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Pacific Northwest Gets Its First ACE-Net Operator

A new site for small businesses looking for capital investments was opened on Aug. 17 in Anchorage, Alaska. Chief Counsel for Advocacy Jere Glover was joined by Sen. Ted Stevens (R-Alaska) during the ribbon cutting of the Pacific Northwest's first network operator for the Access to Capital Electronic Network (ACE-Net). The ACE-Net site will be operated by the Alaska Technology Transfer Center and located at the Alaska Small Business Development Center.

"One of the major challenges for entrepreneurs is gaining access to capital. For investors, the problem has been a lack of good investments. Both of these issues are being addressed through ACE-Net," Glover said.

"The over 800 companies in Alaska that have doubled revenues in the previous four years can benefit greatly from ACE-Net," said Frank Cox, the SBA's district director in Anchorage, "Companies throughout the Pacific Northwest can profit from this new service."

ACE-Net is a nationwide, Internet-based listing service that provides small businesses an opportunity to seek equity capital from accredited investors throughout the United States. While accessible through the Internet, the system is managed by a network of local operators that have significant experience in assisting small businesses. (See related stories on page 6.)

New Frontiers for Small Business Investment



Celebrating the opening of ACE-Net's latest network operator in Anchorage, Alaska, on August 17 were, from L to R: Charles Christy of the Alaska Technology Transfer Center; SBA Chief Counsel for Advocacy Jere W. Glover; Jan Fredericks, state director of the University of Alaska SBDC; Sen. Ted Stevens; SBA Regional Advocate Andrew Munro; and Frank Cox, director of the SBA's Anchorage district office. (Photo © Chris Arend)

Regulatory Agencies

Small Employers Get Opportunity for Early Input at OSHA

A new regulation is under development at the Occupational Safety and Health Administration (OSHA) that could change small businesses' approach to identifying, monitoring, and correcting all hazards in the workplace. OSHA is planning to propose a rule requiring most employers to develop and implement a safety and health program. Simply described, the rule would require that employers "find" and "fix" all hazards in the workplace.

The Office of Advocacy identified small businesses from the retail, manufacturing, construction, and other industries to review OSHA's draft proposed rule and comment on its cost and effectiveness. Small business representatives are key players under the Small Business Regulatory Enforcement Fairness Act (SBREFA) in the development of rules. When the Small Business Advocacy Review Panel convenes later this year, members of the interagency panel will ask small business representatives to provide advice and recommendations on the rule. (See accompanying box on page 3, "About the Panel Process.")

Small business representatives will review the five core elements of the rule:

- Management leadership and employee participation;
- Hazard assessment;
- Hazard prevention and control;
- Training; and
- Evaluation of program effectiveness.

Issues such as the definition of "hazard" and "effectiveness" will likely be discussed. The real cost of maintaining more records or acquiring expert advice for more complex hazards will be considered. The

panel process will be small business' first chance for official input on the new OSHA rule.

Sometimes the agency will change key elements of the proposed rule to minimize the burden on small business after this first step. The panel's report will be made part of the public record and will supplement the full rulemaking process. Once the proposal is published in the *Federal Register*, small businesses can provide additional comments about their concerns and pursue any additional changes they believe should be made to the rule.

For More Information

For a copy of OSHA's draft safety and health program standard, call OSHA at (202) 219-7177.

For information on the draft standard or on the Small Business Advocacy Review Panel process, contact Sarah Rice, assistant advocate in Advocacy's Office of Interagency Affairs, at (202) 205-6533 or by e-mail at sarah.rice@sba.gov.

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You Can Be a Winner

"Advocates of the Year" in nine categories will be recognized during Small Business Week 1999. **The nomination deadline is Nov. 13, 1998.**

For more information, contact your nearest SBA district office or visit the Small Business Week Web site at:
<http://smallbusinesssuccess.sba.gov>

EPA's Proposed Effluent Guidelines Reflect Review Panel Input

At a public hearing held at the Environmental Protection Agency (EPA) on August 18, 1998, Assistant Advocate Kevin Bromberg submitted oral comments on a proposed water pollution rule that would affect the transportation equipment cleaning industry. These comments followed a Small Business Advocacy Review Panel report submitted to the EPA concerning the same proposed rule. In his oral comments, Bromberg stated, "The SBA's Office of Advocacy applauds EPA's execution of the . . . panel process, which preceded this proposal, and the agency's subsequent adoption of the panel recommendations." He also offered further recommendations that would lessen the economic impact the rule would have on small businesses.

The proposed rule (published in the *Federal Register* on June 25, 1998 at 63 FR 34,685) is being developed under the Clean Water Act and would establish technology-based effluent limitations guidelines for the direct discharge of pollutants to surface waters, as well as the indirect discharge to publicly owned treatment works of pollutants. The rule would establish, for the first time, water pollution limits and pre-treatment standards for transportation equipment cleaning (TEC) facilities. TEC facilities include firms that generate wastewater from cleaning the interior of tank trucks, rail tank cars, or ocean tankers.

In April 1997, the EPA convened a Small Business Advocacy Review Panel for this proposal, due to the large number of small businesses that could be affected by the regulation. After the review panel submitted its report to the EPA on Sept. 23, 1997, the agency incorporated many of its suggestions into the proposed rule. One important recommendation was the exclusion of intermediate bulk containers (IBCs)

After hearing testimony in a Small Business Advocacy Review Panel, the EPA has issued a proposed rule that adopts several of the panel's suggestions.

from coverage under the rule. In the panel report, the Office of Advocacy argued that facilities that clean only IBCs do not discharge enough water pollution to warrant national regulation. The EPA has now adopted the Office of Advocacy's minority view in its new proposed rule.

Bromberg's testimony emphasized that despite the incorporation of many of the panel's recommen-

dations, the rule still may have a significant economic impact on a substantial number of small businesses. In order to reduce this impact, Bromberg suggested the following alternatives to the proposed rule:

- More exemptions of facilities based on their levels of pollution discharge;
- Lower standards for required technology to reduce the cost to small businesses; or
- A small business cut-off that would exempt the smallest TEC firms based on the number of tank cars they wash.

The full text of the oral presentation can be found on the Office of Advocacy's home page at <http://www.sba.gov/ADVO/laws/comments/teci.html>.

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.

Small Business Technology Sector Shows Its Importance in Many Ways

by Terry Bibbens

Previous discussions in this column have focused on the importance of small business to the technology sector of the U.S. economy. In a very important domain — the employment of degreed science and engineering (S&E) researchers — small businesses also demonstrate their importance to the technology sector, and new numbers from the National Science Foundation allow us to quantify this.

The NSF tracks the distribution and demographics of S&E researchers. According to the NSF's latest data, in 1995 small businesses employed more S&E staff than large businesses — 3.7 million versus 3.2 million — and more than government and educational institutions combined.

In the important category of employees with Ph.D.s, small businesses had more than large businesses and close to half as many as those employed by academic institutions.

In the July 1996 column, it was noted that small business accounts for a disproportionate share of the patents issued in the United States, particularly when the much smaller

New numbers from the National Science Foundation show the importance of small business to the technology sector.

funding levels that small business devotes to (or receives for) research and development (R&D) are taken into account.

The continuing existence of this disparity is driven home by some new figures recently issued by the National Science Board (NSB) in the 1998 edition of its annual publication, *Science and Engineering Indicators*. According to the report, small firms have been receiving a larger share of R&D funding over the past five years. "Small firms (those with fewer than 500 employees) accounted for 14 percent of all non-federal R&D expenditures in the United States in 1995, up from 10 percent five years earlier," the NSB reported. But the numbers also show that small business con-

tinues to receive a disproportionately small percentage of federal R&D dollars: Small businesses received only 3 percent of total federal funds for industrial R&D in 1995, while accounting for 9 percent of all expenditures for industrial R&D.

Terry Bibbens is the Office of Advocacy's entrepreneur in residence. He can be reached via e-mail at terry.bibbens@sba.gov.

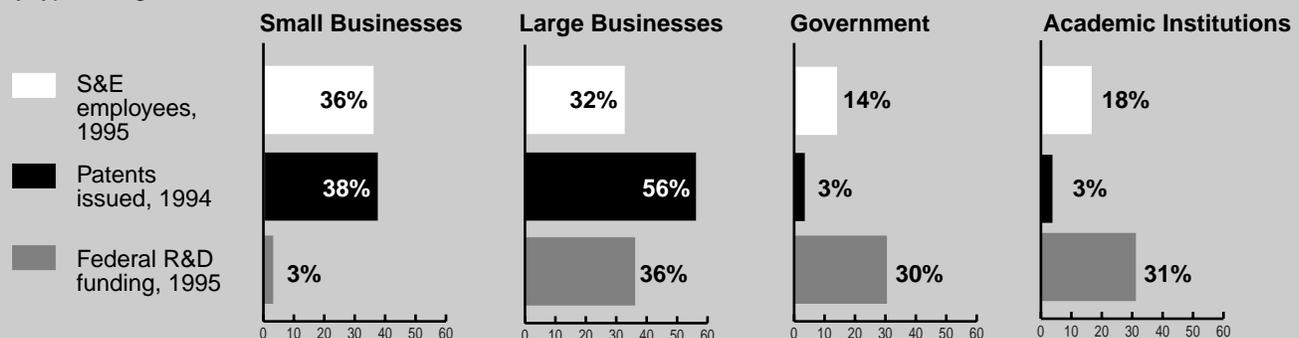
For More Information

Copies of the National Science Board's *Science and Engineering Indicators, 1998* are available for purchase from the U.S. Government Printing Office at (202) 512-1800. Ask for stock no. 038-000-00594-4. The cost is \$72 including postage.

The National Science Foundation's survey of science and engineering researchers is available on its Web site at <http://srsstats.sbe.nsf.gov/>.

Employees, Patents, and Funding

Share of total S&E employees, patents issued, and federal R&D funding, by type of organization.



Sources: National Science Foundation, U.S. Patent and Trademark Office.

Special Report: Vision 2000

Oklahoma: A New Small Business Advocate and Plans for a 1999 Conference

In Oklahoma, they do things big. That includes championing small business. In April, Lt. Gov. Mary Fallin (R) became the state's small business advocate. By putting the advocate at the cabinet level, Gov. Frank Keating (R) is assuring that small businesses are promoted and assisted in Oklahoma.

"In order for Oklahoma to prosper economically there must be a vital and cooperative link between the public and private sectors. Small business owners and advocates now have a specific leader within state government to contact for assistance and counsel as they compete in today's competitive marketplace," Gov. Keating said.

Since assuming her new role, Lt. Gov. Fallin has hosted seminars to identify small business issues and concerns. She is currently assembling a statewide coalition to set Oklahoma's small business agenda. Each representative and senator is appointing two small business representatives from their district to the Small Business Commission. Once assembled, nearly 300 people will meet to set an agenda for the 1999 Governor's Conference on Small Business.

"Using models, such as the U.S. Small Business Administration's



Co-chairs of the 1999 Oklahoma Conference on Small Business met recently with Lt. Governor (and Oklahoma Small Business Advocate) Mary Fallin. L to R: Conference Co-Chair Ike Glass, Sen. James Maddox, Lt. Gov. Mary Fallin, Rep. Jack Bonny, and Conference Co-Chair Larry Mocha.

Office of Advocacy and the White House Conference on Small Business, states are instituting policies that assure entrepreneurs are part of the decision-making," said Jim Johnson, regional advocate for the SBA's southwestern region. "By giving small businesses access to the top of state government, Oklahoma is setting a high standard for other states to follow."

For more information about the

Oklahoma small business advocate's office or the 1999 Small Business Conference, contact Tina Majors in the lieutenant governor's office at (405) 521-2161, or Jim Johnson, SBA regional advocate, at (817) 885-6579 or via e-mail at lewis.johnson@sba.gov.

About Vision 2000

State government officials and small business leaders will come together Dec. 9-10, 1998, in Washington, D.C., to examine proven initiatives that make entrepreneurship thrive. "Vision 2000: The States and Small Business Conference," sponsored by the SBA's Office of Advocacy, is

designed to focus on business development and regulatory initiatives that work.

Oklahoma Lt. Gov. Mary Fallin will be a featured speaker at the event, discussing her experience in serving small business.

For more information about the conference, to nominate a state

program for an award, or to register, visit the conference Web site at <http://www.sba.gov/ADVO/vision.html>, or contact Barbara George, the conference coordinator, at (202) 205-6934 or via e-mail at barbara.george@sba.gov.

ACE-Net's Streamlined Equity Offerings Are Now Available in Most States

Better access to equity capital is what delegates to the 1995 White House Conference on Small Business wanted, and ACE-Net — the Access to Capital Electronic Network — delivered. ACE-Net is a secured, Internet-based service that provides a national marketplace for small business' stock offerings to accredited investors. This new, streamlined process for equities is now available in more than half of the states, making ACE-Net better than ever.

The rapid expansion of ACE-Net — initiated just two years ago — now permits small companies throughout the country to raise up to \$1 million of equity capital with much greater ease (and at considerably lower cost) than was possible under previous security regulations. Small firms seeking up to \$1 million can use a streamlined procedure — a so-called “short form” offering — to be listed in 27 states. Investors such as angels, investment companies, and venture capital firms from all over the nation can view a small company's offering for investment potential.

Before ACE-Net, entrepreneurs had to file a separate document with the securities regulators in each state in which they wished to make offerings. These separate filings usually required the services of a securities attorney in each state and involved a considerable upfront expense, typically \$5,000 to \$10,000 per state.

With ACE-Net, entrepreneurs interested in offering up to \$1 million of their company stock to accredited investors can list their short form offering (after appropriate legal review) on ACE-Net for a single fee of \$450. Developed by

The expansion of ACE-Net to over 27 states and 29 local operators makes this electronic marketplace for small stock offerings better than ever.

the SBA's Office of Advocacy in consultation with the U.S. Securities and Exchange Commission and the North American Securities

ACE-Net: How to Get There

You can access the ACE-Net Web site by going to the Office of Advocacy's home page at <http://www.sba.gov/ADVO> and then clicking on “ACE-Net.” All of the information and instructions on locating a network operator, enrollment, preparation of the forms, and searching the company listings are contained on the ACE-Net Web site.

Some other information that can be found on the ACE-Net site includes:

- Tax laws and rulings of interest to investors in small companies.
- Model investment terms and conditions to assist companies and investors in developing their agreements, covering the standard issues of ownership, control and exit strategies.
- Events of interest to entrepreneurs and investors across the country.
- Educational material and other web sites on small business securities information.

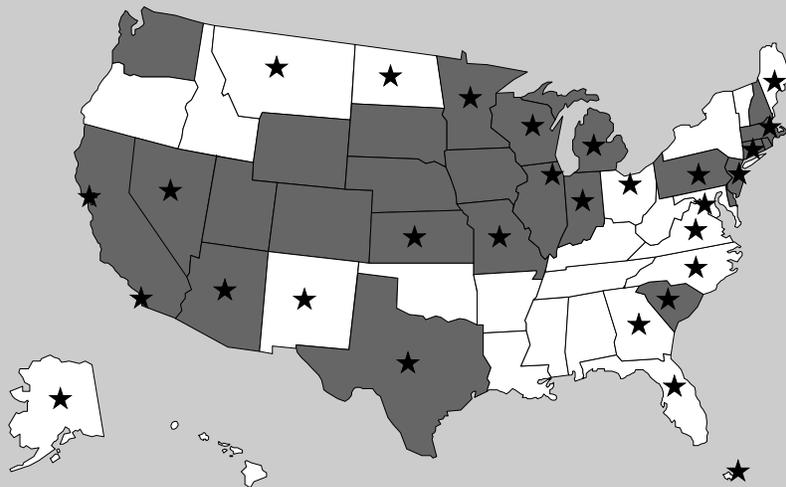
Administrators Association (NASAA), ACE-Net gives more small businesses access to more investors sooner. The “short form” offering maximizes the value of preparing an offering. For companies seeking larger amounts, between \$1 million and \$5 million in equity, the U-7 online form — basically a detailed business plan — is available in an easy-to-use, question-and-answer format developed by NASAA.

General information about ACE-Net is available online. (See “ACE-Net: How to Get There,” on this page.) For specifics, and access to the secured Internet site, the local network operators in 29 states, the District of Columbia, and Puerto Rico can help small firms and investors. As they would for any other stock offering, small businesses should seek review by a securities attorney and discuss how ACE-Net fits their financing strategy.

For a glance at states that have network operators, or those that have approved the use of the ACE-Net “short form” for securities registrations, see the map on page 7 of this issue.

ACE-Net: A Growing Network

Locations of ACE-Net operators and states allowing use of ACE-Net "short form" for securities regulation.



- ★ Locations of ACE-Net operators
- States allowing use of ACE-Net "short form" for securities regulation.

Notes:

Arizona: registration required prior to listing.

California: short form allowed for California companies only.

Michigan: ACE-Net exemption approved; short form not used.

Minnesota: short form allowed for Minnesota companies only.

SBICs Now Accessing ACE-Net

As of this August, a new group of potential investors will be making use of ACE-Net: the Small Business Investment Companies, or SBICs. SBICs are privately owned and managed investment firms licensed and regulated by SBA that use their own capital, plus funds borrowed at favorable rates with an SBA guarantee, to make venture capital investments in small businesses. More than 300 SBICs — with a combined investment pool of \$7.7 billion — have been issued investor passwords and instructions to begin using ACE-Net.

The SBA Investment Division has licensed 138 SBICs in the past four years with more than \$1.8 billion in private capital, which is more than the total private capital raised in the prior 35-year history of the program. The president of the National Association of SBICs, Lee Mercer, has been appointed to the investor advisory council of ACE-Net.

About the Network Operators

The ACE-Net network operators are local, non-profit entrepreneurial support organizations. They provide mentoring services for entrepreneurs and angels, and are usually state- or university-based, with strong track records in business development. The network operators provide a local interface for angels and entrepreneurs to obtain passwords to access the system. They also provide local networking opportunities for companies and investors to meet on topics of mutual interest. The combined resources of the net-

work 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. A list of operators is available online at <http://www.sba.gov/ADVO>.

Economic News

New Figures on Women-Owned Businesses to Be Available Soon

Women-owned businesses are a dynamic and growing part of the American business landscape. Using the latest available data, the Office of Advocacy has estimated the number and contributions of women-owned businesses. Some of these findings include:

- There were an estimated 8.5 million women-owned businesses in 1997, an increase of 89 percent over the last decade.
- Women-owned businesses generated \$3.1 trillion in revenue in 1997, an increase of 209 percent since 1987, after adjusting for inflation.
- There were over 1.4 million women-owned businesses with employees in 1997. These businesses generated \$2.8 trillion in revenue. The number of women-owned businesses with employees grew by 46 percent from 1987 to 1997, and their revenues grew 221 percent over the same period.
- By the year 2000, women-owned firms will represent an estimated 35

It's been asserted that women-owned businesses were growing at a fast clip over the past decade. Newly available data from a number of sources verify this growth.

percent of all sole proprietorships, numbering 7.1 million. The number is expected to grow 34 percent from 1990 to 2000, compared with 23 percent for all sole proprietorships.

- There will be about 4.7 million self-employed women by 2005. This will be an increase of 77 percent since 1983, compared with a 6-percent increase in the number of self-employed men.

These calculations are based largely on data from business tax returns filed with the IRS and surveys co-sponsored by the SBA's Office of Advocacy: *Characteristics*

of Business Owners (co-sponsored by the Minority Business Development Agency within the Department of Commerce and published in November 1997), *Women-Owned Businesses* (published in 1982, 1987, and 1992 by the Bureau of the Census), and the *National Survey of Small Business Finances* (co-sponsored by the Federal Reserve Board and published in 1995).

For More Information

More information about women-owned businesses will be included in an upcoming Office of Advocacy report, *Women in Business*. For more information, contact Alicia Robb, economist in Advocacy's Office of Economic Research, by e-mail at alicia.robb@sba.gov.

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