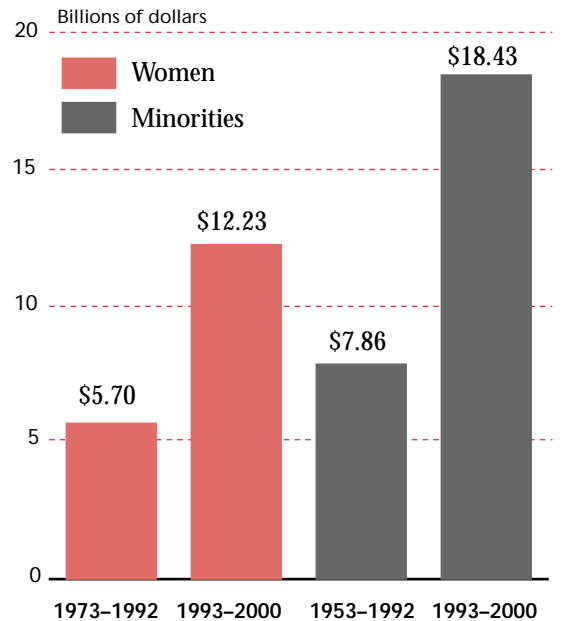
Since enactment of SBREFA, 18 small business advocacy review panels have completed work on a diverse range of EPA and OSHA regulatory proposals. Approximately 300 small entities throughout the country were consulted in the course of the panels' deliberations. Arguably the most rewarding aspect of the panel process is the fact that small entities brought real world experiences to the panels' discussions. Small entities seldom challenged the need for regulatory solutions, but the information they provided did challenge agency estimates of regulatory costs and effectiveness. This input was important in helping regulatory agencies identify equally effective alternatives—all of which resulted in major changes to regulatory proposals. In one instance, a proposal was withdrawn in its entirety when the data showed there was no need for a national regulation.

As amended by SBREFA, the Regulatory Flexibility Act now allows courts to review agency compliance with the RFA in appeals from final agency actions. A review of litigation on the RFA over the past three years reveals that small entities are not hesitant to initiate court challenges in appropriate cases. A significant body of legal precedents has already developed under the RFA, and more cases are sure to arise in the future.

Adding value to the RFA litigation is the role of the Office of Advocacy and its chief counsel. As part of its congressionally mandated responsibilities under the RFA, the Office of Advocacy routinely critiques agencies' regulatory proposals and their compliance with the RFA. These communications are a matter of public record that can be used—and have in fact been cited—in judicial appeals. As a result of SBREFA's judicial review amendment, the chief counsel's comments on agencies' regulatory proposals are having greater impact, and agencies are taking them more seriously than ever before.

Loans to Women and Minorities

SBA lending to women (1973–1992 and 1993–2000) and minorities (1953–1992 and 1993–2000)



In a recent court case, the chief counsel for advocacy filed the first *amicus curiae* brief as authorized by the RFA. In 1998, the District Court for the District of Columbia ruled in favor of small business in *Northwest Mining v. Babbitt* (5 F. Supp. 2d 9). The case, brought by a trade association against the Department of the Interior's Bureau of Land Management (BLM), raised an issue about BLM's failure to use the proper size standard for determining the number of small businesses that would be harmed by the regulation. In an *amicus* brief filed in January 1998, the chief counsel challenged the BLM's use of a small business size standard that was not in compliance with the SBA's standards published under the authority of the Small Business Act. The brief also raised concerns about the agency's failure to comply with the Administrative Procedure Act and about the quality of the economic analysis put on the record by BLM. In May 1998, the District Court issued its ruling and agreed with the issues raised by the chief counsel, holding that BLM's certification in its final rule violated the RFA by failing to incorporate the correct definition of "small entity." The Court remanded the case to the agency so that the plaintiff small business trade association would have an opportunity to provide input into the regulatory process. Filing the *amicus* brief in this case has unquestionably increased agency awareness of the risks of failing to comply with the RFA.

Outside of the Regulatory Flexibility Act, SBREFA established new requirements for federal regulatory agencies that include the adoption of compliance policies with mitigation provisions, the compilation of small entity compliance guides for regulations that have a significant impact on small business, the establishment of regional small business regulatory fairness boards, and the establishment of a small business and agriculture regulatory enforcement ombudsman.

SBREFA establishes a process whereby small businesses may register complaints about enforcement actions with a small business ombudsman and small business regulatory fairness (RegFair) boards. The 10 regional boards are unique entities composed of small businesses. The ombudsman and boards, first appointed in September 1996, receive comments from small businesses concerning aggressive enforcement-related activities conducted by agency personnel. The ombudsman, with advice from the boards, reports annually to the Congress on agency enforcement efforts and their impact on small businesses. These reports can be found at www.sba.gov/regfair/. Almost half of the members of the fairness boards were White House Conference delegates, and they continue to advance the objectives of the conference by committing to serve as representatives of fellow small businesses.

The ombudsman's 1999 report to Congress includes an extensive evaluation of 36 agencies with regulatory enforcement authority over small business. The RegFair program's outreach to the small business community has included the following:

- ★ Over the past two years, more than 1,200 people have attended RegFair hearings held in 20 cities nationwide.

- ★ At RegFair hearings, nearly 350 small businesses have testified before the RegFair boards and the national ombudsman on issues as varied as tax reporting, immigration and health care.

- ★ Business leader roundtables bring together 10 to 20 leaders of the local small business community to discuss regulatory reform and RegFair. Ten of these roundtables have been held since they began in August 1998; more were planned for 2000.

More aggressive federal agency outreach to small business is an important change resulting from SBREFA. Almost every federal agency today incorporates a wide variety of mechanisms to reach the communities affected by its regulations. For example, agencies routinely participate at industry conferences, host roundtable meetings in regions of the country, answer inquiries from small businesses via mail, fax, and electronic mail,

and utilize the Internet and toll-free telephone numbers to encourage easy access to information for small businesses.

The Department of Housing and Urban Development's (HUD) outreach efforts are especially noteworthy. HUD, like many other agencies, utilizes its Office of Small and Disadvantaged Business Utilization (OSDBU) for implementing its RFA compliance program. HUD has been very aggressive in making sure that the agency identifies the most appropriate small entity representatives to receive its information. HUD's OSDBU has written to more than 700 trade associations and minority- and women-owned business chambers of commerce advising them of small business rights under SBREFA and the RFA. HUD has also taken aggressive measures to include small businesses in "negotiated rulemakings" on regulations dealing with manufactured housing, real estate settlement procedures, Indian housing, lead-based paint, and public housing. This outreach effort is intended to involve appropriate small entities from the very beginning of a rulemaking process.

In addition to reaching out to small businesses, more and more agencies are also seeking guidance on compliance with the RFA. Many are redirecting agency resources to the actual task of complying with the RFA and increasing productivity through training. It is apparent that some agencies have recognized the value of seeking compliance with the RFA early in the regulatory process in order to save time, produce better regulatory proposals, and avoid litigation.

One example comes from the Department of Health and Human Services, Health Care Financing Administration (HCFA). Since SBREFA amended the RFA, HCFA has instituted new procedures to seek input on controversial or burdensome regulations during the earliest stages of rulemaking, and the administrators of HCFA and the Small Business Administration have met to discuss RFA compliance and related issues. In addition, two day-long RFA/SBREFA training sessions were conducted for HCFA employees. This renewed commitment by HCFA to comply with the RFA has resulted in a number of occasions in which HCFA submitted draft rules for early small business impact review.

In sum, because of the 1996 SBREFA amendments and diligent oversight and active involvement by Congress, the courts, small businesses, the SBA's Office of Advocacy, and the administration, federal agencies are doing a better job of analyzing how best to solve social problems without harming competition or unduly burdening small businesses—the major source of competition and innovation in the U.S. economy.

Expanding Technology and Innovation

Small firms play an important role in developing innovative products and processes and bringing them to the marketplace. Although they spend only a fraction of the amount spent by large firms on research and development, they produce a far more significant share of the innovations.

Studies show that small businesses are the leading source of innovations and that small firms produce twice as many innovations per employee as large firms. Although small businesses receive a small percentage of federal research and development funds, they are responsible for a large share of patents. The Congress created two programs, the Small Business Innovation Research (SBIR) program and the Small Business Technology Transfer (STTR) program, to ensure that the best and brightest entrepreneurial researchers in America would be part of vital federal research and development efforts that benefit the national defense, build safer highways and airports, and contribute to public health and safety. Delegates to the 1995 White House Conference on Small Business recognized the importance of these two programs and adopted recommendations that fully endorsed their continuation and growth.

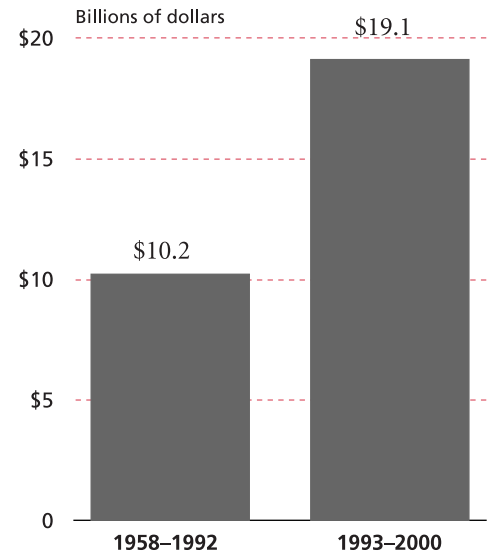
The SBA continues to implement and improve upon the SBIR program. In FY 1998, more than \$1 billion was awarded to small high technology businesses under SBIR. The SBA also developed a model program for states to establish economic development organizations that support the federal program with funding, management assistance, and other services to small technology firms. The SBA will implement a \$1 million grant program to stimulate the participation of rural small high technology firms in the SBIR program.

The SBA continues to award the annual Tibbetts awards. These awards were established to give well-deserved national recognition to those small firms, individuals, projects, and organizations that exemplify the business, economic, and technological achievements of the federal SBIR program.

Answering the need for year 2000 “computer bug” assistance for small business, President Clinton signed into law the Small Business Year 2000 Readiness Act on April 2, 1999. The law required the SBA to provide a loan guaranty program to address the year 2000 computer problems of small business concerns. In signing the law, the president said, “The legislation I am signing today will help ensure that the nation’s small businesses have access to the capital they need to be ‘Y2K-OK’ in the year 2000.”

Venture Capital Dollars

Dollar value of funds committed to small businesses under the SBA’s Small Business Investment Company program, 1958–1992 and 1993–2000



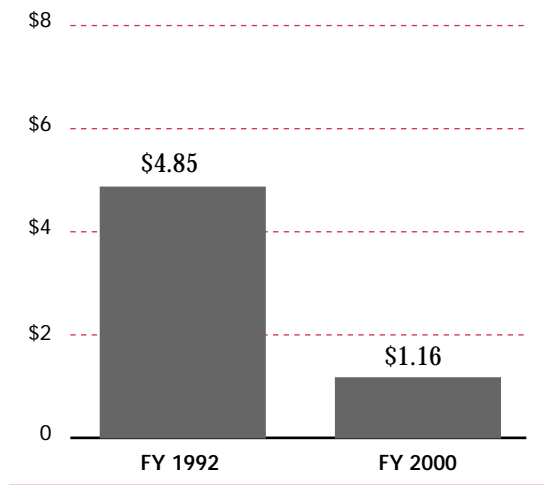
President Clinton had previously established the President’s Council on Year 2000 Conversion on February 4, 1998, by Executive Order 13073. The council was responsible for coordinating the federal government’s efforts to address the year 2000 problem. The council also enlisted agencies to serve as “sector coordinators” to promote action on the problem and to offer support to public and private sector organizations. In particular, agencies worked with industry trade associations, individual companies, and state and local governments. To help small organizations become Y2K ready, the council issued *100 Days to Y2K: A Resource Guide for Small Organizations* in September 1999. The guide provided resource listings for Y2K information. The resource listing included toll-free numbers, Web sites, and publications that provide useful technical information to small organizations moving toward Y2K readiness.

Under the Telecommunications Act of 1996, the Congress authorized the creation of the Telecommunications Development Fund (TDF). TDF is a private venture capital fund with \$25 million under management that invests exclusively in small businesses in all sectors of the telecommunications industry. The money that TDF invests comes entirely from private sources; TDF is not a governmental agency and does not receive any appropriated or other government funding.

Electronic commerce—the marketing, promotion, buying, and selling of goods and services

More Loans, Less Cost

Subsidy cost to taxpayers per \$100 lent under SBA loan programs, Fiscal Years 1992 and 2000



electronically, particularly via the Internet—is experiencing unprecedented growth, according to a report recently released by the SBA’s Office of Advocacy. Many online entrepreneurs believe that taxing this medium of commerce will slow its growth. For this reason the Internet Tax Freedom Act was enacted in 1998. The law prohibits state and local governments imposing taxes on Internet access charges until October 21, 2001, and protects consumers and vendors involved in commercial transactions over the Internet from any new tax liability. The act also creates a temporary commission to examine the issue to determine whether Internet commerce should be taxed.

As many as 35 percent of small businesses maintained their own Web site and earned \$3.5 billion in e-commerce sales in 1997. Because of the Internet’s importance to small business, the SBA’s Office of Advocacy has been carefully monitoring the development of new Internet domain name policy by the Internet Corporation for Assigned Names and Numbers (ICANN). ICANN is a non-profit corporation that was formed for the express purpose of managing the domain name system. ICANN will have authority over Internet addressing and protocols and is currently adopting policies that will determine the future of the Internet. ICANN policies under consideration that could affect small businesses include the following:

- ★ Granting domain name registrars the ability to suspend, cancel, or transfer a domain name.
- ★ Creating a mandatory arbitration process with the authority to take a domain name away from a losing party, but not precluding court action

against a party that prevails in the arbitration.

★ Granting protection to trademark owners from “cybersquatters.”

The Office of Advocacy is carefully monitoring these issues and has commented on many of ICANN’s policies. With the enormous impact of these policies, small businesses should be aware of these issues and participate in the process.

Increasing Procurement Opportunities

In the early 1990s, the U.S. Congress and the executive branch of the federal government reached a policy consensus on the need for acquisition reform. The call for reform was as urgent inside government as it was in the contracting communities across the United States. The contracting community, including the delegates to the White House Conference on Small Business, were of the general belief that it was too burdensome to do business with the federal government. Within the federal government, contracting officers and the end users of procured goods and services viewed the acquisition process as time-consuming and ineffective in getting the best product for the money.

The stage was set for acquisition reform in the U.S. government. What was required, many believed, was the total revamping and streamlining of the acquisition process. The intent was to make the federal marketplace emulate the commercial trading center and to ensure that the federal government would get full value for its nearly \$200 billion procurement budget.

The centerpieces of the reform were the Federal Acquisition Streamlining Act of 1994 (P.L. 103-355) and the Federal Acquisition Reform Act (FARA) of 1996 (P.L. 104-106). In the reform, many of the old traditional ways of buying and selling to the federal government were discarded for faster, commercial, off-the-shelf commodity purchases. The credit card emerged as the tool of choice for government purchases of commercial items. A few other techniques from the commercial marketplace enhanced the federal procurement process, including electronic transfer of payment and greater use of electronic commerce. Contracting officers were given greater authority to use contracting vehicles such as government-wide agency contracts (GWACs) and Federal Supply Services schedules.

Historically, small businesses are the backbone of the U.S. economy. They offer more competition, lower overall costs, more innovations and more job creation than any other sector. Unfortunately, even with the recent procurement reforms,

most government acquisitions—about 80 percent of federal prime contract dollars—are still awarded to large businesses. Thus, the 1995 White House Conference on Small Business, in addition to supporting the reform movement, focused on correcting the less-than-proportionate share of federal contracts awarded to small firms. Seven of the top 60 recommendations dealt with increasing procurement opportunities for small businesses.

In 1997, the Congress, with the support of the administration, increased the federal government prime contracting goal for small business to 23 percent (P.L. 105-135). In addition, the new law contained a new program, the HUBZone program, to help small businesses and their employees located in historically underutilized business zones. The Congress made it very clear to procuring agencies that tactics such as the “bundling” of contracts into packages that curtail small business participation would not be tolerated. In fact, the Small Business Administration Reauthorization Act of 1997 stipulated that federal agencies can only bundle contracts to achieve “measurably substantial benefits” in terms of lower costs, shorter acquisition cycles, or better terms and conditions. The SBA issued final regulations on bundling on July 26, 2000.

On May 23, 2000, President Clinton signed Executive Order 13157, which directs federal agencies to take steps to meet or exceed the goal of 5 percent for prime contracts or subcontracts awarded to women-owned businesses.

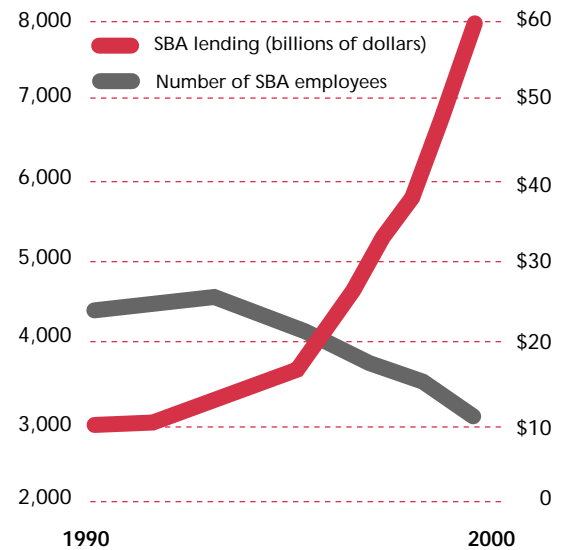
In addition, the Congress enacted the Federal Activities Inventory Reform Act of 1998 (P.L. 105-270, the FAIR Act). The FAIR Act directs agencies to develop inventories of their commercial activities and to conduct cost comparisons to determine whether a commercial activity that is performed by a governmental source should instead be performed by a private sector source.

In an effort to open more contracting opportunities to small businesses, the SBA developed PRO-Net® in 1997. This nationwide Internet-based data base of small businesses serves as a government-wide link to procurement opportunities for small firms and as a powerful electronic search engine for contracting officers looking for small business vendors. Nearly 200,000 firms are currently registered on PRO-Net.®

Finally, a study released by the SBA’s Office of Advocacy ranked the 2,235 federal procurement centers on their levels of prime contracting with small firms in fiscal year 1998. Overall, the study found, the procurement centers with the most contracting dollars spent the least in small businesses. When the centers were ranked in order of the share of dollars spent on small firms, the least

Doing More with Less

Number of SBA employees and SBA lending, 1990–2000



“small-business-friendly” 30 percent of the centers controlled 66.2 percent of the prime contracting dollars and spent just 6.3 percent on small firms. This study also identified the primary purchasing activity of the procurement center by the use of the two-digit Standard Industrial Classification (SIC) code. Using this study, small firms can, for the first time, identify how particular procurement centers spend their funds and earmark their marketing to specific centers.

All of these initiatives should help to increase federal procurement opportunities for small businesses.

Enhancing the Human Factor

If small businesses drive the economy, it is also true that employees energize small firms. The White House Conference on Small Business recognized that initiatives that support American workers are important. In particular, small businesses have concerns that work force costs—pensions, Social Security, health benefits—become increasingly important as the work force ages. Moreover, in times of low unemployment, it is especially hard for small businesses to attract and retain qualified workers.

Small businesses began to offer new retirement benefits in 1998. That was the first year the so-called SIMPLE 401(k) and IRA plans were permitted as a result of tax changes enacted in 1996, following WHCSB recommendations. The number of businesses opening these and other defined

contribution retirement plans appears to be growing rapidly, although a tally is not yet available.

In the State of the Union address for 2000, President Clinton announced an effort to encourage more small businesses to offer pensions for their employees and proposed a 50 percent tax credit for qualified contributions to employees' pensions. He also announced plans to create retirement savings accounts, which would build on the successful model of individual development accounts (IDAs), extending generous matches to all low- and moderate-income families to encourage them to save. However, many business owners say they cannot commit at the beginning of the year to making a specific level of retirement contributions at year's end. The Office of Advocacy is working with WHCSB delegates and small business benefits advisors to explore ways of increasing the flexibility and simplicity of retirement options. Some improvements may be achievable under present law with minor administrative or regulatory changes by the Internal Revenue Service. Other enhancements will require legislation.

One still-unrealized goal of the WHCSB delegates is full deductibility of health insurance costs for unincorporated businesses and independent contractors. This objective became more urgent as health insurance costs began to accelerate in 1999 after several years of relatively small increases. The 1998 omnibus appropriation bill included an acceleration of 100 percent deductibility to 2003. Small business advocates have been working to get Congress to speed up that timetable, and several bills have been offered to solve this problem more quickly.

The delegates endorsed the concept of tax-advantaged medical savings accounts (MSAs). These accounts are personal savings accounts set aside to pay for medical expenses. A demonstration pilot program for these MSAs was created through legislation in 1996. Unfortunately, initiating an MSA is complicated. A bill passed the House of Representatives that would simplify MSAs. The bill would allow health insurance policies with lower deductibles to qualify, permit both employers and employees to contribute, allow full (rather than 65-75 percent) deductibility of savings, and eliminate the deadline of December 31, 2000.

An additional medical savings account demonstration is under way (through 2002) that expands coverage to Medicare recipients under the Medicare and Choice program.

President Clinton and the Congress have worked together to improve the welfare-to-work situation. With a dwindling labor pool, qualified,

trained workers are in demand. The Welfare-to-Work Initiative has successfully partnered with states, local governments, and private industry to move people off public assistance and into the work force.

Issue Recommendations with No Action

Most of the 1995 WHCSB recommendations have been considered by one or both of the executive and legislative branches of government. Policy discussions on issues important to small business have benefited from the diverse work of the delegates. Fifty-six of the 60 recommendations have been implemented in full or in part. However, not every recommendation has been implemented fully. Four have had no action.

In the issue area of Main Street, the idea of creating a small business relief fund financed by large businesses to economically assist small businesses displaced by large businesses (Recommendation 139) has not been implemented.

In the tax area, two WHCSB recommendations have not advanced. These were the recommendations that Congress enact legislation preventing it from raising taxes retroactively (Recommendation 250) and that a two-thirds supermajority vote be required to enact legislation resulting in a tax increase (Recommendation 252).

Finally, no activity resulted on a proposal (Recommendation 105) relating to labor law reforms creating protections for workers or businesses.

Reports from the Regions

The implementation process has taken many forms across the nation. This section details the regional activities of the delegates to the 1995 White House Conference on Small Business.



The White House Conference delegates left Washington, D.C., in June of 1995 and began the task of seeing their recommendations through to implementation. The state delegations have employed a variety of means to achieve their goals.

After receiving the White House Conference on Small Business Final Report in September 1995, the WHCSB national implementation chairs designated October 27, 1995 as National White House Conference Implementation Day. Across the country, delegates met with their congressional representatives and governors to present the 60 final recommendations in their small business agenda.

Meetings and conferences modeled on the WHCSB pattern of issue discussions and delegate elections took place. Several states published books or reports about their Washington experiences. Delegates became leaders in both their local and national business organizations. In every region, delegates were chosen to represent the small business community on the small business regulatory fairness boards established under the Small Business Regulatory Enforcement Fairness Act. Two delegates now serve in the United States House of Representatives. Several others have run for state office and are serving in their legislatures.

All of the delegates to the 1995 White House Conference on Small Business are to be congratulated for their commitment. Following is a regional roundup of post-conference activities and accomplishments.

Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

In the New England region, delegates continue to promote the issues raised at the conference, and several have assumed leadership roles in their state organizations. The Region I implementation chair, Pat Mellion, serves as an SBA national advisory council member and is very involved with the Connecticut advisory council. She and her Connecticut colleagues work with the state legislature to foster a greater understanding of the small business agenda. In Maine, Patrick Murphy has served as an SBA national advisory board member. In Massachusetts, Judith Obermayer became a member of the regional regulatory fairness board. In New Hampshire, Jeffrey Pollock, was named the 1999 Financial Services Advocate of the Year by SBA. In Rhode Island, Cap Willey, Rhode Island White House Conference state chair, and Mark Deion, a very active delegate, continue to

work through their state advisory council to educate the state legislature, the governor, and members of Congress on small business issues. In Vermont, delegates continue to have a strong working relationship with Governor Dean and members of the legislature.

Region II: New Jersey, New York, Puerto Rico

The Region II delegates have proven to be active and effective at all levels of government. The regional chairperson, Jennifer Carey, serves on the New York Governor's Small Business Advisory Committee along with delegate Emma Kounine. This group works closely to advance small business issues and interests statewide. The New Jersey delegates continue to work actively for small business at both the state and federal levels. Joy Turner has remained a dedicated tax advocate for New Jersey and at the federal level on the White House Conference on Small Business tax issues. Other New Jersey delegates have assumed leadership roles in state and national small business organizations. The Puerto Rico delegates have held several conferences and work closely with the governor to present small business concerns to the legislature. They have used the White House Conference on Small Business as a springboard to organize and promote small business throughout Puerto Rico.

Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia

Delaware was the first state to hold its preliminary state conference before the White House Conference on Small Business. Its early consideration of issues subsequently discussed in state conferences throughout the nation helped frame recommendations that eventually were included in the final report. Of particular interest to the Delaware delegation was the need for greater accountability of elected officials to their small business constituents. An "accountability" recommendation was adopted, and the Delaware small business community continues to carefully examine the actions of both its state and federal representatives for their potential impact on small business. Members of the Delaware delegation also have taken a proactive role in small business policy formulation in the state, helping to organize and staff two subsequent statewide Governor's Conferences on Small Business in 1996 and 1997.

The issues discussed at these conferences included both recommendations flowing from the White House Conference and matters of more local interest. The recommendations developed at the state conferences continue to guide Delaware policymakers today, and members of the original White House Conference delegation remain active in promoting the action agendas at both levels.

The District of Columbia White House Conference delegation developed a well-deserved reputation as one of the most active in the nation in post-conference activities and follow-through efforts. District delegates continued to meet regularly and, among other activities, organized a successful small business exchange mission to Russia. A video showcasing this trip, its participants and their activities was professionally produced by a delegation member and has been given wide distribution to small business groups and associations considering similar missions. District of Columbia delegates have testified before the U.S. Congress and continue to work with local authorities on small business issues. One delegate serves on the Mid-Atlantic States Regulatory Fairness Board established by the Small Business Regulatory Enforcement Fairness Act, enacted in response to the White House Conference on Small Business.

The Maryland delegation worked extensively after the White House Conference on Small Business to take the results and ideas from the process to the state and local levels. Meetings and events were held with both the governor's office and the state economic development officials. Individual delegates, including Chairman Bennie Thayer, continue to promote small business issues and economic development for the state.

Pennsylvania delegates to the White House Conference continue to have a special interest in regulatory affairs. Two delegates serve on the Mid-Atlantic States Regulatory Fairness Board. Also, Pennsylvania delegates are currently working with the commonwealth to establish a regulatory review process at the state level similar to the regulatory flexibility analysis process at the federal level. Pennsylvania delegates have also played a pivotal role in organizing the Pennsylvania Small Business Conference 2000, a statewide small business conference, which was preceded by two regional conferences in the Pittsburgh and Philadelphia areas. As at the White House Conference, delegates to the Pennsylvania conference formulated a small business action agenda for the use of policymakers at the state level. All White House Conference delegates were invited to participate at the state conference, and they brought a tremendous amount of experience to

this effort, some having served as delegates to all three prior White House Conferences.

Virginia delegates to the White House Conference have continued their small business advocacy efforts, serving in leadership positions at both the state and local levels. Of special importance is the Governor's Small Business Advisory Board. The board has actively promoted the establishment of a successful small business incubator program. Delegates have also been instrumental in developing new programs under the Virginia Small Business Financing Authority, including a capital access fund for the disadvantaged. Virginia delegates are working on developing a regulatory review process similar to the federal process, and a Virginia delegate serves on the Mid-Atlantic States Regulatory Fairness Board. Virginia delegates are also working with the state government to establish a Virginia business information center, including toll-free numbers and a Web site devoted to information needed by Virginia businesses.

West Virginia delegates have worked with their elected representatives to support and enhance a variety of small business initiatives, including an award-winning program to provide small technical assistance grants for small businesses in need of specialized training or consulting services to deal with regulatory compliance or other problems. Many of these businesses are located in rural areas where such help is not locally available. West Virginia delegates have also supported paperwork reduction legislation and the establishment of a loan fund to help small businesses comply with the costs of environmental regulations.

Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee

The Region IV implementation and technology chair, Wanda Gozdz, has worked diligently with other technology leaders over the past five years on patent reform, which was passed during the last legislative session. Ms. Gozdz continues actively to promote SBIR reauthorization efforts.

The North Carolina delegation continues to work with the governor and the secretary of commerce on the legislative recommendations that emerged from the state's Governor's Small Business Conference. The governor and the delegates (Deidre Jersey and Warren Gulko, co-chairs) received a 1998 Model of Excellence award from the Office of Advocacy for the state's small business conference, which was modeled after the

White House Conference on Small Business.

Senator John Matthews, Jr., of South Carolina received a Model of Excellence award at the Office of Advocacy's Vision 2000: The States and Small Business Conference in December 1999. White House Conference delegates from South Carolina, North Carolina, Florida, and Tennessee have served as workshop participants in both the 1998 and 1999 Vision 2000 conferences.

Delegates from the region have continued to work on national efforts. Jack Oppenheimer of Florida has worked on tax reform at the national level. Whitney Johns of Tennessee was installed as national president of National Association of Women Business Owners (NAWBO) in 1999. The Alabama state implementation chair, Synthia Hardy, currently serves on the National Advisory Board of the U.S. Small Business Administration. Senator Larry Shaw, a White House Conference commissioner from North Carolina, Rita Mitchell of Tennessee, and Robert Clark of South Carolina have served on the regional regulatory fairness board.

Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin

Thelma Ablan, implementation chairperson, reports that Region V has been focusing on taxation, technology, and other issues of importance to businesses in the region. The state delegations of Region V have been active. In Ohio, the governor held a small business summit in fall 1999; a majority of the attendees had served as delegates to the 1995 WHCSB. The Ohio Chamber of Commerce has a group called the Ohio Small Business Council; one-third of its membership were delegates to the WHCSB. John Hexter, Ohio state chair and member of the regional regulatory fairness board, and Tom Petrone report that delegates are active in the annual Small Business Day at the Capitol, the National Federation of Independent Business conference, and the Small Business Task Force.

Paul Hense of Michigan relates that he has represented the region in tax policy matters on a number of occasions. He and his fellow delegates from other regions have met with Internal Revenue Service Commissioner Rossotti, Senate Small Business Committee Chair Kit Bond, House Small Business Committee Chair James Talent, and others to further the implementation of the WHCSB policy recommendations. Hense serves as chairperson of the tax committee for National Small Business United (NSBU) and will help to

educate policy makers on the small business community's areas of interest.

Rob Risser of Michigan reports that his efforts as regional technology chair have been enhanced by his membership in the Small Business Technology Coalition. This group developed by the technology chairs is formally incorporated as a national organization and co-located with NSBU. Risser is able to stay on top of committee responsibilities with the help of the technology committee of the Small Business Association of Michigan and Mark Clevey, who staffs it.

In Minnesota, Wendell Maddox relates the activities of the Governor's Conference on Small Business. Among the participants were most of the congressional delegation, as well as members of the state legislature and staff. The delegates who attended continue to work on both the original issues and subsequent developments at both the state and national levels. Maddox reports that the Governor's Conference gave the delegates the impetus needed to develop ongoing relationships with state and federal policy makers to support implementation of the 1995 policy recommendations, as well as initiatives that have arisen since the WHCSB.

Region V delegates continue to rise to leadership positions. Members of the SBA National Advisory Council include Max Fallek, Harry Alford, Leni Siker, Ron Hall, Facundo Bravo, Gary Kushner, Thelma Ablan, and Toby Malichi. Thelma Ablan also became chairperson of the regional regulatory fairness board, and John Hexter, Hazel King, and Don Magett serve as members.

Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas

Delegates from Region VI remain active and aggressive in their efforts for small business. In Louisiana, the chair of the delegation, Ruth Ann Menutis, led efforts to establish the Center for Entrepreneurship at the University of New Orleans. WHCSB delegate Elise McCullough became president of the Louisiana Women's Business Association, entrepreneur in residence at the Center for Entrepreneurship at the University of New Orleans, and a member of the regional regulatory fairness board. She also chairs the New Orleans Regional Chamber of Commerce's Small Business Council.

In Oklahoma, Larry Mocha, Cheryl Cohenour, Terry Neese, Sheldon Reznik, and other WHCSB delegates continue to be active with the state legislature on small business issues. They succeeded in

urging the governor and the legislature to establish an annual state small business conference. Mocha also serves on the regional regulatory fairness board and is co-chair of the Oklahoma State Chamber of Commerce's Small Business Council. Cheryl Cohenour serves as an advisor to the city of Tulsa on environmental issues.

In Arkansas, the delegates work closely with the lieutenant governor and state legislature. Delegate Bill Ferren has represented small business on several EPA review panels and is on the state small business council.

In New Mexico, delegates led by Diane Denish and Janet Kerley serve on the fairness boards and EPA review panels.

The Texas delegates, led by Wanda Brice and David Pinkus, continue to work within the state groups, Texas Small Business United, and the National Association of Women Business Owners in effecting state legislation. They successfully urged the lieutenant governor to establish state regional small business councils. Delegate Andy Lagueruela serves on the board of the Small Business Alliance for Fair Utility Deregulation.

Region VII: Iowa, Kansas, Missouri, Nebraska

The delegates from Region VII have remained committed to the issues they championed during the 1995 White House Conference on Small Business. Several regional implementation chairs continue to participate actively in their respective areas of expertise. Roy and Edith Quick of Missouri, the regional tax chairs, have extensive interaction with the Internal Revenue Service, congressional committees, and the Office of Advocacy. Scott George has served on the SBREFA regulatory fairness board and is chairing his association's regional advisory council. Judy Meador publishes columns on a monthly basis featuring the House and Senate Small Business Committee chairmen, Senator Kit Bond and Representative Jim Talent. All delegates stay in contact with these committees.

Region VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming

White House Conference delegates in Region VIII have remained active in a variety of state and federal small business issues. For example, Region VIII tax chair Jim Turner, of Utah, participated in WHCSB tax policy meetings in Washington, D.C.,

in December 1999. Kristy Schloss, Region VIII implementation co-chair, was active in Colorado as an appointed member of the governor's disparity resolution task force, working on procurement issues. Ken Heller, also a Region VIII implementation co-chair, participated in a regional meeting of the Small Business Alliance for Fair Utility Deregulation as did fellow WHCSB delegates Glenda Stark of Wyoming and Elaine Demery of Colorado.

Region IX: Arizona, California, Guam, Hawaii, Nevada

Region IX has a dynamic and committed group of WHCSB state delegations. Their efforts following the WHCSB contributed significantly to the successful implementation of the conference recommendations on both the federal and state levels. They continue to keep their focus, work hard and develop practical and innovative solutions to government policies that do not work well for small business. The following are among the region's priority small business issues:

- ★ Work force development—incentive packages, training in the rapidly changing technological environment, retraining to replace out-of-date skills, and ensuring small businesses their fair share of funds available for training.

- ★ Regulatory fairness—developing legislation modeled after successful regulatory fairness legislation recently passed by other states, including Hawaii; providing funding for Regulatory Fairness Act components, such as the small business defender; protecting small business interests in the process of deregulating utilities; and assessing the impact of environmental legislation on small business.

- ★ Small business tax reform—incentives including 100 percent deductibility of health insurance premiums for all small business entities and individuals, and revision of commercial property tax policy.

- ★ Access to capital—ensuring availability of capital for women and investment of public and private pension funds in small business.

- ★ Other issues—developing the role of small business in the global market; enhancing procurement opportunities, especially in states where rules exist that significantly limit the ability of small businesses to participate; developing a health care buying pool for small business, which would be a non-profit organization; Y2K protection from egregious lawsuits.

Federal issues being addressed by delegates in Region IX include independent contractor status,

OSHA's proposed rules on ergonomics and health and safety plans, Y2K compliance costs, and exploring how the welfare-to-work initiative can work more effectively.

Region X: Alaska, Idaho, Oregon, Washington

The Northwest's elected delegates continue to work in advancing small business issues both nationally and locally. They also continue to work with local press to highlight small business concerns and implementation activities. Many delegates are represented on the region's regulatory fairness board.

Alaska had the first designated ACE-Net network operator in Region X. Delegates organized a widely attended ACE-Net ribbon-cutting event in Anchorage that featured Senator Ted Stevens and Chief Counsel for Advocacy Jere Glover. Alaska delegates serve on Governor Tony Knowles' Marketing Alaska Task Force and his Small Business Committee, looking for ways to simplify access to state business assistance programs and making recommendations for improvement and consolidation. One result was the creation of a "Hub site" for providing information access through the Internet. Delegates also helped prepare an extensive Technology and Information Infrastructure Assistance Program (TIIAP) grant proposal designed to create the Hub site and provide public access terminals in seven remote communities. At the request of the governor, members of the delegation helped develop a tax incentive program for small businesses that provides relief from state unemployment tax in exchange for equipment purchases and upgrades. Alaska delegation members helped organize several successful conferences hosted by Senator Ted Stevens. These included a one-day conference on regulatory reform with participants from the SBA, OSHA and EPA, as well as a statewide conference on doing business with the government. In addition, delegates helped secure funding from First National Bank for a five-year Rural Outreach Program to provide business assistance to native and rural Alaskans. Delegates were also involved in the creation of the Alaska Small Business Development Center's Rural Outreach Program, winner of a Model of Excellence award from the SBA's Office of Advocacy at the Vision 2000 Conference.

The Idaho team has remained in contact, focusing their efforts primarily on international trade and deregulation of telecommunications and utilities issues. Traditionally, a major chal-

lenge for the group has been finding common ground on issues that both the northern and southern halves of the state can address. The delegation has used the momentum created by the White House Conference as a balancing force to bring the state's regionally diverse small business community together. With the election of former Senator Dirk Kempthorne as governor and the advent of the Small Business Alliance for Fair Utility Deregulation, the Idaho team has found two focal points to fortify their efforts. The delegation is scheduling meetings with the governor's office to explore the possibility of establishing a governor's small business advisory council and working together on opening doors to international commerce. The state delegation organized a Small Business Alliance for Fair Utility Deregulation meeting in Boise, bringing together representatives from state, federal, and local governments.

Oregon delegates continue to provide leadership on implementing the remaining WHCSB recommendations. Several have testified before congressional committees and worked closely with federal agencies to clarify regulations. They also meet regularly with congressional committee staffs, particularly the Small Business and Ways and Means Committees. Delegates continue to work diligently on implementing important tax provisions, along with tax chairs from other regions. One delegate serves as a member of the small business and self-employed workgroup of the IRS Advisory Council. The delegation has received strong support from the House and Senate Small Business Committee staffs regarding a bill they drafted to implement White House Conferences on Small Business on a regular four-year cycle. They have also made contact with their congressional delegation, most recently with Senator Gordon Smith, to explain how a micro-enterprise bill will help small businesses. At the state level, the delegation supported the creation of the small business advocate position within the Oregon Economic Development Department. They also worked to establish a statewide Governor's Small Business Council, chaired by delegate Eric Blackledge. The council was the recipient of a Vision 2000 State Model of Excellence Award. The Oregon Emerging Business Initiative Tax and Policy Group, which is also co-chaired by Eric Blackledge, has introduced three bill concepts that support the WHCSB capital formation goals. Two are modified extenders for the state research and development tax credit and the qualified small business capital gain deferral or rollover. The third bill seeks to create tax advantaged small business investment funds that would

make venture capital investments in Oregon businesses, similar to the Kentucky and North Dakota models.

The Washington delegation helped organize the very successful statewide Governor's Conference on Small Business, which received a Vision 2000 State Model of Excellence Award. Governor Gary Locke hosted the conference, which brought together more than 400 small business owners who identified 180 issues, which they reduced to 24 for a final vote. They forwarded the top 10 recommendations to the governor and legislature for consideration over the next two years. WHCSB delegates also serve on the Governor's Small Business Improvement Council, which is working on implementation of the state conference recommendations and will provide semi-annual reports. Delegates have actively worked with the governor and the legislature on a bill to restructure the state's work force training programs in response to the Federal Work Force Investment Act. This legislation specifically includes small business representation on the oversight board that will become the primary vehicle for work force policy in the state. In addition to work force training, delegates have advised the governor and legislature on issues related to access to capital, telecommunications, regulatory reform, energy and telephone deregulation, agricultural exports, taxation, and rural economic development.



Appendix A: White House Conference Recommendation Checklist

The matrix on the following pages provides details on the status of each of the final 60 recommendations of the 1995 White House Conference on Small Business as of July 2000. The recommendations are listed in alphabetical order by issues, and within each issue in order of the National Conference Recommendation Agenda number that was assigned to it.



White House Conference on Small Business Implementation Checklist

Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Law	Implementation Summary ²
Capital Formation	5	Encourage pension and retirement fund investment in small business	The IRS is streamlining the process for obtaining prohibited transaction class exemptions on investments of self-directed retirement plan assets.	Legislation passed the House in the 104th Congress that would restrict economically targeted investments.		
Capital Formation	9	Bank regulatory reform to encourage small business lending	The administration has undertaken a comprehensive effort to lessen the regulatory burden on lending institutions to increase the credit available to small business. The Comptroller of the Currency issued streamlined examination and compliance procedures for small national banks.	The 104th Congress passed and the president signed the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Legislation was introduced in the 105th Congress that would permit the Federal Home Loan banks to lend to small businesses. The legislation also would permit greater expansion of financial service industries into banking and securities.	Yes P.L. 104-208	In progress
Capital Formation	14	Increase the availability of growth capital to small business	The president signed into law revisions to the capital gains tax provisions for investments in small businesses.	P.L. 106-9, the SBIC Technical Corrections Act, passed, making the SBIC program more efficient.	Yes P.L. 106-9	In progress
Capital Formation	20	Tax code changes to encourage small business investment	The president signed P.L. 105-34, the Taxpayer Relief Act of 1997, and P.L. 104-188, the Small Business Job Protection Act.	The Congress passed P. L. 105-34 which (a) lowers the tax on capital gains; (b) retains a favorable rate (14 percent) to help target long-term investment in qualified small businesses; and (c) allows for the roll-over from one qualified small business investment to another. P. L. 104-188 reforms and expands S corporation provisions. The law allows S corporations to create employee stock ownership plans.	Yes P.L. 105-34 and P.L. 104-188	In progress
Capital Formation	24	Small corporate offering registration	SBA's Office of Advocacy assisted the North American Securities Administrators Association in the drafting and adoption of a model accredited investor exemption to facilitate small companies' sales of securities.	The National Securities Markets Improvement Act of 1996 directs the Securities and Exchange Commission to study and report to Congress on the extent to which uniformity of state regulatory requirements for securities has been achieved.	Yes P.L. 104-290	In progress
Capital Formation	25	Small business loan guarantee programs	The president signed the Small Business Lending Enhancement Act of 1995. The SBA worked with the Congress to overhaul its loan guarantee programs to allow greater availability of funds without increased appropriations. Administratively, SBA has worked to prohibit abuses of the guarantee programs and has decreased the length of time necessary to process guarantee applications.	Congress passed the Small Business Lending Enhancement Act of 1995, which changed the SBA's guaranty lending programs, increasing the availability of program funds. Congress also passed the Small Business Programs Improvement Act of 1996.	Yes P.L. 104-36 and P.L. 104-208	Completed

Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Law	Implementation Summary
Capital Formation	28	Community Reinvestment Act rating includes small business lending	The administration and the banking regulators have revised regulations to implement the Community Reinvestment Act (CRA). The regulations include greater emphasis on small business lending and require large financial institutions to collect small business lending data. Implementation of these new regulations took place on January 1, 1996.	No action.	No	Completed
Community Development	31	Federal measures to address distressed urban and rural areas	The president signed the HUBZone Act. The administration has pursued and endorsed policies to support distressed rural and urban areas, including the New Markets Initiative.	Congress passed P.L. 105-135, the HUBZone Act.	Yes P.L. 105-135	In progress
Community Development	34	Expand the home office deduction	The president signed the Taxpayer Relief Act, which expands the home office deduction, on August 5, 1997.	Congress passed P.L. 105-34, the Taxpayer Relief Act of 1997, which redefines the "principle place of business" as the place where essential administrative and managerial functions occur.	Yes P.L. 105-34 and P.L. 104-188	Completed
Community Development	41	The Department of Education and the SBA should create a K-12 entrepreneurship education program	The administration's School-to-Work Opportunities Initiative creates partnerships between educators, businesses and communities to achieve much of this recommendation.	The School-to-Work Act passed Congress and was signed into law by the president in May 1994.	Yes P.L. 103-239	In progress
Community Development	44	Congress should prevent the direct or indirect use of federal funds to lure business into a state from another state	Not applicable—requires legislation.	No current legislation. H.R. 1842 introduced in 104th Congress.	No	In progress
Environmental Policy	51	Sound science, risk assessment, health and cost benefit analysis applied to all regulations	The administration has made a concerted effort to make regulations user-friendly, based on the best information available, and less punitive in nature, and to provide compliance assistance.	Legislation is pending that addresses parts of this recommendation.	No	In progress
Environmental Policy	57	Environmental legislation's impact on private property, i.e., takings, wetlands, brownfields	Requires legislative action. The administration opposes pending takings proposals because of their impact on vital protections and the budget, preferring to protect private property interests by reinventing individual regulatory programs where consistent with environmental and other protections, including simplifying wetlands policy.	In the 104th Congress, legislation passed the House to address takings.	No	In progress
Environmental Policy	63	Superfund reform	The administration has promulgated reforms to the Superfund program that address sound science, remedy selection, lender liability and de minimis and de micromis settlements.	H.R. 2247, the Small Business Superfund Fairness Act introduced. S. 8 introduced in January 1997.	No	In progress

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Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Law	Implementation Summary ²
Environmental Policy	74	Uniform enforcement of environmental statutes and regulations	The administration is committed to the uniform enforcement of environmental statutes and regulations.	No legislation required.	Not applicable	In progress
Human Capital	78	100 percent health care deduction for all business entities	President Clinton signed P.L. 105-277, accelerating the increase to 100 percent deductibility for the self-employed to 2003.	Congress passed the 1998 Omnibus Budget Reconciliation bill, which accelerates to 2003 increasing the deduction to 100 percent.	Yes. P.L. 105-277 and P.L. 105-34	Completed
Human Capital	87	Health care reform	President Clinton signed the Balanced Budget Act of 1997 to expand the medical savings account pilot project to Medicare recipients and to expand portability and health care coverage to children of poor families.	In 106th Congress, H.R. 614 was introduced, expanding MSA coverage.	Yes. P.L. 105-33 and P.L. 104-191	In progress
Human Capital	91	Pension reform	President Clinton signed P.L. 105-34, the Taxpayer Relief Act of 1997, which increased eligibility for IRAs. President Clinton signed the Small Business Job Protection Act of 1996. The president proposed simplified defined benefit plans as part of his 1999 budget, which included tax credits for small businesses that start pension plans.	In 106th Congress, H.R. 1102, a new pension reform proposal, passed the House. It simplifies pensions for small businesses and increases contribution levels.	Yes P.L. 105-34 and P.L. 104-188	In progress
Human Capital	103	Ensure small, women- and minority-owned firms are afforded equal opportunities	The administration is looking at ways to expand the definition of minority small business programs to be more inclusive. The Department of Transportation agreed to accept DOT's certification of minority contractors into SBA's minority business programs. Additionally, the president signed Executive Order 13157 to increase procurement opportunities for women-owned small businesses.	Legislation passed to increase the small business goal from 20 percent to 23 percent. In 106th Congress, House Small Business Committee passed H.R. 4897 to provide set-asides for women-owned businesses in selected industries.	Yes. P.L. 105-135	In progress
Human Capital	105	Labor law reform	Some parts of this recommendation are current law and are enforced as such: the use of the Racketeer Influenced and Corrupt Organizations Act (RICO), the legal responsibility of unions and their officials for criminal acts, and the application of civil rights provisions to unions.	No action	No	No action
Human Capital	203	Reform of the National Labor Relations Act	Current law protects small businesses from abuses and intimidation practices by organized labor.	H.R. 3246, the Fairness for Small Business and Employees Act of 1998 would level the playing field for small businesses, small unions, and employees.	No	In progress
Human Capital	324	Privatize Social Security	The president and Congress continue to discuss structural changes to the Social Security system.	Discussions in this area continue.	No	In progress

Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Law	Implementation Summary
Human Capital	336	Consolidate federal work force programs into state block grants	Since 1996, President Clinton's welfare-to-work initiative has successfully partnered with private industry and the states to move people from welfare to the work force.	Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act giving states more control over welfare funds.	Yes. P.L. 104-193	In progress
International Trade	115	Intellectual property protection	President Clinton signed P.L. 106-113 on November 29, 1999. This bill strengthens the patent process and makes the system sensitive to small business needs.	The American Inventors Protection Act of 1999 passed the Congress.	Yes. P.L. 106-113	In progress
International Trade	121	Export assistance for small business	TradeNet Export Advisor is a one-stop online information resource at www.tradenet.gov . The SBA operates export assistance centers (jointly supported by the SBA, the Export-Import Bank and the Department of Commerce) that offer one-stop export assistance to small businesses.	No action.	No	In progress
International Trade	129	Export finance	Legislation required. SBA's export working capital and international trade loan programs provide pre-export and export finance.	No action.	No	In progress
Main Street	130	Legal rights of franchisees, dealers, and product distributors	The FTC's franchise rule is currently under review; the FTC published an advance notice of proposed rulemaking on disclosure requirements of franchise opportunities.	H.R. 3308, the Small Business Franchise Act of 1999, was introduced and referred to committee.	No	In progress
Main Street	134	Remove the barriers to small firms mediating, arbitrating, or litigating in their home states	Not applicable—legislation required.	See above—H.R. 3308.	No	In progress
Main Street	139	Create a relief fund to assist small businesses displaced by large businesses	Not applicable—legislation required.	No action	No	No action
Main Street	140	Private sector "all risk" property insurance program	Not applicable—legislation required.	No current legislation.	No	In progress
Main Street	141	Antitrust laws should be examined and strengthened	The SBA's Office of Advocacy sponsored a conference on industrial structure. FTC has stepped up its efforts in investigating antitrust violations and negotiating consent agreements. DOJ has strengthened its criminal antitrust enforcement efforts.	No action	No	In progress
Procurement	144	Prohibit government and tax-exempt organizations from competing with small firms	The president signed the 1998 FAIR Act, the Federal Activities Inventory Reform Act, as P.L. 105-270. The administration issued a revision of the A-76 circular to protect businesses, including small businesses, from unfair government competition.		Yes. P.L. 105-270	In progress

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Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Law	Implementation Summary ²
Procurement	153	Establish a national organization to develop uniform certification criteria for small-, disadvantaged-, and women-owned firms	The administration is reviewing a possible certification process.	No action	No	In progress
Procurement	161	8(a) program reforms	The administration strongly supports policies oriented toward diversity and fair economic opportunity. The SBA initiated a "delegation of authority" pilot with other agencies to streamline the 8(a) program. SBA's PRO-Net, an Internet-based information system and marketing tool for 8(a) participants, is operational.	No action.	No	In progress
Procurement	164	Repeal the Davis-Bacon and Service Contract Acts	The administration supports reform of the Davis-Bacon Act, but strongly opposes repeal of the Davis-Bacon and Service Contract Acts.	Legislation is not likely.	No	In progress
Procurement	167	Strengthen the Prompt Payment Act	Legislation required. The administration is examining options to provide payment relief to small firms. OMB issued policy letters to Federal agency heads outlining the importance of the act and the agencies' obligations.	No action	No	In progress
Procurement	360	Increase opportunities for all small businesses to participate equitably in federal procurement	SBA and the Office of Federal Procurement Policy are developing a small business set-aside pilot for service task-order contracts. Commerce Business Daily automated and procurement opportunities are available on the Internet. The administration increased the government-wide procurement goal to 23 percent. Bundling regulations are implemented.	In 106th Congress, the House Small Business Committee approved H.R. 4890 to stop agencies from bundling contracts. P.L. 105-135 was signed, making the 23 percent procurement goal a statutory requirement. Also established HUBZones. The 104th Congress passed the Federal Acquisition Reform Act of 1996.	Yes P.L. 105-135 and P.L. 104-106	In progress
Procurement	437	Congress and the president should respond to the Adarand v. Peña decision with strong support for women- and minority-owned firms	The administration strongly supports policies oriented toward diversity and fair economic opportunity. The Department of Justice is currently reviewing all minority preference programs in order to comply with the Adarand decision. The president and OFPPP support the 8(a) program and diversity in federal contract markets with policy statements sent to all agency heads.	No action	No	In progress
Regulation and Paperwork	183	Regulatory reform, including judicial review of federal regulations	The president signed the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). It provides for full judicial review of agency compliance in developing certifications and regulatory flexibility analyses.	Regulatory reform legislation, P.L. 104-121, The Small Business Regulatory Enforcement Fairness Act, passed in the 104th Congress.	Yes P.L. 104-121	Completed

Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Implementation	
					Law	Summary
Regulation and Paperwork	188	Periodic review of all regulations, simplify and eliminate regulations, and provide single source of regulatory information	Implementation of the Small Business Regulatory Enforcement Fairness Act of 1996 is taking place throughout the federal agencies.	Regulatory reform legislation passed in the 104th Congress. H.R. 852, the Paperwork Elimination Act, passed the House.	Yes P.L. 104-121	Completed
Regulation and Paperwork	194	Change the nature of the federal government's enforcement of regulations	SBREFA establishes a small business ombudsman and 10 regional boards to monitor enforcement of federal rules.	Regulatory reform legislation passed in the 104th Congress.	Yes P.L. 104-121	Completed
Regulation and Paperwork	200	Tort reform	The president signed P.L. 106-37 to establish procedures for civil actions resulting from Y2K failures.	The Congress passed P.L. 106-37 concerning Y2K damages.	Yes P.L. 106-37	In progress
Regulation and Paperwork	369	Reform of OSHA	OSHA has adopted variations of many of the proposals in this recommendation: voluntary compliance audits are conducted and some companies are eligible for relief; if an employer has an effective safety and health program, the employer is eligible for an abbreviated inspection; with good faith efforts by the employer, OSHA considers employee fault a viable defense against citations; OSHA is preparing better guidance on how to comply with its regulations. OSHA has new small business outreach program.	OSHA reform legislation was introduced in both the House and the Senate.	No	In progress
Taxation	214	100 percent tax deduction for meals and entertainment expenses	Legislation required. The administration has, however, raised from \$25 to \$75 the amount of expenses for which a receipt is needed to claim a deduction.	Legislation failed in the 104th Congress to permit a 100 percent deduction. The Congress passed and the president signed legislation that permits meal and travel deductions for owners (truck drivers) required to stop operating under Department of Transportation restrictions.	Yes P.L. 105-34	In progress
Taxation	218	Estate taxes	Current repeal legislation awaiting decision. President Clinton signed P.L. 105-34, which includes some estate tax reform	In 106th Congress, legislation passed to repeal the estate tax. The Congress passed the Taxpayer Relief Act of 1997, which includes major estate tax reform.	Yes P.L. 105-34	In progress
Taxation	224	Clarify the tax definition of independent contractors	The IRS has taken several administrative steps to clarify the rules on worker classification and to resolve any remaining issues more expeditiously. The IRS issued a clarifying training manual that equalizes enforcement. The IRS also established new procedures to improve decision ruling and permit the expeditious resolution of remaining problems. President Clinton signed the Small Business Job Protection Act of 1996, which shifts the burden of proof to the IRS regarding classification disputes.	Congress passed the Small Business Job Protection Act of 1996. Legislation was introduced in Congress that would clarify the definition of independent contractor, but the Senate took no action on the bill.	Yes P.L. 104-188	In progress

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Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Law	Implementation Summary ²
Taxation	229	Replace the present tax system with a simple tax for individuals and business	President Clinton signed P. L. 105-34, the Taxpayer Relief Act of 1997, which helps simplify taxes by cutting back for small businesses the alternative minimum tax (AMT). Small corporations (those with gross receipts under \$5 million) will no longer need to calculate the AMT. This provision effectively exempts about 95 percent of all corporations (more than 2 million businesses) from needless and complex paperwork.	Congress passed the Taxpayer Relief Act of 1997.	Yes P.L. 105-34	In progress
Taxation	233	Increase expensing up to \$250,000 for the purchase of equipment by small businesses	President Clinton signed the Small Business Job Protection Act of 1996, which increases the expensing allowance to \$25,000.	Expensing increases passed as part of the Small Business Job Protection Act of 1996.	Yes P.L. 104-188	In progress
Taxation	242	Capital gains tax treatment for small business	President Clinton signed P.L. 105-34, the Taxpayer Relief Act of 1997, which contained extensive capital gains relief (see Congressional Action column). Also, the IRS adopted regulations that make redemption possible and thereby make it easier to qualify for special tax treatment.	Congress passed general capital gains relief: effective July 22, 1997, capital gains taxes are reduced from 28 percent to 20 percent on property held for at least 18 months. With respect to targeted capital gains on small business stock, the 14 percent rate is retained and the law reduces the share subject to minimum tax to 42 percent. Also, an individual investor can roll over gains from an investment in qualified small business stock held for at least six months into another qualifying stock tax-free.	Yes P.L. 105-34	In progress
Taxation	250	Prohibit retroactive increases in taxes	Not applicable—legislation required.	Unless a constitutional amendment is passed and ratified, no Congress can bind a future Congress to any legislation.	No	No action
Taxation	252	Require 2/3 super-majority vote of Congress to raise taxes	Not applicable—legislation required.	Legislation failed to pass.	No	No action
Taxation	253	Cap employer's portion of payroll taxes	The administration has no proposals to raise payroll taxes.	S. 579 and H.R. 1333 revise payroll taxes, but the Congress took no floor action.	No	In progress

Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Implementation
					Law
Taxation	385	Tax equity: uniformly apply tax law to all forms of business with regard to rates, deductions, and exclusions	President Clinton signed P.L. 105-34. The administration has supported pension reform, the broadening of subchapter S, increases in the self-employed health care deduction, and a simple business form selection process, most of which were enacted as part of the Small Business Job Protection Act of 1996.	Congress passed the Small Business Job Protection Act of 1996. Congress passed and the president signed the Taxpayer Relief Act, P.L. 105-34, which restores the home office deduction.	Yes P.L. 105-34 In progress
	390	Enact a comprehensive capital gains tax policy that encourages long term investment	President Clinton signed P.L. 105-34, the Taxpayer Relief Act of 1997, which provides for the rollover of gain from one qualifying stock to another. The administration's 1993 economic plan established a targeted 50 percent capital gains tax exclusion for certain new investments in small business and rollovers into specialized small business investment companies. The administration recently adopted regulations to ease redemption restrictions.	Congress passed general capital gains relief. With respect to targeted capital gains on small business stock, the 14 percent rate is retained and the law reduces the share subject to minimum tax to 42 percent. Also, an individual investor can roll over gains from an investment in qualified small business stock held for at least six months into another qualifying stock tax-free.	Yes P.L. 105-34 In progress
Technology	265	Development of all telecommunications markets to full and fair competition with increased choices for customer products and services and the promotion of universal service.	President Clinton signed the Telecommunications Act, which opens telecommunications markets to competition. The FCC has issued a number of landmark proceedings to implement this law.	Legislation was passed in the 104th Congress to implement the recommendations regarding telecommunications. A bill passed the House that would revamp patent laws. A Senate bill was under consideration. H.R. 3849 and S. 442. The Internet Tax Freedom Act, was voted out of committee. The Anti-Slammung Act, S. 1618, passed the Senate 99-0, H.R. 3888 was voted out of subcommittee. The Digital Slammung Act, H.R. 4176, is pending. The Telephone Slammung Prevention and Internet Connection Act, H.R. 2112, is pending. The Senate passed Universal Service, S. Amdt. 3228.	Yes P.L. 104-104 In progress
	406	Expand technology commercialization funding and investment for small innovative companies	The Department of Commerce has completed a report on intellectual property and the National Information Infrastructure that will guide U.S. policy. The administration is supporting legislation to simplify the process of obtaining global intellectual property protection. Per the directive of President Clinton, the Department of Commerce, National Telecommunications and Information Administration (NTIA), initiated a proceeding to privatize the domain name registration system for the Internet. As a result, the management of Internet domain names will be by a not-for-profit entity formed by the private sector, the Internet Corporation for Assigned Names and Numbers.	The 104th Congress reauthorized the Small Business Technology Transfer Research program for one year. The Telecommunications Development Fund was created by the Telecommunications Act of 1996.	Yes P.L. 104-104 In progress

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Issue Area	No. ¹	Recommendation	Executive Action	Congressional Action	Implementation	
					Law	Summary ²
Unclassified	280	Balance the federal budget	President Clinton signed into law the Balanced Budget Act of 1997 as part of the budget reconciliation bill. The measure provides for a balanced federal budget by 2002. The U.S. government reached a sizeable surplus in FY 1998.	Congress passed the Balanced Budget Act of 1997.	Yes P.L. 105-33	Completed
Unclassified	286	Future of the Small Business Administration	The administration is committed to the small business community. President Clinton has given the SBA administrator Cabinet-level status. The president's FY 2001 budget request for SBA is \$1.06 billion.	House and Senate actions under way on FY 2001 SBA appropriations. S.1346 ensures the independence of the Office of Advocacy.	No	In progress
Unclassified	287	Convene a White House Conference on Small Business (WHCSB) every four years	Not applicable—legislation required. The administration will support legislation if introduced to authorize another WHCSB.	S.1111, the National Conference on Small Business Act, was the topic of a Senate Small Business Committee roundtable.	No	In progress
Unclassified	288	Monitoring the results of the White House Conference on Small Business recommendations	As directed by the president, the SBA and the Office of Advocacy have monitored and reported on the results of the White House Conference on Small Business.	WHCSB authorizing legislation mandated that SBA report to Congress on progress annually for three years.	Yes P.L. 101-409	Completed

1. National Conference Recommendation Agenda number.

2. Recommendations being addressed in whole or in part are considered "in progress." In-progress recommendations may have portions that are substantially completed. Recommendations are considered "completed" only if the intent or the specific recommendation (or its subparts) is fulfilled.

Appendix B: The 60 Recommendations of the 1995 White House Conference on Small Business

This appendix contains the full text of the 60 recommendations of the 1995 White House Conference on Small Business. As decided by the delegates, the recommendations are not rank ordered by the number of votes the recommendations received. Instead, they are listed here in alphabetical order by issue area, and within each issue in order of the National Conference Recommendation Agenda number that was assigned to it.

Capital Formation

5. In order to increase the availability of capital for small business, Congress shall:

(a) Authorize the SEC or an appropriate entity to create or streamline regulations and vehicles for public and small and large private company pensions, profit sharing, 401(k) plans, individual IRAs, Keogh and SEP Plans to invest in small businesses by accessing the private capital markets and encouraging development of viable markets for small-business loans.

(b) Modify current legislation to facilitate the ability of an individual to invest up to 50 percent of his or her own self-directed and/or managed qualified plans including profit sharing, 401(k) plans, individual IRAs, Keogh and SEP Plans in a specific small business(es) of his/her own choice. These funds could be used as a direct investment or as collateral to obtain debt financing. (votes received: 1,279)

Capital Formation

9. Banks are too highly regulated and restrictions on lending to small businesses are too severe. To increase the amount of small-business lending (and create thousands of jobs) we propose: (a) small-business loans should be reviewed collectively based on institutions' overall loan delinquency ratios, and (b) relaxing of collateral and

income to debt ratio requirements allowing banks to make smaller loans based on character, personal background and creditworthiness, such as those loans permitted pursuant to the loan-basket guidelines under the capital availability program. Also, Congress should enact or amend legislation to direct the Comptroller of the Currency and other examining authorities to allow banks, especially community banks, to invest more readily in small business through no-cost, low-cost incentives, such as:

(a) Directing bank regulatory agencies to reduce paperwork commensurate with loan size;

(b) Reduce the number of federal agencies regulating banking through consolidation and coordination;

(c) Allow government deposits to be placed in a bank based on the percentage of that bank's portfolio that is placed in small-business loans. (votes received: 1,275)

Capital Formation

14. To increase the availability of growth capital to invest in small businesses, Congress should:

(a) Further privatize the Small Business Investment Company (SBIC) program, now administered by the SBA, by creating a new, government-sponsored, but privately managed, corporation named Venture Capital Marketing Association (or "Vickie Mae"), which would function similarly to the Federal National Mortgage Association (Fannie Mae);

(b) Extend the capital gains tax deferral currently afforded investments rolled into Specialized Small Business Investment Companies (SSBICs) to include investments in SBICs to encourage more investment in new SBICs;

(c) Remove barriers to pension funds, foundations and endowments wishing to invest in SBICs and SSBICs; eliminate the "unrelated business taxable income" (UBTI) tax on all such activities; and

(d) Reduce the minimum capital size requirements for establishing SBICs owned by regulated financial institutions, thereby encouraging them to provide equity to small businesses provided that no leverage is utilized by such SBICs until current minimum capitalization for leverage is achieved. (votes received: 1,009)

Capital Formation

20. Congress should support the investment in small businesses by:

(a) Establishing a tax-free rollover provision for the gains on sale of assets or ownership interests in a small business that are reinvested or rolled over into another small business within one year.

(b) Amending Code Section 1202, which is legislation excluding 50 percent of all capital gains from income, to extend its benefits to S Corporations and Limited Liability Companies by defining a “qualified small business” to include C Corporations and the other two entities, and extend the definition of a “qualified trade or business” under Section 1202 to all businesses.

(c) Enacting tax legislation to allow tax deductions against ordinary income for investments in small business. (votes received: 672)

Capital Formation

24. The Small Corporate Offering Registration (SCOR) was meant to be a means for self-reliant small business owners to raise equity capital with a minimum of professional assistance (legal and accounting services) and the lowest origination costs. To facilitate the use of SCORs, we propose that the SEC/Congress raise the \$1 million per year ceiling to \$5 million, remove limits on the number of investors, allow for “tombstone advertising” of stock offerings and fund educational programs for investors and issuers to be administered at state and local levels. A greater degree of uniformity of state laws or reciprocity between states would be encouraged by the SEC through granting educational grants to states that accomplish this goal. (votes received: 1,027)

Capital Formation

25. Comprehensive Federally Guaranteed Financing Reform: Congress shall continue to appropriate funds for the Small Business Administration Loan Guarantee programs, while focusing on the following:

(a) Prohibit excessive abuses in the over-collateralization of all federally guaranteed loan programs.

(b) Establish criteria that would allow greater access to all federally guaranteed loan programs.

(c) Increase the SBA loan guarantee programs from their current level of \$750,000 to \$1,000,000.

(d) Require only primary owners (not passive investors) to make personal guarantees on federally guaranteed loans.

(e) Increase the number of non-bank lenders (SBLC) eligible to process SBA loans.

(f) Require all federally guaranteed loans be processed in a timely manner. (votes received: 784)

Capital Formation

28. Congress should require that federal agencies evaluate the performance of financial institutions under the Community Reinvestment Act (CRA) on the basis of such institutions’ efforts to meet

the credit and banking needs of small businesses in their communities. In making such evaluations, those financial institutions that extend credit to small businesses without the support of government loan guarantees should be rated higher than those institutions that simply participate in SBA, FaHA and other guarantee programs, and/or purchase government-insured loans and loan pools. Further, Congress should direct such federal agencies to issue a separate rating of each financial institution’s CRA performance relative to small business (as opposed to the current practice of issuing one rating for overall CRA performance with respect to the entire community). (votes received: 554)

Community Development

31. Congress should enact legislation and the Administration should implement a process so that community and economic development programs could be maximized in distressed urban and rural areas by:

(a) Creating a “most favored” community status;

(b) Continuing and enhancing the SBA micro-loan program;

(c) Vigorously enforcing the Community Reinvestment Act with special efforts placed on elimination of redlining;

(d) Providing economically oriented incentives such as abatement of federal income taxes to encourage the service/retail industry and other small businesses to locate and expand in these areas;

(e) continuing to emphasize small, non-traditional financial institutions, and women and minority-owned business participation. (votes received: 949)

Community Development

34. Congress should further legitimize home-based business and restore the home-office tax deduction by reversing the effect of the 1993 Soliman decision, which requires that:

(a) Clients physically visit a home office; and,

(b) Business income be generated within the home office.

This would again allow essential administrative, operational and/or management tasks to qualify a home office as the “principal place of business.” (votes received: 1,239)

Community Development

41. The U.S. Department of Education in cooperation with the U.S. Small Business Administration should work constructively to encourage the future growth of small business enterprises by

promoting entrepreneurship education across America's school systems (K – Adult Education). It would be accomplished in the following manner.

(a) A comprehensive school-based youth entrepreneurship program that creates real world business exposure and mentorships would be developed and implemented.

(b) The program would be under the auspices of the Department of Education and funded by grants through public/private partnerships.

(c) All funds would be matched one to one in the community served by the program.

(d) Businesses would receive tax incentives for financially supporting the entrepreneurship training programs in their area. (votes received: 1,035)

Community Development

44. Efforts of an individual state or municipality to benefit its local economy should not be made at the expense of other states or municipalities and at the peril of the strength of the entire economy. It should be the interest of the Congress to benefit the economic security of all the citizens of the United States by working to provide the resources to expand the economy nationwide. Therefore, Congress should ban the direct or indirect utilization of federal funds of any kind, including subsidies, grants, bonds or tax-exempt financing that funds, in whole or in part, any special tax, infrastructure improvement and/or financing incentive by any state or municipality to lure existing jobs and businesses from one location to another. (votes received: 598)

Environmental Policy

51. Congress shall mandate a complete review of current laws and regulations relating to public health and safety, energy and the environment, such as the Resource Conservation and Recovery Act, Clean Water Act, and Clean Air Act, Endangered Species Act, and National Environmental Policy Act. This mandated review shall be completed within six months.

Before Congress passes laws to be regulated through the EPA and any other agency, which require specific technology and/or procedures for protecting the environment, the agency(ies) must conduct a cost-benefit analysis on a dynamic-basis model and ensure that the particular regulation is based on sound science. For any proposed regulation, said agency shall have six months to complete the cost-benefit analysis prior to implementation. In addition, regulations shall include a funding mechanism that will facilitate compliance and be enforceable on a site-specific basis. All costs shall be allowed to be expensed within the

current year. The regulated community shall be included in any cost-benefit analysis.

Where natural conditions exist, compliance based on technical expertise should be accepted as conforming to the intent of the regulation. Regulations should take into consideration site-specific conditions or future use. Any disputes about implementation must be subject to a non-governmental peer group review board. Voluntary environmental audit privilege and disclosure shall release the party(ies) from administrative, civil, and/or criminal penalties (so long as non-compliance is not caused by gross negligence or willful misconduct) when the disclosing entity initiates actions to comply within a reasonable time. No fines can be used to fund the fining agency.

Congress shall mandate EPA and any other agencies to review existing and new regulations to ensure that they adhere to the same standards as outlined in this document. All existing and proposed regulations must not create duplication of enforcement. There shall be no retroactive liabilities. Additionally, the fining ability of the EPA shall be revoked.

Federal agencies regulating environmental matters must make sure that current science, realistic risk assessments, net health analysis, and cost benefit analysis shall apply in order to reduce, condense and/or eliminate regulations, prohibit abuse, allow adequate time to correct, and hold government and its employees accountable. (votes received: 1,342)

Environmental Policy

57. Federal policy regarding use of private property within the context of environmental issues should be reviewed and substantially revised. EPA- and state-related penalties should be reviewed to confirm that the real potential for environmental harm, risk assessment, and cost-benefit analysis are used in land use decisions. The issues of takings, wetlands, and brownfields should receive special attention, as articulated below.

Takings

Any governmental action, law, or regulation that deprives a property owner of value or benefits of his or her private property shall constitute a "taking" for which said property owner shall be entitled to full "fair market value" compensation. Specifically, government should examine the economic impact before property is taken and prohibit the taking of property without just compensation.

Wetlands

Congress should direct the following changes in wetlands laws and regulations:

(a) If regulations affect a property use after it is acquired, the property owner should be compensated.

(b) The Army Corps of Engineers should have exclusive jurisdiction over Section 404.

(c) Use-based regulations should be encouraged based on relative importance of a wetland to the local environment.

(d) A statutory definition of wetlands should be adopted using saturation at start of a growing season as a criterion.

Brownfields

Congress should enact legislation to encourage reuse of industrial land as follows:

(a) Direct EPA to specify the circumstances under which it would or would not sue a business that is involved with a state-approved reclamation project.

(b) For brownfield projects in which cleanup is commensurate with the intended use, EPA should be required to enter into binding agreements with the parties that no future federal action will be taken. (votes received: 1,118)

Environmental Policy

63. Congress should enact reformation of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) to apply prospectively as well as retroactively to cleanup sites in progress:

(a) Eliminate retroactive and strict liability prior to January 1, 1987, to prohibit liability for conduct that was not negligent, illegal, or in violation of regulations or permits at the time.

(b) Require sound science and realistic risk assessments and cost/benefit analysis in assessing health and environmental hazards at waste sites.

(c) Require sound science and realistic risk assessments and cost/benefit analysis in establishing cleanup standards. This would include realistic consideration of future uses of the site and actual environmental and health risks associated with such use.

(d) Eliminate “re-openers” — disallowing the reopening of the remediation process at a site or a company’s contribution to the cleanup, after it has been closed.

(e) Offer alternative funding strategies for cleanups.

(f) Make greater use of *de minimis* and *de micromis* exemptions, requiring the EPA to identify all contributions to a site within a reasonable time period and making *de minimis* settlements available prior to litigation or enforcement actions.

(g) Eliminate liability of fiduciaries and lending institutions who hold indicia of ownership primarily to protect security interest in property

which is subject to the act.

(h) Eliminate joint and several liability for contamination.

(i) Require potentially responsible parties (PRPs) to inform non-PRPs (parties not named by the EPA) in contribution actions of availability of *de minimis* and/or *de micromis* settlements within a reasonable time period. (votes received: 1,371)

Environmental Policy

74. Congress should adopt changes in environmental statutes and regulations to assure that they are internally consistent for all requirements of the acts across all regions. Congress should require the EPA to demonstrate that enforcement of environmental laws and regulations is substantially equal in all areas of the country. The Clean Air Act, the Clean Water Act, the Endangered Species Act, and other such acts should be enforced equitably across all regions. (votes received: 911)

Human Capital

78. Congress shall enact a 100-percent deduction for health care premiums for all business entities so that there is equity in taxation for the self-employed, partnerships, S Corporations, limited liability corporations, and C Corporations. This benefit shall continue to be excluded for tax purposes from the income of employees of all small businesses regardless of form, including from the income of the self-employed. (votes received: 1,283)

Human Capital

87. Congress should pass a health care package that:

(a) Creates tax deductible medical savings accounts.

(b) Allows the formation of voluntary competitive health insurance purchasing cooperatives.

(c) Eliminates discriminatory health insurance practices such as redlining or cancellation of coverage for reasons other than non-payment or fraud.

(d) Allows for insurability once pre-existing conditions have been satisfied.

(e) Provides for portability of health insurance.

(f) Provides a full 100 percent deductibility of health care costs for all purchasers or limits the deduction to the same percentage for all purchasers.

(g) Provides medical malpractice reform.

(h) Prohibits any mandated coverage.

(i) Permits choice of health care insurer. (votes received: 1,371)

Human Capital

91. Congress should repeal current disincentives and burdensome regulations on qualified retirement plans and IRAs, and encourage adequate retirement savings and capital accumulation, including:

- (a) Adopt a pension simplification bill, which contains the voluntary 401(k) safe harbors, such as H.R. 13 and H.R. 3419.
- (b) Raise compensation and benefit levels to 1992 limits and index for inflation.
- (c) Provide an exclusion from estate tax for retirement plan and IRA assets to avoid double taxation (they are already subject to income tax).
- (d) Eliminate the 15 percent excise tax of IRC Section 4980A.
- (e) Repeal the family aggregation rules of IRC Section 414(q)(6).
- (f) Reinstate deductible IRAs and expand to include non-employed spouses in full.
- (g) Expand SARSEPs to employers with up to 100 employees.
- (h) Repeal the minimum participation rules of IRC Section 401(a)(26) for defined contribution plans.
- (i) Lower the Qualified Separate Line of Business exception to 15 employees.
- (j) Increase the exceptions to the affiliated service group rules and include a minimum 20-percent ownership test for “A” organizations.
- (k) Repeal all defined benefit plan rules enacted after 1985.
- (l) Amend section 72(p) of the IRC on pension plan loans to: (1) allow for plan loans by proprietorships and partnerships; (2) increase the plan loan balance to \$100,000; and (3) allow for balloon payments in lieu of quarterly payments if the loan is secured by the participant’s account balance. (votes received: 1,369)

Human Capital

103. The President and Congress must support the principle of equal opportunity, which is provided for in the U.S. Constitution. Small, women-owned, and minority-owned companies are entitled to equal consideration in banking, lending, bonding, contracting, and hiring. Laws designed to address these disparities cannot be abolished or restricted. Congress and the President should adopt the following principles under the recommendations of the White House Conference on Small Business:

- (a) Government policy should be oriented toward diversity and fair economic opportunity that stimulates competition, increases productivity, creates jobs, and saves taxpayer dollars, thereby benefiting all Americans.

- (b) There should be rigorous enforcement of this policy, including sanctions against fraud and abuse.

- (c) There should be periodic review to ensure compliance with this policy. (votes received: 949)

Human Capital

105. Congress should pass legislation assuring that no business or worker would be discriminated against on any contract based solely on their choice not to be affiliated with a labor union or organization, and ensuring the competition of a trained qualified labor pool without undue union pressures and privileges by:

- (a) Passing and enacting the Open Contracting Act;
- (b) Passing and enacting national Right to Work Legislation;
- (c) Never prohibiting the hiring of permanent replacement workers during or following an economic strike. This includes taking whatever steps are necessary to override President Clinton’s executive order that prohibits government contracting with firms who have replaced striking workers; and
- (d) Revising the Hobbs Act and the Federal Criminal Code along with other applicable legislation that would:

- (1) Reverse the Enmons ruling and eliminate other special privileges such as union exemption from prohibitions against libelous and violent speech and union officials’ legally-sanctioned power to force workers to pay union dues to an unwanted union;

- (2) Require union officials and unions to bear full responsibility for their violence and extortion and criminal acts just like everyone else;

- (3) Make union pensions and benefit trusts applicable to the same regulations as other commercial or employer-provider plans;

- (4) Make unions subject to all discriminatory and civil rights provisions the same as all businesses, and liable for the blackballing of members who exercise their first amendment rights in opposition to the union leadership;

- (5) Use the RICO Act against Union Organizations involved in extortion and the commission of criminal acts; and

- (6) Strictly prohibit compulsory union membership. (votes received: 655)

Human Capital

203. Congress should amend the National Labor Relations Act to:

- (a) Protect small businesses from abuses and intimidation practices by organized labor.

(b) Allow small businesses and their employees to discontinue relationships with labor organizations by simply writing a termination letter.

(c) Seek fair and equitable resolution between labor and management.

(d) Encourage cross-training of craftsmen for greater productivity and efficiency.

(e) Prevent the use of taxpayer funds to sue on behalf of multimillion-dollar unions.

(f) Encourage labor organizations to permit compensation based on productivity and quality of work.

(g) Restore employers' ability to establish and use employee involvement committees by repealing the impact of the Electromation case (309 NLRB No. 163) and the Dupont case (311 NLRB No. 88). (votes received: 591)

Human Capital

324. Social Security Privatization. Congress should privatize Social Security by adopting a graduated phaseout and giving full disclosure to the American people on the solvency of the fund and the amount of money they, as individuals, have paid into the fund. Congress should adopt a minimum 15-year graduated phaseout schedule for government funding of Social Security for all new retirees; continue funding existing and "phase-out" retirees from the employer's 6.2 percent (allow up to 15 percent) FICA portion; and allow for the employee's 6.2 percent FICA portion to be paid into their personal Compulsory-IRA/401(k) (CIRA) style account. Require all "CIRAs" to buy disability and survivor's insurance benefits equal to that of Social Security. (votes received: 818)

Human Capital

336. The President and Congress should enact legislation that consolidates the current federal workforce programs into state block grants that:

(a) Provide local control of specific skills training based on local needs.

(b) Require states to allow participation by small businesses with fewer than 500 employees for on-the-job training of new and existing workforces.

(c) Provide tax incentives to small businesses that fund their own workforce training programs.

(d) Encourage public-private partnerships of job training. (votes received: 974)

International Trade

115. The President shall direct the U.S. Trade Representative to lead an international effort to protect the ownership of intellectual property and to ensure adoption of reciprocal uniform stan-

dards, centralized filing and an efficient international dispute resolution procedure for registration and enforcement of trademarks and trade names, working with NAFTA, GATT and other treaty partners. We further recommend that Congress protect international patent rights in a way that takes into account the needs of small business, including retaining the patent term to run for 20 years from date of application or 17 years from date of issue, whichever is longer, that patent application remain unpublished until the patent is granted, and that the patent remains with the first to invent rather than first to file. (votes received: 1080)

International Trade

121. Small business owners are calling for the implementation of global "one-stop shopping"/one-entity access to all government information and resources. Congress and the administration should create a pilot program that leverages private-sector resources to assist associations (private and public, particularly existing public/private partnerships) in helping their small business members trade internationally. Examples that would require no new funding include model training programs, on-line database services, electronic learning networks, trade incubators (including those in U.S. and Foreign Commercial Service locations around the world), international trading cooperatives, trade missions, second- and third-tier exporting programs, niche market development programs, and marketing-development cooperative programs.

The Administration should appoint small business representatives to all advisory or dispute settlement bodies as part of the private-sector representation (example: the World Trade Organization dispute settlement panels.)

Congress and the Administration should maintain effective programs (eliminating ineffective programs) of the U.S. Department of Commerce International Trade Association that assist all American small business in entering and/or expanding export sales, emphasizing emerging markets as a part of public/private partnership efforts to increase U.S. exports, U.S. jobs, and U.S. economic vitality.

Note: No part of this issue shall be interpreted to be in conflict with GATT and/or other existing international trade agreements. (votes received: 1,329)

International Trade

129. Congress and the President shall authorize and encourage the ExIm Bank and the SBA to sponsor revitalized fund programs designed to

foster the financing of international trade (goods and services) including the new Export Working Capital Program to:

- (a) Provide pre-export financing, unsecured working capital loans, transaction-based loans and pooled loans, rather than balance sheet and asset-based loans;
- (b) Provide educational programs for regional and local banking and financial institutions on the methods to finance exports of small businesses;
- (c) Educate and inform the small business community on available programs to finance exports;
- (d) Coordinate the efforts of various federal agencies that attempt to provide financing for exports; and
- (e) Provide credits and other incentives for small businesses to develop and expand into foreign markets. (votes received: 1,181)

Main Street

130. Congress must remove the barriers that prevent franchisees, dealers, and product distributors from exercising their basic legal and constitutional rights by enacting H.R. 1717, now before the 104th Congress. (votes received: 997)

Main Street

134. Congress must remove the barriers imposed on small business people in their relationship with large national and multi-national corporations, which prevent these small business people from mediating, arbitrating, or litigating in their own home state. (votes received: 930)

Main Street

139. Congress should legislate the creation of a Small Business Relief Fund to economically assist small businesses that are displaced by the establishment of a big business in their localities where the big business will contribute an annual fee for the fund. (votes received: 590)

Main Street

140. Congress should introduce and pass the National Disaster Protection Act which would include a private sector “All Risk” Property Insurance Program offered through a newly created private non-profit organization to reinsure catastrophic losses. (Referenced in the Report of the Bipartisan Task Force on Disasters, Recommendations #1 and #2, U.S. House of Representatives, December 14, 1994.) (votes received: 841)

Main Street

141. Small business cannot compete with large businesses who use their economic power to extract unfair competitive pricing from manufacturers and service providers. Antitrust laws should be strengthened and enforced to prohibit abuses including unfair vertical integration, tying of pricing and product purchases, and predatory pricing tactics. The President should appoint a presidential commission on competition to study the enforcement and impact of the federal antitrust laws on ensuring the survival and diversity of small businesses. (votes received: 829)

Procurement

144. Support fair competition: Congress should enact legislation that would prohibit government agencies, tax- and antitrust-exempt organizations from engaging in commercial activities in direct competition with small businesses. (votes received: 1,285)

Procurement

153. Congress should enact legislation to designate a national certification organization. This organization will be initially funded by Congress to establish a database of certified small businesses, small disadvantaged businesses, and small businesses owned by women. It will serve as a one-stop clearinghouse that will assist all federal agencies by disseminating information in conjunction with their outreach efforts. To assure the credibility of federal procurement procedures:

(a) Congress will endorse one set of criteria for all local, city, state, and national agencies, adopted by a task force utilizing purchasing agents and small businesses owners, for uniform certification of small businesses, small disadvantaged businesses, and small businesses owned by women where contracts involve federal funds.

(b) All federal agencies must establish standardized monitoring and compliance procedures;

(c) Independent, decentralized advisory boards should be established.

(d) States and local communities should be encouraged to recognize this certification on a reciprocal basis.

(e) All federal agencies should sponsor training to increase contracting/procurement officer awareness and use of reciprocal certification and database. (votes received: 968)

Procurement

161. The President and Congress should continue to support the Minority Small Business Capital Ownership and Development Program, SBA 8(a), and should enact legislation to make improve-

ments with particular emphasis on:

- (a) Increase length of time.
- (b) All federal minority procurement policies and procedures must be incorporated and applied to any recipient of federal funds and become mandatory.
- (c) Increase utilization of 8(a) contractors by enforcing accountability of federal agencies in achieving their 8(a) goals.
- (d) The establishment of procedures for immediate relief in the event of catastrophic circumstances including but not limited to:
 - (1) total dissolving of government agencies;
 - (2) natural disasters;
 - (3) base closures.
- (e) Relief to be in the form of extended participation in the 8(a) program for a reasonable time to recover from the catastrophic circumstance.

All of the above will follow the intent of the SBA 8(a) program to raise 8(a) businesses to a threshold allowing them to graduate to the open competitive market. (votes received: 806)

Procurement

164. The Davis-Bacon Act of 1931 and the Service Contract Act of 1965 should be completely repealed. (votes received: 1,046)

Procurement

167. Prompt Payment Act: The Office of Management and Budget must penalize federal agencies and/or their grantees for incurring interest debt generated through delayed bill payment. Congress should modify this Act to include subcontractors. In cases of dispute between the government and a prime contractor, the subcontractor's payment must be promptly released as long as the subcontractor is not part of the dispute. (votes received: 846)

Procurement

360. Increase Procurement Opportunities: Increase the opportunities for all small businesses to equitably participate in federal procurement. Require that:

- (a) Not less than 35 percent of all government procurement monies (35 percent of prime and 35 percent of subcontracts) be awarded to small firms, such that at least:
 - (1) 10 percent of prime and 10 percent of subcontract monies be awarded to minority businesses;
 - (2) 5 percent of prime and 5 percent of subcontract monies be awarded to women-owned businesses; and
 - (3) 10 percent of the government's total R&D budget be awarded to small businesses;

(b) Small businesses be provided free and easy access to the government's electronic commerce system, FACNET, which profiles federal procurement opportunities;

(c) Competition not be stifled by permitting federal agencies to "bundle" contract requirements beyond the reach and capability of many small firms; and,

(d) Government agencies and tax-exempt entities not be allowed to unfairly compete with private firms by strengthening and expanding OMB circular A-76 to apply to all federal monies used directly or indirectly in the provision of goods and services and by increasing the scope and improving the enforcement of the unrelated business income tax (UBIT).

(e) On sole-source purchases above \$100,000, a query of PASS must be done by federal agencies and prime contractors.

(f) The "Rule of Two," which requires federal agencies to restrict competition when two or more small businesses are capable and available to compete in price, quality and product/service for contracts of \$100,000 or more, be strictly enforced.

(g) The Department of Defense and the Small Business Administration sponsor EDI training through the already established network of small business procurement assistance centers located nationwide.

(h) The SBA review and revise the size criteria downward to reflect the "true" small business. (votes received: 954)

Procurement

437. In rendering a decision on *Adarand v. Peña* the U.S. Supreme Court has potentially dealt the minority and women business community a severe and in some cases potentially fatal blow. While we recognize the separation of functions between the three branches of government, we are compelled out of an immediate and overwhelming sense of concern to recommend the following:

The President and Congress should proactively and aggressively respond to support the minority and women business community, and not use this decision in any way to influence any legislative action that would reduce support for our country's long-standing commitment to promote fair and equitable opportunity for all of its citizens regardless of race, color, or gender. (votes received: 751)

Regulation and Paperwork

183. Congress should amend the Regulatory Flexibility Act, making it applicable to all federal agencies, including the Internal Revenue Service and the Department of Defense, to include all of

the following:

(a) Require cost/benefit analysis, scientific benefit analysis, and risk assessment on all new regulations and Internal Revenue Service interpretations.

(b) Grant judicial review of regulations, providing courts the ability to stay harmful and costly regulations and to require agencies to rewrite them.

(c) Require small business representation on policy-making commissions, federal advisory and other federal commissions or boards, whose recommendations impact small businesses. Input from small business representatives should be required in any future legislation, policy development, and regulation-making affecting small business.

(d) With respect to all regulations involving small business, require negotiated rulemaking proceedings for adoption of all rules, with small business representing 50 percent of the negotiating panel. (votes received: 1,398)

Regulation and Paperwork

188. Congress shall enact legislation and appropriate enforcement provisions to include all of the following:

(a) Require all agencies to simplify language and forms required for use by small business and that only the English language be required.

(b) Require all agencies to sunset and reevaluate all regulations every five years, using the same standards required for new regulations, with the goal of reducing its total paperwork burden by at least 5 percent each year for the next five years.

(c) Require agencies to assemble information through a single source on all small business related government programs, regulations, reporting requirements, and key federal contacts' names and phone numbers, with as much as is feasibly available by on-line computer access.

(d) Eliminate duplicate regulations from multiple government agencies. (votes received: 1,046)

Regulation and Paperwork

194. Congress shall enact legislation and appropriate enforcement to include all of the following:

(a) Require that all agencies provide a cooperative/consulting regulatory environment that follows due process procedures and that the agencies be less punitive and more solution-oriented in dealing with unintentional regulatory violations.

(b) Require that fines take into account the severity of the infraction, size and type of company, past safety record and the frequency and severity of the violations.

(c) Allow proposed fines to be used toward

correcting violations.

(d) Prohibit fines either for violations identified during a consulting visit requested by the company, or by an agency investigator and brought to the attention of the employer for the first-time specific violation. If the company is found to be in substantial compliance; the employer and inspector should negotiate a reasonable timetable for compliance, and fines should be levied only for failure to comply within that timetable.

(e) Allow small business the option of binding arbitration to resolve any dispute with any federal agency.

(f) Require that regulatory agencies put the fines that they impose and collect into the general treasury fund toward retiring the national debt; said agencies should be prohibited from receiving credit or usage of such monies.

(g) Require that the liability of the employer and the employee be relative to their respective culpability.

(h) Require enforcement actions to comply with American due process concepts: notice and opportunity to be heard, a presumption of innocence until proven guilty, and an impartial judge. (votes received: 1,328)

Regulation and Paperwork

200. Congress and the President should propose and enact legislation that reforms civil justice and product liability legislation to accomplish the following:

(a) Return to a fault-based standard of liability.

(b) Eliminate joint-and-several liability in cases where the defendants have not acted in concert.

(c) Limit non-economic damages (such as pain and suffering, and mental anguish) to three times the economic damages or \$250,000, whichever is greater.

(d) Restrict punitive damages to cases of willful and malicious conduct. The amount awarded should be split between the plaintiff and a judicial system trust.

(e) Reduce awards in cases where a plaintiff can be compensated by collateral sources, to prevent windfall double recovery.

(f) Impose a uniform reasonable statute of limitations and repose in all civil actions, and hold defendants to the state of the art in existence at the time the product was manufactured or a service performed, unless willful abuse is proven. There is no defense in drug or alcohol abuse.

(g) Provide for periodic, instead of lump sum, payments for future medical or lost income, administered by a court-appointed trustee.

(h) The prevailing party in a legal action

should have a statutory right to recover costs and attorney fees from the non-prevailing party (British Code). (votes received: 1,332)

Regulation and Paperwork

369. Small business and OSHA must work together in a non-adversarial, supportive relationship to attain public policy safety goals. To accomplish this, Congress must pass legislation as follows:

(a) Require that voluntary compliance audits be performed within 60 days of a request by a small business. Such audits must be educational and non-threatening with written results and no fines issued.

(b) Businesses which have completed a voluntary inspection and have corrected any deficiencies within the time allotted, will not be fined at a subsequent inspection for deficiencies that were missed or interpreted differently by the first inspector.

(c) Require that all enforcement inspections, no matter how limited the scope of the inspection, will result in an overall inspection score or grade to be issued in writing by the inspector. On the basis of that grade, no fines or penalties may be issued for deficiencies found if the facility (or that portion of the facility inspected), has been found to be in substantial compliance. In addition, in those cases where at least 90 percent of the entire facility has been inspected and the overall grade indicated that the company is in substantial compliance, OSHA will issue a letter of commendation recognizing the company for its efforts. If needed, a definition of substantial compliance would include:

(1) a limited number of violations/deficiencies found vs. number of items inspected.

(2) the company has an active safety committee or program and demonstrates commitment to safety by management.

(3) major programs (i.e., right-to-know, confined space, lock out/tag out, training, etc.) are in place.

(d) Amend regulations to assign responsibility for regulatory compliance to the employee as well as the employer.

(e) Amend OSHA regulations to require that when an employer and/or employee notifies OSHA officially that compliance has been achieved, OSHA must confirm that compliance has occurred within 72 hours of notification.

(f) Amend regulations to require OSHA not to make any inspections (unless voluntary) on any small business workplace and/or worksite unless an accident has been recorded and reported.

(g) Amend OSHA regulations to require a review and the development of construction stan-

dards that reflect the needs of industry-use groups. (votes received: 1,030)

Taxation

214. Small businesses typically rely on close personal relationships and customer service to compete for sales rather than expensive advertising campaigns. Expenditures for meals and entertainment are often an important part of this effort. The recent changes in the tax laws to disallow 50 percent of these expenditures for tax purposes has disproportionately increased the selling costs for many small businesses. Accordingly, Congress and the President shall enact legislation which will allow a tax deduction for 100 percent of the expenditures for meals and entertainment. (votes received: 1,444)

Taxation

218. Congress should repeal the federal estate, gift and generation-skipping tax laws. There is currently legislation before the 104th Congress known as the Family Heritage Preservation Act (H.R. 784/S.628) that would accomplish this. The negative effect on small businesses and others far exceeds the net income to government when all administrative costs to individuals, businesses, and the government are considered. (votes received: 1,385)

Taxation

224. The definition of an independent contractor must be clarified. Congress should recognize the legitimacy of an independent contractor.

(a) The 20-factor test is too subjective. The number of relevant factors should be narrowed with more definition guidelines for implementation. Realistic and consistent guidelines that require one of four criteria plus a written agreement. The criteria are (1) realization of profit or loss; (2) separate principal place of business; (3) making services available to the general public; or (4) paid on a commission basis.

(b) Safe-harbor provisions should be established that would protect the hiring business from the burdensome penalties currently being assessed by the IRS. *De minimis* rules based on dollars paid, hours worked, years in business, and/or specified closed-end projects should be established.

(c) The IRS should eliminate back taxes for misclassification when Form 1099s are filed and there is no evidence of fraud.

(d) Congress should specifically allow employers and independent contractors to provide joint technical training and to jointly utilize major specialized tools without jeopardy of reclassification

of the independent contractor to employee status.

(e) Changes and implementation processes should be formulated by a joint committee of legislators and small business people. (votes received: 1,471)

Taxation

229. To promote a fair and equitable system of taxation, to encourage greater citizen participation and understanding, and to totally abolish the complicated present system, Congress should enact legislation that replaces the present system with a simple tax for individuals and businesses. (votes received: 801)

Taxation

233. Congress should permit deductions of expenses up to \$250,000 annually for the purchase of new or used equipment for use in a small business and should remove the cap of \$200,000 and have no upper qualifying limit on the Section 179 election. (votes received: 990)

Taxation

242. Congress should modify and expand the 50 percent capital gains exclusion for small business stock passed in the 1993 Revenue Reconciliation Act so that it provides a front-end, as well as a back-end incentive for investment in small businesses. Specific recommendations:

(a) Allow investors to sell funds in any investment and roll the investment into a small company, as defined by the current law, within two years. Capital gains tax on assets sold would be deferred (using the same methods as like-kind exchanges). Taxes would be payable at the favorable small business rate if held for the specified period.

(b) Phase in the preferential tax treatment over a five-year holding period. For example, an investor with a three-year holding period would pay: 28 percent – (28 percent x 50 percent x 60 percent) = 19.6 percent.

(c) Amend Code Section 1202 to extend its benefits to S Corporations, partnerships, and sole proprietorships by defining a “qualified small business” to include all such business entities and extend the definition of a qualified trade or business under Section 1202 to all types of businesses. (votes received: 1,054)

Taxation

250. Congress should enact legislation that would prevent it from raising taxes retroactively. (votes received: 974)

Taxation

252. Congress should enact legislation that

requires a two-thirds supermajority vote in both houses of Congress to enact legislation resulting in a tax increase. (votes received: 681)

Taxation

253. Payroll Tax Relief: A cap must be placed on the employer’s portion of payroll taxes. Congress should reject all proposals to raise payroll taxes in its effort to repair the Medicare program. Payroll taxes are regressive and discriminate against small businesses. (votes received: 571)

Taxation

385. Tax Equity Now! Congress and the President shall enact legislation that shall place large and small businesses on a level playing field for tax purposes—that is, provide tax equity—in situations where small businesses are currently at a disadvantage. This should be done by uniformly applying the tax law to all forms of business (e.g. proprietorships, partnerships, C Corporations, S Corporations, limited liability companies) with regard to tax rates, deductions, and exclusions as follows:

(a) All forms of business entities to take deductions for 100 percent of the medical insurance premiums, dependent care, and other fringe benefits not currently deductible by self-employed individuals, partnerships, S Corporations, and limited liability companies on behalf of all of their employees who are owners, partners, shareholders, and/or members. As long as fringe benefits continue to be excluded from the income of employees of large C Corporations, then such benefits should be excluded from the income of employees of all small businesses, regardless of form, as well as from the income of self-employed individuals.

(b) Pension plan benefits currently available to employees of large businesses to be made available to self-employed and employees of small businesses as provided in Recommendation no. 91.

(c) All C Corporations to be taxed using the same graduated tax rate schedule. Section 11(b)(2) of the Internal Revenue Code, taxing the income of qualified personal service corporations at a flat 35 percent tax rate, should be repealed.

The privilege of deducting legitimate business expenses should no longer be based upon the entity chosen to operate such business. The choice of an entity within which one will operate a business should be a legal issue, not a tax issue. (votes received: 1,258)

Taxation

390. Congress should enact a comprehensive policy on capital gains that encourages long-term in-

vestment in productive assets. This policy should include the following provisions.

(a) Indexing of the cost basis of assets held more than one year.

(b) A targeted capital gains exclusion of 50 percent of the indexed gain for an investment in a qualified small business held more than three years. A qualified small business should include all forms of business entities including pass-throughs.

(c) A maximum tax of 10 percent on the sale of a majority interest in a qualified small business held for more than 15 years.

(d) A deferral of the gain on the sale of an interest in a qualified small business if the gain is reinvested in another qualified small business within two years.

(e) The non-taxable portions of gains should be exempt from the alternative minimum tax calculations.

(f) The capital loss reduction limitation of \$3,000 should be eliminated.

(g) Reinstate the "General Utilities Doctrine" to eliminate the double taxation of proceeds from the sale of a business. (votes received: 944)

Technology and the Information Revolution

265. Congress and the executive branch should promote the rapid private-sector development of the National/Global Information Infrastructure (NII/GII) and protect all intellectual property transmitted over it. Congress and the U.S. Patent Office should also implement an enforceable and universal intellectual property (patent, trademark, and copyright) application with all members of World Trade Organization, while maintaining "first to invent." This must also include the ability to police existing laws and treaties more judiciously, and to update definitions of intellectual property on a continuing basis.

Said branches of government should enact the following:

(a) Ensure that legal protection of intellectual property rights, as well as fair access, is fully accorded with respect to products over the National Information Infrastructure (NII) and the Global Information Infrastructure (GII).

(b) Incorporate the responsibility for trademark and copyright appeals litigation with the federal Circuit Court of Appeals, as was done in the mid-1980s with patents.

(c) Prevent premature disclosure through Freedom of Information Act (FOIA) access to proprietary Small Business Innovation Research (SBIR) technologies.

(d) Exeditiously and simultaneously open all

telecommunications markets to full and fair competition.

(e) Make it possible for all providers to equally compete in offering one-stop shopping for telecommunications products and services; legislation should provide universal access.

(f) Ensure privacy to all users from all parties, including the government (for example, the Clipper Chip or its successor), and security of the infrastructure.

(g) Promote open and affordable access to all small business, including underserved communities, rural communities, and minority- and women-owned businesses.

(h) Provide technology education and training by redirecting existing federal programs through private sector small businesses.

(i) Include small business representation on all NII/GII-related federal commissions and committees.

(j) Require government agencies utilizing EC/EDI technology to use a standard technology accessible and affordable to small businesses.

(k) Create an on-line one-stop electronic clearinghouse service coordinated by SBA/SBDC to provide access via the information superhighway (for example the World Wide Web, etc.) to technical, legal, patent, regulatory, environmental, commerce, and government procurement/bidding opportunity information.

(l) The Economic Classification Policy Committee should review and revise SIC codes every three to five years to reflect economic advancements of American society, for example the definition of "manufacturer" to include "knowledge-based manufacturing" and "technology consulting." (votes received: 1,358)

Technology and the Information Revolution

406. Congress should enact legislative programs that expand the availability of technology commercialization funding and investment capital for small, rapidly growing innovative companies including, as a minimum:

(a) Expand, improve, and make permanent the SBIR/STTR programs by:

(1) Excluding cost-sharing in proposal evaluation and scoring for either Phase I or Phase II and prohibiting agencies from imposing artificial ceilings on indirect and IR&D expenses.

(2) SBA directives to agencies to budget an appropriate portion of administrative overhead and committing adequate personnel to managing the SBIR program.

(b) Encourage investment in small companies by:

(1) Retaining and expanding targeted capital gains, including mutual fund and institutional investments in small business.

(2) Allowing tax-free rollovers for direct investments by all investors in small business.

(3) Providing additional incentives and reducing inhibiting regulations for investments in small companies by pension funds, institutional and/or corporate investors.

(4) Amending tax loss rules for NOL carry forward.

(5) Expanding and making permanent the R&E tax credit.

(c) Develop new public markets and instruments for small firm securities.

(d) The Congress should support flexible manufacturing through the promotion of partnerships between small business and existing resources to create more efficient and flexible manufacturing processes, and nurture the growth of U.S. manufacturing industries.

(e) Direct the establishment of a temporary multi-agency task force to quickly address and solve the impediments to the above. (votes received: 1,292)

Unclassified

280. Deficit spending continuing year after year poses a grave threat to our freedom as the world's leading economic power and to our free enterprise system. The President and Congress must take immediate steps to bring the federal budget into balance by eliminating or reducing appropriate programs, commissions, agencies and departments and by instituting all other measures available to them. (votes received: 913)

Unclassified

286. The U.S. Small Business Administration (SBA) is vital to the growth of small business in America. Efforts to make the SBA's programs more cost effective and efficient should be continued and encouraged. The SBA's "independent" agency role as the primary supporter of small business within the federal government should be enhanced by:

(a) Elevation of the U.S. Small Business Administration to a congressionally approved cabinet level position.

(b) Budget allocations to maintain, increase, and enhance the 7(a) Loan Guaranty Program.

(c) Budget allocations to maintain, increase, and enhance the 504 Loan Program.

(d) Budget allocations to make permanent the Small Business Development Center Program, which provides business assistance to small businesses nationwide.

(e) Permanent maintenance of the "independent role" of the U.S. Small Business Administration's Office of Advocacy.

(f) All other SBA programs should be reviewed with substantial input from the private sector. Any programs deemed to be ineffective should be eliminated. (votes received: 1,249)

Unclassified

287. Congress should authorize and the President convene a White House Conference on Small Business every four (4) years to provide a continuing forum for owners and entrepreneurs to promote and work for the betterment of small business and ensure that they remain a vital part of the American economy. (votes received: 730)

Unclassified

288. Congress should develop a tangible process for monitoring the implementation progress of the recommendations that emerge from the WHCSB National Conference in June 1995. This monitoring process should be developed to make Congress and the President accountable to the WHCSB participants, and should be achieved specifically by doing the following:

(a) Periodic updates to WHCSB participants by SBA's Office of Advocacy on the progress of implementation; and

(b) Annual summit of state WHCSB chairs, or their representatives, to discuss and evaluate the progress of implementation. (votes received: 916)