

Small Business Profiles Offer Valuable Insight into States' Economies

The Office of Advocacy released a new report, *Small Business Profiles for the States and Territories*, an annual snapshot of state-level small business activity which includes information on the number of firms, employment, demographics and other topics using the most recently available government data.

"The United States' 28.4 million small businesses play a vital role in our economy, said Christine Kymn, Advocacy's chief economist and director of economic research. "Small businesses represent 99.7 percent of all U.S. businesses with employees and employ about 56 million members of the nation's private-sector workforce. The Office of Advocacy notes that this year's state profiles signal improving conditions for small businesses and in turn, their respective state economies. We hope to see further improvements in 2015."

Some highlights of the profile include:

Inside: Small Business Profile for the United States

- Small businesses with fewer than 100 employees have the largest share of small business employment.
- The top three small business industries with the most jobs include health care and social assistance, accommodation and food services, and retail trade.
- In 2013, 630,357 establishments opened, and 79.5 percent survived through 2014.

The report includes breakdowns of the top 10 states in a variety of categories. These top ten lists provide valuable insights into which individual states are showing upward trends in small business growth.

For example, Montana tops the lists of states with the highest

share of small firm employment in 2012, with 67.6 percent, followed by Wyoming with 62.3 percent and South Dakota with 59.2 percent (Table 1).

Also of note are the states with the highest self-employment rate in 2013. Montana and Vermont top the list, each with 13.6 percent of citizens self-employed, followed by South Dakota with 13.1 percent (Table 2).

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Regulatory News

Advocacy Submits Comments on Proposed Dept. of Defense Rule

On December 18, 2014, the Office of Advocacy submitted a comment letter to the Department of Defense about a proposed rule regarding the limitations on terms of consumer credit extended to service members and dependents. The proposed changes implement portions of the Military Lending Act (MLA).

The MLA rule provides protections to a consumer who is a service member or the dependent of a service member at the time he or she becomes obligated on certain types of consumer credit transactions. It limits interest to 36 percent, prohibits arbitration and prepayment penalties, and requires delivery of special disclosures before consummation of the transaction.

Currently, the MLA rule covers only three types of consumer credit: closed-end payday loans with a term of 91 days or fewer in which the amount financed does not

exceed \$2,000; closed-end vehicle title loans with a term of 181 days or fewer; and closed-end tax refund anticipation loans.

The proposed rule extends protections of the MLA to a broader range of products. It would limit interest charged to service members and their dependents on all payday loans, vehicle title loans, refund anticipation loans, deposit advance loans, installment loans, unsecured open-end lines of credit, and credit cards. It would also require creditors to screen all applicants against a DoD database before offering such products with rates greater than 36 percent in order to be eligible for a safe harbor. Advocacy's letter states that requiring small entities to check every customer to determine if he or she is a military member or a military dependent could become burdensome.

The DoD prepared a certification in lieu of an initial regulatory flexibility analysis (IRFA). Advocacy expressed concerns about the factual basis for the certification. Advocacy encouraged DoD to

determine the number of small entities that would be impacted by the proposal and the nature of the economic impact to determine whether an IRFA was necessary or provide information for a stronger factual basis if a certification was appropriate.

To mitigate the economic impact on small entities, Advocacy recommended that small entities be allowed to continue to operate under a safe harbor that requires service members and their dependents to self-identify.

The comment letter can be found at <http://go.usa.gov/3qNkR>. For more information, contact Jennifer Smith at (202) 205-6943 or Jennifer.Smith@sba.gov.

Regulatory Alert: Revisions to Ozone Air Quality Standards Proposed by EPA

On December 17, 2014, the Environmental Protection Agency issued proposed revisions to the national ambient air quality standards (NAAQS) for ozone. This widely anticipated rule proposes to lower the primary standard to a level within the range of 65 to 70 parts per billion. Because the NAAQS impose requirements only on states, EPA has certified that the rule will not have a significant economic impact on small entities. Nonetheless, small businesses and their representatives are concerned that lowering this standard will lead to significant economic harm. Comments on the rule are due by March 17, 2015. For more information, visit Advocacy's web site at <http://go.usa.gov/3qNPC> or contact David Rostker at (202) 205-6966 or David.Rostker@sba.gov.

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Advocacy Welcomes New Economist

Miriam Segal has joined the Office of Advocacy as an economist. Segal comes to Advocacy from the National Women's Business Council. She started there as an intern and rose to the position of research analyst responsible for performing the quantitative analysis underlying policy research. In her work with NWBC, she has developed content for issue briefs and fact sheets, coordinated with communications and design teams to develop infographics and other public outreach materials, and managed quantitative research projects.

Segal received her bachelor's degree in economics and Spanish from the University of Maryland.



Miriam Segal

United States

28,443,856 Small Businesses

5,707,941 Small Businesses with Employees

22,735,915 Small Businesses without Employees (Nonemployers)

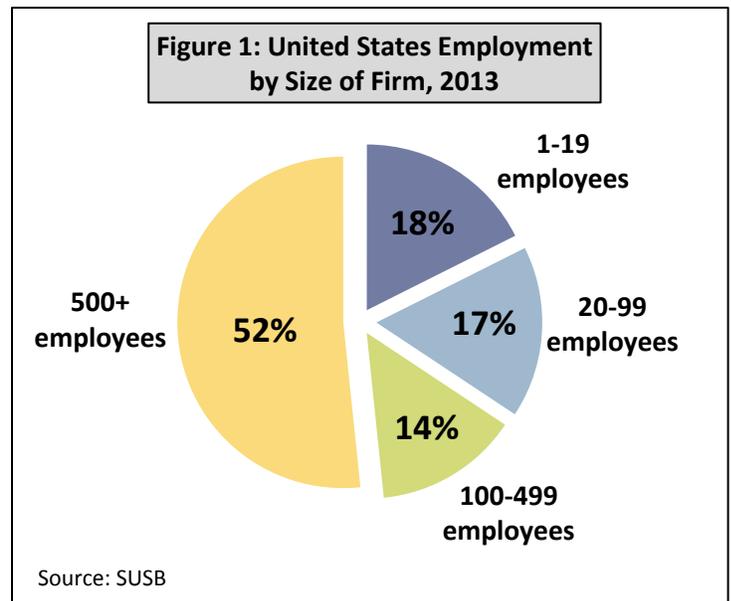
56,062,893 Workers Employed by Small Businesses

Overall U.S. Economy

- Multiple economic indicators, including real gross domestic product (GDP), consistently signaled a strengthening U.S. economy in 2014. In the third quarter of 2014, real GDP grew at an annual rate of **5.0 percent**, which was the strongest growth in a single quarter since 2003. By comparison, the nation's 2013 annual real GDP increased **2.2 percent** over the 2012 annual level. (Source: BEA)
- The employment picture in the United States has improved. The national unemployment rate declined from **7.2 percent** in October 2013 to **5.8 percent** in October 2014. In 2014, the U.S. economy generated the best year of job growth since 1999, but while wage growth and long-term unemployment showed signs of improvement, further recovery is still needed in these areas. (Source: BLS, CEA)

Employment

- U.S. small businesses employed about half or **56.1 million** of the nation's private workforce in 2012. (Source: SUSB)
- Almost all firms with employees are small. They make up **99.7 percent** of all employers nationally. (Source: SUSB)
- Firms with fewer than 100 employees have the largest share of small business employment. **Figure 1** offers further detail.
- Nationally, small businesses created **2,175,253** net new jobs in 2012. The biggest gain was in the smallest firm size category of 1-4 employees. (Source: BDS)
- The number of people who were primarily self-employed in 2013 decreased by **1.2 percent** relative to the previous year.
- The nation's private-sector employment increased by **2.3 percent** over the 12-month period ending in October 2014. This was above the annual average growth rate of **2.1 percent** for the previous year. (Source: BLS)



The *Small Business State and Territory Profiles* report on the economic status of small business from 2007 to 2014. They include information on the number of firms, employment, demographics and other topics using the most recently available government data. They are a reference tool for researchers, policymakers, and small entities who are interested in how small firms are performing regionally or nationally. *Note that this report defines small businesses as firms with fewer than 500 employees; 2014 real GDP data are only available at the national level.*

Income and Finance

- The number of banks reported in the Call Reports between June 2013 and June 2014 declined. (Source: FDIC)
- In 2012, **5,483,883** loans under \$100,000 (and valued at **\$68.0 billion**) were issued by Community Reinvestment Act lending institutions in the United States. (Source: FFIEC)
- The median income for individuals who are self-employed at their own incorporated businesses for the past 12 months was **\$49,363** in 2013. For individuals self-employed at their own unincorporated firms, this figure was **\$22,207**. (Source: ACS)

Note: Median income represents earnings from all sources. Unincorporated self-employment income includes unpaid family workers, a very small percent of the unincorporated self-employed.

Business Owner Demographics

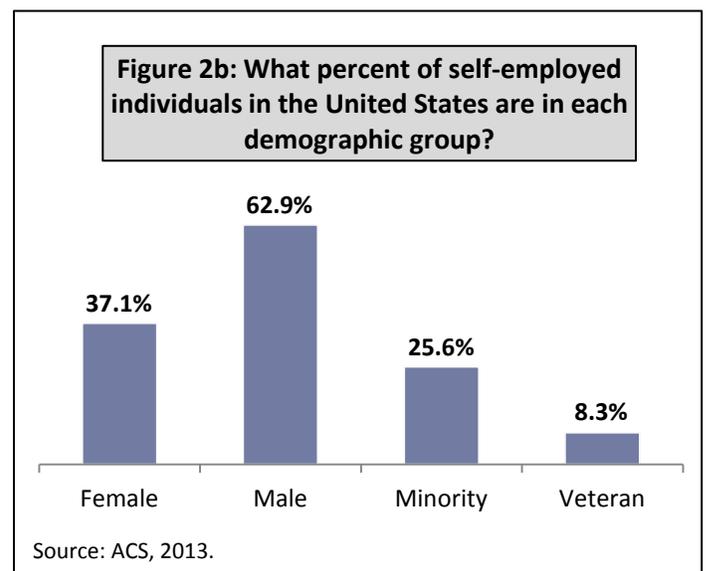
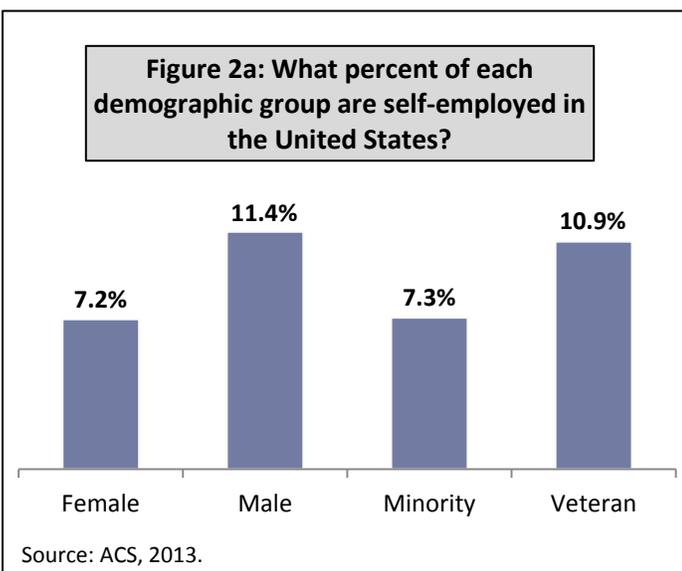
- **Table 1** shows the top industry for nine business owner demographics. For example, **40.1 percent** of female-owned businesses were in the other services industry, and female-owned firms made up **16.1 percent** of this industry.

Demographic Group of Business Owners	Most Common Industry	% of Industry in Demographic Group	% of Demographic Group in Industry
Female	Other services	40.1	16.1
Male	Construction	74.6	18.3
American Indian and Alaska Native	Construction	1.1	15.9
Asian	Other services	9.2	18.6
Black or African American	Health care & social assistance	15.4	19.0
Native Hawaiian and Other Pacific Islander	Other services	0.2	14.0
White	Agriculture, forestry, etc.	87.5	14.7
Hispanic	Construction	10.0	15.1
Veteran	Prof., sci., & tech. services	10.9	16.9

For more detailed information on businesses in your state, see www.sba.gov/advocacy/847/841921.

Source: U.S. Department of Commerce, Census Bureau, 2007 Survey of Business Owners via American FactFinder.

- **Figures 2a and 2b** show the demographic makeup of the self-employed in four demographic groups. For example, **Figure 2a** shows that **7.2 percent** of females were self-employed, and **Figure 2b** shows that **37.1 percent** of all self-employed people were female.



Business Turnover

- In 2010, **507,129** establishments opened in the United States, and **67.7 percent** survived through 2012. In 2013, **630,357** establishments opened, and **79.5 percent** survived through 2014. (Source: BLS, BED)
- In the first quarter of 2014, **382,000** establishments opened and **364,000** closed in the United States. (Source: BED)
- Business bankruptcies declined from 2010 to 2014, signaling a stronger U.S. economy. (Source: U.S. Courts)

International Trade

- A total of **304,867** companies exported goods from the United States in 2012. Of these **297,995**, or **97.7 percent**, were small firms; they generated one-third (**33 percent**) of the nation's total known export value. (Source: ITA)

Small Businesses and Employment by Industry

- **Table 2** ranks U.S industries by the number of small employer firms. The three most common industries for small employer firms across the United States are professional, scientific, and technical services; other services (except public administration); and retail trade.

Table 2: Number of United States Small Firms by Industry, 2012
(ranked by number of small employer firms)

Industry	Employer Firms With 1-499 Employees	Employer Firms With 1-19 Employees	Nonemployer Firms	Total Small Firms
Professional, scientific, & tech. svcs.	769,499	723,917	3,212,202	3,981,701
Other services (except public admin.)	665,793	622,498	3,522,878	4,188,671
Retail trade	648,584	594,510	1,905,147	2,553,731
Construction	640,055	594,783	2,346,798	2,986,853
Health care & social assistance	636,520	556,238	1,943,028	2,579,548
Accommodation & food services	493,247	393,126	340,770	834,017
Admin., supp., waste mgt., remed. svcs.	323,549	288,258	2,006,177	2,329,726
Wholesale trade	312,074	269,801	408,487	720,561
Real estate & rental & leasing	268,798	256,371	2,389,906	2,658,704
Manufacturing	252,737	193,108	344,658	597,395
Finance & insurance	233,187	215,929	720,598	953,785
Transportation & warehousing	165,890	147,818	1,059,040	1,224,930
Arts, entertainment, & recreation	114,194	99,038	1,236,539	1,350,733
Educational services	83,182	65,646	603,455	686,637
Information	70,003	60,349	327,795	397,798
Mining, quarrying, and oil & gas extraction	21,780	18,368	109,931	131,711
Forestry, etc. & agriculture support	21,260	19,953	240,054	261,314
Management of comp. & enterprises	19,261	4,324	*	19,261
Unclassified	7,103	7,094	*	7,103
Utilities	5,774	4,556	18,452	24,226
Total	5,707,941	5,130,348	22,735,915	28,443,856

Source: SUSB and Nonemployer Statistics. *Data for nonemployers not collected in these two categories.

See www.sba.gov/advocacy/additional-data-state-profiles for more detailed data.

- **Table 3** shows small firm employment by industry. The three industries with the most small business employment were: health care & social assistance, accommodation & food services, and retail trade (**Table 3**).

Table 3: Employment in the United States by Industry and Firm Size, 2012 (ranked by small firm employment)			
Industry	Employment		Small Firm % of Industry Employment
	Small Firms	Total Firms	
Health care & social assistance	8,451,138	18,378,342	46.0
Accommodation & food services	7,178,324	11,985,274	59.9
Retail trade	5,321,969	14,807,958	35.9
Manufacturing	5,086,905	11,192,043	45.5
Professional, scientific, & tech. svcs.	4,767,254	8,016,181	59.5
Other services (except public admin.)	4,508,134	5,256,250	85.8
Construction	4,380,020	5,260,942	83.3
Admin., supp., waste mgt., remed. svcs.	3,515,855	9,866,296	35.6
Wholesale trade	3,440,516	5,776,243	59.6
Finance & insurance	1,907,236	5,979,661	31.9
Transportation & warehousing	1,568,049	4,233,381	37.0
Educational services	1,493,361	3,477,047	42.9
Real estate & rental & leasing	1,344,302	1,940,681	69.3
Arts, entertainment, & recreation	1,301,406	2,057,290	63.3
Information	861,800	3,136,025	27.5
Management of comp. & enterprises	386,346	3,037,299	12.7
Mining, quarrying, and oil & gas extraction	294,351	727,626	40.5
Forestry, etc. & agriculture support	137,155	161,077	85.1
Utilities	111,625	641,063	17.4
Unclassified	D	D	D
Total	56,062,893	115,938,468	48.4

Source: SUSB. (D) indicates data suppressed to protect the confidentiality of individual firms.

See www.sba.gov/advocacy/additional-data-state-profiles for more detailed data.

Abbreviations and Resources

ACS	American Community Survey, U.S. Census Bureau, www.census.gov/acs .
BEA	Bureau of Economic Analysis, U.S. Department of Commerce, www.bea.gov .
BED	Business Employment Dynamics, U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov/bdm .
BDS	Business Dynamics Statistics, U.S. Census Bureau, www.census.gov/ces/dataproducts/bds .
BLS	Bureau of Labor Statistics, U.S. Department of Labor, www.bls.gov .
CEA	Council of Economic Advisers, www.whitehouse.gov/administration/eop/cea .
FDIC	Federal Deposit Insurance Corporation, www.fdic.gov .
FFIEC	Federal Financial Institutions Examination Council, www.ffiec.gov .
ITA	International Trade Administration, U.S. Department of Commerce, www.trade.gov .
Nonemployer Statistics	Nonemployer Statistics, U.S. Census Bureau, www.census.gov/econ/nonemployer .
SBO	Survey of Business Owners, U.S. Census Bureau, www.census.gov/econ/sbo .
SUSB	Statistics of U.S. Businesses, U.S. Census Bureau, www.census.gov/econ/susb .
U.S. Courts	Administrative Office of the U.S. Courts, www.uscourts.gov .

Economic News

State Profiles, from page 1

The states with the most small establishments surviving for a year (2013-2014) are Washington, with 87.4 percent, followed by Delaware with 84.7 percent and Wisconsin, with 83.1 (Table 3).

North Dakota has the highest

rate of private sector employment growth from October 2013-2014. Second highest is Texas and third is Utah (Table 4).

In addition to the detailed state profiles, Advocacy has also made available on their website extensive additional data on business turnover, income and finance, and

exporting. You can also find statistics broken down by industry type and the top industries by demographic group.

The state profiles can be found on Advocacy's website at <http://go.usa.gov/3q9gB>.

Table 1: Share of Small Firm Employment, 2012 (%)	
Montana	67.6
Wyoming	62.3
South Dakota	59.2
Vermont	58.9
North Dakota	58.6
Maine	57.3
Idaho	56.3
Oregon	55.5
Rhode Island	55.0
New Mexico	54.6

Table 2: Highest Self-Employment Rate, 2013 (%)	
Montana*	13.6
Vermont*	13.6
South Dakota	13.1
Maine	12.2
North Dakota	11.8
Idaho	11.6
California	11.5
Florida*	11.4
Oregon*	11.4
Colorado	11.2

*Indicates tie.

Table 3: Highest % of Small Establishments Surviving from 2013-14	
Washington	87.4
Delaware	84.7
Wisconsin	83.1
Connecticut	82.1
Utah	81.8
South Carolina*	81.5
Massachusetts*	81.5
New York	80.7
Texas*	80.6
South Dakota*	80.6

*Indicates tie.

Table 4: Private Sector Employment Growth, October 2013-14 (%)	
North Dakota	5.8
Texas	4.2
Utah	3.7
Delaware	3.2
Florida*	3.1
Nevada*	3.1
North Carolina*	3.0
Arizona*	3.0
Georgia	2.9
Tennessee	2.8

*Indicates tie.

Table 5: Incorporated Self-Employed Median Income, 2013	
District of Columbia	\$91,644
Massachusetts	\$61,434
North Dakota	\$60,602
New Jersey	\$60,089
Connecticut	\$59,067
Alaska	\$58,132
California	\$56,029
New Hampshire	\$53,214
Rhode Island	\$52,322
Delaware	\$52,148

Table 6: Small Business Percent of Total Exporting Value, 2012 (%)	
District of Columbia	78.7
Montana	70.8
Florida	68.6
Rhode Island	63.2
Wyoming	61.0
New York	59.7
Hawaii	46.8
California	44.6
Maine	43.1
New Jersey	42.5

Regulatory News, from page 2

Regulatory Alert: EPA Proposes Air Emission Standards for Brick Production

On December 18, 2014, the Environmental Protection Agency

issued proposed regulations that would establish national emission standards for hazardous air pollutants (NESHAP) for brick and structural clay products manufacturing. This rule would set emission standards for a wide variety of pollutants, including particulate matter, mercury, and acid gases. A majority

of the firms in brick production are small businesses and EPA projects that this rule may force some out of business. Comments on the rule are due by February 17, 2015. More information can be found at <http://go.usa.gov/3qNnY>, or contact David Rostker at (202) 205-6966 or David.Rostker@sba.gov.

Report Finds Small Businesses Saved at Least \$4.8 Billion in FY 2014

The Office of Advocacy's efforts to save small businesses billions of dollars in regulatory costs are detailed in a new publication, the *Report on the Regulatory Flexibility Act FY 2014*. The report is a requirement of the Regulatory Flexibility Act (RFA), which directs Advocacy to monitor federal agency compliance with the RFA and report on it annually. This year's report finds that the Office of Advocacy's work to ensure RFA compliance helped save small entities at least \$4.8 billion in first-year regulatory costs in fiscal year 2014, while assisting agencies in meeting their regulatory goals.

The main source of cost savings was the Environmental Protection Agency's modification of its construction and development storm-water runoff regulations. The final rule allowed flexibility in the standards for measuring and managing

construction site runoff.

Other success stories resulting from RFA compliance include:

- The Consumer Financial Protection Bureau's mortgage rules, which relaxed electronic record-keeping requirements and maintained the traditional definition of the five-day business week in mortgage transactions;

- Several Federal Communications Commission flexibilities affecting small businesses, for instance granting small businesses more time to phase in video displays accessible to the blind; and

- The Occupational Safety and Health Administration's final rule on cranes and derricks, which gave small employers more time to meet training standards for crane and derrick operators while important terms in the rules are more precisely defined.

The report details the 22 formal

comment letters filed by Advocacy in FY 2014. The two issues that occurred with greatest frequency were inadequate analysis of small entity impacts and significant alternatives not considered. The report also describes the 19 roundtables held by Advocacy, bringing together small business stakeholders to share their input on regulatory actions.

The full text of the report, as well as the research summary, can be found on Advocacy's website at <http://go.usa.gov/3qm5B>.

Annual Report of the Office of Economic Research, FY 2014

This report details the research and publications released by OER in fiscal year 2014 and can be found at: <http://go.usa.gov/3qmdG>.

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The Small Business Advocate

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The Small Business Advocate newsletter is published by the U.S. Small Business Administration's Office of Advocacy. It is distributed electronically to 35,000 subscribers.

The Office of Advocacy is the independent voice for small business in the federal government. The office is the watchdog of the Regulatory Flexibility Act (RFA) and the source of small business statistics. Advocacy advances the views and concerns of small business before Congress, the White House, the federal agencies, the federal courts, and state policymakers.

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