

# THE SMALL BUSINESS

# ADVOCATE

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Sens. Christopher Bond (R-Mo.) and John Kerry (D-Mass.) addressed Small Business Advocates of the Year and Small Business Persons of the Year on June 2. Related story on page 10.

## New Deputy Administrator Sworn In

"I'm here to make sure that all Americans get a fair share and a fair shot at pursuing the American dream," said Fred P. Hochberg, who was sworn in June 5 as deputy administrator of the U.S. Small Business Administration. As deputy

administrator, Hochberg will help direct the delivery of a diverse set of financial and business development programs, including a portfolio of guaranteed business and disaster loans worth more than \$45 billion.

*Continued on page 10*



Fred P. Hochberg (L) sworn into office by SBA Administrator Aida Alvarez (R).

## Message from the Chief Counsel

### Farewell, Fred Tarpley

This month the Office of Advocacy says farewell to one of its all-time heavy hitters, Chief Economist Fred A. Tarpley, Jr., whose long-time efforts have ensured that the importance of small business is recognized in federal policy-making.

For those who know the Office of Advocacy's history, Fred is a familiar figure. In an earlier era, from 1978 to 1980, he served as the director of Advocacy's Office of Economic Research. At that time, with the Office of Advocacy having just been established by Congress, Fred worked closely with then-Chief Counsel Milt Stewart and myself to establish the office's place as a potent voice for small business in its dealings with the federal government.

While it is said that few have an opportunity for a second act in life, Fred was afforded this very thing — at least as far as the Office of Advocacy is concerned. Shortly after my confirmation as chief counsel in 1994, I asked him to leave his position as associate dean at the Georgia Institute of Technology's Ivan Allen College of Management, Policy, and International Affairs and return to the Office of Advocacy as my chief economic advisor.

In this capacity, Fred has been a key mover in re-establishing the Office of Advocacy as Washington's primary source for small business statistics and research. At a time of unprecedented economic prosperity and astounding small business contributions, it was imperative that the Office of Advocacy see that some long-suffered problems of small business — such as access to capital, the burdensome reach of federal regulations, and the challenges of technological innovation — be addressed. Fred was able to marshal the severely reduced resources of the Office of Advocacy



and assure that we could take advantage of this unique opportunity to advance the small business agenda.

One of Fred's most impressive achievements during his second round in the Office of Advocacy — and an achievement that epitomizes why he has been such an important resource for us all — was the support he organized for the 1995 White House Conference on Small Business, culminating in the publication of *The Third Millennium*, a booklet and video distributed to the Conference's 1,800 delegates.

Fred's swan song at the Office of Advocacy was the tremendous muscle he put behind the launching of the Access to Capital Electronic Network (ACE-Net) — a new, Internet-based listing of small companies seeking capital from "angel" investors.

A happy conjunction of the theoretical and the practical has been the hallmark of Fred's entire career. He embodies just what an "advocate" for small business can really be. With Fred's retirement in June, all of us — the Office of Advocacy, Georgia Tech, and America's small businesses — will be a bit poorer.

Thanks, Fred, for all you have given us over the years.

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### Correction

On page 11 of the June issue of *The Small Business Advocate*, a statement of Dr. Kesh Narayanan of the National Science Foundation on the success of the SBA's Small Business Innovation Research program should have read: "... we find that the top 50 successful small business grantees (representing about 10 percent of all phase II grantees) account for \$2.7 billion sales and 10,000 jobs created," not "the top 509 successful small business grantees" as printed in the article.

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## Regulatory Agencies

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### IRS to Small Business: Payroll Tax Deposit Relief Is on the Way

The Internal Revenue Service announced on June 3, 1998, a change in employment tax deposit rules that will spell relief for about a half-million small businesses. Under the new rules, employers with employment tax liabilities of less than \$1,000 per return period will no longer be required to make monthly deposits of employment taxes.

Until now, employers were required to make payroll tax deposits if they had more than \$500 of accumulated employment taxes, such as social security, Medicare, and income tax withholdings for a return period. With the threshold raised to \$1,000, a half-million more employers will be relieved of the monthly deposit requirement. Their paperwork burden will also be reduced, as these deposits are generally made by paper deposit coupons.

Chief Counsel for Advocacy Jere W. Glover was pleased by the IRS' decision to change its policy. "We have worked with the IRS and many small business representatives to reduce tax-related paperwork burdens for small companies. This is a major success for all involved," he said.

The new deposit rules apply to employment taxes that are reported on a quarterly or annual basis, using IRS forms such as Form 941 (Employer's Quarterly Federal Tax Return) and Form 943 (Employer's Annual Tax Return for Agricultural Workers). The new rules apply to quarterly returns for periods beginning July 1, 1998, and for annual returns beginning January 1, 1999.

In addition to the new employment tax reporting rules, the IRS has recently undertaken a number of initiatives to aid small business-

es, including granting a six-month penalty waiver until Jan. 1, 1999, to businesses required to deposit their taxes electronically through the Electronic Federal Tax Payment System beginning July 1, 1997, or Jan. 1, 1998; and establishing a national "Problem Solving Day" program.

IRS Commissioner Charles O. Rossotti said, "This example of partnership with the small business community is only the beginning of what I hope to accomplish at the IRS for small businesses and for all taxpayers."

For more information, contact Russell Orban, assistant chief counsel for tax issues in the Office of Advocacy, at (202) 205-6946, or by e-mail at [russell.orban@sba.gov](mailto:russell.orban@sba.gov); or visit the IRS on the Internet at [www.irs.ustreas.gov](http://www.irs.ustreas.gov).

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### Regulatory Fairness Boards Seek Information on Enforcement Abuses

Small businesses are invited to speak out about federal agency abuses in enforcement. Peter Barca, the national ombudsman for the SBA's Regulatory Enforcement Fairness program, and members of the Regulatory Enforcement Fairness Boards will be conducting hearings across the country for the purpose of hearing directly from the small business community.

The ombudsman is required to identify federal agencies' enforcement-related activities that are of concern to small businesses. Ombudsman Barca is assisted in this task by the Small Business Regulatory Enforcement Fairness Boards — five-member boards

composed of small business owners and operators who serve one-year terms — established in each of the SBA's 10 regions to collect comments about federal regulatory enforcement actions.

To schedule testimony before the panel, contact the National Ombudsman's Office at (312) 353-0880. You may sign up at the hearing prior to the start of the presentations, but space and time are limited and it is recommended that you make a reservation to participate.

For hearing updates and information, call the office of the National Ombudsman on Regulatory Fairness at its toll-free number: 1-888-REGFAIR (1-888-734-3247), or

visit its Web site at <http://www.sba.gov/regfair>.

#### Upcoming Hearings

Regulatory Enforcement Fairness Board hearings scheduled for August 1998.

- **August 10, Cleveland, Ohio:** Scheduled for 1:00 p.m. at the KeyCorp. National Headquarters, 127 Public Square.
- **August 21, Nashville, Tennessee:** Scheduled for 1:00 p.m. at the Bellsouth Building, 333 Commerce Street.

## Small Business: America's Economic Essence

by Jere W. Glover

Americans have strong feelings about individual, religious, and political freedoms and are quick to defend them if they are threatened. But what about economic freedom? Are there essential elements worth defending? Those looking for an answer would do well to observe the stream of visitors from the former Soviet Bloc and other countries struggling to get their economic feet on the ground. What do they want to know about? The remarkable phenomenon of small business — and why it thrives in the United States.

A study just released by the Office of Advocacy, *The New American Evolution* by Chief Economic Advisor Zoltan Acs, assembles recent research and the best thinking of a dozen top economists on that very topic. By looking back, we begin to see how remarkable the small business evolution is.

In the recession year of 1992, then Under Secretary of Commerce Jeffrey E. Garten characterized the American state of affairs as follows: “Relative to Germany and Japan, our economic prospects are poor and our political influence is waning. Their economic underpinnings — trends in investment, productivity, market share in high technology, education and training — are stronger. Their banks and industry are in better shape; their social problems are far less severe than ours.”

In 1998, the balance has shifted dramatically. U.S. unemployment is just under 5 percent, the economy is growing at 3 percent per year, inflation is at bay, manufacturing productivity is rising by 4 percent annually, the dollar is strong, and the Dow Jones Industrial Average is breaking records as a matter of course. In contrast, in both Europe and Japan, gross national product

### Business Evolution in Action

Annual flows of business formation and closing show how new, mainly small, firms are agents of change in the U.S. economy.



Source: SBA, Office of Advocacy.

has grown at less than 1.5 percent per year. The unemployment rate has remained in double digits in the European Union (EU), and in Japan the stock market has been stagnant since the early 1990s at half its previous level.

And this is key: over the longer 1960–1984 period, while total employment remained virtually unchanged in the EU, it increased by 33 million in the United States — and another 25 million jobs were added by 1996.

What accounts for the disparity in performance between the United States and its trading partners?

Differences in competition, entrepreneurship, and new firm startups are a major factor. At least three entrepreneurial stories contribute to the U.S. success:

- Large firms in mature industries have downsized, restructured, and reinvented themselves in the 1980s and 1990s, in many cases returning to their “core competencies” and contracting out functions formerly done in-house. As they

became leaner, their sales and profits increased.

- New and small startup companies have been blossoming. According to researchers P. Lynch and John Rothchild, just 25 of these companies, some of which did not exist in 1975, have created 1.4 million jobs.

- Thousands of smaller companies have been formed, many by women, minorities, and immigrants. Between March 1992 and March 1993 alone, small firms with fewer than five employees created more than 1 million net new jobs.

Throughout most of this century, observers looked at what amounted to a still photograph of the American economy, saw that big-business had distinct advantages in producing products at lower cost, and concluded that big business drove the economy.

But the American economy is not a still photograph, say Acs and his colleagues — it is a dynamic

*Continued on next page*

organism that changes while you look at it. Viewed from the perspective of process, change, and evolution, small firms make at least two indispensable contributions to the American economy:

- As sources of constant experimentation and innovation, they are an integral part of the renewal process that pervades and defines market economies. They have a crucial role as leaders of technological change and productivity growth. In short, they change market structure.

- By creating opportunities for women, minorities, and immigrants, they are an essential mechanism by which millions enter the economic and social mainstream.

One of my predecessors in this office, Milt Stewart, said it well: "Economic freedom is measured to the extent there is small business — the number and significance of small businesses. The rate of business formation turns into a measure of political liberty. If you want independence, freedom to make choices, that's what small business represents."

If you want to know about a nation's future growth, measure the number of small businesses, look at the jobs and livelihoods they create, see if they have the capital and economic freedom to develop new ideas, find out how easily they can start up and, yes, fail and start over again. And assess whether they're more often helped or hamstrung by their surroundings, including the marketplace and their government's policies.

According to 1992 Nobel laureate Gary S. Becker, "Europe's regulatory roadblocks and onerous taxation keep the job growth enjoyed by the U.S. out of reach." Like the American citizenry, the American small business community wants a clean environment, a healthy workplace, and all the best benefits that only regulation — the right amount of regulation — can bring. The key

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**"If you want to know about a nation's future growth, measure the number of small businesses, look at the jobs and livelihoods they create."**

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is the "right amount" of regulation.

What is the "right" amount? Unfortunately, the answer is not simple — each legislative or regulatory proposal is couched in a different set of circumstances. And the nature of undifferentiated regulation is that it is nearly always potentially more damaging to small firms and other small entities than to their larger counterparts.

Bringing to policymakers a refined level of understanding about small business as a foundation of our economy and the effects of regulations on this vital community is the Office of Advocacy's critical role. Our charge is to ensure that small businesses are at the table when policies are devised and to maximize the benefits that government proposals can bring to small

business. That's why, for example, we're taking a hard look at the proposed bankruptcy reform legislation — to see whether it will shift the delicate balance that allows small firms to experiment and, if necessary, fail and start again. (See "Bankruptcy Bill Would Have 'Chilling Effect' Testifies Chief Counsel," on page 7 of this issue.)

Our charge is not an easy one, but it's important — no less than our economic freedom is at stake.

## How to Get the Report

Copies of *The New American Evolution: The Role and Impact of Small Firms* are available for purchase on paper or microfiche from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; tel. (703) 605-6000. Ask for document no. PB98-146236.

The full text of the report is also available on the Office of Advocacy's Web site at <http://www.sba.gov/ADVO>.

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## SEC Forum Scheduled for September 24 and 25

The U.S. Securities and Exchange Commission's 17th Annual Government-Business Forum on Small Business Capital Formation will be held in Chicago, Illinois, Sept. 24–25, 1998. At the Forum, small business owners and policy specialists will develop recommendations on securities, tax, and banking issues for federal policy makers.

For an application form or additional information, contact the SEC's Office of Small Business Policy at (202) 942-2950.

The SEC recently appointed a

special ombudsman for its Finance Office of Small Business to handle the concerns of smaller companies within the SEC. The ombudsman is available to answer general questions or to help find answers to any specific questions. Contact the SEC ombudsman at tel. (202) 942-2950, by e-mail at [help@sec.gov](mailto:help@sec.gov), or by writing to: Office of Small Business, SEC Small Business Ombudsman, U.S. Securities and Exchange Commission, 450 Fifth St. N.W., Stop 7-8, Washington, DC 20549.

### Micro-Lending by Banks Grew in 1997, Says New Report

It was June 1994 when the Office of Advocacy published the first “small-business-friendly” banking study, to enable small businesses to find banks which are willing to lend to them and to stimulate competition among lenders for the small business customer — and that seems to be happening. The Office of Advocacy’s 1997 edition of *Micro-Business-Friendly Banks in the United States*, reveals a 27-percent increase in the number of micro-business loans (defined as loans of under \$100,000) from June 1996 to June 1997.

The report identifies 449 banks with significant business lending activity in loans of less than \$100,000. These 449 banks, holding only 3.4 percent of total bank assets, had 13.2 percent (\$14.8 billion) of the total dollar value of micro-business loans outstanding in June 1997. Nineteen banks had at least \$100 million in micro-business loans outstanding.

“Advocacy’s goal for these bank lending studies remains to increase the capital pool for small businesses,” said Chief Counsel for Advocacy Jere W. Glover. “A 27-percent increase in the number of micro-business-loans is pretty significant.”

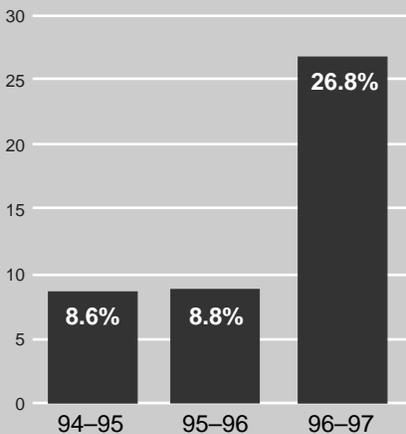
Banks, overall, furnished a greater number of micro-loans. However, the report indicates the average value of micro-loans has decreased. Meanwhile, the share of banks’ portfolios of larger loans has grown.

How do small businesses identify which banks are “small-business-friendly”? The report ranks lender performance by state. Included in this micro-business-friendly listing are the top 10 banks or the top 10 percent in each state — whichever number is smaller.

While it is difficult to say cate-

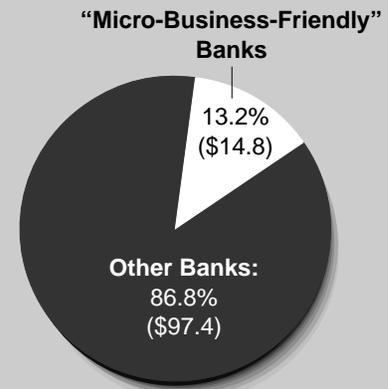
#### Big Dollars for Small Business

Change in the number of business loans of less than \$100,000, 1994–1997.



Source: SBA, Office of Advocacy.

Micro-business loans outstanding in June 1997 (billions of dollars).



gorically which banks are the best in lending to small or micro-businesses, this report, within the limitations of the available data, presents those most likely to make micro-loans. The analysis employs information reported by the nation’s commercial banks on quarterly “call reports” filed with federal banking regulators and uses four criteria to determine the rankings: (1) the ratio of micro-business loans to total bank assets; (2) the ratio of micro-business loans to total business loans; (3) the dollar value of micro-business loans; and (4) the number of micro-business loans. A total “micro-business-friendly” ranking for each bank is derived from the bank’s rankings in the four categories.

If a bank participates in the SBA’s loan programs and uses secondary markets extensively, the bank’s ranking in this study may be artificially low. Banks participating in the SBA’s “preferred” or “certified” lender programs should be

considered small-business-friendly, and small businesses searching for loans should certainly seek out banks that participate in the SBA’s lending programs. (To find an SBA lender in your area, contact your local SBA office or the Small Business Answer Desk at 1-800- 827-5722.)

#### For More Information

The latest edition of *Micro-Business-Friendly Banks in the United States* is available for purchase from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161; tel. (703) 605-6000. Ask for document no. PB98-148240.

The report is also available on the Office of Advocacy’s Web site at <http://www.sba.gov/ADVO/>.

### Bankruptcy Bill Would Have “Chilling Effect,” Testifies Chief Counsel

At a May 19 hearing before the Senate Judiciary Subcommittee on Administrative Oversight and the Courts, Chief Counsel for Advocacy Jere W. Glover restated his concerns about the impact on small business of the proposed Bankruptcy Reform Act of 1998 (S. 1914). Glover told Chairman Charles Grassley (R-Iowa), who introduced the bill on April 2, that the legislation “may have a chilling effect on entrepreneurship in this country.”

Sen. Grassley asserts that the bill would provide fast-track procedures for businesses in Chapter 11 with less than \$5 million in debt. “Businesses that have no realistic chance of reorganizing should be identified quickly and routed to Chapter 7,” he said.

The most significant proposed change contained in S. 1914 is that the voluntary election of the small business provisions permitted under Chapter 11 would be made mandatory for all businesses with aggregate liabilities of up to \$5 million. According to the National Bankruptcy Review Commission’s statistics, more than 85 percent of commercial bankruptcies under Chapter 11 would be forced to use the proposed small business provisions.

In his testimony, Chief Counsel Glover stated that the current Chapter 11 provisions were designed to permit businesses having trouble paying their debts and liabilities to reorganize and restructure in order to return to profitability. Glover said that Congress’ last visit to the Bankruptcy Code, in 1994, produced amendments that actually were an acknowledgment by Congress that businesses are not all alike and that a “one-size-fits-all” Chapter 11 is not in the best interests of small business.

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**Testifying before a Senate committee, Chief Counsel Glover asserted that a “one size fits all” approach to bankruptcy is not in the best interests of small business.**

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“As debtors and creditors, entrepreneurs need a bankruptcy system that is fair, equitable, and flexible enough to accommodate the individual needs of different industries, the complexities of varying businesses, and the regional economies around the country,” Glover said.

The chief counsel stated that Chapter 11 as it currently exists provides an orderly and equitable way for debtors to reorganize their businesses, and that bankruptcy courts around the country have implemented other successful small business bankruptcy reorganization systems without any changes to the U.S. Bankruptcy Code. “This is further evidence that ‘flexibility’ in Chapter 11 is not only workable but apparently desirable,” Glover said.

Glover believes that the proposed small business bankruptcy provisions make fundamental, expansive, and detrimental changes to both small business debtors and creditors. In light of the fact that small business bankruptcies under Chapter 11 comprise less than 1 percent of all bankruptcy filings (0.69 percent), he concluded his testimony with a recommendation that the Senate defer consideration of any amendments with respect to small business until the impact of the proposed changes on the small business community, federal loan and

investment programs, and the U.S. economy are assessed. “Any amendments to the U.S. Bankruptcy Code without full comprehension of the consequences could irreparably damage the entrepreneurial spirit that has made our economy as strong as it is today,” he said.

#### For More Information

To see the full text of the chief counsel’s testimony, go to the Office of Advocacy’s Web site at <http://www.sba.gov/ADVO/laws/testimony/1998/>. For related information, see “Bankruptcy Reform Bill Threatens Small Business Protections,” in the June 1998 issue of *The Small Business Advocate*.

For more information about this issue, contact Gregory Dean, assistant chief counsel for banking and finance policy in the Office of Advocacy, at (202) 205-6951 or by e-mail at

### Innovation Programs Highlighted in "State of Small Business"

Many of the technologies and industries that are critical to the nation's future economic growth are closely identified with technology based firms, which are largely small, high-tech companies. The role of these firms in the commercialization of new technologies is unique to the United States. Though in the aggregate, small technology firms spend only a fraction of what large firms spend on total research and development (R&D), they produce more than half of the innovations, an impressive return on their investment. Through competition — the continual creation and marketing of new ideas by innovative new companies — small businesses challenge stagnant firms' dominance of markets. Many economists regard this creative competition as fundamental to the prosperity of a capitalist economy, and therefore a matter of critical public policy concern.

Recognizing this phenomenon, Congress and the executive branch of the federal government, since 1980, have instituted active policies, programs, and partnerships to ensure that the federal government's R&D programs take advantage of the expertise of these dynamic small businesses. These initiatives encourage small high-tech firms to participate in the federal R&D market. While these programs represent a small fraction of America's total investment in R&D, by leveraging public and private sector funding they have a broad economic impact. They allow small technology-based businesses to apply their unique competencies to federal R&D requirements, create new products and processes, and bring them to commercial markets. The importance of these programs is detailed in the 1996 edition of

#### Visit Them Now

Internet addresses for federal technology and assistance programs.

- **Small Business Innovation Research program:**  
<http://www.sba.gov/SBIR>
- **Small Business Technology Transfer program:**  
<http://www.sba.gov/SBIR/str.html>
- **Advanced Technology program:**  
<http://www.atp.nist.gov>
- **Manufacturing Extension Partnership:**  
<http://www.mep.nist.gov>
- **Small Business Development Center program:**  
<http://www.sba.gov/sbdc/>
- **SBA 7(a) and 504 loan programs:**  
<http://www.sba.gov/financing/>
- **Access to Capital Electronic Network:**  
<https://ace-net.sr.unh.edu/>
- **Service Corps of Retired Executives:**  
<https://www.score.org>

*The State of Small Business: A Report of the President.*

To keep in perspective the significance of these small technology businesses to the U.S. economy, it is noteworthy that they received 38 percent of all domestic utility patents granted in the United States in 1991. Their share of industrial R&D tripled, from 5.6 percent in 1980 to 14.5 percent in 1995. However, their share of federal R&D programs remained almost constant, rising from 3.5 percent in 1978 to only 3.8 percent in 1993.

It is clear government can play an important role in, and benefit

directly from, small firm innovation by increasing small business access to the R&D infrastructure, diffusing risk, and providing capital. The Small Business Innovation Research and Small Business Technology Transfer programs help to ensure that small businesses have access to the huge federal R&D infrastructure. The Advanced Technology and Manufacturing Extension programs help integrate the research into small-firm networks. The U.S. Small Business Administration's Section 7(a) and 504 loan programs, and the Access to Capital Electronic Network (ACE-Net), increase the pool of lending and equity capital. The Small Business Development Center (SBDC) and Service Corps of Retired Executives (SCORE) programs provide management, technical, and research assistance needed by small firms. By strengthening the innovative capabilities of the small firm sector, these programs foster America's global competitiveness and technology-based economic growth.

• **Small Business Innovation Research (SBIR) program.** In 1982 Congress passed and President Reagan signed into law the Small Business Innovation Development Act, authorizing the SBIR program. Congress created the dual-purpose SBIR program to: (1) meet federal R&D needs more effectively by utilizing small innovative firms; and (2) attract private capital to commercialize the results of federal research.

As reported in nine consecutive studies by the General Accounting Office, an independent investigative arm of the U.S. Congress, the SBIR program has resulted in both high

*Continued on next page*

quality research to meet specific needs of the federal government and an expansion of the nation's industrial base. (See "GAO Report to Congress on SBIR Program: It's Just About Perfect" in the June 1998 issue of *The Small Business Advocate*.) At the same time, the SBIR program has enabled small businesses to grow and mature and create jobs for Americans by moving ideas from the drawing board to the marketplace.

Since the program's inception in fiscal year 1983, small high-tech firms have submitted some 220,000 proposals resulting in more than 33,000 awards worth more than \$6.4 billion. The public reaps the benefits of the government research and the business participants improve their competitive positions and profitability. The SBIR program is meeting not only the research goals of the funding agencies, but also a special need for high-risk seed and start-up capital.

• **Small Business Technology Transfer (STTR) program.** Begun in 1994, the STTR program links the R&D resources of non-profit research institutions with the high-tech capabilities and entrepreneurship of small high-tech firms. The STTR program reserves 0.15 percent of the R&D funding of five federal agencies for competitive award of advanced research projects to partnerships between small businesses and non-profit research institution, especially universities. By merging the innovative ideas of the researcher with the entrepreneurial skills of a small technology company, the STTR program creates another efficient vehicle for moving ideas to market.

• **Advanced Technology Program (ATP).** Small firms are thriving in the rigorous hard-fought competitions of the ATP, managed by the U.S. Department of Commerce's National Institute of Standards and Technology. Of the 280 awards

made by the ATP from 1990 to 1996, nearly half went to small technology-based firms or to joint ventures led by a small business. The awards are valued at \$970 million in ATP funds and more than \$1 billion in industry cost share. In partnership with the ATP, these firms are developing high-risk, enabling technologies that they can translate into new business opportunities, new industrial processes to improve their productivity and the productivity of other U.S. producers, and new products and services for the world's markets.

• **Manufacturing Extension Partnership (MEP).** The MEP is a growing nationwide system that gives smaller manufacturers access to new technologies, resources, and expertise. At the heart of the system is a network of affiliated, locally based manufacturing extension centers. Each private non-profit center is a partnership, typically involving federal, state, and local governments; industry; and educational and other institutions. Through this network the MEP is putting hard-to-find technical assistance and the newest business practices within the reach of the nation's small and

medium-sized manufacturing establishments. The MEP and the individual centers have developed relationships with nearly 700 organizations.

• **SBA and affiliated programs.** The SBA has several loan programs that primarily serve small businesses in the high technology industry, including the Section 7(a) and 504 loan programs.

The Access to Capital Electronic Network (ACE-Net), also available to technology-based firms, is an Internet-based network designed as a listing service for serious investors and entrepreneurs interested in finding each other.

The Small Business Development Center (SBDC) program provides some of the management, technical, and research assistance needed by small firms. A number of SBDCs emphasize assistance to technology companies.

Another resource for small business assistance is the Service Corps of Retired Executives (SCORE). This SBA-supported program matches volunteers with small businesses that need expert advice.

## For More Information

In addition to information about government innovation research programs, the 1996 edition of *The State of Small Business* includes data on small business performance in the economy, financing available to small firms, procurement from small firms, self-employment as a small business option, progress on the recommendations of the 1995 White House Conference on Small Business, and regulatory relief.

Copies of *The State of Small Business* are available for purchase from the U.S. Government Printing Office at a cost of \$20

postpaid. Orders charged to a credit card can be made by telephone, fax, or e-mail: call (202) 512-1800 between 8 a.m. and 4 p.m. Eastern time; fax your order to (202) 512-2250; send your order via e-mail to [orders@gpo.gov](mailto:orders@gpo.gov). Ask for stock number 045-000-00281-1.

Mail orders should be sent to: Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250.

The report is also available on the Internet in Adobe Acrobat format at <http://www.sba.gov/ADVO/stats>.

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## Small Business Week 1998

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### Ohio Entrepreneur Named Small Business Person of the Year

Ross O. Youngs president of Univenture, Inc., was named National Small Business Person of the Year. Vice President Al Gore and SBA Administrator Aida Alvarez named Youngs the winner of the prestigious award at ceremonies held during the national celebration of Small Business Week. Youngs was selected from a field of 53 SBA small business winners representing the 50 states, the District of Columbia, Puerto Rico, and Guam.

“This award celebrates the American entrepreneur, and the ideas, hard work, and perseverance that it takes to make a small business successful,” Vice President Gore said. “The President and I congratulate Ross Youngs, and every entrepreneur who builds a business, creates jobs, and contributes to a stronger community and a stronger America.”

Youngs started Univenture in his basement 10 years ago with a \$20,000 personal bank loan. Using a household clothes iron as a welding instrument, he crafted the prototype of a lighter, less bulky, and sturdier packaging system for compact discs. Two SBA guaranteed



L to R: 1998 Media Advocate of the Year Dee DePass of Minneapolis Minn., Sandra B. Williams, Sen. Paul Wellstone (D-Minn.), and Roscoe S. Williams at Capitol Hill luncheon ceremony on June 2 honoring Small Business Advocates of the Year.

loans helped Mr. Youngs begin and expand production. Sales have risen in 10 years from \$111,000 to \$15 million. Customers include Microsoft, Sony, Gateway, Apple, and Warner Brothers. Univenture has appeared on Inc. magazine's list of the 500 fastest-growing, privately held companies in the United States in each of the past five years.

The national entrepreneur

awards are a highlight of the annual Small Business Week celebration, which honors the contributions of the nation's small business owners. In special events held by the Office of Advocacy, national awards were presented for small business advocacy, exporting, young entrepreneur, and entrepreneurial success (see the May issue of *The Small Business Advocate*).

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### Fred Hochberg, *from page 1*

“I'm pleased to welcome to the SBA a small business professional with such strong small business advocacy interests and background,” said SBA Chief Counsel for Advocacy Jere W. Glover. “The small business community will certainly be the beneficiary of Fred Hochberg's extensive business acumen.”

Hochberg has nearly lifelong experience in small business, having worked for his mother's direct mail company, Lillian Vernon, Inc., as a teenager. When he joined full time as the company's advertising

manager in 1975, it employed 16 people and had \$6 million in annual sales. When he left as its president 18 years later, Lillian Vernon was a household name and a public company with 1,400 employees, 5 million customers, and \$170 million in annual sales. Since 1993, Hochberg has managed the Heyday Company, a private investment firm.

Hochberg brings extensive experience working with small business trade and professional groups. He served on the executive committee of the board of the Direct Market-

ing Association, which represents the interests of small and large firms in the catalog industry. He has also served on the boards of the Advertising Mail Marketing Association, the Parcel Shipper's Association, the Crestar Bank Regional Advisory Board, and as a member of the Young Presidents Organization, which produces seminars and business-building programs for young entrepreneurs and executives.

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## Special Report

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### Model of Excellence: Oregon Small Business Council

*Over the next few months, The Small Business Advocate will be bringing you reports that highlight state programs and events that are “models of excellence.” These state programs that are successfully advancing the growth of small business — such as the Oregon Small Business Council described in the following article — will be showcased at Vision 2000: The States and Small Business Conference to be held in Washington, D.C., Dec. 9–10, 1998. To nominate a state program or initiative for one of the “models of excellence” awards that will be given at the conference, or to receive more information about the conference, contact Barbara George in the Office of Advocacy at (202) 205-6934.*

Oregon’s elected delegates to the 1995 White House Conference on Small Business (WHCSB) are building on their conference experience and successes to bring the small business agenda to the state level. The delegates are proposing a state small business council whose goal will be to work with the governor and the Economic Development Commission to advance Oregon’s small businesses.

Oregon’s 24-member delegation to the WHCSB was diversified, with representatives from minority- and women-owned businesses, as well as from urban and rural areas of the state. “We started out as geographically and ethnically diverse small business owners, but almost immediately identified our mutual interest — small business,” says Jim Irvine, regional implementation chair. Irvine is president of the Conifer Group in Portland and has served as president of the National Association of Home Builders.



L to R: SBA Regional Advocate Andrew Munro, Clyde Stryker, president of Spirit Communications of Sherwood, Ore., and Laila Cully of the Oregon Economic Development Department at the 1998 Oregon Salute to Small Business, held May 29 in Portland.

The leadership provided by the delegation was exemplary. During the past two years, several delegates have testified before congressional committees and worked closely with federal agencies to clarify regulations. “Our specific mission was to develop a broad federal public policy agenda, based on delegate recommendations, to help Congress, the Administration, and federal regulatory agencies better understand the problems of small business,” says Eric Blackledge, chair of the Taxation Issue Committee, and owner of Blackledge Furniture in Corvallis, Oregon. The impact of state policy and regulations on small business makes the need for a similar effort at the local level evident. A primary goal of the council will be to improve communication between small business and state government.

In the effort to develop a council,

Oregon’s small business community is looking at existing models in other states — including Washington, Hawaii, and Colorado — to see how they fostered a progressive state small business agenda. Laila Cully, of the Oregon Economic Development Department, credits SBA Regional Advocate Andrew Munro with helping Oregon tap into the small business resource models already established in other states and apply them to the new initiative. Cully has been working with the Oregon delegation since 1995 at the request of Gov. John Kitzhaber (D).

For more information about the Oregon Small Business Council, contact Andrew Munro at (206) 553-5231, or by e-mail at [andrew.munro@sba.gov](mailto:andrew.munro@sba.gov).



✓ *Plan to attend . . .*

***December 9 and 10, 1998,  
when the Office of Advocacy hosts***

# **Vision 2000: The States and Small Business Conference**

- ✓ Learn about programs and policies that foster small business development.
- ✓ Hear about “models of excellence” — the programs that have helped small business the most.

*For more information, to register to attend, or  
to nominate a candidate for an “Award of Excellence”  
visit the Vision 2000 Web site at*

***<http://www.sba.gov/ADVO/vision.html>***

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