

Fiscal Year 2006 RFA Compliance Means \$7.2 Billion in Small Firm Savings

Central to the Office of Advocacy's mission is implementation of the Regulatory Flexibility Act of 1980 (RFA). The law requires agencies to review their proposed regulations for their effects on small firms and implement less burdensome alternatives where possible while still carrying out the rules' purposes.

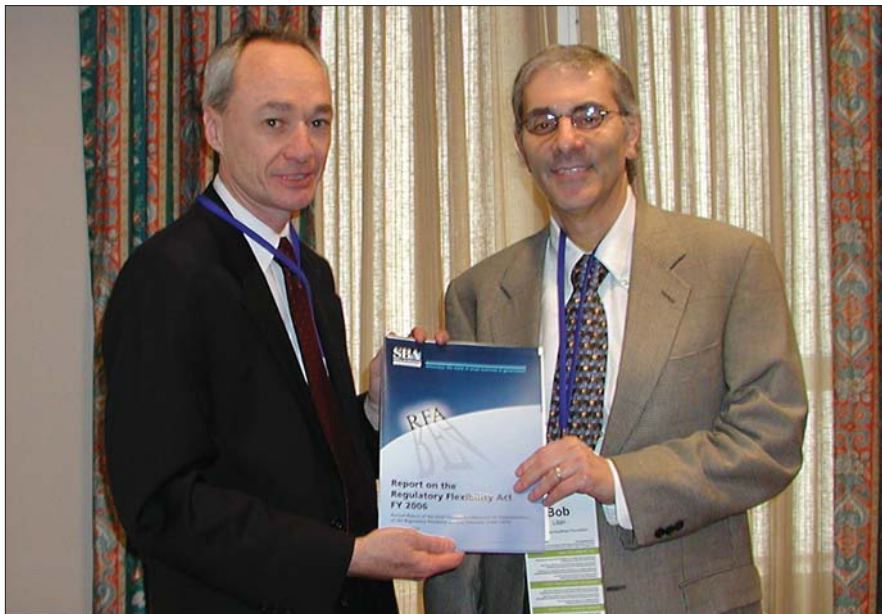
Advocacy's work with federal agencies to implement the RFA in fiscal year 2006 resulted in first-year cost savings for small businesses of \$7.25 billion and ongoing annual savings of more than \$117 million. The savings are detailed in the *Report on the Regulatory Flexibility Act, FY 2006*, released in late February. These cost savings were achieved in agency modifications of 17 major rules to reduce the burden for small businesses.

As the report points out, the cost savings—while important—are

just part of the story. Advocacy's preproposal communications with agencies mean that better rules are being drafted, even before the costs are fully identified. A challenge for Advocacy is finding new ways to document the significant gains agencies can achieve as they change their rulemaking cultures to take small entities' concerns into account.

In Executive Order 13272, Proper Consideration of Small Entities in Agency Rulemaking, President Bush spelled out ways to achieve even better compliance with the RFA. E.O. 13272 requires agencies to issue written RFA procedures and to notify Advocacy of rules that will have a significant economic impact on a substantial number of small entities. It also requires Advocacy to train agencies in their

Continued on page 2



Charles Maresca, Advocacy's director of interagency affairs, shares the new RFA report with Robert Litan, Kauffman Foundation vice president for research and policy, at the EntrepreneurshipWeek USA Policy Summit on February 26.

In This Issue

Message from the Chief Counsel

Regulatory Reform, Not Rollback 3

Regional Roundup

Nine State Regulatory Flexibility Bills Considered in State Capitols 8

Regulatory News

Fiscal Year 2006 RFA Compliance Means \$7.2 Billion in Small Firm Savings 1

Highlights of Advocacy's Regulatory Efforts in 2006 . . . 4

Research Notes

Small Business Economic Indicators for Fourth Quarter 2006 7

News Items

Office of Advocacy Staff News 2

Heads Up! Reg Alerts Keeps You in the Know

Small businesses communicating with government is not a new idea. A 1964 business guide noted, "Often businessmen come down to Washington when they are almost purple with apoplexy. A particular piece of legislation or an administrative ruling has been either passed or under consideration for weeks, months, or perhaps even a year. When it is about to be finalized...the businessman shows up in Washington for a last-ditch effort...How much better for him if he makes himself known to people in government in advance."

The difference in 2007 is that if the government is about to, for example, change the auditing standard in a way that will dramatically affect your business, you can learn about it in advance—and possibly help ameliorate its impact—from your desktop. How? One avenue is the Office of Advocacy's Regulatory Alerts webpage. The Reg Alerts page highlights pending regulatory proposals and provides critical links to the rule, Advocacy's staff contact, the place to comment, and [Regulations.gov](http://www.regulations.gov), the federal government's regulatory information site. For the latest on proposed rules, bookmark the Reg Alerts page: www.sba.gov/advo/laws/law_regalerts.htm.

RFA Report, from page 1

responsibilities under the law. As of September 2006, Advocacy had trained 50 departments and sub-agencies. The results can be seen in improved cooperation between Advocacy and many of these agencies. A new online training program is now available at www.sba.gov/advo/rfaonlinetraining.html.

In fiscal year 2006, Advocacy filed more than 40 comment letters with agencies identifying ways

to improve compliance with the RFA. Formal small business review panels and roundtables offered opportunities for agencies and small businesses to work together in the development of better rules. Another tool available to improve communication between small businesses and federal agencies is Advocacy's Regulatory Alerts webpage. (See box on this page.)

Fiscal year 2006, the 25th year of Advocacy's annual reporting on RFA compliance, was marked by

The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

Contributing Editors John McDowell, Chad Moutray, Janis Reyes, Kathryn Tobias, Sarah Wickham

Production Assistant Dawn Crockett

The Small Business Advocate (ISSN 1045-7658) is published monthly by the U.S. Small Business Administration's Office of Advocacy and is distributed to SBA field staff and members of the U.S. Congress. *The Small Business Advocate* is available without charge from the Office of Advocacy, U.S. Small Business Administration, MC 3114, Washington, DC 20416; advocacy@sba.gov; (202) 205-6533. For delivery changes, send your current address label with your request to the above address. For back issues, contact National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; www.ntis.gov.

The Small Business Advocate online: www.sba.gov/advo/newsletter.html.

Electronic delivery of *The Small Business Advocate* is available by visiting www.sba.gov/advo/newsletter.html. Subscriber information is kept confidential and not used for any purpose except newsletter delivery.



Federal Recycling Program
Printed on recycled paper.

continuing progress toward a goal that will be reached when every agency fully implements the spirit of the RFA, and every rule takes small entity concerns into account.

Office of Advocacy Staff News

Cheryl M. Johns has been hired as the Office of Advocacy's assistant chief counsel for telecommunications. Johns is a graduate of Catholic University's School of Law. Since she received her degree in 2005, she has worked in telecom regulatory affairs for France Telecom North America. In law school, she clerked for the Senate Judiciary Committee, was a summer associate at a firm researching trade issues, and interned at the Department of Justice's Antitrust Division.

Laura R. Chipkin is Advocacy's new Mercatus fellow. Chipkin

is in her final year of law school at George Mason University. She is a graduate of Cornell University, and she spent a year at the London School of Economics. The Mercatus Fellowship in Regulatory Affairs is a partnership between the Mercatus Center at George Mason University and the Office of Advocacy. It allows law students interested in public policy and small business issues to work in the office and assist the chief counsel and staff in such areas as environmental law, occupational safety and health, telecommunications, tax, labor,

agriculture, procurement, health care, and economic regulation.

Lawrence A. Plummer, a doctoral candidate at the University of Colorado's Leeds School of Business, has joined the staff as a visiting research economist. Plummer will work out of the Denver District Office through fall 2007. In addition to his extensive research in business formation and regional economic development, Plummer's interests also extend to teaching and the topics of entrepreneurship, strategic management, and technology and innovation management.

Message from the Chief Counsel

Regulatory Reform, Not Rollback

by Thomas M. Sullivan, Chief Counsel for Advocacy

Since 1986, when President Reagan signed the Emergency Planning and Community Right to Know Act (EPCRA) into law, Americans and the environment have benefited. EPCRA created the Toxics Release Inventory (TRI) which requires companies to report their handling, management, recycling, disposal, and allowable emissions and discharges of chemicals. Corporate executives, plant managers, and boards of directors, when faced with annual reports of the chemicals used in their operations, took unprecedented action to reduce the toxic chemicals in their plants.

Some companies followed the initial publication of data in 1989 by pledging to reduce 80 percent to 90 percent of their chemical releases.

The American Chemistry Council member companies implemented a “Responsible Care” initiative which has reduced environmental releases by 78 percent over the last 19 years.

In 1991, when the U.S. economy was saddled with \$400 billion of regulatory costs, the Office of Advocacy petitioned the U.S. Environmental Protection Agency (EPA) to reduce reporting costs under TRI, which were then estimated to cost a business up to \$10,000 per year for a single form. EPA agreed, recognizing TRI’s paperwork burden could be reduced without compromising the public’s access to information on chemicals used in their community. In 1994, EPA Administrator Carol Browner introduced a short form for TRI reporting called “Form A.”

Form A allows companies to report their releases as a range, instead of a specific number, for key chemical management information. Form A informs the public

that a facility handles less than a small threshold quantity in the

“Now, in 2007, the overall cost to comply with federal rules and regulations exceeds \$1 trillion.”

management, recycling, and disposal of the reported chemical. Significant chemical management activities are required to be reported on the longer, more detailed Form R.

Now, in 2007, the overall cost to comply with federal rules and regulations exceeds \$1 trillion. The smallest firms pay about four and a half times the amount of their larger business counterparts per employee to comply with federal environmental requirements, including TRI paperwork. Once again, reacting to this increased regulatory burden, leaders at the EPA have found a way to reduce paperwork without affecting environmental protection.

Last month, EPA finalized the TRI paperwork burden reduction rule. The rule, responding to the concerns of small businesses and Advocacy, allows more firms to report chemical use information on the shorter Form A. Some critics of EPA’s action rushed to call the agency’s final rule a rollback of environmental law. From the perspective of small business, they are wrong.

First, EPA’s rule still requires all firms to report the same chemicals they have been reporting annually. However, following the same principles that governed the Clinton administration’s 1994 TRI paperwork reform, more firms will now be able to use the short form (Form A) to report a range of use, rather

than detailed amounts on the longer Form R.

Second, EPA is using the TRI reform as a way to recognize users of the short form (Form A) as top environmental performers within industry. To qualify for using Form A, firms must minimize their use of all chemicals and sharply curtail their use of highly toxic materials (termed Persistent, Bioaccumulative and Toxic, or PBT, chemicals). Most important, to use Form A, contrary to what critics have alleged, firms may not emit or discharge any PBT chemicals into the environment.

EPA’s reforms to the Toxic Release Inventory will reduce 25 pages of reports to two pages while continuing to provide communities with information on the use of chemicals by their industrial neighbors. EPA’s reforms will save businesses more than \$6 million annually. More importantly, EPA’s recent reforms to the TRI program set a new standard where only the top environmental-performing businesses can take advantage of the simpler reporting form.

The EPA reforms show leadership in an administration that realizes the cumulative regulatory burden of \$1 trillion, which hits small business hardest, slows our nation’s economy and hinders our ability to compete in a global marketplace. EPA has provided small business with a good start.

Originally published in The Washington Times, February 1, 2007. Reprinted by permission.

Regulatory Roundup

Highlights of Advocacy's Regulatory Efforts in 2006

The Report on the Regulatory Flexibility Act, FY 2006 details the Office of Advocacy's activity on regulatory issues that threatened to pose undue burdens for small businesses. For complete information on FY 2006 cost savings, visit www.sba.gov/advo/laws/flex/06regflx.pdf. Here are the major rules that Advocacy monitored and commented on. Developments that occurred after September 30, 2006 (the end of FY 2006), have been included as well.

In January 2006, the Department of Commerce's **Patent and Trademark Office** (PTO) proposed two rules that would significantly change the patent application process. In March 2006, Advocacy hosted a small business roundtable and submitted comments on these changes, noting that both proposals would increase the cost of patent application preparation and hinder the patent prosecution process.

In April 2006, the Department of Commerce's **National Marine Fisheries Service** (NMFS) published a final rule affecting fisheries in Alaska using an inappropriate size standard for the catcher/processor industry. Advocacy had filed comments with NMFS about the proper size standard during the comment period in August 2005. The industry filed a lawsuit challenging the final rule in May 2006.

The **Department of Defense** issued a proposed regulation in April to amend the Defense Federal Acquisition Regulation supplement to further expand the program that requires packages to be marked with passive radio frequency identification (RFID). This is the second year of this RFID rollout, and the final rule was implemented in July 2006. As a result of Advocacy's involvement, DOD provided a detailed cost/benefit analysis of the

impact of this regulation on small entities and training assistance to aid small businesses.

In August 2006, the **Department of Energy** responded to Advocacy's interagency comments by publishing a proposed rule on energy conservation standards for distribution transformers which incorporated the least costly efficiency standard from among five alternatives. More than half of the manufacturers of liquid and medium-voltage dry distribution transformers are small businesses.

In April 2006, the **Environmental Protection Agency** (EPA) responded to Advocacy and small business representatives by publishing a final rule that reduces many of the paperwork burdens currently imposed by the Resource Conservation and Recovery Act.

In June 2006, **EPA** signed a final Clean Water Act rule designed to protect fish and other aquatic species from being killed when they are pulled into cooling water intakes. As a result of input from Advocacy and a small business review panel, the EPA concluded that facilities with low intake flows do not cause aquatic losses. The EPA's final rule contains an exemption that removes virtually all small businesses from the rule's coverage.

In December 2005, **EPA** proposed a rule amending the Spill Prevention Control and Countermeasures (SPCC) rule that would streamline requirements for oil spill prevention and planning for some facilities that store oil, adopting Advocacy's recommendations. In December 2006, EPA promulgated further changes allowing facilities that handle up to 10,000 gallons of oil, and that have had no "reportable discharge" of oil in the past three years, to certify their own spill prevention plans.

In December 2006, the **EPA** signed a final rule on the Toxics Release Inventory (TRI) that allowed more industrial facilities to use short-form annual reporting of over 650 chemicals and classes of chemicals, adopting Advocacy's recommendations. This small business achievement marked the end of a 15-year effort that started with a petition filed by Advocacy with the EPA in August 1991.

In February 2007, the **EPA** signed a final rule on the Mobile Source Air Toxic (MSAT) regulations, which will require petroleum refineries to reduce concentrations of benzene, an air toxic, in gasoline; and it will require certain manufacturers to reduce the amount of benzene vapors. The new MSAT standards will take effect in 2011 for gasoline, in 2010 for cars, and in 2009 for fuel containers. As a result of a small business review panel in September 2005, in which Advocacy participated, EPA included several flexibilities for small refiners and manufacturers.

In June 2006, the **Federal Communications Commission** (FCC) issued final rules implementing the Junk Fax Prevention Act of 2005, which codified the "established business relationship exemption." The exemption allows small businesses to fax their customers if they include an opt-out provision on the cover page. Advocacy was instrumental in obtaining the exemption.

In July 2006, the **FCC** issued a final rule requiring Voice over Internet Protocol (VoIP) providers (telecommunications companies that provide service over the Internet) to contribute to the Universal Service program. Universal Service defrays the costs of basic telecommunications service in high-cost areas. After discussions with small

Continued on page 7

FOURTH QUARTER 2006: THE ECONOMY AND SMALL BUSINESS

Trends

- Real output grew at an annual rate of 3.5 percent in the fourth quarter of 2006, an increase over the previous two quarters. The economy grew as a result of higher real personal consumption and increased net exports. Real gross private fixed investment fell, a casualty of continued weakness in the housing sector. For the year, real gross domestic product grew 3.4 percent. Industrial production rose during the quarter and the year as a whole.
- Consumer and business optimism indicators were mixed. The University of Michigan's Consumer Sentiment Survey showed increased consumer optimism for the quarter, but the National Federation of Independent Business's Optimism Index fell, ending the year at 96.5. This reading, if confirmed in future months, could indicate slower growth in the small business sector in 2007. The NFIB survey also showed a drop in the number of small businesses willing to expand or hire in the next three months compared with the previous quarter.
- The unemployment rate in December 2006 was 4.5 percent. Non-farm payroll increased by 511,000 in the fourth quarter and 2.2 million for the entire year. Employment rose in every major sector except construction and manufacturing during the quarter; employment grew in every sector except manufacturing and retail trade during the year. Three sectors with significant proportions of small firms—professional and business services, health and education services, and leisure and hospitality—accounted for nearly 1.5 million of the net new jobs in 2006. Incorporated and unincorporated self-employment increased for the year.
- Interest rates began to level off after several quarters of upward creep. Rates for the smallest loans fell 0.1 percent for the quarter, but were up approximately 1 percent for the year. Higher rates have begun to affect the demand for small business loans; more senior bank officers suggested a weaker demand than a stronger one. (The vast majority, however, observed no change in demand.) Meanwhile, there were \$25.5 billion in venture capital deals in 2006—the highest volume since the dot-com collapse. For the last five months of 2006, short-term Treasury bill rates were higher than longer-term Treasury notes. This phenomenon, the so-called “inverted yield curve,” has sparked considerable debate among economists; at a minimum, it indicates that the market is predicting lower interest rates in the long term.
- Inflation remained under control. In 2006, the consumer and producer price indexes increased 2.6 and 1.8 percent, respectively. In the fourth quarter, consumer prices barely rose—up just 0.2 percent on an annualized basis—and were helped by lower energy costs. The price of West Texas crude was below \$60 a barrel for much of the fourth quarter. Private sector wages, salaries, and benefits increased 3.1 percent year-to-year, but in the fourth quarter of 2006, benefit gains outstripped wages and salaries.

Small Business Indicators

	Last five years					Last five quarters					Trends	
	2002	2003	2004	2005	2006	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	This Quarter	Q4-05 to Q4-06
Business bankruptcy filings (thousands)	38.5	35.0	34.3	39.2	--	12.8	4.1	4.9	5.3	--	--	--
Proprietors' income (\$billion, current dollars)	768.4	811.3	911.1	970.7	1014.8	996.8	1008.3	1011.9	1014.8	1024.0	↑ 3.7% (a)	↑ 2.7%
Prime bank loan rate	4.7	4.1	4.3	6.2	8.0	7.0	7.4	7.9	8.3	8.3	0	↑ 1.1
Rates for smallest loans (less than \$100,000):												
Variable rate loans, repricing terms of 2-30 days	5.1	4.4	4.4	6.0		6.7	7.2	7.7	8.0	7.9	↓ 0.1	↑ 1.2
Variable rate loans, repricing terms of 31-365 days	6.6	6.4	6.2	7.1		7.7	8.3	8.1	8.7	8.6	↓ 0.1	↑ 0.9
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	-20.0	-7.1	13.1	9.0	4.6	4.2	4.8	7.0	4.8	1.8	↓ 3.0	↓ 2.4
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	-40.0	-14.7	25.9	27.3	0.2	16.7	5.3	3.5	5.0	-13.0	↓ 18.0	↓ 29.7
Venture investment: number of deals	3083	2895	3031	3100	3416	798	839	913	862	802	↓ 60	↑ 4
Venture investment: total invested (\$billion)	21.8	19.7	22.1	22.8	25.5	5.7	6.3	6.9	6.6	5.7	↓ 0.9	0

Notes: a=annualized growth rate. The fourth quarter figure is for October and measures from July. C&I = commercial and industrial loans. Trends may reflect rounding error.
Sources: Administrative Office of the U.S. Courts; Board of Governors of the Federal Reserve System; National Venture Capital Association; U.S. Department of Commerce, Bureau of Economic Analysis.

	Last five years					Last five months (2006)					Trends	
	2002	2003	2004	2005	2006	Aug	Sept	Oct	Nov	Dec	This Quarter	Dec 05 to Dec 06
NFIB Small Business Optimism Index (1986 = 100)	101.2	101.3	104.6	101.6	98.9	95.9	99.4	100.7	99.7	96.5	↓ 2.9	↓ 4.9
NFIB: next 3 months “good time to expand” (percent of respondents)	14.3	15.7	22.3	20.6	17.4	13.0	18.0	20.0	17.0	17.0	↓ 1.0	↓ 4.0
NFIB: net percent planning to hire in the next 3 months	10.8	10.2	15.3	14.4	14.6	17.0	17.0	16.0	19.0	10.0	↓ 6.0	↓ 5.0
Self-employed, incorporated (millions)	4.6	5.0	5.2	5.3	5.5	5.4	5.4	5.5	5.6	5.7	↑ 0.3	↑ 0.3
Self-employed, unincorporated (millions)	9.9	10.3	10.4	10.5	10.6	10.7	10.7	10.8	10.6	10.6	↓ 0.1	↑ 0.4

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

Employment by Major Sector (millions)

	Percent small business	Last five years					Last five months (2006)					Trends	
		2002	2003	2004	2005	2006	Aug	Sept	Oct	Nov	Dec	This Quarter	Dec 05 to Dec 06
Goods-producing industries	57.61	22.55	21.81	21.88	22.19	22.58	22.63	22.63	22.57	22.53	22.52	↓ 0.10	↑ 0.11
Natural resources and mining	51.24	0.58	0.57	0.59	0.63	0.68	0.69	0.69	0.70	0.70	0.70	↑ 0.01	↑ 0.05
Construction	86.43	6.71	6.73	6.98	7.34	7.69	7.72	7.73	7.71	7.68	7.69	↓ 0.03	↑ 0.14
Manufacturing	44.00	15.26	14.51	14.32	14.23	14.20	14.22	14.21	14.17	14.14	14.13	↓ 0.08	↓ 0.08
Service-producing industries	49.36	107.79	108.18	109.54	111.50	113.60	113.81	114.01	114.17	114.42	114.63	↑ 0.61	↑ 2.13
Trade, transportation and utilities	45.35	25.50	25.29	25.53	25.96	26.23	26.23	26.24	26.26	26.32	26.34	↑ 0.10	↑ 0.20
Wholesale trade	61.58	5.65	5.61	5.66	5.76	5.90	5.91	5.92	5.92	5.93	5.95	↑ 0.03	↑ 0.13
Retail trade	42.16	15.02	14.92	15.06	15.28	15.32	15.30	15.29	15.30	15.33	15.31	↑ 0.02	↓ 0.04
Information	26.17	3.39	3.19	3.12	3.06	3.05	3.05	3.05	3.05	3.06	3.07	↑ 0.02	↑ 0.02
Financial activities	41.43	7.85	7.98	8.03	8.15	8.36	8.38	8.41	8.42	8.42	8.43	↑ 0.03	↑ 0.18
Professional and business services	44.95	15.98	15.99	16.39	16.95	17.56	17.62	17.64	17.66	17.73	17.80	↑ 0.16	↑ 0.51
Education and health services	48.08	16.20	16.59	16.95	17.37	17.84	17.89	17.95	17.98	18.02	18.07	↑ 0.12	↑ 0.50
Leisure and hospitality	62.09	11.99	12.17	12.49	12.81	13.14	13.19	13.21	13.26	13.32	13.36	↑ 0.16	↑ 0.45
Other services	86.27	5.37	5.40	5.41	5.39	5.43	5.43	5.44	5.45	5.44	5.44	0	↑ 0.04
Government	--	21.51	21.58	21.62	21.81	21.99	22.02	22.08	22.10	22.11	22.11	↑ 0.03	↑ 0.23

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

Sources: U.S. Small Business Administration, Office of Advocacy, using data from the U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics.

Macroeconomic Indicators

	Last five years					Last five quarters					Trends (percent)	
	2002	2003	2004	2005	2006	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	This Quarter	Q4-05 – Q4-06
Real gross domestic product												
Level (\$billion)	10048.9	10301.1	10703.5	11048.6	11422.4	11163.8	11316.4	11388.1	11443.5	11541.6	↑ 3.5 (a)	↑ 3.4
Annual percentage change*	1.6	2.5	3.9	3.2	3.4	1.8	5.6	2.6	2.0	3.5		
Real personal consumption expenditures (\$billion)*	7099.3	7295.4	7577.1	7841.2	8092.3	7910.2	8003.8	8055.0	8111.2	8199.2	↑ 4.4 (a)	↑ 3.7
Real gross private fixed investment (\$billion)*	1557.2	1613.1	1770.6	1866.3	1951.3	1927.0	1963.6	1968.5	1964.8	1908.2	↓ 11.0 (a)	↓ 1.0
Federal government surplus or deficit (\$billion)	-247.9	-372.2	-382.0	-309.2	--	-263.5	-147.0	-163.0	-165.5	--	--	--
Real exports of goods and services (\$billion)*	1013.3	1026.1	1120.4	1196.1	1302.3	1228.4	1269.3	1288.5	1310.0	1341.5	↑ 10.0 (a)	↑ 9.2
Real imports of goods and services (\$billion)*	1484.6	1545.0	1711.3	1815.3	1920.1	1865.0	1905.9	1912.7	1938.8	1922.9	↓ 3.2 (a)	↑ 3.1
Corporate profits after tax (\$billion)	693.7	749.9	882.5	931.4	--	968.9	1112.1	1115.7	1162.7	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	123.5	128.0	131.8	134.9	137.7	135.8	137.2	137.6	137.5	138.6	↑ 3.2 (a)	↑ 2.1
Employment Cost Index: private sector wages & salaries (2005=100)	91.6	94.2	96.8	99.2	102.0	100.1	100.8	101.7	102.5	103.2	↑ 2.8 (a)	↑ 3.1
Employment Cost Index: private sector benefits (2005=100)	83.7	88.8	94.8	99.2	102.1	100.4	100.8	101.5	102.5	103.5	↑ 4.0 (a)	↑ 3.1

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

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics.

	Last five years					Last five months (2006)					Trends	
	2002	2003	2004	2005	2006	Aug	Sept	Oct	Nov	Dec	This Quarter	Dec 05 to Dec 06
Unemployment rate (seasonally adjusted)	5.8	6.0	5.5	5.1	4.6	4.7	4.6	4.4	4.5	4.5	↓ 0.1	↓ 0.4
Civilian employment—16 years and older (millions, seasonally adjusted)	136.5	137.7	139.2	141.7	144.4	144.6	144.9	145.3	145.6	145.9	↑ 1.0	↑ 3.1
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	2.9	3.4	3.1	2.6	2.3	2.3	2.3	2.1	2.2	2.1	↓ 0.2	↓ 0.3
Nonfarm payrolls (millions, seasonally adjusted)	130.4	130.0	131.4	133.7	136.2	136.4	136.6	136.7	136.9	137.1	↑ 0.5	↑ 2.2
Producer Price Index (1982=100)	131.1	138.1	146.7	157.4	164.8	167.9	165.4	162.0	165.1	166.0	↑ 1.5% (a)	↑ 1.8%
Consumer Price Index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	179.9	184.0	188.9	195.3	201.6	203.7	202.7	201.7	201.7	202.8	↑ 0.2% (a)	↑ 2.6%
Univ. of Michigan Consumers' Sentiment (1966=100)	89.6	87.6	95.2	88.6	87.3	82	85.4	93.6	92.1	91.7	↑ 6.3	↑ 0.2
Spot oil price per barrel: West Texas intermediate crude	26.10	31.14	41.44	56.47	66.10	73.05	63.87	58.88	59.37	62.03	↓ \$1.84	↑ \$2.60
ISM Purchasing Managers Index—manufacturing composite (seasonally adjusted)	52.4	53.3	60.5	55.5	53.9	54.3	52.7	51.5	49.9	51.4	↓ 1.3	↑ 4.1
Industrial production (2002=100, seasonally adjusted)	100.0	101.1	103.6	106.9	111.3	112.5	112.2	112.1	112.0	112.4	↑ 0.3	↑ 3.3
3-month Treasury bills (secondary market rate)	1.60	1.01	1.37	3.15	4.73	4.96	4.81	4.92	4.94	4.85	↑ 0.04	↑ 0.96
10-year Treasury note (constant maturity rate)	4.61	4.02	4.27	4.29	4.79	4.88	4.72	4.73	4.60	4.56	↓ 0.16	↑ 0.09

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

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

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

2006 Highlights, from page 4

businesses and Advocacy, the FCC revised its reporting requirements, minimizing the regulatory burden.

In September 2006, Advocacy filed a comment letter with the **Federal Trade Commission** on its proposed rule for creditors to identify “red flags,” or patterns of activity that indicate possible identity theft. Advocacy’s letter cited small businesses’ concerns about the cost of this regulation, and it suggested several significant alternatives.

In December 2005, the Department of Health and Human Services’ **Center for Medicare and Medicaid Services (CMS)**, responding to comments by Advocacy, published a final rule revising the requirements for home health agencies that participate in a Medicare program to provide CMS with patient data. The final rule no longer required the agencies to provide patient care data on non-Medicare/Medicaid patients, decreasing administrative costs.

The Department of Health and Human Services’ **Food and Drug Administration** published a final notice in June 2006 setting the effective date of the Prescription Drug Marketing Act as December 2006. This rule, which set forth requirements for the re-importation and wholesale distribution of prescription drugs in the United States, was originally set to take effect in 2000. Due to Advocacy comments, the FDA delayed the effective date of the rule several times.

In August 2006, the Department of Homeland Security’s **Transportation Security Administration** and **U.S. Coast Guard** issued a notice stating that port and vessel owners will not be required to purchase or install card readers during the initial implementation of the Transportation Worker Identification Credential (TWIC) rule. Advocacy held a small business roundtable on this issue. After gathering small business input, Advocacy submitted

a comment letter raising the issues of cost and technological feasibility of the reader requirement.

In November 2006, the **Fish and Wildlife Service (FWS)** published a final critical habitat designation of 1,841 square miles on federal lands for the Canada lynx. FWS had initially proposed a critical habitat of 26,935 square miles in November 2005; it revised this designation to 18,031 square miles in February 2006. Responding to issues raised by Advocacy and other small business entities, FWS excluded areas due to biological studies, existing lynx management programs, and economic factors.

In February 2006, the Department of Labor’s **Occupational Safety and Health Administration (OSHA)** issued a final permissible exposure limit for occupational exposure to hexavalent chromium. Based on recommendations from Advocacy and a small business review panel in 2003, OSHA allowed a four-year phase-in of engineering controls, excluded low exposure products and industries, and provided exceptions for intermittent users and large aircraft painting.

In August 2006, **OSHA** initiated a small business review panel with Advocacy on the Cranes and Derricks in Construction rule. In October, the panel published a report recommending that OSHA review and submit for public comment whether the certification of crane operators should be required and some small boom cranes and building material vendors could be exempted from the standard.

In December 2006, the **Securities and Exchange Commission (SEC)** extended deadlines for small public companies to comply with Section 404 of the Sarbanes-Oxley Act of 2002. These extensions coincide with the SEC’s release of proposed interpretative guidance for management, and the **Public Company Accounting Oversight**

Board’s (PCAOB) proposal for a new auditing standard for auditing firms to assess a company’s internal controls. On February 21, 2007, Advocacy submitted a comment letter to the SEC and the PCAOB on these new proposals based on small business input received from an Advocacy roundtable.

The Department of Transportation’s **Federal Aviation Administration** issued a final rule, effective in September 2005, establishing new flammability and fire protection standards for thermal/acoustic insulation in transport category planes. The rule as drafted was overly broad and covered more materials than originally intended. Pursuant to Advocacy’s recommendation, the agency issued a rule in September 2006 narrowing the scope of the rule, which could have rendered whole inventories of parts unusable and required testing of confirming parts.

In June 2006, the Department of Transportation’s **Pipeline and Hazardous Materials Safety Administration** withdrew a proposed rule that would have regulated external product piping (wetlines) on cargo tank motor vehicles. Advocacy and the industry had both registered comments about the potential economic impacts of this rulemaking on small businesses.

In May 2006, the **Department of the Treasury** and the **Internal Revenue Service** issued a final rule under section 199 of the Internal Revenue Code (taxpayers that engage in domestic production). As a result of an Advocacy roundtable and comment letter, these agencies expanded the pool of those eligible to use the simplified deduction method calculation to include employers that generate annual gross receipts of up to \$100 million (up from \$25 million).

Regional Roundup

Nine State Regulatory Flexibility Bills Considered in State Capitols

The 2007 state legislative sessions have started off with a strong push to create a friendlier regulatory environment for small business. Regulatory flexibility requires agencies to look at the economic impact of a proposed rule on small business and to consider less burdensome alternatives that still accomplish their regulatory goals. While every state has some form of administrative procedure law that governs the agency rulemaking process, many do not require regulatory flexibility for small businesses, or the systems in place need to be strengthened.

This year eight states have introduced regulatory flexibility legislation: Arkansas (SB 55), Connecticut (SB 1179), Hawaii (SB 188),

Illinois (HB 302), Mississippi (HB 1229), Montana (SB 148), Tennessee (SB 55), and Washington (HB 1525). One bill carried over from last year: New Jersey (A 2327, SB 1335). Since the Office of Advocacy began its state initiative in 2002, a total of 35 state legislatures have considered regulatory flexibility legislation, and 19 states have implemented regulatory flexibility via legislation or executive order.

In addition, the office's regional advocates have been busy in the state capitols:

- On February 14, Region VI Advocate Eric Munson testified on SB 55 before the Agriculture, Forestry and Economic Development Committee of the Arkansas House of Representatives. On February

20, the Arkansas legislature passed SB 55 and sent it to Governor Bebee's desk.

- On February 9, Region X Advocate Connie Marshall testified on HB 1525 before the State Government and Tribal Affairs Committee of the Washington State House of Representatives.

- On February 16, Region I Advocate Steve Adams testified on SB 1179 before the Connecticut General Assembly's Joint Standing Committee on Commerce.

To learn more about Advocacy's state regulatory flexibility model legislation initiative and to stay informed of the latest developments visit: www.sba.gov/advo/laws/law_modeleg.html.

U.S. Small Business Administration
Office of Advocacy
Mail Code 3114
409 Third Street, S.W.
Washington, DC 20416

Official Use
Penalty for Private Use, \$300

Return Service Requested

