

U.S. SMALL BUSINESS ADMINISTRATION

OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH



Small Business Sector Trends and Data

SBA Virtual Conference

January 18, 2017

Agenda

- Overview of Office of Advocacy
- Small Businesses in International Trade
- Regulation Crowdfunding
- SBO Data and Minority-owned Businesses
- Trends in Entrepreneurship
- Wrap up and Q/A

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The Office of Advocacy

- Established: 1976
- Mission: To serve as an independent voice for U.S. small businesses before Congress, the White House, and federal agencies
- Presence: Washington, D.C. staff and 10 Regional Advocates
- Leader: Darryl L. DePriest, Chief Counsel for Advocacy

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Small Businesses in the U.S.

SMALL BUSINESSES COMPRISE:

ALL FIRMS	ALL FIRMS with paid employees	EXPORTING FIRMS
99.9%	99.7%	97.7%
KNOWN EXPORT VALUE	PRIVATE SECTOR EMPLOYEES	PRIVATE SECTOR PAYROLL
33.6%	48.0%	41.2%

SUSB, NES, ITA [2013]

28.8M SMALL BUSINESSES IN THE U.S.

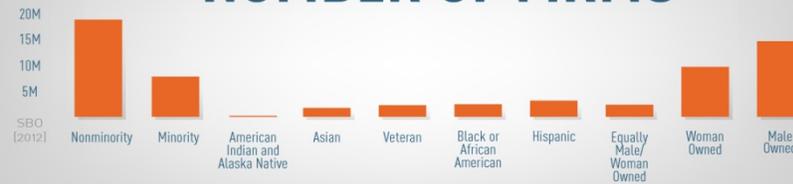


63%
NET NEW JOBS

SMALL BUSINESSES accounted for **63%** of net new jobs.

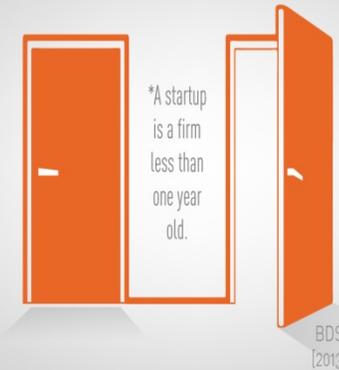
BED, [1992-2013]

NUMBER OF FIRMS



401K CLOSURES

406K STARTUPS*



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Office of Economic Research

Mission:

- “**Examine the role of small business in the American economy and the contribution which small business can make in** improving competition, encouraging economic and social mobility for all citizens, ..., **promoting exports**, stimulating innovation and entrepreneurship...”
- “Study the ability of financial markets and institutions to meet **small business credit needs...**”
- “Assist the development and **strengthening of minority and other small business enterprises.**”

Objectives:

- Conduct and promote economic research that provides an environment for small business growth.
- Sponsor datasets on small businesses to investigate their status and role in the economy.
- Analyze the economic impact of policy proposals that affect small businesses to inform policy decisions.

Resources:

- Team of 4 research economists, 4 regulatory economists, and 1 Chief Economist / Director of Economic Research.

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Small Business Research and Data

- **Economic Research**

- Contributions of Small Businesses (Small Business GDP, Jobs supported by small business, Patented innovations)
- State of Small Businesses (Small Business State Profiles, Trends in Entrepreneurship)
- Needs of Small Businesses (Access to capital, Tailored Regulations)

- **Data**

- Disseminate small business data to the public, White House, and Congress
- Identify data gaps measuring small business economic activity
- Cosponsor, analyze, and update small business data

Government Agency	Data Program	Frequency
U.S. Census Bureau (DOC)	Statistics of U.S. Businesses*	Annual
	Annual Survey of Entrepreneurs	Annual
	Survey of Business Owners	Every 5 years
	Business Dynamic Statistics	Annual
	Non-employer Statistics	Annual
International Trade Administration (DOC)	Exporter Database	Annual
Bureau of Labor Statistics (DOL)	Business Employment Dynamics	Quarterly
*Co-funded by Office of Advocacy		

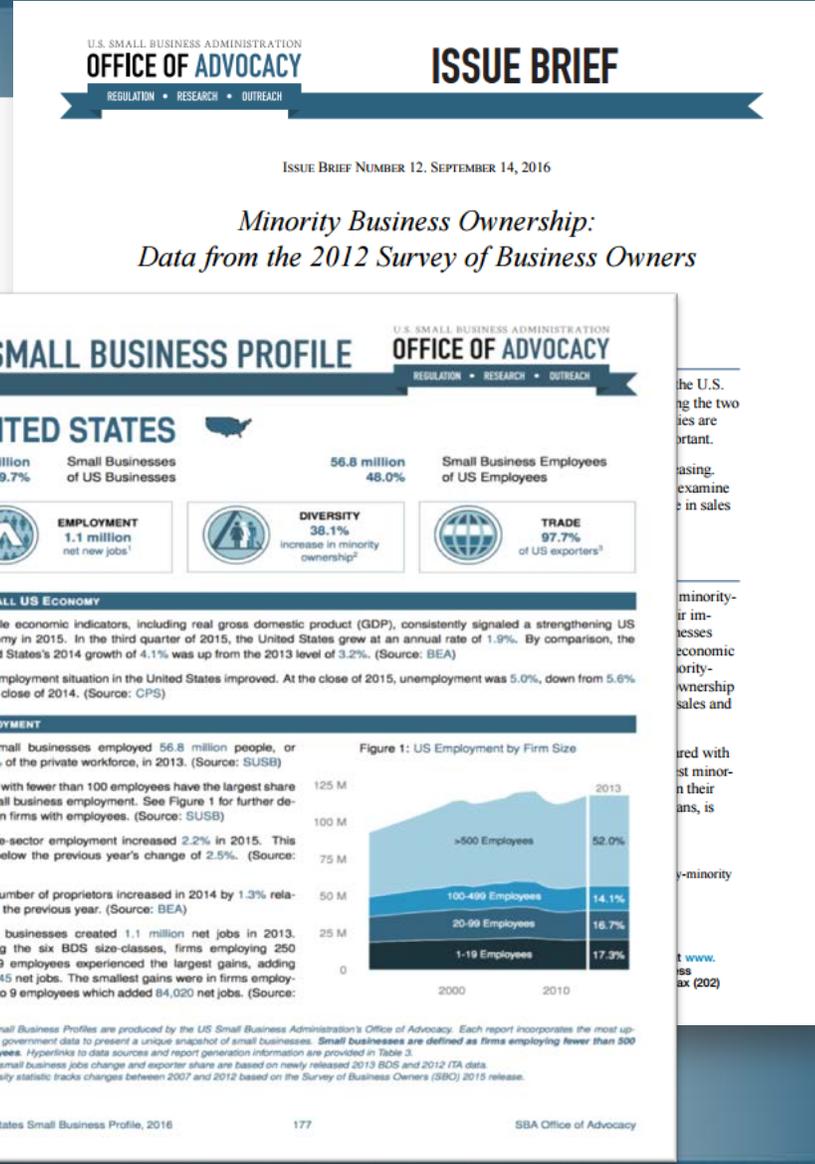
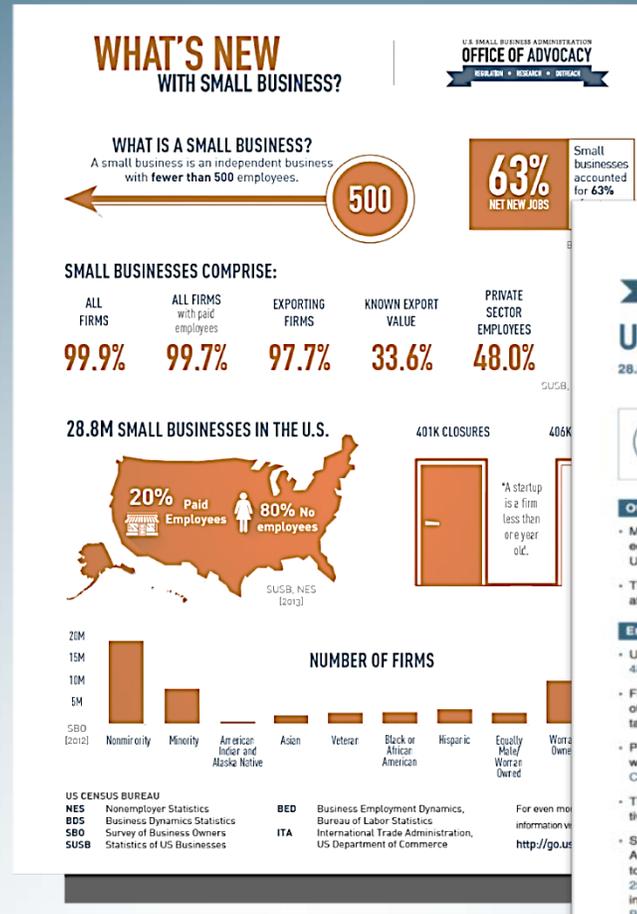
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Research Products

- Economic Studies
- Issue Briefs
- Fact Sheets
- Infographics



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Small Businesses in International Trade

Figure 1: Number of U.S. Exporters

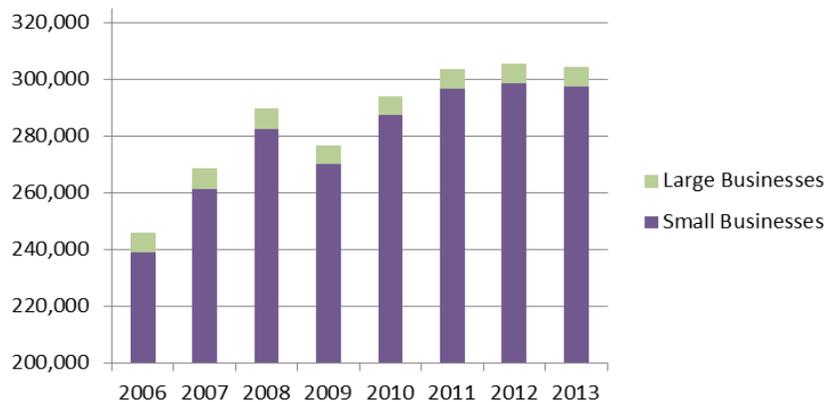
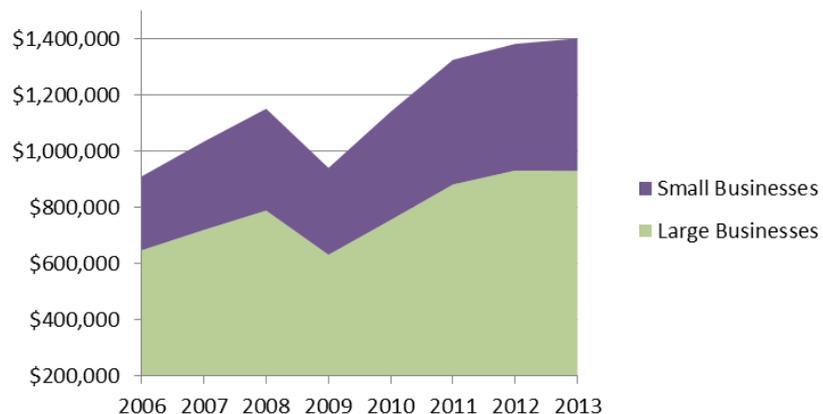
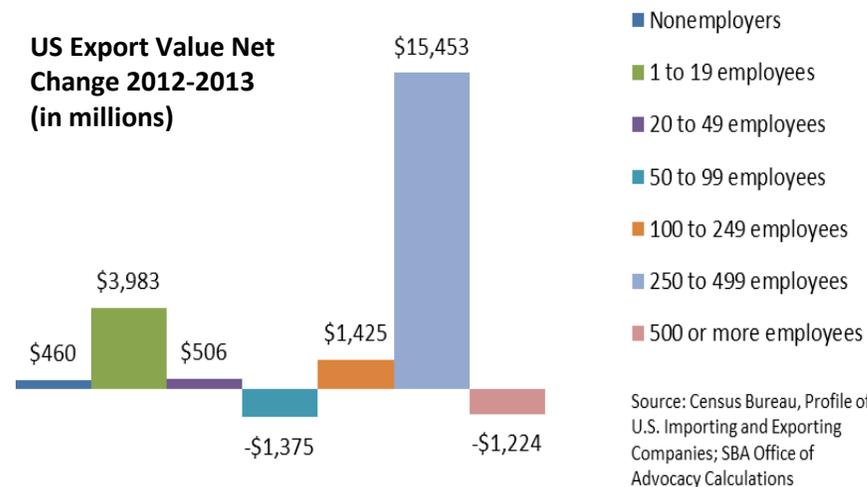


Figure 2: U.S. Export Value (in millions)



US Export Value Net Change 2012-2013 (in millions)



Source: Census Bureau, Profile of U.S. Importing and Exporting Companies; SBA Office of Advocacy Calculations

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Small Businesses in International Trade

U.S. Exporter Participation by Firm Size, 2013

	Small Businesses	Large Businesses
All	1%	38%
With employees	5%	38%
In Manufacturing (NAICS 31-33)	28%	71%
In Wholesale Trade (NAICS 42)	32%	27%

Net Change Number of U.S. Exporters and Export Value by Firm Size, 2006 -2013

	Small Business	Large Business
Number of U.S. Exporters	Up 24%	Up 3%
Export Value	Up 79%	Up 44%

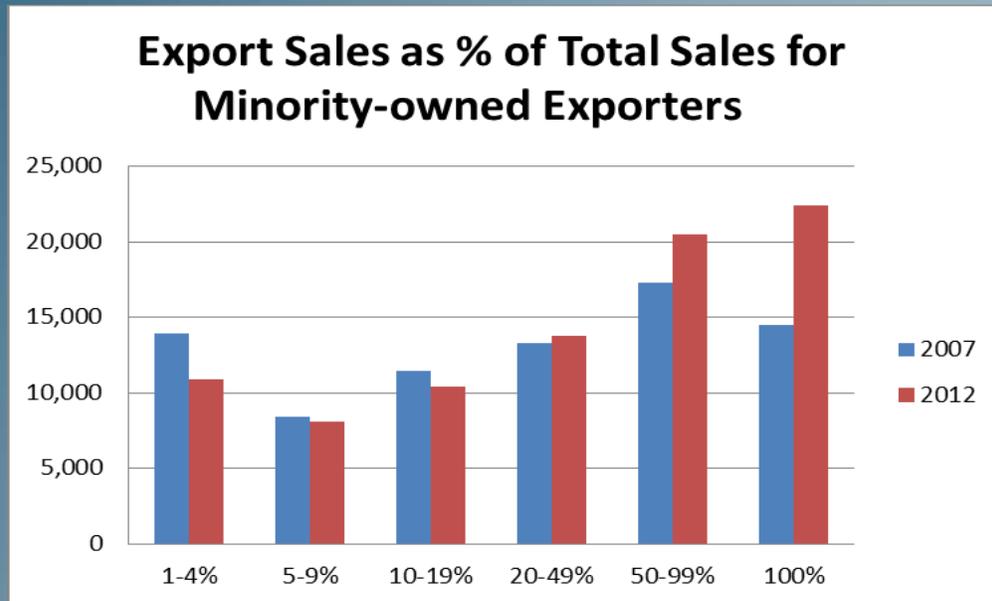
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Small Businesses in International Trade

- Minority-owned exporters:



- SBEA / NSBA Exporting Survey

Exporters that increased export volume in last 5 years		
2010	2013	2016
46%	52%	39%

Non-exporters interested in exporting		
2010	2013	2016
43%	63%	49%

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Small Businesses in International Trade

- Areas of future research
 - New industries, new challenges
 - Indirect exports
 - Global supply chain integration
 - E-commerce and trade facilitation

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What is crowdfunding?

- A relatively new and evolving method of using the Internet to raise capital to support a wide range of ideas and ventures

- Four types of crowdfunding

- Donation-based



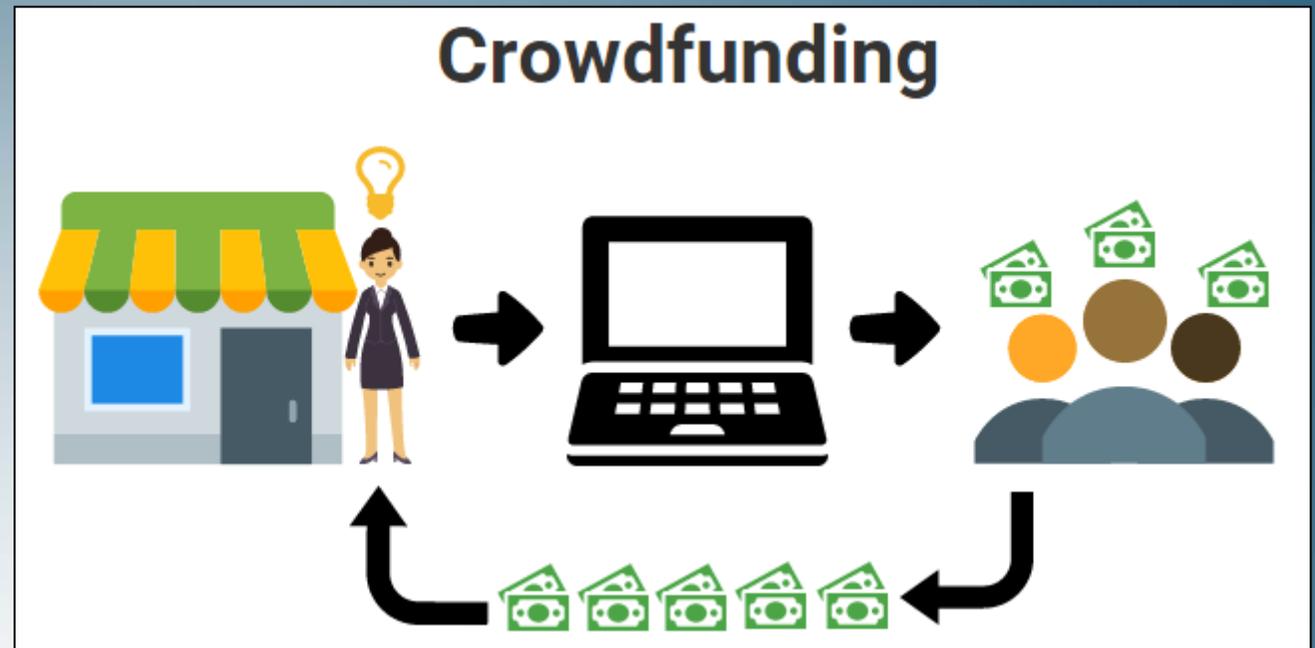
- Rewards-based



- Debt-based



- Equity-based



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Regulation Crowdfunding

- Jumpstart Our Business Startups (JOBS) Act of 2012
 - Title III required the Securities and Exchange Commission to promulgate regulations to establish a regulatory infrastructure for equity crowdfunding
- SEC issued final rules (Regulation CF) on October 30, 2015 → took effect on May 16, 2016
- **Goal:** to provide an innovative method for small businesses to raise capital from the public while still protecting investors from fraud

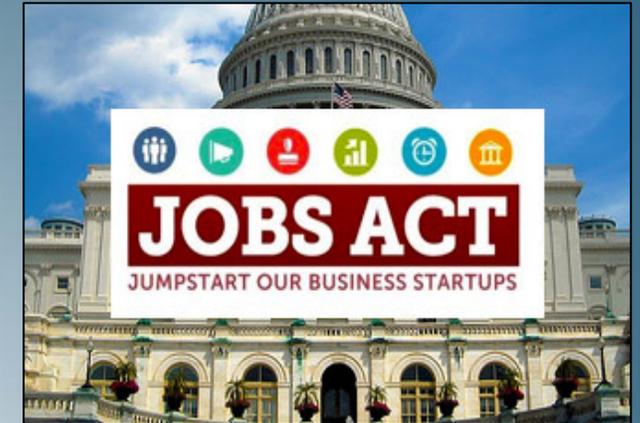


Photo credit: *Entrepreneur*
<https://www.entrepreneur.com/article/223207>



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Regulation Crowdfunding



- **Businesses** can raise up to \$1 million per year under Regulation Crowdfunding
 - If they would like to exceed that limit, they can raise capital through other securities exemptions, such as Regulation A or Regulation D
- **Investor** limits depend on income and net worth, never to exceed \$100,000 across all crowdfunding campaigns in a one-year period
 - **If an investor's annual income or net worth is:**
 - **Less than \$100,000:** may invest the greater of \$2,000 or 5% of their annual income or net worth
 - **\$100,000 or greater:** may invest 10% of their annual income or net worth, not exceeding \$100,000 across all crowdfunding transactions



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Regulation Crowdfunding

- Crowdfunding campaigns must be conducted through an SEC-registered intermediary
 - Registered broker-dealers
 - Funding portals (21 entities were registered as of 1/10/17)
- Regulation Crowdfunding does not restrict the types of securities that may be offered and sold in a crowdfunding transaction
 - Common stock
 - Debt
 - Simple Agreement for Future Equity (SAFE)
 - LLC units

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Advocacy Report on Crowdfunding

*Preview of Preliminary Findings****

- Analyzes first six months of crowdfunding activity after Regulation CF exemption went into effect
 - May 16 to November 16, 2016 using SEC filing data (Form C)

Findings:

- 150 businesses initiated equity crowdfunding campaigns
 - 8 businesses conducted more than one campaign
- Common attributes of crowdfunding businesses:
 - Consumer facing
 - Community or locally oriented
 - Civic or socially conscious missions
 - Customizable and high tech products



Photo credit: StartEngine Capital

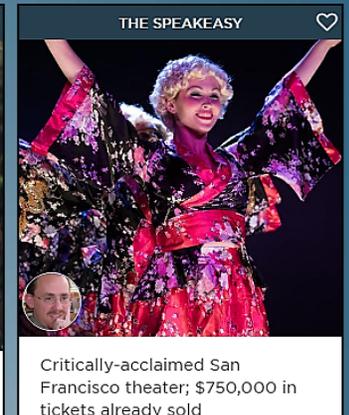
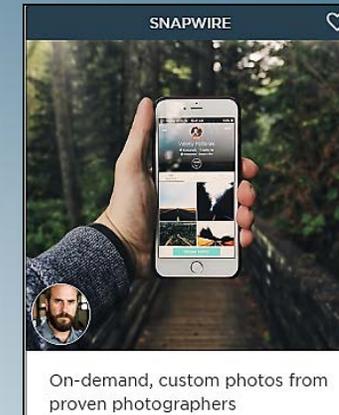


Photo credit: WeFunder Portal

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***** Preliminary: subject to change and not for release**

Advocacy Report on Crowdfunding

*Preview of Preliminary Findings****

[This slide has been removed because the report has not yet been released and estimates are subject to change.]

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***** Preliminary: subject to change and not for release**

Advocacy Report on Crowdfunding

*Preview of Preliminary Findings****

Other policy concerns:

- Collection of data relating to women, minorities, and industry identification
- Fraud

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***** Preliminary: subject to change and not for release**

Survey of Business Owners

- Only Federal Survey on Business Owners
 - Performed on years ending in 2 and 7
 - Delayed publication, 2012 Survey published in Feb. 2016
- Basic Information
 - # of Firms, Employer and Nonemployer
 - Total Receipts, Employer and Nonemployer
 - Total Employment and Payroll
- Demographic Groupings
 - Gender
 - Race/Ethnicity
 - Veteran Status

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Survey of Business Owners

- Industry Groupings
 - 2 to 6 Digit NAICS Level
- Geographic Breakdown
 - State, County, MSA, City (Place)
- Business ‘Characteristics’
 - Survey questions about Business Activity
- Example Characteristic Data:
 - Age of Firm
 - Age of Owner
 - Source of Financing
 - Employee Benefits
 - Use of a Second Language
 - Use of E-Commerce
 - Family-ownership
 - Home-based
 - Type of Workers (Part time, Paid Laborers, etc.)

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Minority Business Ownership Report

<https://www.sba.gov/sites/default/files/advocacy/Minority-Owned-Businesses-in-the-US.pdf>

- Business ownership by Demographic
 - Increasing levels of Business ownership
 - '07–'12, added 2 million net minority businesses. 1 million less nonminority
- Disparities in Earnings/Employment

Table 2. Ratio of Adult Population per Business

	2007	2012
Black/African American	13.8	11.3
American Indian and Alaska Native	7.2	6.8
Asian	6.7	6.4
Native Hawaiian and Other Pacific Islander	8.6	7.1
Hispanic	13.3	10.7
Non-Hispanic White	7.7	8.2

Note: Smaller ratios indicate a higher level of entrepreneurship.

Table 3. Minority Group Shares of Total Business Ownership, Sales, and Employment, 2012

Minority Group	% of Businesses	% of Sales	% of Employment	Disparity Ratios	
				% Sales/ % Businesses	% Employment/ % Businesses
Black/African American	9.5	1.3	1.7	13	18
American Indian and Alaska Native	1.0	0.3	0.4	32	37
Asian	7.1	5.8	6.4	83	90
Native Hawaiian and Other Pacific Islander	0.2	0.1	0.1	34	35
Hispanic	12.2	4.0	4.2	33	34
Non-Hispanic White	70.9	88.0	86.5	124	122

Note: The sales (employment) disparity ratio is the ratio of the minority group's share of sales (employment) over their share of businesses. A ratio of less than 100% indicates that group generates a smaller share of sales (employment) than their share of businesses. Disparity ratios calculated on unrounded data.

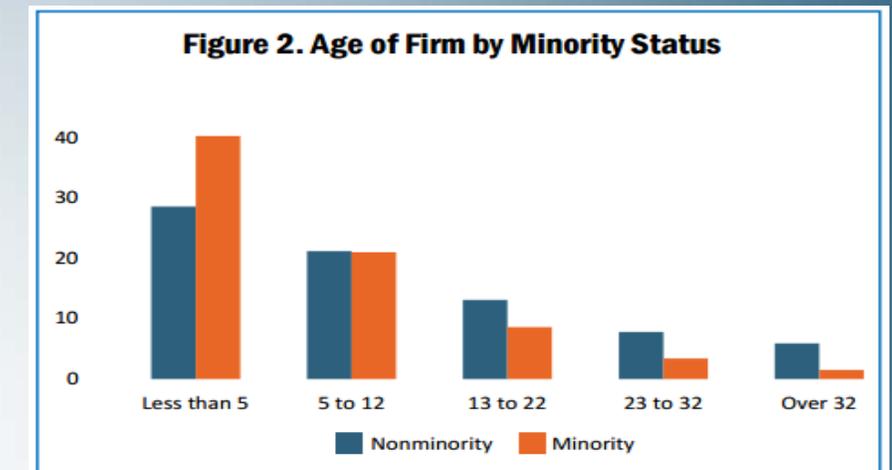
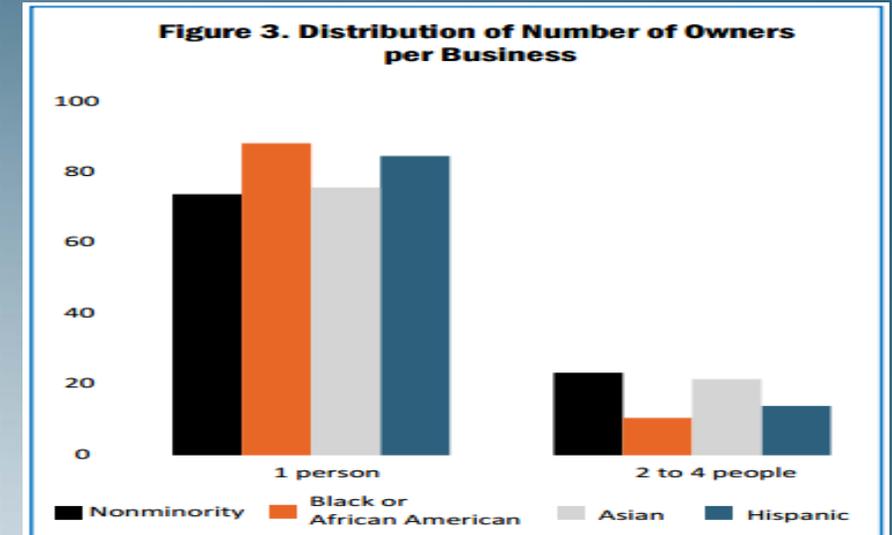
Minority Business Ownership Report

- Industry Distribution

- Minority-owned Businesses are in smaller revenue, smaller employment industries

- Business Characteristics

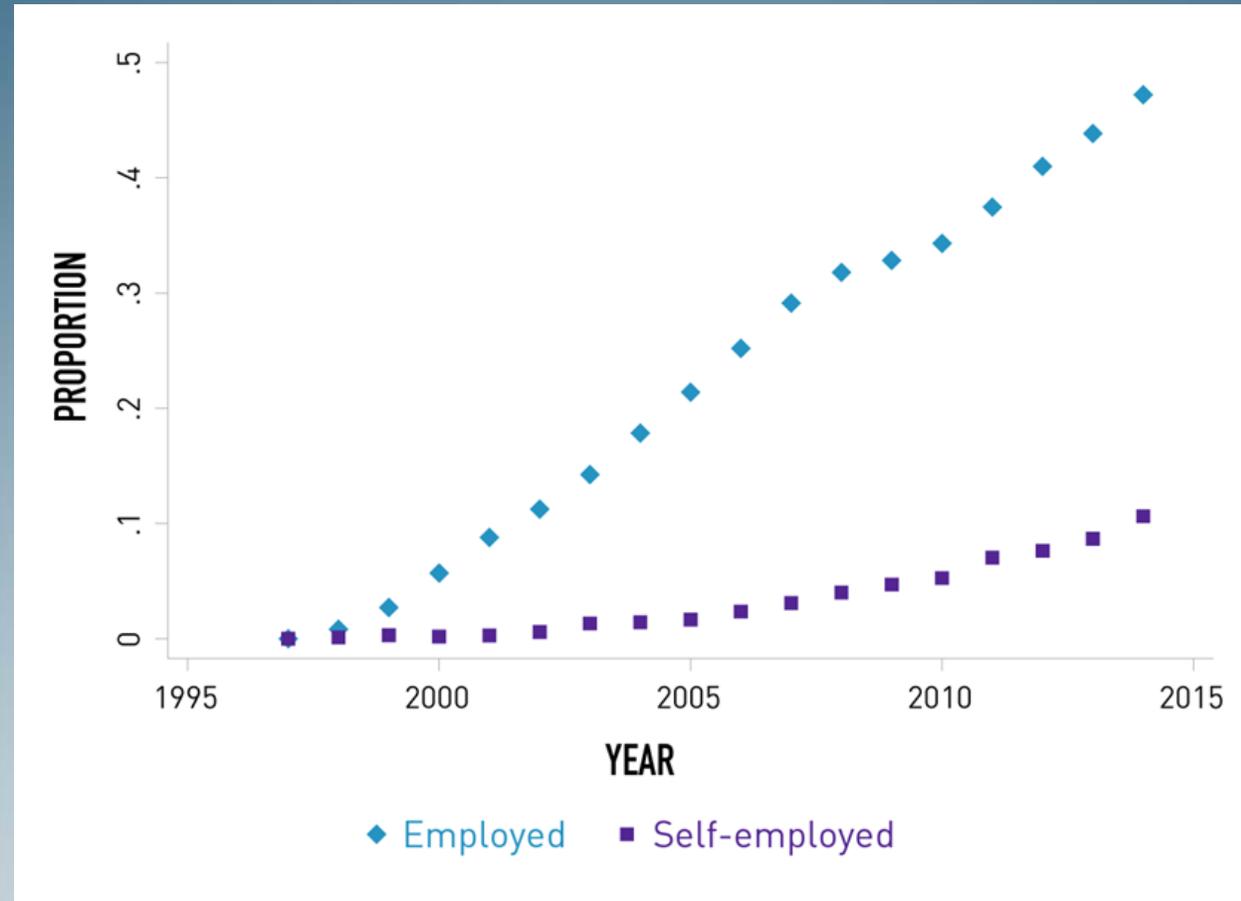
- Minority firms tend to be singularly owned, younger, and with younger owners
- Tend to receive less financing from traditional lenders



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Millennial proportions of the employed and self-employed

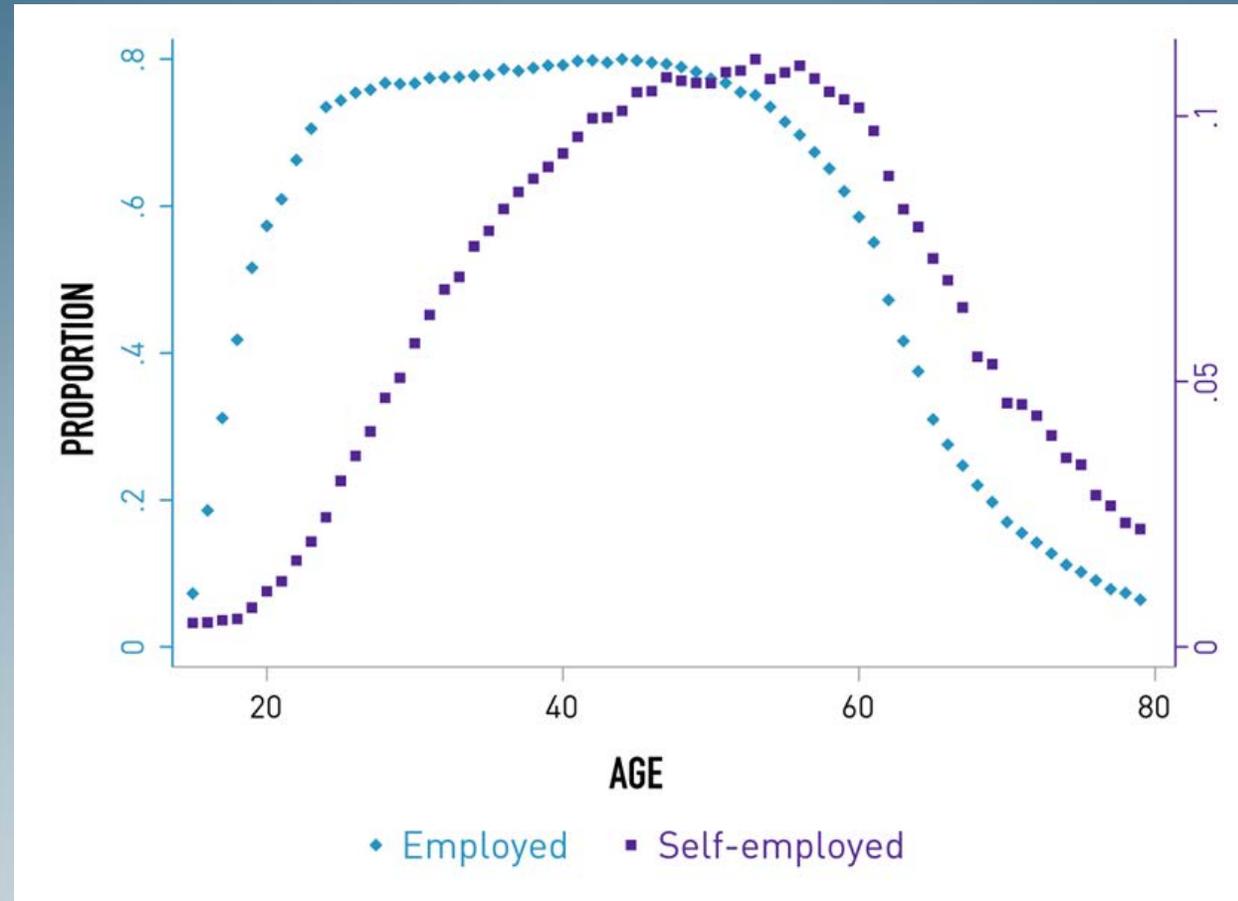


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Age and self-employment

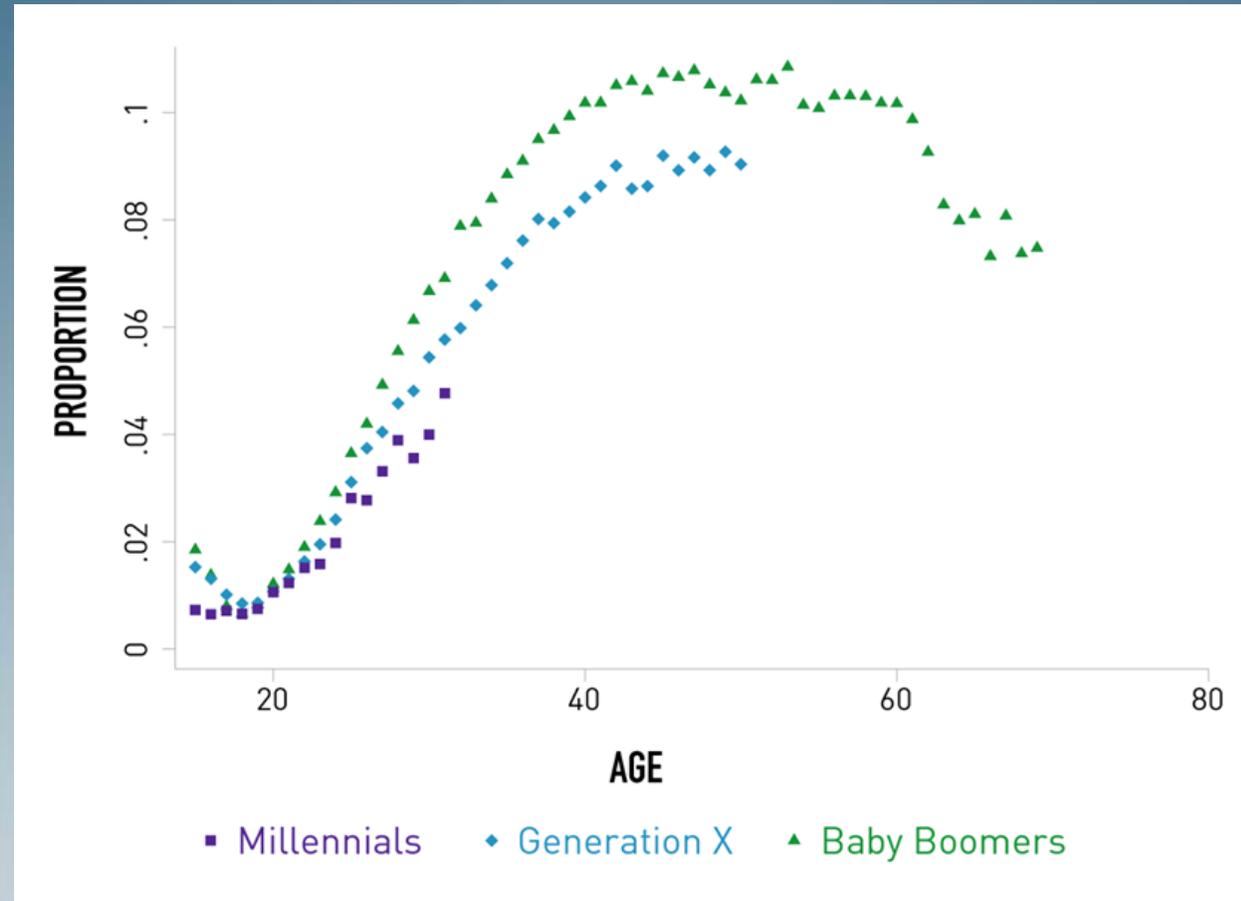


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Age and self-employment by generation

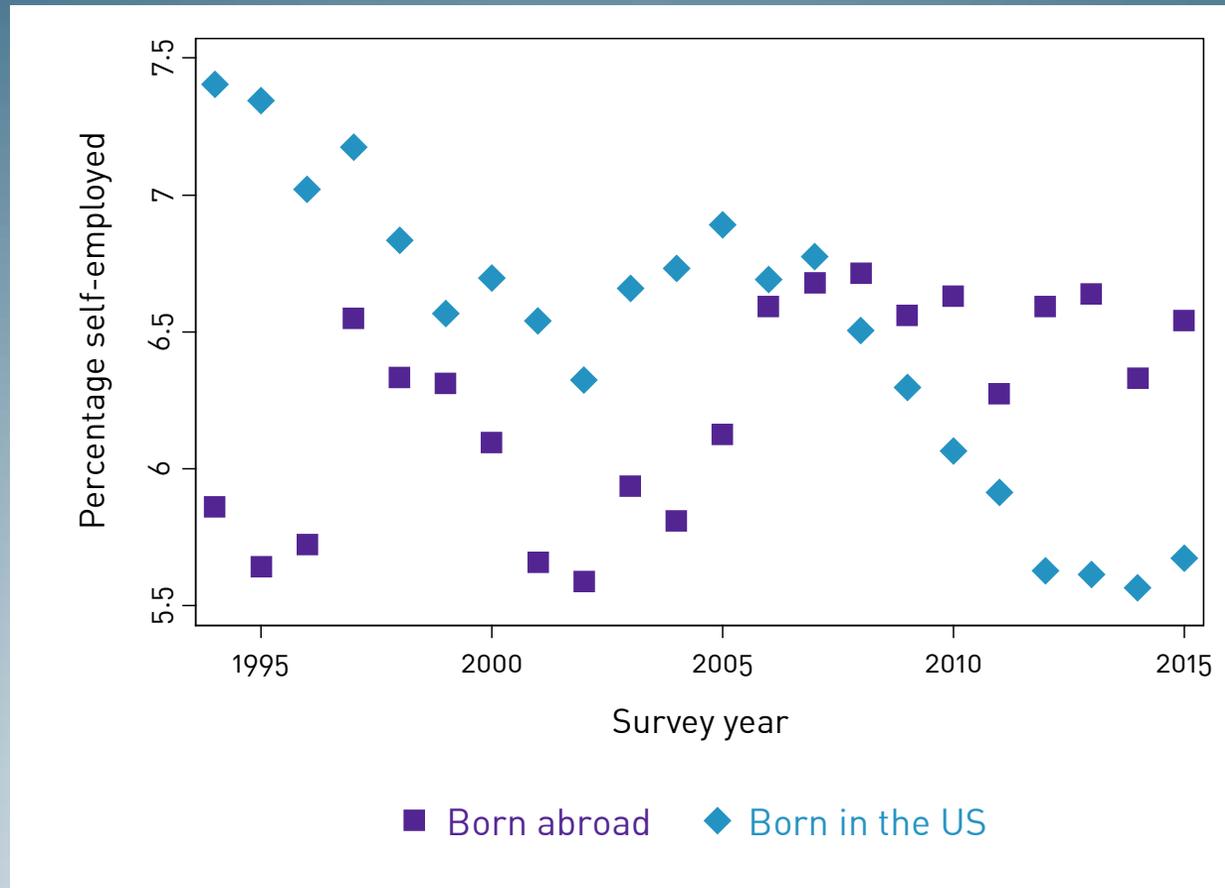


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Self-employment by birthplace

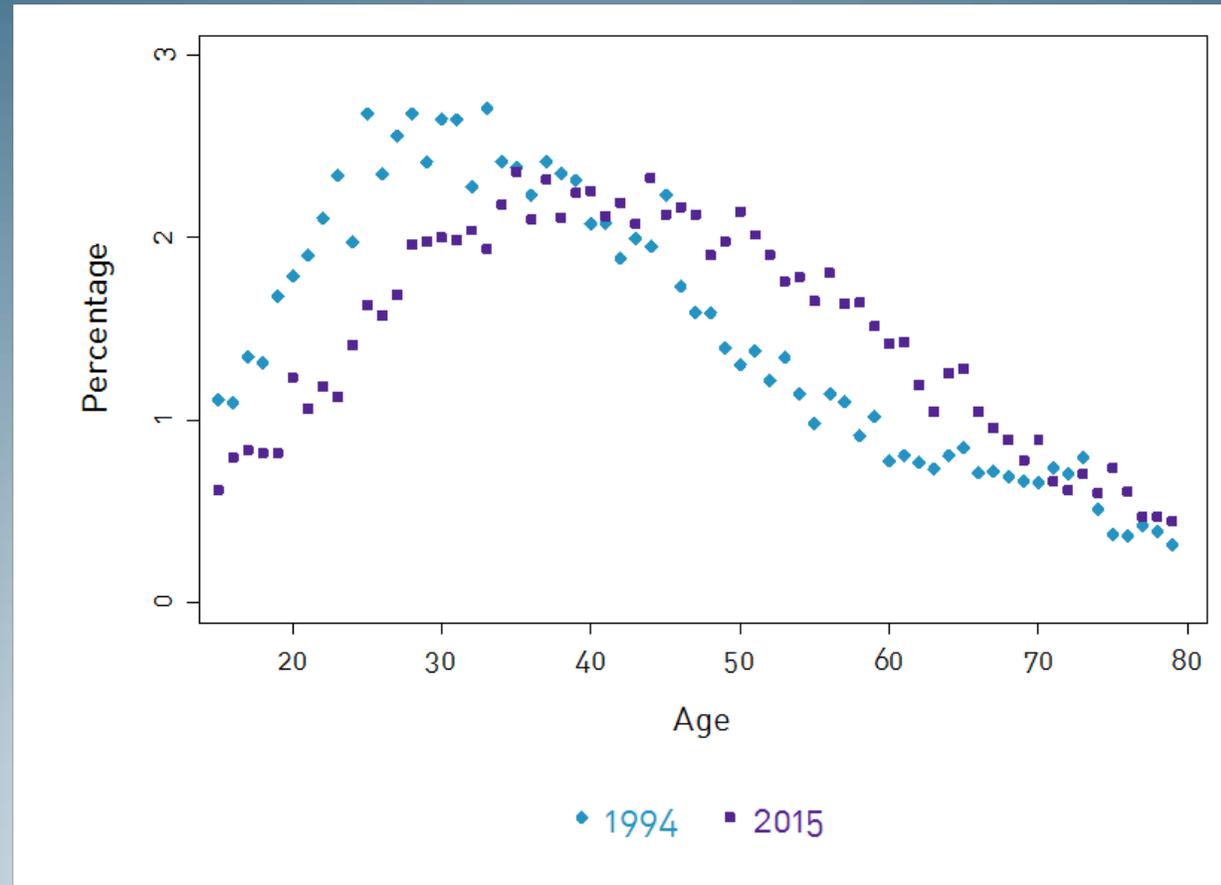


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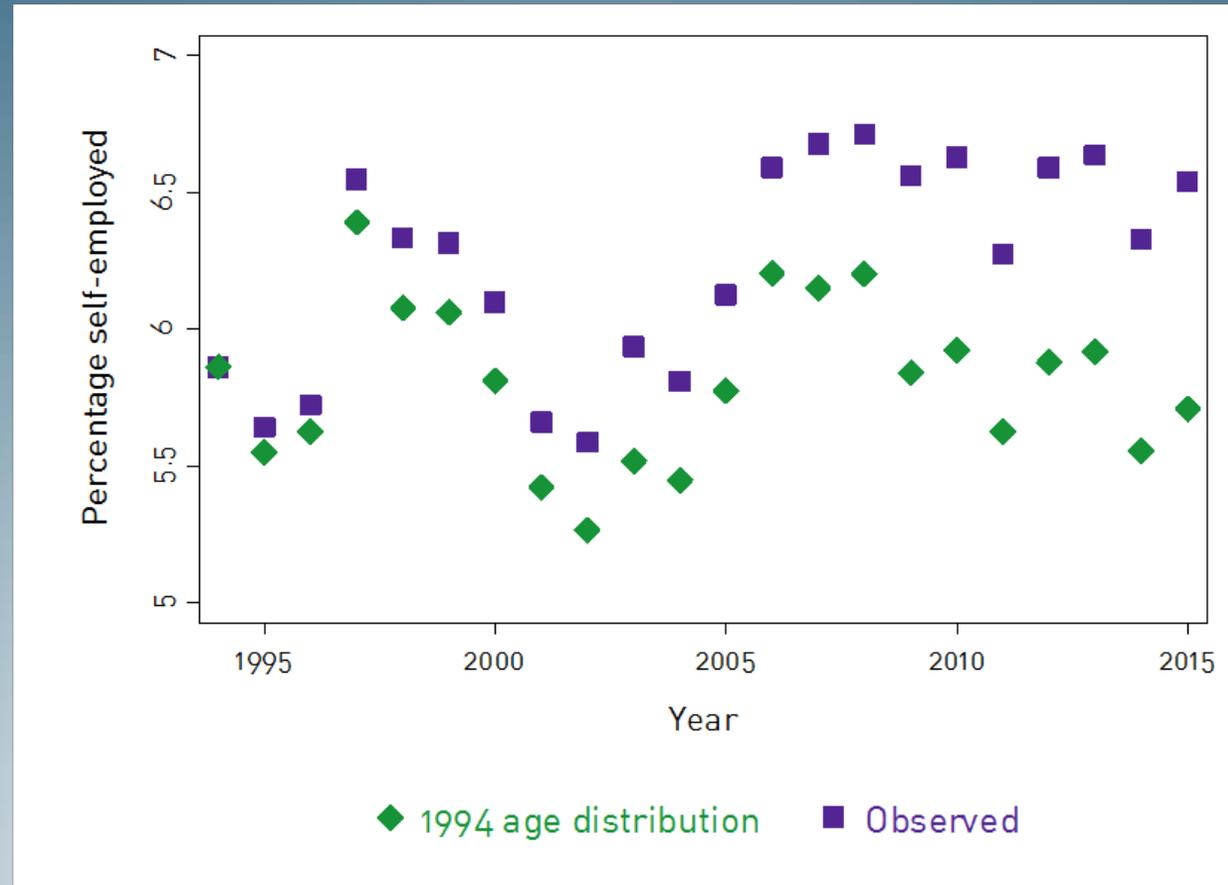
Age distributions in 1994 and 2015 of those born abroad



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Self-employment among those born abroad, observed and counterfactual



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Small Business Economic Research Forum

A monthly speaker series hosted by Advocacy to exchange ideas about economics, small business, and policy.

Recent Economic Research Forums

- Maurice Kugler, IMPAQ International, *ENTREPRENEURSHIP PROSPECTS FOR DISADVANTAGED POPULATIONS*, November 2016
- Cary Ingram, International Trade Administration, *ACCELERATING STARTUPS TO INTERNATIONAL MARKETS*, October 2016
- Ken Jarboe, National Academy of Engineering, *MAKING VALUE FOR AMERICA: IMPLICATIONS FOR SMALL BUSINESS AND THE FUTURE OF MANUFACTURING*, September 2016
- Silvia Muzi, World Bank Group, *MEASURING INNOVATION USING FIRM-LEVEL QUESTIONNAIRES*, July 2016

Upcoming Economic Research Forum

TBD

February 8th, 2017

2:00 – 3:00PM EST

SBA HQ (with conference call option)

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Reports:

Small Businesses Key Players in International Trade,
<https://www.sba.gov/sites/default/files/advocacy/Issue-Brief-11-Small-Biz-Key-Players-International-Trade.pdf>

Minority Business Ownership: Data from the 2012 Survey of Business Owners,
<https://www.sba.gov/sites/default/files/advocacy/Minority-Owned-Businesses-in-the-US.pdf>

The Missing Millennial Entrepreneurs,
https://www.sba.gov/sites/default/files/advocacy/Millennial_IB.pdf

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