

## Advocacy Study Ranks Banks on Small Firm Lending, Hints at Current Financial Trends

by Kathryn Tobias, Senior Editor

The growth of small and microbusiness lending remained positive during the first half of 2008, although the expansion was slower than in the previous year, according to the latest edition of the Office of Advocacy's annual study of lending to small firms. This new report, *Small Business and Micro Business Lending in the United States for Data Years 2007-2008*, gives a detailed account of small business lending overall, plus state-by-state totals and totals for individual lenders.

The study finds that for the year that ended in June 2008, the total value of small business loans outstanding increased 4 percent and the value of microbusiness loans

outstanding increased 6.8 percent. Both rates were down from the previous one-year period, but they were still in positive territory. The largest increase was in the number of microbusiness loans (under \$100,000), which were up by 15.7 percent. This may be an indication that more loans are being made through business credit cards. The number of mid-sized loans (\$100,000 to \$1 million) fell by 23.3 percent.

Small businesses that are looking for loans will find the report useful because it provides state-by-state rankings of banks and other financial institutions on their small

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A strong dollar (making imports cheaper) appears to affect small wholesalers more than small retailers, suggesting that wholesalers are closely tied to domestic manufacturers, according to a new study from Advocacy. [See page 8 for details.](#)

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# Guidance on Forthcoming Regulations Implementing the Genetic Information Nondiscrimination Act Needed

by Janis Reyes, Assistant Chief Counsel

In May 2008, the Genetic Information Nondiscrimination Act of 2008 became law. Congress enacted the law, known as “GINA,” in response to developments in the field of genetics that give rise to the potential misuse of genetic information.

The Equal Employment Opportunity Commission (EEOC) has released a proposed rule implementing Title II of GINA, prohibiting employment discrimination based on genetic information. Title II prohibits employers from using genetic information to make employment decisions, such as hiring, firing, or compensation. It applies to firms with 15 or more employees, and its definition of employee includes current and former employees, and job applicants.

The GINA regulations define genetic information as:

- The results of an individual’s genetic tests,
- The genetic test results of family members, and
- The manifestation of a disease or disorder in family members (that is, family medical history).

This genetic information can be used to predict the likelihood that an individual will get certain diseases, such as breast cancer or Huntington’s disease.

Title II also restricts the deliberate acquisition of genetic information by employers, which includes requesting, requiring, or purchasing the genetic information about an applicant or employee. There are exceptions to this rule in situations where an employer inadvertently requests or receives information, either through publicly available documents such as newspapers and

the Internet, through casual conversations, or through materials in support of an employee’s request for leave or a reasonable accommodation under the Americans with Disabilities Act (ADA). Employers who request medical documentation for an employee’s request for leave or for a reasonable accommodation must make sure that these requests are not “overly broad” or they may be penalized if, as a result, they receive genetic information.

Title II also requires that employers keep genetic information confidential and separate from personnel files. It must be stored with other medical or ADA files. Disclosure is permitted only in limited circumstances, such as in response to a court order or in compliance with obligations under the Family and Medical Leave Act.

The Office of Advocacy is concerned that small employers may have a difficult time implementing these complex regulations. In a comment letter sent April 24, Advocacy recommended that the EEOC clarify the definitions, prohibitions, and exceptions in the rule. For example, Advocacy advised the EEOC that it should provide guidance on whether employers have to review existing personnel files and segregate any genetic information already in the files, or edit medical files if they are requested by subpoenas. Advocacy also recommended that the EEOC provide a small business compliance guide that provides practical examples of prohibited conduct, employer best practices, and the interactions between GINA and local, state, and federal workplace rules.

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The rule will likely be finalized in the summer, and by law it must take effect on November 21, 2009. Employers should take practical steps to make sure that they understand and comply with the GINA regulations, and also train their staff on these new requirements.

For more information visit Advocacy’s webpage at [www.sba.gov/advo](http://www.sba.gov/advo), or contact Assistant Chief Counsel Janis Reyes at (202) 205-6533 or [janis.reyes@sba.gov](mailto:janis.reyes@sba.gov).

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## Message from the Acting Chief Counsel

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### Got Broadband? A National Broadband Strategy for Small Business

by Shawne McGibbon, Acting Chief Counsel for Advocacy

In the telecommunications sector, small telecom, satellite and cable providers form an intricate web of fiber networks, copper loops, cables, and switches. These companies provide Internet, cable television, wireline, and wireless services to a broad array of customers, some of which are small businesses themselves. An even more complex web of statutes and regulations dictates how these small telecom entities may offer services and connect to existing network infrastructure.

Ensuring that every American has access to broadband services is an important policy goal for the new Administration. With the passage of the American Recovery and Reinvestment Act of 2009, Congress and the Administration directed a number of federal agencies, including the Federal Communications Commission (FCC), to work toward this goal. As a result, the FCC has launched a 13-month effort to develop a national broadband strategy to be presented to Congress by February 17, 2010.

The convergence of technologies and government regulation coupled with the dynamic nature of our telecom industry will present a challenge to the policymakers responsible for creating a national broadband strategy, and specifically, a strategy that works for small business. Small businesses are key to making this goal a reality. Thus, the White House and the FCC have enlisted the Office of Advocacy to work in partnership with them and other federal agencies on strategies to ensure that any national deployment and investment plan considers the needs of small businesses.

Advocacy continues to represent the voice of these small telecom firms that play an important role

in the provision of broadband Internet services. Many small telecom companies have produced innovative new services, such as voice over Internet protocol (VoIP) which allows customers to use their computers for phone service.

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**“Ensuring that every American has access to broadband services is an important policy goal for the new Administration.”**

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Some small telecom firms have even grown to exceed the size standards that once categorized them as small. Google represents one of the most recognizable success stories of a small company that has vaulted to the top of our nation’s telecom landscape. As the Obama Administration attempts to equip all Americans with broadband service, it will need the ideas and energy of these small innovators to help provide advanced telecom services to rural and other hard to serve areas.

Our office has spoken with many small broadband service providers to understand how a national broadband strategy can incorporate the needs of small business. Advocacy has worked to ensure that their voice is heard. The work of the FCC, the Department of Commerce’s National Telecommunications and Information Administration and the Department of Agriculture’s Rural Utilities Service has been commendable, as they have spent countless hours working through public comments and coordinating interagency efforts. Coordination among pre-existing

broadband programs and the new funding from the Recovery Act is essential to maximizing government resources and streamlining our approach to enhancing broadband access and penetration.

One of the first steps in building a strong national broadband strategy is to complete an accurate broadband map, to inventory what various areas of the country already have and what these areas need in terms of broadband connectivity. To help determine small businesses’ specific broadband needs, Congress has asked our office to conduct a study tracking the broadband speeds available to small businesses throughout the United States. Advocacy will work on this issue over the next two years and provide policy recommendations so that the agencies involved with broadband programs and regulation will have better guidance. Our office will also continue to receive input from relevant small businesses and to work with partner agencies so that our nation’s broadband map is accurate.

Because small businesses are the heart of the American economy, they are critical to driving an economic recovery. However, access to modern technologies, including broadband, is critical to allow small businesses to grow. At the same time, small broadband providers will supply the competition and innovation necessary to expand advanced telecommunications services to all Americans. The Office of Advocacy will continue to play a leading role in ensuring that the needs of all small businesses are represented in the federal government throughout this process.

### Small Business and the New Federal Acquisition Marketplace

by Major Clark III, Assistant Chief Counsel

The American Recovery and Reinvestment Act of 2009 will affect small businesses in two important ways. First, it provides the Small Business Administration with tools to make it easier and less expensive for small businesses to get loans, to give lenders new incentives to make small business loans, and to help unfreeze the secondary markets.

The Recovery Act provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they reach more small businesses. The funding includes:

- \$375 million to eliminate fees on SBA-backed loans temporarily and to raise SBA's guarantee percentage on some loans to 90 percent.
- \$255 million for a new loan program to help small businesses meet existing debt.
- \$30 million to expand SBA's microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to micro-lenders.

- \$20 million for technology systems to streamline SBA's lending and oversight processes.

- \$15 million to expand the SBA Surety Bond Guarantee program.
- \$25 million for staffing to meet the demands of new programs.
- \$10 million for the Office of Inspector General.

To keep up to date on SBA's announcements regarding Recovery Act programs visit [www.sba.gov/recovery](http://www.sba.gov/recovery).

A second important aspect of the Recovery Act for small business is its mandate to the Federal Acquisition Council to increase accountability and responsibility in the use of public funds, including measures to increase transparency and to combat waste, fraud, and abuse.

Six new regulations have been published to govern the integrity of all businesses performing work on federal contracts. These regulations are described below. The entire text can be found at *Federal Register* vol. 74, no. 60, March 31, 2009, page 4623 or at [edocket.access.gpo.gov/2009/pdf/E9-7024.pdf](http://edocket.access.gpo.gov/2009/pdf/E9-7024.pdf).

**Buy American Requirements for Construction Material.** This section prohibits the use of appropriated funds from the Recovery Act for any project for construction, alteration, maintenance, or repair of a public building unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. (*FAR Case 2009-008*)

**Whistleblower Protections.** Subpart 3.9 of the Federal Acquisition Regulation (FAR) prohibits non-federal employers from discharging, demoting, or discriminating against employees as a reprisal for disclosing information to government officials. This regulation also establishes procedures for access to investigative files of the Inspector General and provides for remedies and enforcement authority. (*FAR Case 2009-012*)

**Publicizing Contract Actions.** This interim rule implements the Office of Management and Budget's Guidance, M-09-10, "Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009." It requires contractors to enter data on any action funded by the Recovery Act into the Federal Procurement Data System. (*FAR Case 2009-010*)

**Reporting Requirements.** This interim rule requires federal prime and subcontractors to report on their use of Recovery Act funds, including information on the compensation of senior executives of companies receiving Recovery Act funds. (*FAR Case 2009-009*)

**GAO/IG Access.** This interim rule provides for the audit and review of contracts and subcontracts and gives the Inspector General and the

#### A Framework for Accountability

In a February 9 memo to the heads of departments and agencies, President Barack Obama set out a framework for federal spending under the American Recovery and Reinvestment Act of 2009 to ensure accountability. The memo identified five crucial objectives for federal agency spending:

- Recovery funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all recovery funds are transparent to the public, and that the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Recovery funds are used for authorized purposes and every step is taken to prevent instances of fraud, waste, error, and abuse;
- Projects funded under the recovery legislation avoid unnecessary delays and cost overruns; and,
- Programs meet specific goals and targets, and contribute to improved performance on broad economic indicators.

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## FIRST QUARTER 2009: THE ECONOMY AND SMALL BUSINESS

### Trends

- The economic recession deepened in the first quarter of 2009; real gross domestic product fell by an annualized 6.1 percent. One bright spot in the first quarter was positive growth in consumer spending. Other GDP components were down. Real gross private fixed investment fell 38 percent to \$1.44 trillion, mostly from a drop in nonresidential construction. Exports, imports, and industrial production also declined sharply.
- The unemployment rate rose to 8.5 percent in March 2009, the highest since November 1983. The economy lost 2.1 million nonfarm payroll jobs in the first quarter of 2009 (and 5.7 million between December 2007 and April 2009). Only two major industries posted net job gains: the health and education sector and the government sector. Nonfarm labor productivity rose by 0.8 percent on an annual basis, primarily from a large drop in hours worked. Incorporated self-employment fell by 200,000; unincorporated self-employment has recovered to its March 2008 level.
- Federal policymakers have remained active in trying to combat the recession. The American Recovery and Reinvestment Act, signed by President Obama on February 17, provides \$787 billion in stimulus to the economy. The Federal Reserve has kept interest rates low, with its target federal funds rate at essentially zero percent. Other actions have also been taken to shore up the financial and auto industries, as well. Meanwhile, venture capital deals were off significantly; the total invested fell to \$549 billion from \$866 billion in the previous quarter.
- The consumer price index rose an annualized 2.2 percent during the quarter, but the country has experienced moderate deflation since March 2008. Producer prices fell by an annualized 7.3 percent, as price cuts became widespread. Overall employment costs have remained steady; wages and salaries and benefits were up an annualized 0.7 percent.
- Small business owners and the public remained pessimistic. Poor sales and access to credit are major issues for small business owners. However, the most recent American Express Small Business Monitor survey shows that 37 percent of small businesses see growth opportunities in the next six months, with 28 percent planning to hire employees in the coming months.

### Small Business Indicators

	Last five years					Last five quarters					Trends	
	2004	2005	2006	2007	2008	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	This Quarter	Q1-08 to Q1-09
AmEx: growth opportunities, next 6 mos. (percent)*	73.0	67.0	55.5	75.0	72.5	71.0	--	74.0	--	37.0	↓ 37.0 *	↓ 34.0
AmEx: hiring plans over next 6 mos. (percent)*	40.5	40.5	36.5	33.5	37.0	38.0	--	36.0	--	28.0	↓ 8.0 *	↓ 10.0
Business bankruptcy filings (thousands)	34.3	39.2	19.7	28.3	43.5	8.7	9.7	11.5	12.9	--	--	--
Proprietors' income (\$billion, current dollars)	911.1	970.7	1015.1	1042.6	--	1071.7	1076.9	1080.5	1060.5	1040.7	↓ 7.3% (a)	↓ 2.9%
Prime bank loan rate	4.3	6.2	8.0	8.1	5.1	6.2	5.1	5.0	4.0	3.3	↓ 0.8	↓ 3.0
Rates for smallest loans (\$10,000 to \$99,999):†												
Variable rate loans, repricing terms of 2-30 days	4.4	6.0	7.7	7.7	5.0	5.6	4.9	4.9	4.7	3.2	↓ 1.5	↓ 2.4
Variable rate loans, repricing terms of 31-365 days	6.2	7.1	8.4	8.6	6.9	7.4	6.9	6.7	6.4	5.6	↓ 0.8	↓ 1.8
Senior loan officers (percent of respondents):												
Net small firm C&I lending standards (those whose standards were eased minus those tightened)	13.1	9.0	4.6	-4.3	-55.5	-30.4	-51.8	-65.3	-74.6	-69.2	↑ 5.4	↓ 38.8
Net small firm demand for C&I loans (those whose demand was stronger minus those weaker)	25.9	27.3	0.2	-11.0	-15.6	-23.6	-16.1	-15.4	-7.4	-57.6	↓ 50.2	↓ 34.0
Venture investment: number of deals	3098	3164	3696	3967	3884	997	1051	970	866	549	↓ 317	↓ 448
Venture investment: total invested (\$billion)	22.2	23.0	26.5	30.8	28.2	7.7	7.6	7.3	5.7	3.0	↓ 2.7	↓ 4.7

\*Semiannual data; quarterly change compares spring 2009 to fall 2008. †Effective Q4-08, "smallest" loans are defined as \$10,000 to \$99,999; previous quarters use less than \$100,000.

Notes: a=annualized growth rate. American Express surveys are for spring (Q1) and fall (Q3) only. Senior loan officers' responses are from the January 2009 survey. C&I = commercial and industrial loans. Trends may reflect rounding error.

Sources: OPEN from American Express Small Business Monitor; Administrative Office of the U.S. Courts; Federal Reserve Board; National Venture Capital Association; U.S. Department of Commerce, Bureau of Economic Analysis.

	Last five years					Last five months (2008-2009)					Trends	
	2004	2005	2006	2007	2008	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 08 to Mar 09
NFIB Small Business Optimism Index (1986 = 100)	104.6	101.6	98.9	96.7	89.8	87.8	85.2	84.1	82.6	81.0	↓ 4.2	↓ 8.6
NFIB: next 3 mos. "good time to expand" (% of respondents)	22.3	20.6	17.4	13.9	6.5	7.0	7.0	6.0	3.0	1.0	↓ 6.0	↓ 4.0
NFIB: net percent planning to hire in the next 3 months	15.3	14.4	14.6	12.9	3.8	-4.0	-6.0	-6.0	-3.0	-10.0	↓ 4.0	↓ 13.0
Self-employed, incorporated (millions)	5.2	5.3	5.5	5.8	5.8	5.9	5.8	5.6	5.6	5.6	↓ 0.2	↓ 0.2
Self-employed, unincorporated (millions)	10.4	10.5	10.6	10.4	10.1	9.6	9.6	9.4	9.7	9.9	↑ 0.3	0

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

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

## Employment by Major Sector (millions)

	Percent small business	Last five years					Last five months (2008-2009)					Trends	
		2004	2005	2006	2007	2008	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 08 to Mar 09
<b>Goods-producing industries</b>	<b>58.48</b>	<b>21.88</b>	<b>22.19</b>	<b>22.53</b>	<b>22.23</b>	<b>21.41</b>	<b>20.81</b>	<b>20.53</b>	<b>20.13</b>	<b>19.83</b>	<b>19.51</b>	↓ 1.02	↓ 2.29
Natural resources and mining	49.21	0.59	0.63	0.68	0.72	0.77	0.79	0.79	0.78	0.77	0.76	↓ 0.03	0
Construction	85.36	6.97	7.33	7.69	7.63	7.21	6.94	6.84	6.71	6.59	6.46	↓ 0.38	↓ 0.94
Manufacturing	44.43	14.32	14.23	14.16	13.88	13.42	13.08	12.90	12.64	12.47	12.30	↓ 0.60	↓ 1.34
<b>Service-producing industries</b>	<b>48.24</b>	<b>109.54</b>	<b>111.51</b>	<b>113.56</b>	<b>115.37</b>	<b>115.64</b>	<b>114.94</b>	<b>114.54</b>	<b>114.21</b>	<b>113.82</b>	<b>113.44</b>	↓ 1.10	↓ 2.58
Trade, transportation and utilities	43.93	25.53	25.96	26.28	26.63	26.38	26.01	25.84	25.74	25.61	25.47	↓ 0.37	↓ 1.16
Wholesale trade	61.12	5.66	5.76	5.90	6.02	5.96	5.89	5.85	5.82	5.77	5.74	↓ 0.11	↓ 0.26
Retail trade	40.05	15.06	15.28	15.36	15.52	15.36	15.13	15.04	14.99	14.93	14.87	↓ 0.17	↓ 0.64
Information	26.32	3.12	3.06	3.04	3.03	3.00	2.97	2.94	2.92	2.92	2.90	↓ 0.04	↓ 0.12
Financial activities	41.80	8.03	8.15	8.33	8.30	8.14	8.04	8.01	7.95	7.90	7.86	↓ 0.14	↓ 0.35
Professional and business services	43.11	16.39	16.95	17.57	17.95	17.78	17.49	17.36	17.21	17.03	16.90	↓ 0.46	↓ 1.06
Education and health services	47.76	16.95	17.37	17.83	18.32	18.86	19.04	19.08	19.12	19.14	19.15	↑ 0.07	↑ 0.45
Leisure and hospitality	60.89	12.49	12.81	13.11	13.43	13.46	13.34	13.30	13.27	13.24	13.19	↓ 0.11	↓ 0.33
Other services	85.44	5.41	5.39	5.44	5.49	5.53	5.51	5.48	5.46	5.45	5.43	↓ 0.05	↓ 0.11
Government	0	21.62	21.81	21.97	22.22	22.50	22.54	22.53	22.54	22.55	22.54	↑ 0.01	↑ 0.10

Notes: Seasonally adjusted. See [www.bls.gov/ces/cessuper.htm](http://www.bls.gov/ces/cessuper.htm) for NAICS code equivalents for each sector. The small business percentage by sector is based on 2006 firm size data; leisure and hospitality uses 2005 information due to 2006 data suppressions. See [www.sba.gov/advo/research/us06\\_n6.pdf](http://www.sba.gov/advo/research/us06_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)	
	2004	2005	2006	2007	2008	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	This Quarter	Q1-08 to Q1-09
Real gross domestic product												
Level (\$billion)	10675.7	10989.5	11294.9	11523.9	11652.0	11646.0	11727.4	11712.4	11522.1	11340.9	↓ 6.1% (a)	↓ 2.6%
Annual percentage change*	3.6	2.9	2.8	2.0	1.1	0.9	2.8	-0.5	-6.3	-6.1		
Real personal consumption expenditures (\$billion)*	7561.4	7791.7	8028.9	8252.8	8272.1	8316.1	8341.3	8260.6	8170.5	8214.2	↑ 2.2% (a)	↓ 1.2%
Real gross private fixed investment (\$billion)*	1712.8	1829.8	1865.5	1808.6	1718.9	1762.4	1754.9	1731.1	1627.0	1444.3	↓ 37.9% (a)	↓ 18.0%
Federal government surplus or deficit (\$billion)	-370.6	-291.7	-201.1	-229.3	-521.5	-330.7	-649.6	-544.1	-561.5	--	--	--
Real exports of goods and services (\$billion)*	1126.1	1205.3	1314.9	1425.9	1514.1	1500.6	1544.7	1556.1	1454.9	1331.0	↓ 30.0% (a)	↓ 11.3%
Real imports of goods and services (\$billion)*	1720.0	1821.9	1930.5	1972.4	1904.3	1962.6	1926.0	1909.1	1819.4	1639.5	↓ 34.1% (a)	↓ 16.5%
Corporate profits after tax (\$billion)	923.9	1034.3	1199.6	1192.1	1109.9	1190.6	1126.5	1121.3	1001.2	--	--	--
Nonfarm business sector output per hour for all persons (1992=100)	131.6	133.9	135.1	137.1	140.9	139.4	141.0	141.7	141.5	141.8	↑ 0.8% (a)	↑ 1.7%
Employment cost index: private sector wages & salaries (2005=100)	96.8	99.2	102.0	105.5	108.7	107.6	108.4	109.0	109.6	109.8	↑ 0.7% (a)	↑ 2.0%
Employment cost index: private sector benefits (2005=100)	94.8	99.2	102.1	104.5	107.2	106.4	106.9	107.5	107.9	108.1	↑ 0.7% (a)	↑ 1.6%

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 (2008-2009)					Trends	
	2004	2005	2006	2007	2008	Nov	Dec	Jan	Feb	Mar	This Quarter	Mar 08 to Mar 09
Unemployment rate (seasonally adjusted)	5.5	5.1	4.6	4.6	5.8	6.8	7.2	7.6	8.1	8.5	↑ 1.3	↑ 3.4
Civilian employment—16 years and older (millions, seasonally adjusted)	139.2	141.7	144.4	146.0	145.4	144.1	143.3	142.1	141.7	140.9	↓ 2.5	↓ 5.1
Civilian unemployed—15 weeks and over (millions, seasonally adjusted)	3.1	2.6	2.3	2.3	3.2	4.0	4.5	4.6	5.3	5.7	↑ 1.2	↑ 3.3
Nonfarm payrolls (millions, seasonally adjusted)	131.4	133.7	136.2	137.6	137.0	135.8	135.1	134.3	133.7	133.0	↓ 2.1	↓ 4.8
Producer price index (1982=100)	146.7	157.4	164.8	172.7	189.6	176.8	171.3	171.0	169.5	168.1	↓ 7.3% (a)	↓ 10.5%
Consumer price index (all urban consumers and all items; seasonally adjusted, 1982-84=100)	188.9	195.3	201.6	207.3	215.6	213.3	211.6	212.2	213.0	212.7	↑ 2.2% (a)	↓ 0.5%
Consumer price index (all urban consumer; all items less food & energy; seas. adj., 1982-84=100)	196.6	200.9	205.9	210.7	215.6	216.9	216.9	217.3	217.7	218.0	↑ 2.2% (a)	↑ 1.8%
Univ. of Mich. Consumer Sentiment (1966=100)	95.2	88.6	87.3	85.6	63.8	55.3	60.1	61.2	56.3	57.3	↓ 2.8	↓ 12.2
Spot oil price/barrel: West Texas intermediate crude	41.4	56.5	66.1	72.4	99.6	57.4	41.0	41.7	39.2	48.0	↑ 7.0	↓ 57.6
New privately owned housing units started (millions, seasonally adjusted at the annual rate)	2.0	2.1	1.8	1.3	0.9	0.7	0.6	0.5	0.6	0.5	↓ 0.1	↓ 0.5
ISM purchasing managers index—manufacturing composite (seasonally adjusted)	59.1	54.4	53.1	51.1	45.5	36.6	32.9	35.6	35.8	36.3	↑ 3.4	↓ 12.7
Industrial production (2002=100, seasonally adj.)	103.8	107.2	109.7	111.3	108.8	104.9	102.4	100.3	98.8	97.4	↓ 18.6% (a)	↓ 12.8%
3-month Treasury bills (secondary market rate)	1.37	3.15	4.73	4.35	1.37	0.19	0.03	0.13	0.30	0.21	↑ 0.18	↓ 1.05
10-year Treasury note (constant maturity rate)	4.27	4.29	4.79	4.63	3.67	3.53	2.42	2.52	2.87	2.82	↑ 0.40	↓ 0.69

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

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

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## Research Notes

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### Strong Dollar Affects Small Wholesalers More Than Small Retailers

by John McDowell, Press Secretary

A strong dollar (making imports cheaper and exporting more difficult) appears to have little effect on the survival rate of small retailers, according to a study published by the Office of Advocacy in May. On the other hand, the study's authors found that real exchange rate appreciation leads to increased rates of small firm exit in the wholesale sector. In wholesale firms with more than 10 employees, a 10 percent real dollar appreciation leads to a roughly 20 percent increase in firm closures. This finding suggests that wholesalers are closely tied to domestic manufacturers, and find it hard to switch suppliers to take advantage of falling import prices.

"For many people, the idea of currency exchange rates has no relevance other than how far their dollars will go while on vacation,"

said Shawne McGibbon, acting chief counsel for advocacy. "But it is of vital importance to the owners and employees of small wholesalers. Policymakers should take these concerns into account when making decisions based on the relative strength and weakness of the dollar," she added.

The study covers 15 years of data, from 1990 through 2005, from the U.S. Census Bureau's Statistics of U.S. Businesses and other sources. Robert M. Feinberg wrote *Effects of International Competition on Small Wholesale and Retail Trade Firms* with funding from the Office of Advocacy.

For a complete copy of the report, visit the Advocacy website at [www.sba.gov/advo/research/rs344tot.pdf](http://www.sba.gov/advo/research/rs344tot.pdf).

### Procurement, from page 4

Government Accountability Office the authority to interview contractor and subcontractor personnel under contracts containing Recovery Act funds. The IG cannot interview subcontractors' employees under this rule. (*FAR Case 2009-011*)

**GAO Access to Contractor Employees.** This interim rule allows the GAO to interview current contractor employees when conducting audits. The rule does not apply to the purchase of commercial items. (*FAR 2008-026*)

All of these rules took effect on March 31. However, the public and the contracting community may submit comments to the FAR Council on or before June 1. Comments may be submitted electronically at [www.regulations.gov](http://www.regulations.gov).

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### Lending Study, from page 1

business lending. These rankings show who made the most small and microloans in each of the 50 states and the District of Columbia. "In the current financial climate, it's especially critical for small firms to know which banks and financial institutions have been the most likely to make small and microbusiness loans," said Advocacy Economist Victoria Williams, coauthor of the study with Senior Economist Charles Ou.

The report ranks lenders on their overall small business lending, not lending under SBA programs. It uses the most recent Consolidated Reports of Condition and Income (Call Report) data for June 2007 to June 2008 and Community Reinvestment Act (CRA) data for 2007 to examine financial institutions' small and microbusiness lending. Small business loans in these data are business loans of less than \$1 million and microbusiness loans are loans of less than \$100,000. The full study, including state-by-state tables, is available at [www.sba.gov/advo/research/lending.html](http://www.sba.gov/advo/research/lending.html).

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## Regional Roundup

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### Connecticut Is Latest New England State To Strengthen Regulatory Flexibility for Small Business

Connecticut is the latest New England state to strengthen its small business protections against burdensome regulations. On May 8, Governor Jodi Rell signed Senate Bill 5930, “An Act Requiring Small Business Impact Analyses for Proposed Regulations” into law (Public Act 09-19). The new law amends the state’s regulatory processes to help ensure that new rules and regulations do not unnecessarily burden small businesses.

The measure, introduced by Representative Diana Urban of the 43rd District, attracted 34 co-sponsors and won unanimous support in roll call votes in both the Connecticut Senate and Assembly. With Governor Rell’s swift action, adoption of SB 5930 is a clear signal that Connecticut policymakers recognize the importance of small businesses to the state’s economy. Nearly 94

percent of Connecticut’s 73,000 employers have fewer than 100 employees.

The new law requires any state agency proposing a new regulation to identify how many small businesses will be affected and to estimate the cost of compliance. Connecticut law already requires that a regulatory flexibility analysis be performed. However, the new law requires agencies to notify the public about how to obtain copies of the new small business impact analysis and the regulatory flexibility analysis in advance of public comment period for the proposed regulation.

Steve Adams, the Office of Advocacy’s New England Regional Advocate, applauded the new measure. “Because of this new law, Connecticut small businesses will be better able to educate regulatory

agencies about how rules will affect small entities,” Adams said. “It will also help agencies identify less onerous approaches to achieving regulatory goals,” he continued.

With the enactment of Public Act 09-19, Connecticut joins Rhode Island and Maine in boosting these states’ small business competitive environment through regulatory reform. Maine strengthened its small business regulatory flexibility in 2007, following Rhode Island’s action in 2006. The Massachusetts legislature is considering a similar measure in its current session.

Details of the Connecticut law can be found at [http://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill\\_num=HB05930](http://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB05930) or by contacting New England Regional Advocate Steve Adams at [stephen.adams@sba.gov](mailto:stephen.adams@sba.gov).

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