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In This Issue

Growth of Minority-Owned Businesses Detailed in New Report

Growth in the number, receipts, and employment of minority-owned businesses is outpacing that of other businesses and shows no sign of stopping. Well over 3 million minority-owned firms in the United States generated nearly $0.5 trillion in revenue and employed nearly 4 million workers in 1997.

According to a new report, *Minorities in Business*, by the U.S. Small Business Administration's Office of Advocacy, minority-owned businesses experienced 168 percent growth in the number of businesses from 1987 to 1997. Analysis of this growth, together with population and demographic projections into the 21st century, indicates that minority-owned businesses will have an increasing stake in the U.S. economy of the decades to come.

"Old small business paradigms are changing because today's entrepreneurs come from so many different backgrounds," said Jere W. Glover, Chief Counsel for Advocacy. "We must increase awareness of the economic implications of minority business ownership. Removing existing barriers to the

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ACE-*Net* Comes to Maryland

Prince George's County, Maryland, welcomed ACE-*Net* to the county on Jan. 22 as the Prince George's County Economic Development Corporation (EDC) became Maryland's first ACE-*Net* network operator. At a ceremony marking the event are (L to R): Sal Lauricella, ACE-*Net* project coordinator; Shelly Gross-Wade, VP of business financing and assistance, EDC; George A. Brugger, chair of the EDC board of directors; Joseph J. James president and CEO of the EDC; Wayne K. Curry, county executive; Jere W. Glover, the SBA's chief counsel for advocacy; and Major L. Clark, the SBA's assistant chief counsel for procurement. For more information, see the story on page 14 of this issue.

Minorities, *from page 1*

development and growth of minority-owned firms will benefit not just these firms, but the entire economy. With more timely, detailed data, we can assist them in their pursuits."

Demographic trends toward more ethnic diversity in the United States are expected to continue into the next century, dramatically changing the face of entrepreneurship and the business community. Over the 1990–2010 period, it is projected that the number of Americans of Hispanic descent will almost double, from 22.5 million in 1990 to 41.1 million, as will the Asian population—from 9.5 million to 18 million. The African-American population will increase from 30.5 million to 40.1 million.

The minority business community's growth mirrors these patterns. The Office of Advocacy's report analyzes the available data on minority-owned businesses and consolidates the findings. Of the three minority groups in the study, Hispanic-owned businesses registered the fastest growth—a 232-percent increase in their number from 1987 to 1997. Hispanic-owned firms had revenues of $184 billion in 1997 and employed 1.5 million workers in 1.4 million firms.

The number of businesses owned by Asian Americans, including American Indians and Pacific Islanders, grew by 180 percent over the same decade. They produced $275 billion in revenue, and employed 1.9 million workers in 1.1 million firms.

The number of African American–owned firms increased by 108 percent. They had $59.3 billion in revenues and employed 580,000 workers in 880,000 firms.

Because of their rapid growth, Hispanic and Asian-owned firms increased their relative share of the minority business pie to 44 percent and 33 percent respectively. African-American-owned businesses now constitute 27 percent of the minority business total, down from 42 percent in 1987.

Minority-owned businesses follow financing patterns somewhat similar to those of non-minority-owned businesses. Some three-fourths of all businesses used some type of credit for their financing, including nearly 70 percent of Hispanic-owned firms, 67 percent of Asian-owned firms, and 63.3 percent of African-American-owned firms. Almost 37 percent of all firms used commercial banks for all or some of their credit needs, as did 32.6 percent of Hispanic-owned businesses, 26.6 percent of Asian-owned businesses, and 15.4 percent of African American-owned businesses.

The *Minorities in Business* data provide a preview of the business landscape of the future.

For More Information

Copies of *Minorities in Business* are available on the Office of Advocacy's Web site at *http://www.sba.gov/ADVO/stats*. Paper copies are available for purchase from the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, VA 22161; tel. (703) 605-6000. Ask for document no. PB99-139628. The NTIS Web site is at *www.ntis.gov*.

For technical questions about the report, contact Alicia Robb in Advocacy's Office of Economic Research at (202) 205-6530, or via fax at (202) 205-6928.

The Small Business Advocate

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Message from the Chief Counsel

OSHA's Ergonomics Proposal: Early Reviews

by Jere W. Glover

On Friday, Feb. 19, Charles Jeffress, assistant secretary for occupational safety and health at the U.S. Department of Labor, held a press conference to release the draft of an ergonomics standard. The Occupational Safety and Health Administration (OSHA) has had this rule under consideration for at least five years. The stated purpose of the proposed standard is to reduce the number and severity of work-related musculoskeletal disorders (MSDs) experienced by employees. Under the standard, employers would be responsible for taking measures to reduce work-related carpal tunnel syndrome, neck and back strains, etc.

The proposed standard would affect virtually all employers, except those in maritime, construction, or agriculture, with an emphasis on manufacturing and firms involved in "manual handling," including 5.5 million small entities. Of these, 1.45 million would be required to initiate and maintain a basic ergonomics program in their business at all times.

Because the standard would affect so many small employers and firms, OSHA convened a Small Business Regulatory Review Panel as required by the Small Business Regulatory Enforcement Fairness Act (SBREFA). (See the explanation of the panel process on page 4.). The panel must complete its work within 60 days — in this case by April 30, 1999. Twenty-three small entity representatives were chosen to advise the panel and provide input into the draft standard. The group includes 13 owner/operators recommended by the Office of Advocacy to represent the interests of the many small businesses concerned about the potential impact of this rule.

A rule proposed by OSHA to reduce work-related musculoskeltal disorders such as carpal tunnel syndrome shows why the Small Business Advocacy Review Panels are important for small business.

OSHA's proposal for an ergonomics standard has strong union and worker support stemming from data on worker injuries. On the other hand, the National Coalition on Ergonomics is very outspoken against such an ergonomics standard being proposed at this time. Its position, and that of other small entity spokespersons, is that it is too soon to promulgate a standard. The National Academy of Science (NAS) is currently studying the issue, and employer groups believe OSHA should wait for the completed report. Their position can be summed up as follows:

• The regulation, as now drafted, is a costly one-size-fits-all approach that will fail to deliver a reduction in work place injury or illness.

• The regulations would only be an experimental solution for a problem on which science disagrees.

• Reported ergonomic injuries are on the decline.

OSHA contends that many employers have used a program similar to that which is being proposed and have seen positive results, namely a reduction in injuries. In support of this, OSHA points to a "substantial" body of scientific and practical evidence indicating that work place interventions can reduce the reported rate of MSDs (such as the reports issued by the National Academy of Sciences, the National Institute for Occupational Safety and Health, and the General Accounting Office on the benefits of ergonomics programs).

The objective of the panel process, under the Small Business Regulatory Enforcement Fairness Act, is to ensure that a regulatory proposal can meet its objective without having an unnecessary, negative impact on small businesses. The differences between OSHA's conclusions and the opinion of industry representatives illustrate the need and value of this process so that some accommodation can be reached between such sharply differing points of view while, at the same time, accomplishing an important public policy objective. This is important. And if you don't think so, just ask a small business owner.

For More Information

To find out more about the proposed OSHA rule on work-related musculoskeletal disorders, visit the Office of Advocacy's Web site at *www.sba.gov/ADVO/* or contact Claudia Rayford in Advocacy's Office of Interagency Affairs at (202) 205-6531 or via e-mail at *claudia.rayford @sba.gov.*

Alternatives to OSHA Proposal Sought

The Occupational Safety and Health Administration (OSHA) was recently thrown into the spotlight after media reports surfaced regarding an anticipated proposed rule on safety and health programs. (See the Sept. 1998 issue of *The Small Business Advocate*.) The proposed rule would require most employers to develop and implement a safety and health program designed to basically "find" all hazards in the workplace and "fix" them.

Some time before news reports on the proposal caught the attention and concern of small businesses from Anchorage to Miami and all points between, a Small Business Advocacy Review Panel had convened to review the draft proposal. Chief Counsel for Advocacy Jere W. Glover, OSHA staff, and officials from the Office of Management and Budget (OMB) met and the panel submitted its report to OSHA on Dec. 18, 1998.

After reviewing the advice of the panel, OSHA may incorporate alternatives to the draft proposed rule. Before OSHA can publish the next draft of its rule, it must submit it to OMB for a 90-day review period. It is anticipated that OMB will require OSHA to provide reasons for not following the panel's many important recommendations.

The small business panel report recommended that OSHA re-evaluate the rule's economic impact on small businesses. One concern of the panel was that OSHA underestimated the costs and did not take into account that many small employers may have to hire consultants to comply. Additionally, the panel requested that OSHA fully explain the estimates used in its economic impact analysis.

After consulting small business owners, a regulatory review panel has completed its evaluation of an OSHA regulation that would require the implementation of new safety and health programs.

The review panel sought the counsel of 18 small businesses representing car washes, bakeries, printers, computer system services, reconstituted wood products, steel foundries, food producers, paint manufacturers, and others. With their advice, the panel offered alternatives to the proposed rule, such as regulating only the high-hazard industries (noting that most high-hazard industries do not consist of small businesses).

OSHA is expected to publish an official proposed rule concerning safety and health programs in 1999. Small businesses and their trade association representatives will have another opportunity to comment on the proposal at that time.

About the Panel Process

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) requires that the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA) receive input from affected small businesses before proposed rules are published. This requirement is in addition to the other mandates of the Regulatory Flexibility Act.

When an EPA or OSHA proposal is expected to have a significant impact on a substantial number of small entities, the agency must notify the Office of Advocacy. Advocacy then recommends small-entity representatives to be consulted on the rule and its effects.

The agency then convenes a Small Business Advocacy Review Panel, consisting of officials from the agency, the SBA's chief counsel for advocacy, and the OMB's Office of Information and Regulatory Affairs. The interagency panel reviews the draft proposed rule and the related analyses prepared by the agency. In addition, the panel collects advice from identified small business representatives and submits a report to the agency within 60 days.

Panel reports often include comments on the agency's preliminary analysis of the impact of the rule on small businesses, and recommendations for regulatory alternatives. The agency reviews the report, makes any appropriate revisions to the rule, and publishes the proposed rule with the panel report as part of the record.

The panel process takes place in the early stages of the rulemaking. It does not replace, but enhances, the important step of publishing the proposed rule and accompanying economic analyses for public comment.

Pension Proposal Would Be Costly for Small Business

Why fix what isn't broken? That's the question the Office of Advocacy asked the Pension and Welfare Benefits Administration (PWBA) last January. The PWBA had proposed a rule that would establish new standards for the processing of claims by participants and beneficiaries in group health, disability, pension, and other employee benefit plans. (The proposed rule was published in the *Federal Register* on Sept. 9, 1998, at 63 FR 48390.) The proposal was prompted by incidents in which health plans that refused to pay medical claims did not have procedures permitting prompt appeals by beneficiaries.

The Office of Advocacy did not comment on the appropriateness of the proposed regulation for health plans, but did question why the rule should also apply to pension plans.

In a January 26 letter to the PWBA, Chief Counsel for Advocacy Jere W. Glover commented on these deficiencies in the rulemaking and strongly suggested that the PWBA carefully address these issues before promulgating the final rule.

"The agency's lack of justification for regulating pension plans in this way greatly concerns the Office of Advocacy, because the office estimates that the cost of compliance for small pension plans would be three to five times greater than PWBA estimates," said Glover.

The PWBA estimated that the rule would add at least $100 million to the cost of regulatory compliance for small pension plans. Yet the agency certified that the rule would not have a significant economic impact on a substantial number of small entities.

If adopted as final, the proposed regulation would affect participants and beneficiaries, plan fiduciaries, and others who assist in the provision of plan benefits, such as third-party benefits administrators and health service providers or health maintenance organizations that provide benefits to participants and beneficiaries of employee benefit plans. The proposal revises the minimum requirements for benefit claims procedures of employee benefit plans covered by Title I of the Employee Retirement Income Security Act of 1974 (ERISA).

A rule proposed by the Pension and Welfare Benefits Administration would add at least $100 million to the cost of regulatory compliance for small pension plans.

The Regulatory Flexibility Act requires agencies to determine if a proposed rule will have a significant impact on a substantial number of small entities. If the agency determines that it will not have a significant impact, it must so certify and explain the basis for the certification. Otherwise, the agency must perform an initial regulatory flexibility analysis to determine what the impact would be. In this case, the PWBA underestimated how significant the impact on small pension plans would be.

The Office of Advocacy agrees with the PWBA that the proposed rule would affect all small employee benefit plans covered by ERISA, which PWBA estimates to be about 654,000 entities. However, Advocacy disagrees with the PWBA's statement that the costs to the small entities will not be significant. In the January comment letter, the chief counsel listed three reasons for the Office of Advocacy's conclusion that compliance with the proposed regulation would have a significant impact on small pension plans:

1. The fully allocated costs of even clerical labor, including benefits, employers' taxes, and overhead, are likely to exceed the $11 per hour estimate of the PWBA by a wide margin.
2. Most plan administrators are likely to incur significant one-time professional costs in familiarizing their company with the new regulations, deciding what, if any, changes in procedures are required, and designing the revised procedures and the documents and training materials to accompany them.
3. The PWBA's assumed cost for materials and distribution of each claim or appeal decision notice appears to be unrealistically low since each notice would need to be individually filled out, addressed, and mailed, and the decision whether to prepare and send a notice may require considerable mid- to high-level personnel review.

In light of these significant costs, the Office of Advocacy concluded that the PWBA should have performed an initial regulatory flexibility analysis rather than certifying that the rule carried no significant cost.

"Putting aside the accuracy of the cost assumptions, it remains questionable whether there is sufficient justification for forcing pension plans to change procedures and notices at all," Glover said. He added that the Office of Advocacy is unaware of pension claimants being dissatisfied with their plans' review procedures.

The PWBA cited many reasons for applying this regulation to group health plans, but the agency has failed to cite similar problems with pension or other employee benefit plans.

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Special Report: Vision 2000

This Month: “Models of Excellence” in Promoting Women- and Minority-Owned Business

Vision 2000: The States and Small Business Conference, held Dec. 9-10, 1998, brought together small business leaders and government officials to spotlight state and local programs and policies that promote small business growth. Participants in the conference took home many ideas for small business programs and policies that they could adapt to their own localities. Throughout 1999, each issue of *The Small Business Advocate* will profile Vision 2000 award winners in this space.

In recognition of February as Black History Month and March as Women’s History Month, this issue’s focus will be on the minority and women’s business development awards.

Awards in Minority-Owned Business Development

The Colorado Minority Business Advisory Council, Denver, Colo.

The Colorado Minority Business Advisory Council (CMBAC) was originally created in 1987 by Gov. Roy R. Romer to advise the state’s Minority Business Office and to monitor its activities. Composed of more than 40 business, community, and government representatives, the council is the only statewide organization that represents the mutual business interests of all ethnic minorities throughout Colorado.

The CMBAC developed a statewide procurement program for prison construction funded at $400 million, in which representatives of both majority and minority construction firms set voluntary minority/women business enterprise (MWBE) utilization goals. Since the program began five years ago, the use of MWBEs has risen from 3 percent to more than 24 percent. The council also led the effort to fund a statewide disparity study demonstrating the underutilization of MWBEs in state procurement. Subsequently, an executive order was approved to implement recommendations addressing this problem.

Diane Sanders addresses the Vision 2000 conference as part of a panel on Women and Minority Business Programs.

The Native American Jump-Start Program, Jamestown, N. Y.

The New York State Small Business Development Center (SBDC) created the Native American Jump-Start Program, a specialized small business ownership training program. The program offers an integrated series of training and one-on-one counseling sessions for Native American entrepreneurs.

In 1993, the SBDC at Jamestown Community College provided small business counseling and training on the Cattaraugus and Allegany Reservations. Encouraged by cooperative efforts between the Seneca Nation of Indians and the SBDC, the Ewing Marion Kauffman Foundation's Center for Entrepreneurial Leadership provided additional funding.

The Jump-Start Program addresses the particular needs of Native American businesses — including cultural differences and legal issues resulting from treaties. The program has served nearly 200 Native American clients; some of these have gone on to receive nearly $2.5 million in financing. More than 100 new jobs have been created and 20 more saved. The Jump-Start Program is being considered for replication with other tribes and at other reservations in New York and five other states.

Barbara C. Peek and the North Philadelphia Business Chamber of Commerce, Philadelphia, Pa.

Named executive director of the North Philadelphia Business Chamber of Commerce (NPBCC) in 1996, Barbara Peek has worked closely with other North Philadelphia business leaders to improve the business climate and quality of life in the community. Inspired by the late Sen. Roxanne H. Jones — a visionary who overcame all obstacles to become one of the most respected members of the Pennsylvania legislature — the NPBCC and Peek established an annual award for outstanding young entrepreneurs. The Youth Entrepreneurial Training Program is sponsored by the Philadelphia Department of Community and Economic Development and the Temple University Small Business Development Center. The first annual "Roxy" award has helped to refocus attention on the continuing work of the chamber in bringing minority business owners together to improve their community.

Award winner Barbara Peek of the North Philadelphia Business Chamber of Commerce.

New Community Development Corp., Omaha, Neb.

The New Community Development Corp. (NCDC) has pioneered microlending in Omaha, Nebraska, with programs specifically targeted to minority communities in the city's federally designated Enterprise Community. Under the leadership of Michael Maroney, NCDC serves both an African-American community and a Hispanic community with significantly higher unemployment than the rest of Omaha.

Programs aim to help low-income individuals move into self-employment by offering 48 hours of basic business training, ongoing technical assistance, and microloans. Since 1994, NCDC has graduated 249 individuals in 21 training sessions. NCDC reports that these graduates have developed 83 self-employment opportunities, created 39 additional jobs, and strengthened 43 existing businesses because of their training. Over the same 1994–1998 period, NCDC approved 28 microloans ranging from $250 to $10,000.

Three-quarters of NCDC's borrowers have been women, and 28 percent previously relied on various forms of government assistance. In 1997, NCDC developed the Women Mean Business Program. After consulting program dropouts who had been welfare recipients, NCDC developed a six-week, 90-hour training course focusing on life management skills as well as business basics. The first graduates have been successful finding jobs or starting businesses.

Dr. Robert L. Jeffrey, Sr., Seattle, Wash.

Dr. Robert L. Jeffrey, Sr., founded the Black Dollar Days Task Force in 1988, a member-based, non-profit organization committed to facilitating economic self-sufficiency for inner-city African Americans by promoting principles of self-help and self-determination through economic justice. The task force works with inner-city residents in groups of 15 to 20 people to introduce them to an entrepreneurial skill set. It provides training and support services; a revolving loan fund, capitalized primarily by more than 800 stakeholders; and an African-American Community Endowment Fund, which generates income for the revolving loan fund. The task

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force each year sponsors a Black Dollar Days week-long campaign to stress the need for job creation and business support and expansion in the community. The task force also publishes *The African- American Business Directory*, covering two states and three major cities.

Side Street to Main Street Business Development Program, Middletown, Conn.

Designed by the Middlesex County Chamber of Commerce, this program's aim is to help existing minority-owned businesses become more successful. Focusing on core competencies, participants develop a comprehensive operational plan and monitor their progress. The program takes the form of 10 facilitated, interactive, weekly work sessions designed to exploit the true entrepreneurial interests of each person. Participants commit to each other in the session that they will accomplish certain goals. Follow-up meetings allow participants to provide mutual support, monitor progress, and identify corrective actions. To encourage long-term success, the program introduces graduates to networks of other successful entrepreneurs.

Mr. Thomas Giossi, Executive Director, Lowell Small Business Assistance Center, Lowell, Mass.

Operated by Middlesex Community College and Community Teamwork, Inc., the Lowell Small Business Assistance Center opened in February 1998 to serve small businesses and prospective entrepreneurs in Lowell's Enterprise Community. The center offers free professional training, meeting space, and a comprehensive library of reference materials for entrepreneurs and businesses. Sensitive to the diverse needs of their community, the center's staff and counselors speak 12 languages and maintain flexible hours. The center logged nearly 1,400 visits in its first eight months. Resources come from the 23 full-time organizational partners that have pledged operating funds, furniture, resource materials, equipment, assistance with outreach, and professional business counseling on a rotating basis.

Greater Washington Board of Trade's Community Business Partnership Project, Washington, D.C.

The Greater Washington Board of Trade (BOT) is a regional chamber of commerce that advocates on behalf of business owners in Maryland, Virginia, and the District of Columbia. In 1993, the BOT reassessed its strategy and set a goal to play a larger role in the economic empowerment of Washington's citizens, especially those who live and work in its urban neighborhoods. The BOT's program, the Community Business Partnership Project, is designed to foster relationships between the community and its leaders. BOT members work to strengthen relationships with Washington's neighborhoods, empower neighborhood businesses, and facilitate a better environment for long-term and large-scale investment and development. Individuals from BOT member companies provide technical assistance to businesses in targeted communities, both to improve their business skills and to develop one-to-one partnerships, including purchasing relationships. The BOT also sponsors training and business development seminars to help community businesses participate in the larger regional economy.

Mark these dates:

December 2 and 3, 1999
Washington, D.C.

for the next

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

Awards in Women's Business Development

Ms. Maria Semidie-Otero, New York, N.Y.

The Women's Venture Fund, Inc., was founded in New York City in December 1994 by Maria Semidie-Otero to make entrepreneurial opportunity available for minority and low-income women through enterprise development. Semidie-Otero developed a revolving loan fund for women who otherwise would not be able to secure funding for home-based businesses. She created the initial loan fund by persuading each member of the Roster of 100 Enterprising Women in New York City to contribute $1,000. Today, the Women's Venture Fund makes early-stage loans ranging from $400 to $15,000 to women in low-income communities who do not meet conventional lending criteria. It also makes business expansion loans up to $20,000. To date, the fund has made more than 30 loans totaling $70,485. Each participant receives a mentor and entrepreneurial training. Program support services such as day care, elder care, and counseling are provided through partnerships with other established community organizations. In 1996, the fund became a certified Community Development Financial Institution. Through her vision and determination, Maria Semidie-Otero has inspired and empowered poor and minority women to attain self-sufficiency.

Nicole Gray, president of Women's Entrepreneurial Mentoring Systems, Inc., of Boise Idaho, speaks about the history and accomplishments of the program during a session of the Office of Advocacy's Vision 2000 conference.

Ms. Nicole Gray, President, Women's Entrepreneurial Mentoring Systems, Inc., Boise, Idaho

In 1998, the Women's Entrepreneurial Mentoring System, Inc., (WEMS, Inc.) sponsored the second annual Women Business Owners' Trade Show in Boise, Idaho. WEMS, Inc., is an all-volunteer non-profit corporation of women business owners whose mission is to provide mentoring, training, and support to women business owners. The trade show is the premier event for WEMS, Inc. and indeed, for women business owners in Boise. More than 2,000 people attended Trade Show '98, including the governor of Idaho and the mayor of Boise. More than 100 women business owners exhibited their products and demonstrated their services. Resource partners such as the Small Business Development Center, the Idaho Department of Commerce, and the Idaho-Oregon Planning and Development Department were given free booth space and helped women business owners in the show. Posters, public service announcements, a 4,000 piece mailing, radio and television interviews, and a special insert in Idaho's only business newspaper provided invaluable advertising for the trade show.

Colorado Credit Reserve Program, Denver Colo.

The Colorado Housing and Finance Authority joined the Colorado Economic Development Commission to create the Colorado Credit Reserve Program (CCR) in 1993. The CCR is designed to address the small business lending gap in Colorado. A series of meetings between area lenders and women's and minority business organizations identified a great need for working capital loans and lines of credit in amounts under $150,000.

The CCR was designed to encourage banks to approve loan requests that would normally be declined because of inadequate collateral, limited operational histories, or extended loan terms. CCR is based on a pooled loan loss concept in which a reserve account is established with each participating lender to support working capital loans and lines of credit for small

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business owners. As of June 30, 1998, $200,000 from the Economic Development Commission has been placed into loss reserves at participating banks supporting 234 registered loans totaling more than $8,500,000. Almost two-thirds of these loans have been made to businesses owned by women and minorities. Remarkably, the cumulative loss rate is only 1.7 percent. The CCR program has contributed to the growth of small businesses in Colorado, particularly businesses owned by women and minorities.

Women in Business Advisory Council and Women in Business Development Center, Memphis, Tenn.

The Women in Business Advisory Council is a non-profit organization formed in 1997 to promote women's business ownership in Memphis, Tennessee. The organization, composed of women business owners and women advocates, is committed to empower, train, strengthen and promote business ownership among women in Memphis. The council has formed alliances with seven other national and local business organizations in order to expand the network of opportunities for women business owners. The council provides current information to women on legislative issues, financial resources, local business events, and procurement and marketing opportunities. A primary responsibility of the council is to oversee the Women in Business Development Center, which is part of the city's Division of Housing and Community Development. This center provides workshops and individualized counseling for women in marketing, loan packaging, business plans, and financial planning. An extensive business library and computers are also made available to the center's clients.

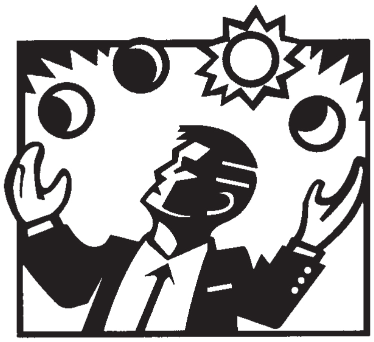
For More Information

"Vision 2000: The States and Small Business Conference" will be returning to Washington, D.C., this coming December 2 and 3. Look for updates in future editions of *The Small Business Advocate*.

Pension Reg, *from page 5*

According to Glover, "The record does not appear to justify imposing on small pension plans an expense of at least $100 million, and likely several times that amount, absent any demonstrated problem that would be ameliorated by such expense."

To read the complete text of the Office of Advocacy's comments to the PWBA, go to the Office of Advocacy's Web site at *http://sba.gov/ADVO/laws/comments/pwba.html*. For more information, contact Senior Economic Advisor Kenneth Simonson, tel. (202) 205-6973 or via e-mail at *kenneth.simonson@sba.gov.*



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The Small Business Answer Desk

News Briefs

New Investment Company to Focus on Hispanic Market

A venture capital company newly licensed by the U.S. Small Business Administration (SBA) is the first regular Small Business Investment Company (SBIC) in the 40-year history of the program to base its investment strategy on investing in Hispanic-owned small businesses.

The new investment company is Capital International SBIC, based in Miami, Florida. Capital International will focus its investment activity on Hispanic-owned or managed businesses — a market that has had difficulty obtaining access to venture capital. Capitalized with $5 million in private funds, Capital International will have potential access to as much as $15 million more in leverage from SBA in the form of SBA-guaranteed debentures.

"Our new venture capital fund focusing on Hispanic-owned businesses is a first for the SBA," said SBA Administrator Aida Alvarez.

With an investment pool of $20 million, a new venture capital fund based in Miami plans to target the growing Hispanic market.

"It will bring first-rank investment experience to the pursuit of finding and financing promising small businesses owned by Hispanic Americans. With an investment pool of $20 million, it will be a strong presence in the venture capital industry. Its investments are going to help create growth and new jobs in the Hispanic community, and a stronger U.S. economy overall."

SBICs, licensed and regulated by the SBA, are privately owned and privately managed investment firms that use their own capital, plus funds acquired with SBA guarantees, to make investments in small businesses. They provide risk capital in the form of long-term debt and equity financing to small businesses for their growth, modernization, or expansion. The SBIC program currently has 325 licensees with a total committed investment pool of $9.7 billion. SBICs have invested nearly $20.5 billion in more than 116,000 small business financings since the program's inception in 1958.

For More Information

For more information on venture capital, visit the Web site of the Small Business Administration's Small Business Investment Comany program at *http://www.sba.gov/INV/*.

Where the Money Came From

Percent of small, Hispanic-owned firms reporting any use of different types of credit in 1993.

Any type of credit	**69.9%**
Any depository institution	**38.1%**
Credit union	**3.3%**
Thrift institution	**3.1%**
Commercial bank	**32.6%**
Any non-depository institution	**22.2%**
Finance company	**14.9%**
Any non-financial institution	**13.7%**
Family and friends	**8.3%**

Note: Since firms typically report using more than one type of credit, figures do not add to 100.
Source: SBA, Office of Advocacy, *Minorities in Business*, table 11B.

Economic News

Rural Small Business Declines: The Flip Side of Urban Growth

by Morgan Farmer

No longer fertile fields for small business growth, many rural areas are struggling. A recent study by the Small Business Administration's Office of Advocacy illustrates the growing disparity in the economic growth experienced in rural and urban areas. *Rural and Urban Areas by Firm Size 1990–1995* provides insight into the changing status of small firms, the primary employers in rural America.

While the urban economy experienced an explosion of jobs between 1990 and 1995, many rural small businesses closed shop in this period, according to a recent study published by the Office of Advocacy.

While the urban economy has experienced an explosion of jobs and establishments, many rural small businesses closed establishments in the five-year period beginning in 1990. A net loss of 12,000 rural small business jobs translated into a decline in the rural share of total employment– further evidence that the rural economy is stagnating.

A variety of potential converging factors could be leading to rural stagnation:

• Rural small businesses have gradually migrated to urban America. A growing number of small businesses have bolstered the urban economy, historically dominated by larger firms. From 1990 to 1995, the number of business establishments in urban and suburban areas increased by nearly 10 percent and total urban employment jumped by 6 percent.

• The number of small businesses in rural America is decreasing because small businesses are growing. As they grow and expand they can no longer be classified as small.

• Through a variety of mergers, consolidations, and buyouts, large businesses are accumulating rural America's small businesses. Fewer small businesses exist in rural America not because they're unprofitable, but because large corporations now own them.

• The reclassification of some counties from rural to urban has boosted the percentage of firms located in urban areas. As the areas classified as urban have expanded, they have incorporated establishments in locations once counted as rural.

In addition to reporting on the state of small business in rural America, the report assesses the strengths and weaknesses of various industries in America's rural and urban economies. Changes in at least two key industries are major contributors to the rural economic decline:

• Between 1990 and 1995, the finance, insurance, and real estate sector lost nearly 60,000 jobs in rural areas. It is speculated that these jobs eventually found their way to cities and suburban areas, strengthening the urban economy.

• The number of retail trade business locations has declined drastically in rural areas, resulting in lost jobs and receipts.

The report also sheds light on the strength of certain industries in urban America. In particular, it highlights the explosion of the services industry in the urban economic arena. Between 1990 and 1995, the services industry generated more than 250,000 net new business locations and more than 5 million net new jobs. Fueled by this growth, the urban economy expanded rapidly too, generating nearly 7 million new jobs and almost 500,000 new establishments in the same five-year period.

Overall, the study finds that while small service businesses have helped to fuel dramatic growth in urban areas, job losses in rural small businesses have paralleled declines in the rural economy. The Office of Advocacy will continue to monitor changes in the rural economy, where small businesses remain the principal employer.

Morgan Farmer is an intern in the Office of Advocacy.

For More Information

Copies of *Rural and Urban Areas by Firm Size 1990–1995* are available on the Office of Advocacy's Web site at *http://www.sba.gov/ADVO/stats*. Paper copies are available for purchase from the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, VA 22161; tel. (703) 605-6000. The NTIS Web site is at *www.ntis.gov*.

For technical questions about the study, contact Brian Headd in Advocacy's Office of Economic Research at (202) 205-6530.

Small Banks' Disappearance May Hit Small Farms Hard

Small farms are receiving more loan dollars from banks, but fewer loans, according to a new state-by-state study published by the Office of Advocacy. *Small Farm Lending in the United States* ranks the "small farm friendliness" of banks within states and offers an overview of small farm lending nationwide.

A companion study, *Small Farm Lending by Bank Holding Companies*, for the first time rates the top 57 multi-billion-dollar bank holding companies (BHCs) on their lending to small farms. Both studies rely on data from banks' June 1998 "call reports" to banking regulators, and both are designed to help small farmers identify the banks most likely to meet their credit needs.

The state-by-state study finds:

• While the value of small farm loans under $250,000 increased by 3.9 percent, from $48.4 billion in June 1997 to $50.3 billion in June 1998, the number of such loans declined by 4.6 percent. Either the average loan size is rising or many small loans have been repaid.

• The smallest banks—those with less than $100 million in assets—have the largest share of small farm loan dollars as a percentage of total assets (9.9 percent). The largest banks have a small farm loan share some 100 times smaller (0.1 percent).

• More than half (51.1 percent of the dollar value) of small farm loans are made by the smallest banks although these banks own less than 6 percent of total bank assets. Conversely, the largest banks, which own 56.7 percent of bank assets, make only about 5 percent of small farm loans.

Recent consolidations in banking have hit the smallest banks hardest, reducing their number by 6.7 percent, from 6,047 to 5,644. Thus, there are fewer small banks to lend to small farms.

"I'm concerned about what these figures mean for small farmers as well as small firms in their communities," said Chief Counsel for Advocacy Jere W. Glover. "The small farmer can take little comfort from growth in farm lending that is concentrated in large loans over $1 million. Such loans increased at more than six times the rate of small loans in 1998. By publicizing this information, we believe we'll encourage bank competition in lending to the small farm and rural sectors."

For More Information

The Office of Advocacy's lending studies are analyses of the "call reports" that banks file in June each year with their bank regulatory agencies. The studies are available on the Internet at *http://www.sba.gov/ADVO/lendinginus2.html/*. Paper and microfiche copies of all Office of Advocacy reports are also available for purchase from the National Technical Information Service, (703) 605-6000.

Comments and technical questions may be directed to Dr. Robert Berney, the SBA's chief economist, or to Dr. Charles Ou, 409 Third Street, S.W., Washington, D.C. 20416, (202) 205-6930; fax (202) 205-6928.

Banks that participate in the SBA's preferred or certified lender programs should be considered small business friendly. To locate the top Small Business Administration lenders in your region, contact your local SBA district office or the Small Business Answer Desk at 1-800-827-5722.

The companion study, *Small Farm Lending by Bank Holding Companies*, provides nationwide detail about the small farm lending of BHCs — the very large bank holding companies with branches in many states. Such detail may not appear in a given state report if the BHC is headquartered in a different state.

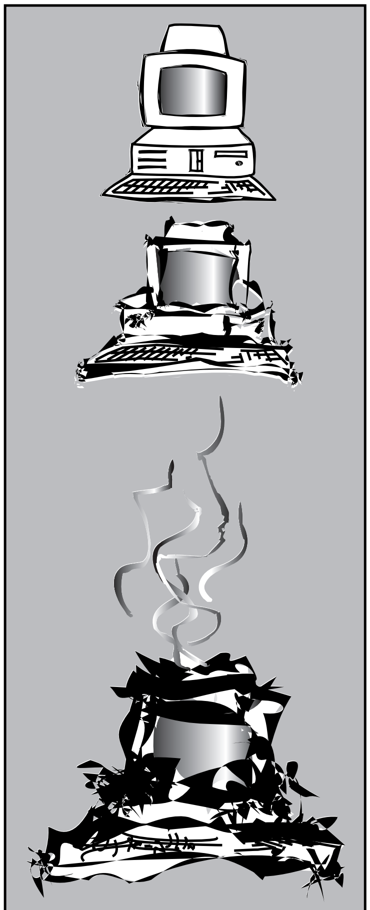
Among the BHC study findings are the following:

• The top five BHCs in lending to small farms in 1998 were Mercantile Bancorporation, Norwest, Union Planters, Marshall & Ilsley, and Commercial Bankshare.

• The 57 largest BHCs are less involved in small farm lending than they are in lending to small businesses. Although they hold two-thirds of all bank assets, these BHCs have only 11.1 percent of the $50.3 billion in small farm loans outstanding.

• The BHCs had an average share of just 0.18 percent of their total assets in small farm lending. Only one of the BHCs — Mercantile Bancorporation — had more than 1 percent.

"In light of the continuing trend toward merger and consolidation in the banking industry, the bank holding company study adds an important piece to the picture" Glover said. "If the BHCs that are buying up banks in a town are not making farm loans, the local leaders need to be aware of that situation."



Are You Y2K OK?

On January 1, 2000, some computer-based systems will begin processing information as if it were January 1, 1900. This is called the Year 2000 problem or the *"Y2K bug."* It may cause problems for your small business unless you act now. This is not just a computer problem. It could affect any equipment that uses a computer chip as well as the suppliers and business partners you rely on.

For more information
contact the
U.S. Small Business Administration
at
1-800-U-ASK-SBA
http://www.sba.gov

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New ACE-*Net* Operator Opens in Maryland

Prince George's County, Md., and its Economic Development Corporation (EDC) recently became Maryland's first ACE-*Net* operator. ACE-*Net* is a secured, Internet-based service that provides a national marketplace for small business stock offerings to accredited investors. Now entrepreneurs and investors in Maryland's growing high-technology business sector will have the opportunity to enjoy the success other states have experienced with ACE-*Net*.

"We are extremely pleased to bring this new initiative to Prince George's County," said Jere W. Glover, chief counsel for advocacy. "It will help the area's economy grow by introducing new and efficient technology to connect deserving, fast-growing small companies with the $250,000 to $5 million in capital that they need to succeed."

County Executive Wayne K. Curry and EDC President and CEO Joseph J. James, announced the initiative following a TECHFAST breakfast attended by a record number of high-technology companies and their supporters.

"Along with our recent creation of the Prince George's County High-Technology Triangle and our High-Technology Incentive Package, the new access to capital small business initiative . . . will help the county expand its commitment to the growth of our high-tech business base and all of our fast-growing small and minority businesses," Curry said.

ACE-*Net* operators are local, non-profit entrepreneurial support organizations. They provide mentoring services for entrepreneurs and investors, and are usually state- or university-based, with strong track records in business development. The network operators provide a local interface for investors and entrepreneurs to obtain secure access to the ACE-*Net* system, which provides networking opportunities for companies seeking investment and needed capital. The combined resources of the network operators have helped thousands of small companies raise more than $4 billion in equity, debt, grant, and contract financing on a local basis. With the national network of ACE-*Net*, these organizations are now combined into a powerful force to streamline the process and reduce the cost of small equity placements.

Prince George's County is the state's second ranking high-technology county, with nearly 900 high-technology firms and 33,600 high-tech jobs. The Prince George's County EDC provides a wide array of programs and services to retain, expand and attract businesses and jobs in Prince George's County.

"The Office of Advocacy hopes that the ACE-Net program will also be a source for additional equity investments in minority-owned businesses," Glover said.

Have You Visited ACE-*Net* Lately?

On Feb. 16, ACE-*Net* unveiled a redesigned Web site, with easier navigation and a new section added for the media and general public. To take a look at the new Web site, go to *www.ace-net.org*.

Information on ACE-*Net* is also available by contacting the ACE-*Net* fax-back system at 1-877-ACENET3 (1-877-223-6383).

Creating Investor Networks and Funds for Women and Minorities

by Terry Bibbens

Women and minority entrepreneurs have had a particularly difficult time finding investors willing to fund their companies, according to Office of Advocacy research. This fact led to the creation of the ACE-*Net* system. The research indicated that while there were many women and minority investors, they were not organized into "bands of angels" or investment funds that could efficiently review business plans and fund companies best suited to their investment goals. Many of the investors requested help in developing an organized way to focus on these companies.

To expand on the research, the SBA's offices of Advocacy and Women's Business Ownership contracted with a very successful new venture fund, the Women's Growth Capital Fund (WGCF, on the Internet at *http://www.womensgrowthcapital.com*), to develop a case study of how the fund leaders solved these problems. A recent publication, *New Sources of Private Equity Capital For Women Entrepreneurs*, is the result.

The organizers and managing partners of the Women's Growth Capital Fund, Patty Abramson, Wendee Kanarek, and Rob Stein, provide a clear and powerful story of how they identified the need and then developed the strategy for a fund specializing in women-owned businesses. They also provide a step-by-step process to help others organize such a fund and the network needed to support it.

Their unique contribution in establishing the WGCF was to understand that just providing money to women-owned businesses is not enough. From the successes of Silicon Valley and Boston's Route 128, they identified the need for strong mentoring to go with the initial financing. Therefore, they required that women interested in investing in their fund agree to provide mentoring to the women entrepreneurs.

They also addressed the exit strategy for women-owned firms by building strong relationships with the large, traditionally male-dominated venture funds. Their appeal to these large funds was purely economic. They would bring to them seasoned, successful companies that were ready for the next rounds of financing leading to initial public offerings or mergers.

The WGCF initially planned to operate with a $5 million fund. However, with an oversubscription of their initial funding, and a clear need identified in their research, they decided to leverage their funding with a small business investment corporation (SBIC) and now have a $30 million fund focused on women-owned businesses. For more information on the SBIC program, licensed by the SBA, see *http://www.sba.gov/INV*.

Any investment group that decides to target specific markets or entrepreneurs — whether women, minorities or others — can use the concepts and tools provided in the SBA report. The Office of Advocacy is very supportive of the efforts by investor groups to develop networks or funds targeted at the historically underserved equity markets.

For More Information

If you are interested in developing special equity networks or funds, please contact your local ACE-*Net* network operator (*http://www.ace-net.org*) or Mark Keam in the SBA's Office of Advocacy, tel. (202) 205-6926; via e-mail at *mark.keam@sba.gov*.

For additional information on women's business ownership, obtain a copy of the Office of Advocacy's report, *Women in Business*. It is available online at *http://www.sba.gov/advo/stats/wib.html*. or request a paper copy from the Office of Advocacy, fax (202) 205-6928. Also see the Web site of the SBA's Office of Women's Business Ownership, which has a wealth of helpful information useful for any business (*http://www.sba.gov/womeninbusiness/*).

For information on venture funds specializing in women-owned companies contact:

- **Capital Across America,** 414 Union St., Suite 2025, Nashville, TN 37219; tel. (615) 254-1414.
- **Viridian Capital,** 110 Sutter St., Suite 515, San Francisco, CA 94104; tel. (415) 391-8950.
- **Women's Growth Capital Fund,** 1054 31st St. N.W., Suite 110, Washington, DC 20007; tel. (202) 342-1431.

New Sources of Private Equity Capital For Women Entrepreneurs is available from Julia M. Taylor in the SBA's Office of Women's Business Ownership, tel. (202) 205-6673; e-mail *julia.marae.taylor@sba.gov*; or Terry Bibbens in the Office of Advocacy, phone 202-205-6983, e-mail *terry.bibbens@sba.gov*.

Bids Solicited for Studies on Small Business Topics

The Office of Advocacy is soliciting research proposals in 16 subject areas under its annual request for proposals (RFP). The RFP, published in the April 7, 1999, edition of *Commerce Business Daily*, is one method used by the Office of Advocacy to fulfill its mission of investigating the role of small businesses in the U.S. economy.

Here are brief descriptions of the subject areas that will be covered by the RFP:

1. Evaluation of regulatory flexibility analysis by federal agencies.
2. A small business closure model for regulatory flexibility analysis.
3. Discrimination in bank lending.
4. The small business credit card market: a case study.
5. The value of worker training programs to small business.
6. A survey of the literature on the impacts of credit crunches on small firms.
7. Hiring and keeping small firm employees in a tight labor market.
8. The small business share of high-technology commerce and electronic commerce: projections to 2010.
9. Federal credit card procurement from small firms.
10. Federal contract streamlining: its effect on procurement from small firms.
11. Procurement teams and the success rates for small firms in competing for federal procurement.
12. Tax incentives for investing in small business.
13. Making benefits available to employees of small businesses.
14. Ph.D. dissertation competition for research on small business.
15. Access to capital by women-owned and minority-owned firms.
16. The small business share of economic growth.

Those interested in submitting a proposal must follow the instructions contained in the official announcement. proposals must be received by May 24, 1999.

How to Submit a Proposal

For more information, or to obtain a copy of the RFP solicitation package, contact Dionna Martin, U.S. Small Business Administration, Office of Procurement and Grants Management, 409 Third Street S.W., Suite 5000, Washington, DC 20416; tel. (202) 205-7029. This procurement is 100-percent small business set-aside. The closing date for receipt of proposals is May 24, 1999. Copies of the solicitation package will be provided upon written request only. No telephone or fax requests will be honored.

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