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Women Changing the Marketplace

“The proof of women’s importance as entrepreneurs is clear when you pick up the *Wall Street Journal* and see full-page advertisements that highlight women business leaders,” said Chief Counsel for Advocacy Thomas M. Sullivan at the Women’s Small Business Research Roundtable held in the U.S. Capitol on March 20. With that, he pointed to two poster-sized enlargements of ads from the previous day’s *WSJ*. Each featured women entrepreneurs.

Sponsored by the Office of Advocacy in conjunction with the National Women’s Business Council and the SBA Office of Women’s Business Ownership, the roundtable highlighted recent research on women-owned businesses, as well as possible new directions of future research. Three panels of experts explored data sources, recent research, and policy issues and needs. Dr. Ying Lowrey,

Advocacy’s senior economist on women- and minority-owned businesses, presented a new study based on data from the Internal Revenue Service’s Statistics of Income Division. According to her study, *Dynamics of Women-Owned Sole Proprietorships*, women are a significant and growing part of all sole proprietorships. Most U.S. firms (72.6 percent) operate as sole proprietorships. And 84.8 percent of all businesses owned by women are sole proprietorships. These are the smallest of businesses; the average dollar value of sole proprietorship receipts in 1997 was \$58,000; for women, it was \$31,000.

The women-operated share is growing. Sole proprietorships operated by women in the United States underwent dramatic increases from 1990 to 1998 in terms of numbers, gross receipts, and net income. The

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The participants in the Women’s Roundtable panel on recent research were (from left) David Winston, President of the Winston Group; Susan Phillips Bari, President, Women’s Business Enterprise National Council; Office of Advocacy Senior Economist Ying Lowrey; and Wilma Goldstein, Director of the SBA’s Office of Women’s Business Ownership.

News Updates

FY 2003 Budget Sets Advocacy's Course

After many months operating under continuing resolutions, SBA has a signed budget for FY 2003. The Office of Advocacy has again received \$1.1 million to fund our research into the contributions and economic dynamics of small business. With these funds, we will continue our efforts to apprise policymakers at the local, state, and federal levels about how small businesses contribute to their communities and economies.

As in the past, Congress has directed the SBA to fully fund Advocacy's programs. This funding will allow us to maintain our outreach to small businesses with a full complement of regional advocates, and it will allow us to continue our regulatory work on behalf of small business.

The SBA, along with all federal agencies not connected to homeland security or the war effort, has budget challenges that it must face in 2003. Advocacy also faces these challenges, and our entire team is dedicated to advancing the small business agenda in a cost-effective manner.

The total 2003 budget approved by Congress for the SBA amounts

to \$736.5 million. Through the SBA's financial programs and in conjunction with its lending partners, the FY 2003 appropriation will enable SBA to provide up to \$21 billion in credit and venture capital to small businesses. With the help of such SBA resource partners as the Small Business Development Centers (SBDCs) and the Service Corps of Retired Executives (SCORE), SBA will be able to provide entrepreneurs with technical assistance so that they can start out on the right foot, grow, and prosper.

SBA's disaster loan program received \$523.2 million. With carryover, the disaster loan funding will be close to the five-year average of roughly \$800 million. SBA's technical assistance programs received \$115.5 million. Among these are SCORE, the SBDCs, and the Women's Business Centers. The budget also contains funding for the National Ombudsman, Veterans Outreach, the National Women's Business Council, and other programs.

The Small Business Advocate

Editor Rebecca Krafft

Managing Editor Rob Kleinsteuber

Contributing Editors Keith Holman, John McDowell, Kathryn Tobias, Jaime Willis

Production Assistant Darlene Moyer-Mahmoud

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Homeland Security Websites Offer Information and Advice

The new Department of Homeland Security has its websites up and running. They offer valuable information to small businesses about potential business opportunities and keeping oneself and one's employees safe in the event of a terror attack. The department's website, www.dhs.gov, contains information on doing business with the new cabinet agency, as well as:

- Rules for unsolicited proposals,
- Importing and exporting, and
- Disaster relief for businesses.

The department has launched a site specifically about preparedness, appropriately named www.ready.gov. Please consult this site for information on making your disaster preparedness plans for work, school, and home.



Message from the Chief Counsel

Women Business Owners Increasing

by Thomas M. Sullivan, Chief Counsel for Advocacy

Last month, the Office of Advocacy cohosted a women's small business research roundtable in the U.S. Capitol. The Mansfield room where we met, with its dark wood walls and portraits of Senator Mike Mansfield and President George Washington, accurately reflected its origins. In marked contrast, our topic for the day was a trend that is changing not only the look, but also the demographics of boardrooms around the country—the continuing and phenomenal increase in the number and profitability of businesses owned by women.

I'm proud to say that over the years since the Office of Advocacy's founding in 1976, we have contributed to a growing body of research on women's entrepreneurship. Our latest report, *Dynamics of Women-Operated Sole Proprietorships* (which was released at the roundtable) documents almost a decade's growth in the number and profitability of the smallest women-owned businesses, the sole proprietorships. The report shows marked gains. Women's share of sole proprietorships increased from 33.5 percent to 36.8 percent of the total over the 1990-1998 period. The largest women-owned sole proprietorships, with receipts of at least \$200,000, are increasing and generating a larger and larger share of income.

From the tiniest of microenterprises to some of the world's largest companies, women-owned businesses are changing economies around the world. I met last month with a delegation from southern Africa, where women are beginning to come into their own as entrepreneurs. You really can't talk about microenterprises globally

without talking about women, whose outstanding repayment record is able to sustain microfinance institutions in many areas just emerging from desperate poverty.

At the other end of the spectrum, several speakers at the conference, including Advocacy's own Ying Lowrey, documented women's growth among sole proprietorships with revenues of more than \$200,000. And Valerie Strang of the Census Bureau is hoping that the next round of Census data will teach us much more about the 100,000 women-owned firms making more than \$1 million.

It's clear that women's business ownership is not only the doorway to the economic mainstream—it's also the stairway leading women toward sharing economic power on an equal basis with men. Partici-

pants in the conference noted that the advocacy community has some work to do in certain areas—government procurement, for example. But more and more, the evidence all indicates that given the right opportunities and tools, women are already reshaping our surroundings in phenomenal ways.

In closing, let me just note that we wouldn't have made all the progress we've made in our knowledge about women-owned business without the excellent work of our partners, including the sponsors of the conference, the National Women's Business Council and the SBA's Office of Women's Business Ownership. We look forward to continuing our partnership with them and many others in studying and advocating for women's entrepreneurship.

New Website for Women-Owned Businesses

In March, the SBA and the Department of Labor launched a new website dedicated to women's entrepreneurship in the 21st century. The new site, www.women-21.gov, is a one-stop-shop of federal government resources for women in business. It is a joint effort of SBA and the U.S. Department of Labor. The site is intended to help women navigate in an ever-changing business climate, as well as to access information and links to all government agencies and programs specific to women-owned business and business in general.



SBA Deputy Administrator Melanie Sabelhaus helped launch the new federal government portal, www.women-21.gov.

Regulatory News

Task Force on Small Business Paperwork Reduction Goes to Work

On March 4, Advocacy held a roundtable to gather public comment on implementation of the Small Business Paperwork Relief Act of 2002. The law created a task force of federal agencies charged with considering the federal paperwork burdens imposed on small business and evaluating potential solutions. The task force is chaired by Mitch Daniels, the director of the Office of Management and Budget (OMB). The Office of Advocacy is a task force member.

Approximately 25 members of the public participated in the meeting, with an additional 20 representatives of various federal agencies in attendance. Participants commented on the existing paperwork burdens on small business and suggested ways of relieving them. Chief Counsel for Advocacy Tom Sullivan encouraged those in attendance to send additional comments via email to the task force.

Representatives of small businesses had many comments to make.

- Small businesses are frustrated by the number of unsuccessful efforts over the years to resolve the paperwork problems,

- The Paperwork Reduction Act (PRA) isn't working. The task force should look for ways to make the PRA work, for instance to actually reduce the number, duplication, and complexity of collections; to shorten retention timeframes whenever possible; to ensure no data is collected that isn't really needed; to create incentives that encourage and reward agencies for reducing paperwork; and to hold agencies accountable for reducing paperwork. (Government accountability was a recurring theme of the meeting.)

- While Internet-based paperwork applications are helpful, they are only part of the solution. At least 15 percent of small businesses don't use them, and probably won't in the future.

- Agencies should focus more resources on compliance assistance and fewer on enforcement efforts.

- Agencies should have small business paperwork hotlines and be held accountable for the accuracy of information they provide.

- Collections should remain spread out over the year, so that fewer employees are needed to prepare responses.

- Agencies are out of touch with small business and should always get input from them when planning anything with potential impact on small businesses.

OMB is in the process of combining the March 4 comments with others received by Advocacy into a rough first draft of a consolidated report. Please contact Assistant Advocate Keith Holman if you would like to comment: call (202) 205-6936 or email keith.holman@sba.gov. The final report will be published for comment in the *Federal Register*.

EPA National Summit on Small Business and the Environment

On March 13, Chief Counsel Thomas M. Sullivan addressed small business leaders, trade association officials, and environmental policymakers at the Environmental Protection Agency's National Summit on Small Business and the Environment in Washington, D.C. The event was EPA's first national conference on environmental regu-

lation and small business. The chief counsel spoke about the ways that the Office of Advocacy supports small business needs, and Advocacy's working relationship with EPA under the Regulatory Flexibility Act. Sullivan gave examples of situations where Advocacy was able to bring small businesses and regulators into the

same room so that EPA could understand the needs of small business when they design regulations. By ensuring that the needs of small businesses are incorporated early into the process of designing rules, Advocacy helps EPA to produce better rules.

Voluntary Nursing Home Ergonomics Guidelines

In a departure from previous drafts of the ergonomic guidelines for nursing homes, OSHA's new voluntary nursing home ergonomic guidelines reflect the concerns of small business owners. In a letter sent in October 2002, the Office of

Advocacy urged Assistant Secretary of Labor John Henshaw to consider small business concerns in OSHA's new guidelines. The guidelines avoid a one-size-fits-all approach and suggest several strategies that nursing homes have

used to address ergonomic issues. The guidelines also acknowledge that small businesses are unlikely to need to implement every strategy suggested by the guidelines. The new guidelines are located at www.osha.gov/ergonomics.



On February 13, Chief Counsel Sullivan attended a House Small Business Committee breakfast and presented Chairman Donald Manzullo (R-Ill.) with the Annual Report of the Chief Counsel for Advocacy on Implementation of the Regulatory Flexibility Act, Fiscal Year 2002. The report details the regulatory cost savings achieved by the Office of Advocacy.

Report Solicitors Who Imply Links with SBA

The SBA cautions small businesses to be wary of telephone callers who imply that they are connected with the agency and ask for financial or personal data or for fees for products or membership. If you are contacted by anyone claiming to represent a private entity identified as "SBA," or an entity with a name suggestive of the Small Business Administration, please contact the SBA's Office of Inspector General, and provide that office with the details of any such contact.

Contact SBA, Office of Inspector General, 409 Third Street, S.W., 7th Floor, Washington, D.C. 20416; (202) 205-6586 (phone); (202) 205-7382 (fax); oig@sba.gov.

Proposed Visitor Rules Withdrawn

The Immigration and Naturalization Service (INS) of the U.S. Department of Justice withdrew a proposed rule that would have shortened the time period for certain foreign visitor visas. The plan threatened to wreak havoc on the American travel and tourism industry. The rule would have changed the automatic default period for tourist visas from most countries

from six months to 30 days. It would have required those wishing to stay longer than 30 days to justify their intentions to a U.S. immigration inspector, including bringing along any supporting documents. Travel and tourism businesses were concerned that foreign visitors would not travel to the United States if there was doubt as to whether they could stay the

amount of time needed to complete the trip. They estimated the potential revenue losses in billions of dollars. Since the majority of travel and tourism businesses are small, INS's action is an encouraging sign that the concerns of small businesses were heard. Continued vigilance is necessary, nevertheless, as similar rules may be introduced in the future.

Action on Mobile Machinery Exemption Postponed

The U.S. Treasury Department has postponed final action on a new rule that would eliminate the excise tax exemption for "mobile machinery." This exemption is very important to small businesses in construction, mining, and other industries that use heavy off-road equipment. Treasury extended the comment period on the proposal in

September, at the request of Advocacy and other small business groups. Comments from many affected businesses underscored the importance of the exemption to small businesses and made clear that its elimination would significantly affect a substantial number of small entities. The comment letters also show that Congress has

taken a strong interest in the issue. Assistant Treasury Secretary Pamela Olson decided to postpone implementation pending Congress's consideration of the Highway Trust Fund reauthorization. Her actions ensure the voice of small business will be heard and provide a well supported record for Congress to consider.

Regional Roundup

Region 7 Advocate Comes on Board

Wendell Bailey, a longtime small business owner and former U.S. congressman and state office holder, is the Office of Advocacy's regional advocate for the federal government's Region 7, covering Iowa, Kansas, Missouri, and Nebraska. He is the direct link between small business owners, state and local government agencies, state legislators, small business associations, and the Office of Advocacy of the U.S. Small Business Administration.

Bailey has spent almost two decades in public service. From 1984 to 1992, he served as

Missouri state treasurer. He served one term as a U.S. Congressman in the 97th Congress, 1980-1982. And from 1972 to 1980, he served four terms as a member of the Missouri House of Representatives.

Bailey has operated successful small businesses, including an auto auction and a newspaper. He has served as an international consultant and worked with small business trade associations.



Wendell Bailey, the new region 7 advocate, was sworn into office by Nebraska District Director Glenn Davis in Kansas City, Mo., on March 17, 2003. Region 7 Administrator Sam Jones looks on.

Region 7 Contact Info

Wendell Bailey
Region 7 Advocate
Small Business Administration
323 W. 8th Street, Suite 307
Kansas City, MO 64105-1500
(816) 374-6380 (phone)
(816) 374-6339 (fax)
wendell.bailey@sba.gov

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number increased from 5.6 million in 1990 (33.5 percent of the total) to 7.1 million (36.8 percent) eight years later. Women's sole proprietorship receipts increased over the period from 15.2 percent of the total to 18.0 percent. And their net income increased from 16.9 percent to 21.5 percent.

Most women's sole proprietorships—87 percent—are quite small, with annual receipts of less than \$50,000. But a significant share—13 percent—were in the larger-than-\$50,000 receipts size category; this group accounted for two-thirds of women-operated sole proprietorships' receipts and about 55

percent of the net income. The largest women-operated sole proprietorships—the 2.7 percent with gross receipts of at least \$200,000—generated one-third of women-operated business receipts, and their number is growing.

Sole proprietorships owned by married women (filing joint returns) declined from 66.6 percent in 1990 to 61.0 percent in 1998. On the other hand, the share of women sole proprietors who filed as unmarried heads of households with dependents increased from 8.4 percent to 14.2 percent between 1990 and 1998. The other filing status categories remained about the same over the period: 23.1 percent on average were single and 1.6

percent were married filing separate returns.

About 53 percent of women-operated sole proprietorships were concentrated in 10 major business activities. The top two were sales door-to-door and child day care. Between 1990 and 1998, women sole proprietors earned nearly 70 percent of their total net income in the services industries; 18 percent in finance, insurance, and real estate; and a small fraction in other industries.

Among the 10 most populous states, the number of women-operated sole proprietorships grew most in North Carolina, Florida, and Ohio. Women-operated sole proprietorships in California earned the

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State Reg Flex Provisions Advance in Missouri and Elsewhere

Missouri's House of Representatives gave final approval to a bill creating a small business regulatory fairness board. The board would give small business owners a greater voice in the state's rulemaking process. House bill 322, sponsored by Rep. Brian Baker (Belton), passed overwhelmingly by a vote of 117 to 18.

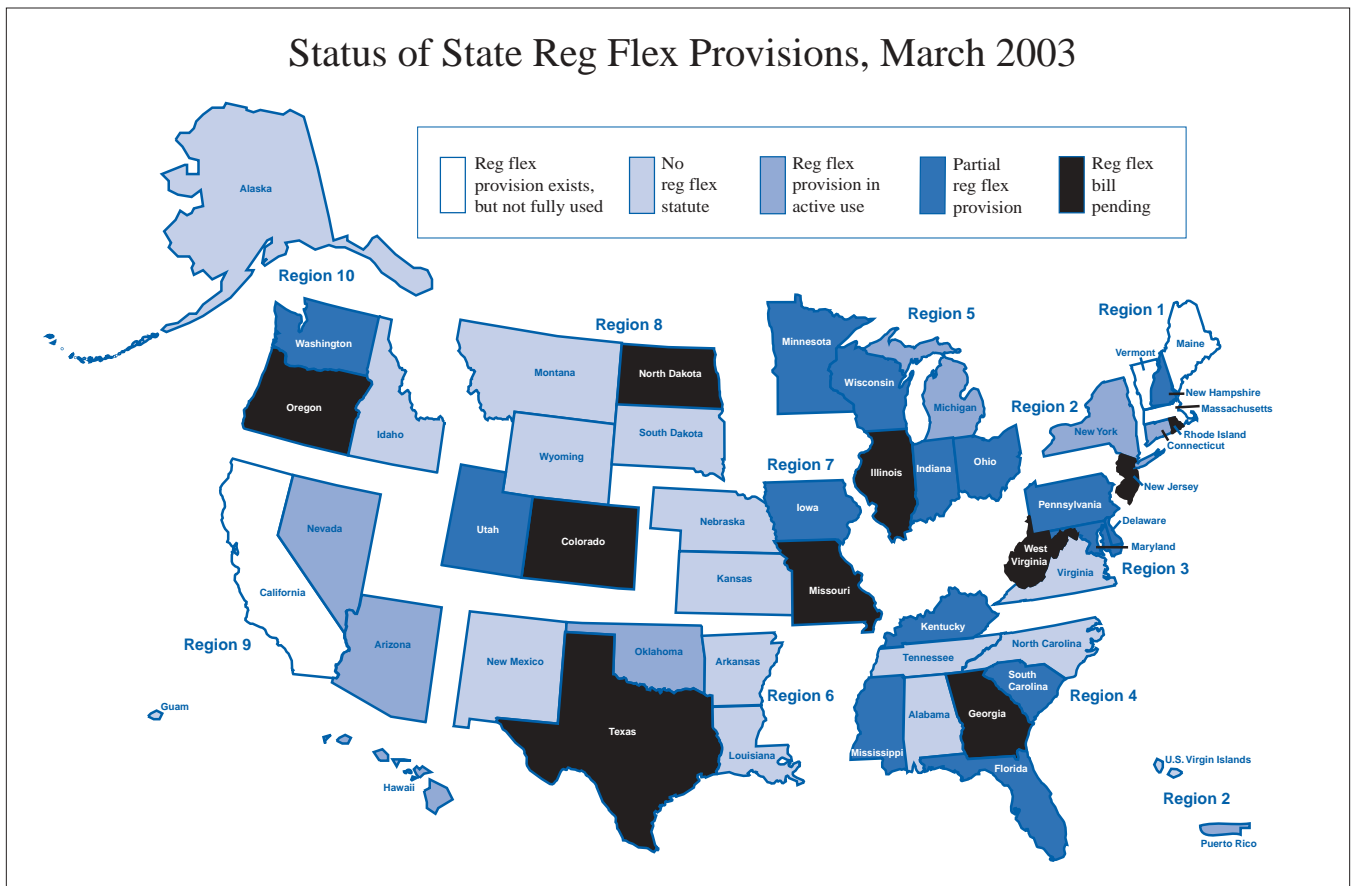
This House bill creates a regulatory fairness board that would pro-

vide state agencies with input regarding proposed rules, consider requests from small business owners for review of agency rules, review agency rules and make recommendations to the agency and General Assembly regarding the need for a rule or legislation. The regulatory fairness board would also conduct hearings and solicit input from regulated small businesses and prepare an annual

evaluation report for the General Assembly and the governor.

For more information on the Missouri proposal, contact Region 7 Advocate Wendell Bailey.

A recent survey by the Office of Advocacy found renewed interest in passing legislation to cushion the imbalanced impact of state regulation on small business. The map below shows progress by state as of March 2003.



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most per proprietorship, on average, in net income and gross receipts. In 1998, New York had the highest net income as a percentage of gross receipts.

“President Bush recognized the growing importance of women in the small business community when he announced his Small Business Plan at the Women’s Entrepreneur-

ship Summit in March 2002,” said Sullivan. “The Office of Advocacy is pleased to make available more information about this segment of the small business community and we continue to explore new avenues of research on sole proprietorships operated by women.”

For More Information

Advocacy’s senior economist, Dr. Ying Lowrey, can be reached at (202) 205-6947, or by e-mail at ying.lowrey@sba.gov. Her report, *Dynamics of Women-Owned Sole Proprietorships*, is available at www.sba.gov/advo. Paper and microfiche copies can be purchased from NTIS at (800) 553-6847 or at www.ntis.gov.

Questions Raised About Effects of Federal Purchase Cards

A new study published by the Office of Advocacy raises troubling questions about the effects of federal credit card purchases on small businesses. Although use of credit cards has been touted as streamlining federal procurement, the study finds that the value of federal credit card purchases from small business actually may be decreasing.

“Use of credit cards has helped to streamline federal procurement,” said Thomas M. Sullivan, Chief Counsel for Advocacy. “But they seem to have the unintended consequence of diverting procurement dollars from small businesses. One of President Bush’s small business priorities is full and open access for small businesses to government contracts. Agencies need to do a better job of monitoring their credit card purchases to make sure that

small businesses have access to these purchases.” The report, *Impact of Purchase Card Activity on Small Business*, written by Eagle Eye Publishers, acknowledges NASA as the only federal agency that provided information to evaluate credit card usage.

Using the NASA data as a case study, the report found that NASA’s small business share of federal purchase card procurement dropped 6 percent between FY 2000 and FY 2001. Moreover, the data found that NASA is short of meeting existing rules for setting aside government purchases between \$2,500 and \$100,000 for small businesses.

A recent GAO study noted that “well-defined criteria and consistent use of available data sources” are needed for a better understanding of credit card purchases from

small business. Although the General Services Administration’s contract with five major banks calls for the collection of socioeconomic data with each credit card purchase, this requirement has not produced usable data. As a result, most agency officials are unaware of purchase card spending patterns within their own agencies.

Federal credit card purchases have risen dramatically in recent years. In FY 2001, 3.2 million government credit cards were used to spend \$19.7 billion on goods and services. Of this amount, \$13.8 billion was spent on non-travel, non-automotive-related items.

The complete study is available on Advocacy’s website: www.sba.gov/advo/research/rs226tot.pdf.

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