Frequently Asked Questions? We’ve Got the Latest Answers

Two years ago, the Office of Advocacy’s Chief Economist Chad Moutray held a series of regional focus groups with academics to discuss Advocacy’s many research and data products. As a result, Moutray learned many things that could be applied to the office’s future research projects. One important finding of the focus groups was the importance of Advocacy publications such as the Frequently Asked Questions (FAQ), a quick reference tool that is easy to access. The FAQ is used almost universally by academics, policymakers, and researchers. It is a handy source of small business factoids, as well as an entree to other studies from Advocacy. According to Harold Welsch, a professor at DePaul University in Chicago, the FAQ is an excellent resource that “should be in the hands of every student in the country.” Indeed, many college faculty introduce their students to the importance of small businesses through the FAQ.

In May, Region II Advocate Christine Serrano Glassner participated in Puerto Rico’s 50th anniversary celebration. Pictured here, from left to right, are Edgardo Bigas, executive vice president of the Puerto Rico Chamber of Commerce; Serrano Glassner; Ricardo Rivera Cardona, executive director of Puerto Rico Trade; Carmen Culpeper, SBA’s Puerto Rico district director; and William Manger, SBA region II administrator. For more regional news, see page 7.
Veterans Mean Business!

Veterans are a group of major significance in our economy. There are more than 25 million veterans in the United States, and the Office of Advocacy estimates that the number of veteran-owned firms could exceed 3.5 million. The Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50) charged Advocacy with developing information on businesses owned by veterans and service-disabled veterans, and on their role in our economy. Advocacy has tried to fill this knowledge gap and to provide policymakers with the necessary information to make informed decisions.

Since 1999, Advocacy has commissioned a number of research studies on veterans in business. Four of these have been published since 2004, and additional projects are under way. Some of these studies’ findings include the following:

- Military service appears to have provided a significant proportion of veteran business owners with essential business skills;
- The rate of self-employed business ownership among male veterans was higher than for male non-veterans over the entire period from 1979 to 2003; and
- There appears to be a significant undercounting of both the number and dollar amounts of federal prime contracts going to veteran-owned firms.

All of the studies underlying these statements can be accessed at www.sba.gov/advo/research/veterans.html. Older Advocacy studies on veterans’ issues are also available at this site.

Advocacy is actively exploring other sources of information on veterans in business. One of the most important is the Census Bureau’s 2002 Survey of Business Owners, part of the economic census conducted every five years. Preliminary data from this project indicate that veterans represented 14.1 percent of all owners of firms with employees, slightly more than their share in the overall population. However, service-disabled veterans constituted only 0.7 percent of all owners of employer firms, although they make up 1.3 percent of the U.S. population (age 25 and over). Additional information can be accessed at www.census.gov/econ/census02/sbo/sboadvance.htm.

Assistant Advocate Joe Sobota in Advocacy’s Office of Interagency Affairs coordinates veterans’ issues and research for Advocacy. He recently participated as a speaker at the Second Annual National Veterans Small Business Conference, sponsored by the U.S. Departments of Defense and Veterans Affairs, and other agencies. More than 1,100 participants—including procurement officials, prime contractors of all sizes, and veteran small business owners—attended this major event. The conference included matchmaking sessions to provide opportunities for small veteran-owned firms to meet potential customers. Sobota discussed Advocacy’s veterans’ research program and provided background information on how important small businesses are to the economy. For more information on Advocacy’s veterans’ research program, contact Joe Sobota at joseph.sobota@sba.gov or (202) 205-6952.
This continues to be an exciting time for the Office of Advocacy. August will mark the fourth anniversary of President Bush’s Executive Order (E.O.) 13272. Since it was signed on August 13, 2002, E.O.13272, “Proper Consideration of Small Entities in Agency Rulemaking” has guided Advocacy’s work. The E.O. was intended to give additional substance to the Regulatory Flexibility Act (RFA), which had been in existence since 1980. It specified important requirements for federal regulatory agencies—such as early notification to Advocacy when a rule is likely to have a significant impact on small businesses and a requirement to address Advocacy’s comments when a rule is made final. These and other provisions of the E.O. have been working well.

One key aspect of the E.O. is to educate federal regulatory agencies on how to comply with the RFA. Since the E.O. was signed, Advocacy has held over 55 training sessions for nearly 1,200 agency students. Agency staff members—attorneys, economists, policymakers, and other employees involved in the regulatory writing process—have come to the training with varying levels of familiarity with the RFA. The three-and-a-half hour session gives employees a hands-on approach on how to comply with the RFA and its requirements in a real-life regulatory setting.

Advocacy is excited to commence its second phase of RFA education—online training for federal employees who cannot attend the classroom session, are in need of additional support, or are new employees. On June 20, 2006, Advocacy unveiled the online training program at the Department of Transportation to numerous regulatory agencies and their representatives. This electronic course was patterned closely after the classroom course, with extra bells and whistles to keep a student interested and even entertained.

Federal agency employees can now take a course on RFA compliance right at their desk. The course is designed to be done at an employee’s own pace and individual level of expertise, so that valuable time is not wasted. There are activities throughout the course to refresh and challenge an individual’s existing RFA knowledge, as well as numerous opportunities to tackle some unknown complexities of the law. Finally, at the end of the course a test is provided to assess the student’s understanding of the material.

One of the most important themes throughout the course is that the agency should bring Advocacy into the rule development process early in the creation of a regulation. The course encourages agencies to work closely with Advocacy to help them determine whether a potential rule will have a significant economic impact on a substantial number of small entities. Making this determination is frequently where agencies make their initial mistakes under the RFA. Like the classroom session, the online training program helps to explain the steps rule writers should follow to make this decision accurately. By considering the impact of their regulations on small businesses from the beginning, agencies are more likely to promulgate a rule that is less burdensome on small businesses with more effective compliance. By “doing it right on the front end,” agencies avoid legal hassles and delays for noncompliance with the RFA.

While changing the culture of agency rule writers continues to be a tall order, Advocacy’s RFA training is having quite an impact on the way agencies approach rule development. Agencies that have been through the classroom training notify Advocacy earlier in the rulemaking process, submit draft documents, and realize that Advocacy can help point them in the right direction to find small business data.

For further information about RFA training, please contact Claudia Rayford Rodgers at (202) 205-6804 or claudia.rayford@sba.gov.
On June 27, 2006, Chief Counsel for Advocacy Thomas M. Sullivan testified before the U.S. House of Representatives Committee on Small Business, Subcommittee on Regulatory Reform and Oversight. The hearing was titled “S Corporations—Their History and Challenges.” S-corporations are a particular type of corporate taxpayer developed to enhance entrepreneurial activities by permitting small businesses to receive the liability protections afforded other corporations without incurring double taxation. Double taxation occurs when income tax is collected from the corporation and then again from the shareholders after a dividend is distributed.

Sullivan’s testimony gave a brief summary of S-corporations’ contributions to the U.S. economy. Specifically, S-corporations are the second largest private sector employer, employing approximately 21 million Americans; they generate $3.9 trillion in annual revenues.

Sullivan expressed Advocacy’s support for recent legislation introduced by Congressmen Clay Shaw and Jim Ramstad, H.R. 4421, the S-Corporation Reform Act of 2005. The Act would enhance S-corporations’ competitiveness in the global economy. He also discussed the Internal Revenue Service’s National Research Program and its potential impact on S-corporations. The National Research Program is an audit study being conducted by the IRS on 5,000 tax returns of S-corporations and shareholders who own at least 20 percent of the firm. Sullivan encouraged the IRS to focus on why taxpayers become noncompliant so that any enforcement recommendations can be tailored to meet these specific challenges.

The entire testimony can be found at www.sba.gov/advo/laws/test06_0627.pdf.

Assistant Advocate for Taxes and Pensions Candace Ewell meets with Congressman Todd Akin, chair of the House Subcommittee on Regulatory Reform and Oversight before a hearing on S-corporations. Behind them is Nelson Crowther, general counsel of the House Small Business Committee.

**IRS Drops Enforcement of Long-Distance Excise Tax**

In May the IRS announced that it will no longer pursue litigation related to the excise tax on long-distance telephone service (also known as the “Spanish-American War Tax”). As a result, the telephone companies have been directed to cease collecting and paying the tax on services billed after July 31, 2006. Additionally, the telephone companies are no longer required to report those who refuse to pay the tax on services billed after May 25, 2006.

This action is being taken after several Federal Appeals Courts ruled that the tax was no longer valid. Consequently, taxpayers will be able to claim refunds for taxes billed for long distance service for the period February 28, 2003, to August 1, 2006, on their 2006 tax return. The refund amount will include interest.

The IRS is developing a simple method for claiming the refund. For Schedule C filers, the IRS is developing a standard amount for the refund. Small businesses that do not file a Schedule C will not be eligible for the standard refund. Businesses that are permitted to take the standard refund amount will not be required to produce records. Others will likely be required to produce some records. Excise taxes paid on local telephone service will not be included in the refund; however, the IRS has requested that Congress repeal the tax paid on local service. To learn more about the refund, visit www.irs.gov/pub/irs-drop/n-06-50.pdf.
What is a small business?  
The Office of Advocacy defines a small business for research purposes as an independent business having fewer than 500 employees. Firms wishing to be designated small businesses for government programs such as contracting must meet size standards specified by the U.S. Small Business Administration (SBA) Office of Size Standards. These standards vary by industry; see www.sba.gov/size.

How important are small businesses to the U.S. economy?  
Small firms:
• Represent 99.7 percent of all employer firms.
• Employ half of all private sector employees.
• Pay more than 45 percent of total U.S. private payroll.
• Have generated 60 to 80 percent of net new jobs annually over the last decade.
• Create more than 50 percent of nonfarm private gross domestic product (GDP).
• Supplied more than 23 percent of the total value of federal prime contracts in FY 2005.
• Produce 13 to 14 times more patents per employee than large patenting firms. These patents are twice as likely as large firm patents to be among the one percent most cited.
• Are employers of 41 percent of high tech workers (such as scientists, engineers, and computer workers).
• Are 53 percent home-based and 3 percent franchises.
• Made up 97 percent of all identified exporters and produced 28.6 percent of the known export value in FY 2004.


How many small businesses are there?  
In 2005, there were approximately 25.8 million businesses in the United States, according to Office of Advocacy estimates. Census data show that there were 5.8 million firms with employees and 18.6 million without employees in 2003, the most recent year with data. Applying the sole proprietorship growth rates to the nonemployer figures and similar Department of Labor growth rates to the employer figures produces the 25.8 million figure. Small firms with fewer than 500 employees represent 99.9 percent of the 25.8 million businesses (including both employers and nonemployers), as the most recent data show there are nearly 17,000 large businesses.

How do regulations affect small firms?  
Very small firms with fewer than 20 employees spend 4½ percent more per employee than larger firms to comply with federal regulations. These very small firms spend 4½ times as much per employee to comply with environmental regulations and 67 percent more per employee on tax compliance than their larger counterparts. For data broken down by industry, see www.sba.gov/advo/research/rs264tot.pdf.

Cost of Federal Regulations by Firm Size, All Business Sectors (Dollars)

<table>
<thead>
<tr>
<th>Type of Regulation</th>
<th>Cost per Employee for Firms with:&lt;br&gt;&lt;20 Employees</th>
<th>500+ Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Federal</td>
<td>$7,647</td>
<td>$5,282</td>
</tr>
<tr>
<td>Environmental</td>
<td>3,296</td>
<td>710</td>
</tr>
<tr>
<td>Economic</td>
<td>2,127</td>
<td>2,952</td>
</tr>
<tr>
<td>Workplace</td>
<td>920</td>
<td>841</td>
</tr>
<tr>
<td>Tax Compliance</td>
<td>1,304</td>
<td>780</td>
</tr>
</tbody>
</table>


How many businesses open and close each year?  
Estimates for businesses with employees indicate there were 671,800 new firms and 544,800 closures (both 10 percent of the total) in 2005.

How many new jobs do small firms create?  
Over the past decade, small business net job creation fluctuated between 60 and 80 percent. In the most recent year with data (2003), employer firms with fewer than 500 employees created 1,990,326 net new jobs, whereas large firms with 500 or more employees shed 994,667 net jobs. For a more complete look at employment dynamics by firm size from 1989 to 2003, see www.sba.gov/advo/research/data.html#us.

What is small firms’ share of employment?  
The small business share of employment remains around 50 percent. Although small firms generally create 60 to 80 percent of the net new jobs, some firms will become large firms as the new jobs are created. Of 113.4 million nonfarm private sector

The SBA's Office of Advocacy was created by an act of Congress in 1976 to protect, strengthen, and effectively represent the nation's small businesses within the federal government. As part of this mandate, the office conducts policy studies and economic research on issues of concern to small business and publishes data on small business characteristics and contributions. For instant access to small business resources, statistics, and research, visit the Office of Advocacy's home page at http://www.sba.gov/advo/.

Updated June 2006
workers in 2003, small firms with fewer than 500 workers employed 57.4 million and large firms, 56.0 million. Smaller firms with fewer than 100 employees employed 41.0 million.

Source: U.S. Bureau of the Census.

What is the survival rate for new firms?
Two-thirds of new employer establishments survive at least two years, and 44 percent survive at least four years, according to a recent study. These results were similar for different industries. Firms that began in the second quarter of 1998 were tracked for the next 16 quarters to determine their survival rate. Despite conventional wisdom that restaurants fail much more frequently than firms in other industries, leisure and hospitality establishments, which include restaurants, survived at rates only slightly below the average.

Earlier research has explored the reasons for a new business's survivability. Major factors in a firm's remaining open include an ample supply of capital, being large enough to have employees, the owner's education level, and the owner's reason for starting the firm in the first place, such as freedom for family life or wanting to be one's own boss.


How are small businesses financed?
Commercial banks are the largest suppliers of debt capital to small firms, supplying more than 80 percent of lending in the credit line market and, with the exception in leasing, more than 50 percent in other markets, such as commercial mortgages and vehicle, equipment, and other loans. In June 2004, small business loans outstanding owed to commercial banks amounted to $522 billion. Very large banks with assets of more than $10 billion are making a significant percentage of small loans of less than $100,000.

<p>| Shares of the Number and Amount of Small Business Loans by Banks and BHCs by Asset Size, June 2004 |
|-------------------------------------------------|------------------|-----------------|-----------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Bank/BHC Asset Size ($)</th>
<th>&lt;500M</th>
<th>500M-10B</th>
<th>&gt;10B</th>
<th>All Banks &amp; BHCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Banks/BHCs</td>
<td>5,706</td>
<td>645</td>
<td>72</td>
<td>6,423</td>
</tr>
<tr>
<td>SBLs &lt;$100K Share of Amount</td>
<td>31.1%</td>
<td>19.2%</td>
<td>49.7%</td>
<td>$125.3B</td>
</tr>
<tr>
<td>Share of Number SBLs &lt;$100K&lt;51M Share of Number</td>
<td>11.0%</td>
<td>21.5%</td>
<td>67.5%</td>
<td>13.6M</td>
</tr>
<tr>
<td>Share of Amount SBLs &lt;1M Share of Number</td>
<td>26.8%</td>
<td>28.2%</td>
<td>45.0%</td>
<td>$397.0B</td>
</tr>
<tr>
<td>Share of Number SBLs &lt;1M Share of Number</td>
<td>27.2%</td>
<td>28.2%</td>
<td>44.6%</td>
<td>1.7M</td>
</tr>
<tr>
<td>Share of Amount SBLs &lt;1M</td>
<td>27.8%</td>
<td>26.0%</td>
<td>46.2%</td>
<td>$522.3B</td>
</tr>
<tr>
<td>Share of Number SBLs &lt;1M</td>
<td>12.8%</td>
<td>22.3%</td>
<td>65.0%</td>
<td>15.3M</td>
</tr>
</tbody>
</table>

Abbreviations: BHC, bank holding company; SBL, small business loan

Sources: Federal Reserve Board, Survey of Small Business Finances; special tabulations of the June call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared for the Office of Advocacy by James Kolan, Texas A&M University.

What role do women, minority, and veteran entrepreneurs play in the economy?

- Women owned 6.5 million businesses that generated $940.8 billion in revenues, employed 7.1 million workers, and had $173.7 billion in payroll in 2002. In addition, another 2.7 million firms are owned equally by both women and men; these firms add another $731.4 billion in revenues and employ another 5.7 million workers.
- Of the 23 million non-farm firms in 2002, 6.8 percent were owned by Hispanic Americans, 5.2 percent by African Americans, 4.8 percent by Asian Americans, 0.9 percent by American Indians or Alaskan Natives, and 0.14 percent by Native Hawaiian or other Pacific Islanders. In 2002, minorities owned 4.1 million firms that generated $694.1 billion in revenues and employed 4.8 million workers.
- Male veterans' self-employment rates were higher than those of non-veterans from 1979 to 2004. The rate was 13.7 percent in 2003, compared to 12.2 percent for non-veterans.
- According to a study on veteran business ownership, about 22 percent of veterans in the U.S. household population were either purchasing or starting a new business or considering purchasing or starting one in 2004, and almost 72 percent of these new veteran entrepreneurs planned to employ at least one person at the outset of their new venture.


What is the survival rate for small businesses?
The survival rate for small businesses is the rate at which businesses remain in operation over a given period of time. This rate is an important indicator of the health of the small business sector and the economy as a whole.

The survival rate is calculated by dividing the number of surviving businesses at the end of the period by the number of businesses that were in operation at the beginning of the period. For example, if 100 businesses were in operation at the beginning of a year and 80 of them were still in operation at the end of the year, the survival rate would be 80%. This calculation is repeated for each year to determine the survival rate for the entire period.

Factors that affect the survival rate of small businesses include the type of business, the industry it is in, the size of the business, and the economic conditions of the time. For instance, businesses in the retail and hospitality industries tend to have lower survival rates than those in the technology or healthcare industries. Additionally, larger businesses tend to have higher survival rates than smaller ones. Economic conditions, such as recessions or inflation, can also impact survival rates. During economic downturns, businesses are more likely to close down, which decreases the overall survival rate.

How can I get more information?
For more detailed information, visit www.sba.gov/advo. Sign up at http://web.sba.gov/list for email delivery of news releases, The Small Business Advocate newsletter, small business research findings and statistics, and regulatory communications.

Office of Advocacy economic research can be found at www.sba.gov/advo/research. Specific points of interest include:

Direct questions to (202) 205-6533 or advocacy@sba.gov.
Regional Roundup

Alaska Charges Forward To Implement Regulatory Flexibility

An important step in creating a friendlier state regulatory environment for small businesses is to pass regulatory flexibility legislation. However, the hard work doesn’t stop there. Once legislation is passed, successful implementation of a state regulatory flexibility system requires: 1) agency training on the law; 2) small business activism in the rulemaking process; and 3) executive support and leadership.

In 2005, the Alaska State Legislature passed regulatory flexibility legislation to help reduce overly burdensome regulations on small businesses. Alaska is now energetically embracing the implementation stage. Alaska’s Department of Commerce, Community, and Economic Development has established a Small Business Regulations Program. Jennifer Abbott was recently appointed to coordinate the program. The coordinator advises and assists four agencies in compliance with the regulatory flexibility law, notifies business groups about proposed regulations, and energizes the small business community to comment and help shape rules affecting their businesses.

Abbott has been busy creating a strong network among small businesses, legislative aides, and chambers of commerce. This network is getting the news out about the program. To kick it off, Abbott and agency regulatory personnel received training from a regulatory attorney in the Department of Law. The attorney introduced the necessary steps: filing the economic effect statement and regulatory flexibility analysis, then reviewing the analysis. Abbott has already begun reviewing several proposed rules.

In August the Department of Commerce, Community, and Economic Development will host a seminar for small business owners and members of small business organizations to educate them on Alaska’s regulatory process. The seminar will provide stakeholders with information on how to get involved early in the rulemaking process and give small businesses a forum to share concerns about overly burdensome regulations. The seminar will include presentations by regulatory staff from the various Alaska state agencies.

Successful implementation of regulatory flexibility legislation is critical to an effective regulatory flexibility system. Hats off to Alaska for taking big strides in a positive direction for the state’s small businesses!

Regional Advocates Reach Out

Are you looking for a speaker for your next trade association or chamber event? Advocacy’s regional advocates are happy to bring your members up to date on new small business research and data, regulatory issues of importance to your industry, and the latest news about regulatory flexibility in your state. They are also eager to hear your members’ concerns about policy decisions being made in the nation’s capital and to bring your views to Washington, D.C. Please visit our website at www.sba.gov/advo/region.html for your regional advocate’s contact information or feel free to contact Viktoria Ziebarth, director of regional affairs, at viktoria.ziebarth@sba.gov or (202) 205-6565.
The U.S. Environmental Protection Agency (EPA) listened to the concerns of small businesses and small communities in a final Clean Water Act rule issued on June 1, 2006. The rule is the final phase of a three-part EPA program to protect fish and other aquatic species from being killed in the cooling water intakes of power plants, pulp and paper plants, and other facilities that use cooling water. EPA originally estimated that over 100 utilities and more than 600 manufacturers would need aquatic protection devices at their cooling water intakes.

In February 2004, EPA convened a small business review panel, which included manufacturers and small municipal utilities. They recommended that EPA exempt facilities that withdraw less than 20–50 million gallons of water per day, because little environmental damage occurs at those intake volumes. In its final rule, EPA determined that utilities using 50 million gallons per day or less, as well as manufacturing facilities, should not be subject to uniform national intake design requirements. Instead, the current case-by-case requirements will continue to apply.

EPA’s decision not to impose uniform national requirements on smaller facilities with cooling water intake structures is estimated to have saved small municipal utilities approximately $100 million, according to the American Public Power Association. Small manufacturers, such as pulp and paper plants and chemical facilities, will also realize significant cost savings.

The proposal was originally published in December 2004. It was to regulate external product piping on cargo tank motor vehicles, referred to in the trucking industry as “wetlines.” It proposed a standard that limited the amount of flammable liquid that could remain in each wetline after drainage to one liter.

Advocacy felt that the proposed rule would cost small businesses more than the agency estimated. Advocacy worked with small businesses and trade associations to analyze the potential impacts of the proposed regulation. Advocacy is pleased that after reviewing public comments and considering additional data, PHMSA declined to pursue further regulation of wetlines.

In June, the Department of Transportation withdrew proposed regulations on wetlines, the external product piping systems on cargo tank trucks.
Research Notes

Two New Reports on Small Business Available

Two recent Advocacy research studies examine wealth, finance, and small business. *How Did Small Business-Owning Households Fare During the Longest U.S. Economic Expansion?* is a collaboration by Montana State University Professor George Haynes and Advocacy Senior Economist Charles Ou. The report was released at an economists’ forum at the Hudson Institute’s Center for Employment Policy in Washington, D.C., in June.

The study finds that business owners in the 1990s were more likely than wage earners to be in households classified as high-income earners and wealth holders. The paper is available at [www.sba.gov/advo/research/rs276tot.pdf](http://www.sba.gov/advo/research/rs276tot.pdf).

“Business ownership has traditionally been a route to prosperity for Americans,” said Chad Moutray, chief economist for the Office of Advocacy. “This study confirms that the 1990s were no different. Nonetheless, with the market bubble of the 1990s, wage earners saw a greater increase in their income and wealth relative to business owners.”

The report is a follow-on to the study *Wealth and Income: How Did Small Businesses Fare from 1989 to 1998?* The new report finds that in 2001 small business-owning households were more than twice as likely as non-owning households (57.1 percent to 25.5 percent) to be high income, and over eight times more likely (21.2 percent to 2.5 percent) to be high wealth households. However, from 1992 to 2001, the chance of being in the high income category for non-owning households increased 42.5 percent, and their chance of being high wealth increased 92 percent, whereas the chances for small business-owning households increased 24.7 and 61.8 percent, respectively.

The study also examines the changes in the demographic characteristics of high income and high wealth households over the 1992-2001 period.

Another recent study, also by Charles Ou, is titled *Banking and SME Financing in the United States*. The study shows the emergence of a more competitive loan market for small firms over the past decade. The paper was originally presented at the conference, “International Comparisons in the Financing of SMEs in Developed Nations” at the Warwick School of Business, United Kingdom, in April 2006. It can be found on Advocacy’s website at [www.sba.gov/advo/research/rs277tot.pdf](http://www.sba.gov/advo/research/rs277tot.pdf).

Small Business FAQ, from page 1

*The Small Business Economy,* and other Advocacy publications.

The FAQ was updated in June and is included in this month’s newsletter. It features the now-familiar refrains about small firms. These include the facts that small businesses represent virtually all of the businesses in the economy; employ half of all private sector employees; account for half of non-farm, private gross domestic product; and have generated 60 to 80 percent of the net new jobs over the past decade. Such statements about the importance of small businesses are often heard in speeches and articles about entrepreneurship. The FAQ gives you the most up-to-date figures, and Advocacy is careful to include citations for each piece of information.

Advocacy estimates that there were 25.8 million businesses in the United States in 2005, a large jump from the previous year’s 24.7 million firms. Estimated new employer firm openings outnumbered employer firm closures in 2005 by 127,000. Therefore, much of the difference in new firm counts came from an increase in nonemployer businesses.

Finally, the FAQ includes some new data from the 2002 Survey of Business Owners administered by the U.S. Census Bureau. Since this economic survey is conducted once every five years, it provides important information on business ownership demographics. The survey confirms the recent trend of rapid growth among women- and minority-owned business ventures. (Additional data on veterans, service-disabled veterans, and home-based businesses is forthcoming later this year.)
Interns Learn To Advocate For Small Business

For many students, summer break means travel, vacation, or jobs back home. For others however, summer means a chance for additional learning. And for the Office of Advocacy, summer break means finding the best and brightest of those students who wish to learn and inviting them to become Advocacy summer interns. As a result, Advocacy receives a jolt of energy and enthusiasm, and at the end of the summer small businesses receive a cadre of young advocates well-qualified to spread the word about the importance of entrepreneurship throughout the federal government and beyond.

For years Advocacy has helped train the next generation of small business advocates. Some have come to the office with a strong small business background, while others have not had much experience but are intrigued by an office that offers an independent voice within the federal government. Advocacy’s interns also reflect the breadth of the office’s activities, ranging from law students, to economics majors, to writers and communicators. This summer is no different, as Advocacy hosts two bright young summer interns.

Cindy Prieto arrives by way of Stanford University in Palo Alto, California. She will be a senior in the fall, majoring in economics with a minor in political science. Cindy is interning with Advocacy’s Office of Economic Research and the Office of Information. She will be researching issues surrounding small businesses’ contributions to the economy and how best to communicate the results.

Cindy learned of Advocacy last fall while she interned with the Office of Information and Regulatory Affairs (OIRA) at the White House. There she met Radwan Saade, a regulatory economist for Advocacy, who at the time was detailed to OIRA. He convinced her that she could combine her new skills in regulatory review with her academic interest in economics and put them to use for small business owners this summer at Advocacy.

Marc Andrews will be a second year law student at Boston’s Suffolk University Law School. This summer he is putting his legal studies to use on behalf of small business by helping analyze the impact proposed regulations will have on them. Marc’s interest lies in environmental law, especially in the cost-benefit tradeoffs of environmental regulation.

After earning a bachelor’s degree in economics from Wake Forest University in Winston-Salem, North Carolina, Marc worked for two years in small firms. There he grew appreciative of the challenges facing small businesses, particularly their regulatory environment. As a lawyer, he hopes to use his legal training to help reduce the disproportionate impact that federal regulations have on small business.

Both Cindy and Marc join a long line of Advocacy interns who are now employed across the federal government—in executive agencies, the legislative branch, and the courts. Their hard work and summer learning while at Advocacy will prepare them to be advocates on behalf of small business in their future careers.
Spreading the Small Business Message

The Office of Advocacy has many creative ways of spreading the small business message. One of these is the Small Business Communicators’ Roundtable. These occasional meetings are designed as a way for communicators in small business–oriented organizations to meet each other and share ideas. Each session examines a current small business theme. In June, Advocacy Economist Brian Headd discussed small business facts and figures, to “take the mystery out of the numbers.” Headd’s lively explanations and straightforward presentation of key statistics helped those in attendance get a basic grasp of “econspeak” and its application to small business.

To learn more about the Small Business Communicators’ Roundtable, contact Advocacy Press Secretary John McDowell at (202) 205-6941 or john.mcdowell@sba.gov.

At a recent Small Business Communicators’ Roundtable, Brian Headd (left), an economist with the Office of Advocacy, clarified small business data issues with John McDowell, Advocacy’s press secretary.

Small Business: Your issues are our issues at the SBA Office of Advocacy.

Access Advocacy Listservs for the latest regulatory alerts and small business statistics. Email notices will provide a hotlink to the new material, so your in-box won’t fill up with large documents. At http://web.sba.gov/list, check:

- [x] Advocacy Newsletter
- [x] Advocacy Press
- [x] Advocacy Regulatory News
- [x] Advocacy Research

Advocacy: the voice of small business in government
The Office of Advocacy seeks small business researchers, or researchers who want to become small businesses, to perform economic research via a request for quotations (RFQ). The topics are chosen because they are researchable, show the status or role of small businesses, can be a springboard for further research, and can affect public policy.

Proposals on the following topics are due July 26, 2006:
• Owner demographics,
• Human capital and business ownership by demographic,
• The impact of HUBZone–qualified areas on small business development and job creation,
• Research using the Survey of Small Business Finances,
• Small business research using large databases, and
• Graduate student research.

Proposals on these three topics are due July 27, 2006:
• Small business benefits,
• Antitrust and small business research, and
• The impact of energy prices on small business.

These RFQs are for competitive contracts and are not research grants. For examples of topics that Advocacy has funded in the past, see www.sba.gov/advo/research.

The current proposal solicitations and synopses are listed on FedBizOpps and can be accessed from Advocacy’s webpage at www.sba.gov/advo/research/rfq.html.

It is important that respondents follow the instructions for submitting proposals. Please note that regular mail to government offices in Washington, D.C., experiences significant delays. Other methods, such as overnight and certified mail, are more timely. Proposals cannot be submitted via fax or email.