

2001

The SMALL
BUSINESS
ECONOMY

A REPORT TO THE PRESIDENT

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United States Government Printing Office

Washington: 2004

Dear Mr. President:

The Office of Advocacy of the U.S. Small Business Administration is pleased to present this first edition of *The Small Business Economy: A Report to the President*. In 1976, the U.S. Congress passed Public Law 94-305, which created the Office of Advocacy and named as the first of its research functions the responsibility to

1) examine the role of small business in the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility for all citizens, restraining inflation, spurring production, expanding employment opportunities, increasing productivity, promoting exports, stimulating innovation and entrepreneurship, and providing an avenue through which new and untested products and services can be brought to the marketplace.

A subsequent law, which required the preparation of an annual presidential report on the state of small business, dovetailed well with the Office of Advocacy's research role, and Advocacy prepared *The State of Small Business: A Report of the President* for the President's signature each year from 1982 to 2000, until the expiration of the congressional mandate.

This report is the first of a new series of annual reports on small business data that will be prepared and published by the Office of Advocacy as part of its ongoing responsibility to research the role of small business in the U.S. economy. The data presented here are for the year 2000, a period in which small businesses faced a growing number of economic and regulatory challenges. The next edition will cover data years 2001–2002.

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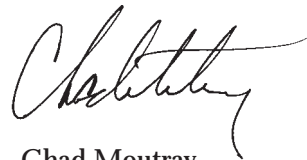
The contributions of America's small businesses to the American economy cannot be overemphasized. More than 25 million business tax returns were filed in 2000; nearly all of these represent small businesses with fewer than 500 employees. More than half of the gross domestic product and 75 percent of America's net new jobs come from small businesses. Entrepreneurial small firms play an integral role in our economy by experimenting and innovating in ways that lead to new technologies and increased productivity.

As part of its mandate, the Office of Advocacy works to ease the regulatory burdens on small businesses so that more of their efforts and resources can be dedicated to productive outcomes. The Regulatory Flexibility Act, as strengthened by the Small Business Regulatory Enforcement Fairness Act and your Executive Order 13272, represents an added safeguard for small businesses, ensuring that their voices are heard during the often arduous Federal rulemaking process.

Our nation is blessed with great ingenuity and pride, and that spirit runs especially deep in the hearts of small business owners. We encourage all efforts to create new opportunities and a healthy working environment for these entrepreneurial champions who fuel our economy and live by example the true meaning of the American Dream.



Thomas M. Sullivan
Chief Counsel for Advocacy



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Acknowledgments

The Small Business Economy: A Report to the President was prepared by the U.S. Small Business Administration, Office of Advocacy. The Chief Counsel for Advocacy is Thomas M. Sullivan; the Chief Economist is Chad Moutray. The project was managed by Kathryn J. Tobias, senior editor. Significant editorial contributions were made by Rebecca Krafft and Robert Kleinsteuber. Gregory Somers provided staff support. Specific sections were written or prepared by the following staff:

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The Office of Advocacy appreciates the interest of all who reviewed the report. Thanks are also extended to the U.S. Government Printing Office for their assistance.

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employees and \$818.7 billion in receipts. Women-owned firms made up 26 percent of the nation's 20.8 million nonfarm businesses and 4.4 percent of the \$18.6 trillion in receipts of all businesses in 1997.

The Census Bureau's 1997 Survey of Minority-Owned Business Enterprises (SMOBE) suggested large increases from 1992 to 1997 in minority-owned businesses; most of which are small. The data for the first time included C corporations, making the totals more comprehensive than those collected in the last previous economic census in 1992. Excluding C corporations, the number of American Indian- and Alaska Native-owned businesses increased the most, by an estimated 84 percent, and their receipts grew by 179 percent. The number of businesses owned by Asians and Pacific Islanders rose 30 percent, and their total receipts climbed by 68 percent. Hispanic- and Black-owned businesses increased their numbers by 30 percent and 26 percent and their receipts by 49 percent and 33 percent, respectively. In comparison, the total number of U.S. firms other than C corporations was up 7 percent, and their total receipts were up 40 percent. In 1997, there were 1,199,896 businesses owned by Hispanics, 912,960 owned by Asians and Pacific Islanders, 823,499 owned by Blacks, and 197,300 owned by American Indians and Alaska Natives. Their shares of the 20.8 million U.S. firms were 5.76 percent, 4.38 percent, 3.95 percent, and 0.95 percent, respectively.

An estimated 1.6 million of the 11.6 million individuals with some self-employment earnings in 1999, or 13.9 percent, were veterans. The Veterans Entrepreneurship and Small Business Development Act of 1999 requires the collection and reporting of additional data on businesses owned by veterans. New research is under way to address the new requirements.

Small Business Employment

The formation and dissolution of businesses results in job turnover and allows the economy to evolve. But employment changes associated with business openings and closings can often cancel each other out, giving the impression of a static business environment. In the recent past, employment gains from firm startups and expansions have overwhelmed job losses from firm closings and contractions, so the effect on employment has been a net increase.

Small firms employed about 51 percent of the private sector economy in 1998, a slight decline from 55 percent in 1990. This share changed less than 1 percent in any one year over the 1990–1998 period.

Small firms are responsible for about 75 percent of the net new jobs. Total private employment in the United States grew by 2.2 percent between 1999 and 2000. Once again, the services industry division accounted for the greatest absolute growth in employment, while the manufacturing industry division actually saw a loss of 83,000 jobs between 1999 and 2000.

Business Income

Corporate profits rose by a lofty 10.5 percent, from \$856 billion in 1999 to \$946 billion in 2000. Nonfarm proprietors' income, sometimes used as a proxy for very small business' profits, rose from \$638 billion in 1999 to \$688 billion in 2000, an increase of 7.8 percent.

Financing of Small Businesses

Small businesses use a variety of financing sources, from internal resources such as their own savings and retained earnings, to external sources, such as informal loans from associates, loans from banks and other financial intermediaries, and financial instruments in the public markets.

With the U.S. economy slowing significantly in the second half of 2000, a pause in borrowing by small businesses resulted in little growth in borrowing over the course of the year. Borrowing by small firms in the debt market stayed at a rather high level, but increased little over the previous four years.

Bank consolidations continued to affect the relative importance of banks of various sizes in small business lending. While many of the multi-billion-dollar banks that emerge from these consolidations continue to be active small business lenders, the increasing concentration of assets in larger financial institutions with much lower ratios of small business loans to total business loans deserves continuing scrutiny.

Borrowing in the equity markets continued to increase significantly in 2000. While small company initial public offerings (IPOs) declined considerably, IPOs by venture-backed industrial firms remained very active. Most significantly, venture capital financing grew by more than 50 percent in 2000 over the record 1999 level. Venture capital disbursements reached \$100 billion.

Procurement from Small Firms

The federal government spends more than \$200 billion a year on the procurement of goods and services. Small firms annually receive more than 20 percent of all prime contract dollars and another 10–14 percent of the federal procurement pie in subcontracts. Large firms receive more than 60 percent of all federal procurement dollars.

In FY 2000, small businesses won \$76.3 billion in federal contract awards, including \$45.3 billion in direct contract awards from the federal government and an additional \$31.3 billion in subcontracts from prime contractors working directly for the federal government. The \$76.3 billion small business total represented 34.5 percent of the \$221.2 billion in contract actions awarded by the federal government in FY 2000, a decrease from the previous year's 35.6 percent small business share. (The \$31.3 billion in subcontracts represented about 39 percent of dollars subcontracted under Federal prime contracts.)

The percentage of prime contracts awarded in FY 2000 to small socially and economically disadvantaged and women-owned businesses remained at levels consistent with FY 1999. In FY 1999, minority-owned firms were awarded \$12.1 billion in prime contracts or 6.0 percent of total federal contract dollars; the dollar amount increased to \$13 billion in FY 2000 and the share decreased slightly—to 5.9 percent. Women-owned firms were awarded \$4.5 billion in prime contracts or 2.25 percent of federal buys in FY 1999; total dollars to women-owned businesses increased to \$4.9 billion, but the women-owned share decreased to 2.20 percent in FY 2000.

Federal contract markets continue to change at an unparalleled pace. Two laws, the Federal Acquisition Streamlining Act (FASA), enacted in 1994, and the Federal Acquisition Reform Act (FARA) or the Clinger-Cohen Act, enacted

in 1996, continue to have an unprecedented impact on the federal procurement process. Additional reforms were enacted in December 1997 in the HUBZone and contract bundling legislation.

The Small Business Administration's Office of Advocacy has been analyzing the use of such acquisition tools as credit card purchases, federal supply schedules, and contract bundling to determine their impact on small business purchases. For example, data show that agencies increased their credit card purchases from about \$5 billion in FY 1997 to nearly \$13 billion in FY 2000. Over the same period, the number of contract actions doubled from 11 million to nearly 22 million. Preliminary data show that the small business shares of credit card purchases have historically been the beneficiary of small purchase orders, but preliminary reports suggest that their share of federal purchases by credit card may be lower.

Conclusion

Small businesses continue to be an important part of the American economy, contributing new jobs, innovations, and opportunities for minorities, women, and immigrants to enter the economic mainstream. Small firms fared reasonably well in the economy of 2000, continuing to create new businesses and new jobs at high rates. Financing was available for most small business needs, although the end-of-year slowing encouraged caution in many business sectors. The small business share of federal procurement dollars, although down slightly from FY 1999 percentages, still reflected growth in dollar terms.

1 *The STATE of* SMALL BUSINESS

Synopsis

The year 2000 witnessed strong year-over-year growth in inflation-adjusted aggregate output, corporate profits, and employment. Between 1999 and 2000, real GDP rose by 5 percent, corporate profits rose by 10.5 percent, and the U.S. economy added some 2.4 million new jobs as the unemployment rate fell to just 4.0 percent. The federal budget posted its third consecutive annual surplus in 2000, rising by nearly 90 percent between 1999 and 2000 alone.

The year also showed some signs of increases in the average price level, as indicated by a 3.4 percent increase in the consumer price index (CPI). This, among other signs of upward pressure on input and output prices, prompted some measures by the Federal Reserve Bank (Fed) to try to slow the economy to a sustainable growth rate. Indeed, the prime rate rose by more than 1 percentage point to approximately 9.23 percent in 2000. Reacting in part to this Fed tightening, the stock market posted net losses for the year. Losses in the tech-laden NASDAQ were exacerbated by disappointing earnings results. Of special relevance to generally labor-intensive small businesses, the total compensation cost index rose by 4.4 percent between 1999 and 2000, exceeding the inflation rate.

The number of businesses continued to increase in 2000, and bankruptcies declined for the third consecutive year. Small firms employed about 51 percent of the private sector economy and accounted for 75 percent of net new jobs, according to the most recent available data. Newly available Census data showed that women- and minority-owned firms continued to increase at rates exceeding the average rate of increase in U.S. firms. A new law, the Veterans Entrepreneurship and Small Business Development Act of 1999, will require the collection and reporting of additional data on businesses owned by veterans. New research is under way to address these requirements.

The Economy

Economic growth remained strong entering the 21st century. Between 1999 and 2000, real (1996 dollars) gross domestic product (GDP) rose to \$9.3 trillion, a remarkable 5 percent increase (Table 1.1). The year 2000 marked the ninth consecutive year of growth in the value of inflation-adjusted output. The 1999–2000 growth was accompanied by an increase in the inflation rate (as measured by the consumer price index) to 3.4 percent, up from just 2.2 percent over the 1998–1999 period.

Labor markets remained tight, with the unemployment rate continuing a steady decline to just 4.0 percent (compared with 4.2 percent in the prior year). Of special relevance to small businesses, which tend to be more labor-intensive than their large business counterparts, the index of total compensation costs increased by 4.4 percent—more than the rate of increase in average prices. Indeed, the scarcity of labor resources persisted in 2000, ranging from high-skilled labor in the “new economy” information technology (IT) industries to lower-skilled labor in the retail trade and service industries, including restaurants and lodging places.

Amid this strong economic growth, the federal budget surplus nearly doubled between 1999 and 2000, rising to \$236.4 billion. In fact, 2000 marked the third consecutive year of budget surpluses. The Federal Reserve Board’s more restrictive monetary policy, presumably precipitated by the perception of an unsustainably high rate of economic growth, ultimately manifested itself in an increase in the prime rate—the rate at which commercial banks make loans to their best customers—from 8.0 percent in 1999 to 9.23 percent in 2000. The average yield on 10-year U.S. Treasury notes rose more modestly, from 5.65 percent in 1999 to 6.03 percent in 2000.

One of the biggest business stories of 2000 was the bursting of the “bubble” in the valuations of technology stocks—such as shares of internet-related companies, including e-commerce companies and hardware manufacturers (for example, semiconductor and telecom hardware manufacturers). The NASDAQ index, an index whose value is driven by the prices of shares of high-technology companies, reached an all-time high in September 2000, but posted its worst-ever annual loss of 39.3 percent. The slide in both the

Table 1.1 Macroeconomic Indicators, 1991–2000

	1991	1998	1999	2000	Percent Change 1999–2000
Gross domestic product (GDP) (billions of dollars)¹					
Current dollars	5,986.2	8,759.9	9,299.2	9,963.1	7.1
Constant dollars (billions of 1996 dollars)	6,676.4	8,515.7	8,875.8	9,318.5	5.0
Personal consumption expenditures	4,466.6	5,850.9	6,268.7	6,757.3	7.8
Sales (billions of dollars)²					
Manufacturing	239.8	325.0	336.9	356.7	5.9
Wholesale trade	148.3	198.3	211.6	229.6	8.5
Retail trade	154.7	219.5	238.6	256.9	7.7
Income (billions of dollars)					
Compensation of employees ²	3,454.9	4,984.2	5,299.8	5,638.2	6.4
Nonfarm proprietors' income	357.8	595.2	638.2	687.8	7.8
Farm proprietors' income	26.4	25.4	25.3	22.6	-10.7
Corporate profits ³	431.2	815.0	856.0	946.2	10.5
Output and productivity (business sector indexes, 1992=100)					
Output	96.5	128.6	134.8	142.4	5.6
Hours of all persons worked	100.2	116.1	118.4	120.0	1.4
Productivity (output per hour)	96.3	110.8	113.8	118.6	4.2
Employment and compensation					
Nonfarm private employment (millions) ²	89.8	106.0	108.7	111.1	2.2
Unemployment rate (percent)	6.8	4.5	4.2	4.0	-4.8
Total compensation cost index (Dec.) (June 1989=100)	111.7	139.8	144.6	150.9	4.4
Wage and salary index (Dec.) (June 1989=100)	110.0	137.4	142.2	147.7	3.9
Employee benefits cost index (Dec.) (June 1989=100)	116.2	145.2	150.2	158.6	5.6

(continued, next page)

Table 1.1 (continued)

	1991	1998	1999	2000	Percent Change 1999–2000
Bank loans, interest rates, and yields					
Bank commercial & industrial loans (billions of dollars)	623.2	949.5	1,003.0	1,094.3	9.1
Prime rate (percent)	8.46	8.35	8.00	9.23	15.4
U.S. Treasury 10-year bond yields (percent)	7.86	5.26	5.65	6.03	6.7
Investments by nonfarm nonfinancial corporate business					
Capital expenditures	444.1	847.1	907.0	1,021.1	12.6
Increase in financial assets	82.3	347.1	691.4	513.5	-25.7
Federal budget (fiscal year)					
Receipts	1,055.0	1,721.8	1,827.5	2,025.2	10.8
Outlays	1,324.4	1,652.6	1,702.9	1,788.8	5.1
Surplus or deficit	-269.4	69.2	124.6	236.4	89.7
Price indices (inflation measures)					
Consumer price index (urban) (1982–84 = 100)	136.2	163.0	166.6	172.2	3.4
Producer price index (finished goods) (1982 = 100)	121.7	130.7	133.0	138.0	3.8
GDP implicit price deflator (1996 = 100)	98.1	103.2	104.8	106.9	2.1

¹ *Small Business Share of Private, Nonfarm Gross Domestic Product* by Joel Popkin and Company (Office of Advocacy funded study) found small businesses (fewer than 500 employees) created 51 percent of the total nonfarm private output in 1992.

² Statistics of U.S. Businesses, Bureau of the Census, showed that in 1997, small firms (fewer than 500 employees) accounted for 24.8 percent of manufacturing sales, 52.6 percent of retail sales, 46.8 percent of wholesale sales, 46.5 percent of annual payroll, and 51.8 percent of total nonfarm private employment.

³ With inventory valuation adjustment and capital consumption adjustments.

Source: U.S. Small Business Administration, Office of Advocacy, from the Council of Economic Advisers, *Economic Indicators*, May 2000 and May 2001.

Dow Jones Industrial Average (an index of the prices of shares of companies that trade mostly on the New York Stock Exchange) and the NASDAQ during 2000 meant a tough market for initial public offerings (IPOs), with some IPOs being withdrawn only to be priced lower at a later date, and others being withdrawn altogether. Initial public offerings can be an important source of equity capital for small businesses. The implications for the valuation of small business IPOs going forward remain to be seen.

Characteristics of U.S. Businesses

Number of Businesses

The number of businesses with paid employees increased from an estimated 5.7 million in 1999 to an estimated 5.8 million in 2000 (Table 1.2). Small businesses—businesses with fewer than 500 employees—comprise virtually all of employer businesses and account for about half of their total employment.¹

A broader measure of U.S. businesses is the number of business income tax returns filed. In 2000, 25.4 million such returns were filed, up from 24.8 million in 1999. It should be noted, however, that most of these returns are filed by sole proprietorships that have no paid employees.

Business Income

Corporate profits rose by a lofty 10.5 percent, from \$856 billion in 1999 to \$946 billion in 2000. Nonfarm proprietors' income, sometimes used as a proxy for very small business' profits, rose from \$638 billion in 1999 to \$688 billion in 2000, an increase of 7.8 percent.

Business Formation, Dissolution, and Bankruptcies

Net changes in the number of businesses do not reveal underlying business turnover. Business turnover—formation and dissolution—is a natural and

¹ For research purposes and for the purpose of this report, a small business is generally defined as having fewer than 500 employees, unless specified otherwise. For various purposes, such as government contracting or small business lending, small businesses may be defined differently depending on the industry. See www.sba.gov/size for more information.

is measured by using the beginning year employment size of firms to classify firm size, and tracking changes in establishments and establishment employment in subsequent periods.³

Tracking firms through entry, exit, expansions, and contractions shows that small firms accounted for about 75 percent of the net new jobs during the early and mid-1990s (Table A.9 in the Appendix).

The formation and dissolution of businesses results in job turnover and allows the economy to evolve, but employment changes associated with business births and deaths can often cancel each other out, giving the impression of a static business environment. However, the 1990s period was very positive, with employment from firm expansions overwhelming firm contractions, and firm births overwhelming firm deaths.

Small firms employed about 51 percent of the private sector economy in 1998, a slight decline from 55 percent in 1990. This share changed less than 1 percent in any one year over the 1990–1998 period.

Changes by Industry

Total private employment in the United States grew by 2.2 percent between 1999 and 2000 (Table 1.4). Once again, the services industry division accounted for the greatest absolute growth in employment, while the manufacturing industry division actually saw a loss of 83,000 jobs between 1999 and 2000.

Job-creating industries can be identified in terms of the number of jobs created or the percentage increase in jobs (Table 1.5). Industries are categorized by their three-digit standard industrial classification (SIC) codes. Oil and gas field services, buoyed by high prices for crude oil, posted the highest 1997–1999 employment growth rate of the three-digit industries. In terms of absolute employment growth, personnel supply services experienced the greatest net change in employment between 1997 and 1999, adding 271,200 jobs. The growth in this industry is most likely an artifact of the exceptionally tight labor market during this period.

3 Static and dynamic data differ in their end-year classification of the employment size of firms. With static data, firms are reclassified in each time period, while with dynamic data, firm sizes are not reclassified by their ending year employment size, so that employment growth can be captured. That is, with dynamic data, firms stay in their firm size regardless of whether they changed firm size classes. Static and dynamic firm size data are available from the Office of Advocacy's web site at <http://www.sba.gov/advo/stats/data.html>.

Table 1.4 Nonfarm Private Employment by Industry Division, 1999–2000

Industry	1999	2000	1999–2000
Total private	108,709.0	111,080.0	2.2
Agricultural services	766.0	801.4	4.6
Mining	539.0	543.0	0.7
Construction	6,415.0	6,698.0	4.4
Manufacturing	18,552.0	18,469.0	-0.4
Transportation, communications and public utilities	6,834.0	7,019.0	2.7
Wholesale trade	6,911.0	7,024.0	1.6
Retail trade	22,848.0	23,307.0	2.0
Finance, insurance, and real estate	7,555.0	7,560.0	0.1
Services	38,289.0	39,658.6	3.6

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Labor, Bureau of Labor Statistics.

Table 1.5 Employment Growth: Fastest Growing Industries and those Generating the Most New Jobs, 1997–1999 (thousands)

SIC Code (1987)	Industry	Annual Employment		Absolute Change	Percent Change	Percent Small 1997
		1997	1999			
Fastest Growing Industries in Employment, Ranked by Percent Change						
138	Oil and gas field services	161.9	181.8	19.9	12.3	47.9
737	Computer and data processing services	1,875.4	2,094.9	219.5	11.7	51.1
533	Variety stores	141.4	156.7	15.3	10.8	20.8
422	Public warehousing and storage	187.5	206.3	18.8	10.0	68.3
628	Security and commodity services	157.0	171.3	14.3	9.1	48.2
Industries Generating the Most Jobs, Ranked by Absolute Change						
736	Personnel supply services	3,615.8	3,887.0	271.2	7.5	30.3
737	Computer and data processing services	1,875.4	2,094.9	219.5	11.7	51.1
173	Electrical work	803.2	866.1	62.9	7.8	90.5
871	Engineering and architectural services	956.6	1,017.2	60.6	6.3	68.5
874	Management and public relations	1,031.1	1,089.7	58.6	5.7	59.6

Source: U.S. Small Business Administration, Office of Advocacy, from employment data provided by the U.S. Department of Labor, Bureau of Labor Statistics and employment firm size data provided by the U.S. Department of Commerce, Bureau of the Census.

Women-Owned Businesses

According to the latest available data in the Census Bureau's Survey of Women-Owned Business Enterprises (SWOBE), the number of women-owned firms totaled 5.4 million in 1997, with 7.1 million employees and \$818.7 billion in receipts (Table 1.6). Women-owned firms made up 26 percent of the nation's 20.8 million nonfarm businesses and 4.4 percent of the \$18.6 trillion in receipts of all businesses in 1997.

Nearly all of the firms covered in the SWOBE were small businesses. Just 847,000 of the 5.4 million were employer firms, and they employed 7.1 million workers. Approximately 84 percent of the women-owned firms had no paid employees. Receipts for women-owned businesses were typically small: nearly 69 percent of the firms had receipts of less than \$25,000 in 1997.

The definitions in the 1997 data differ in important respects from those used in 1992, the last year women-owned businesses were surveyed. One key difference is that the 1997 data cover nonfarm businesses that were 51 percent or more owned by women, while the 1992 survey covered firms in which women owned 50 percent or more of the business. In 1997, women and men jointly owned 3.6 million businesses, with 8.3 million employees and \$943.9 billion in receipts. None of these are included in the 1997 count of women-owned businesses, but 2 million of them would have been included under the 1992 definition and methodology.

An initial review of 1992-1997 growth based on comparable definitions shows that the number of women-owned firms increased by 16 percent, compared with an increase of 6 percent in the number of firms overall (or less than 2 percent in firms owned by men). Their revenues increased by 33.0 percent, compared with 24.0 percent for all firms, and employment rose by 28.0 percent, compared with 8.0 percent for all businesses. The number of women-owned firms with employees grew more than three times as fast (37 percent) as the number without employees (12 percent).

State by state, the share of firms that were women-owned in 1997 ranged from 21.5 percent to almost 31 percent. The District of Columbia had the largest share—30.9 percent—followed by New Mexico (29.4 percent), Maryland (28.9 percent), and Colorado (28.0 percent). One-third of the women-owned businesses in 1997 were in the four most populous states: California, New York, Texas, and Florida.

Table 1.6 Number and Receipts of Women- and Minority-Owned Businesses by Industry Division, 1997 (receipts in thousands of dollars)

	Women		Hispanic		Black		Asian/Pacific Islander		American Indian/ Alaska Native	
	Number of Firms	Receipts	Number of Firms	Receipts	Number of Firms	Receipts	Number of Firms	Receipts	Number of Firms	Receipts
Total, all industries	5,417,034	818,669,084	1,199,896	186,274,582	823,499	71,214,662	912,960	306,932,982	197,300	34,343,907
Agriculture, forestry and fishing	74,444	5,852,901	40,040	2,279,397	12,464	417,169	12,988	1,140,670	8,942	360,484
Mining	20,030	7,186,113	1,909	429,446	231	21,551	660	253,329	947	543,908
Construction	157,173	67,632,059	152,573	21,923,384	56,508	7,712,059	27,711	7,485,505	27,435	5,384,815
Manufacturing	121,108	113,722,304	25,552	28,684,759	10,447	3,682,510	23,242	28,952,417	6,717	2,503,417
Transportation, communications, and utilities	128,999	32,944,160	84,554	8,293,935	71,586	6,376,645	37,501	5,625,483	6,291	1,620,515
Wholesale trade	125,645	188,488,639	31,480	40,386,625	8,120	5,818,734	50,400	105,466,223	4,365	3,155,143
Retail trade	919,990	152,041,311	155,061	32,280,310	87,568	13,803,266	195,691	67,895,241	14,768	4,618,484
Finance, insurance, and real estate	479,469	56,021,358	56,629	6,644,826	37,934	3,088,582	68,765	11,398,069	4,616	1,190,741
Services	2,981,266	186,161,274	500,449	39,177,767	437,646	25,925,092	406,010	67,762,462	34,144	5,202,704
Not classified	411,596	8,618,965	151,931	6,174,133	101,128	4,369,056	90,509	10,953,582	89,243	9,763,696

Source: U.S. Small Business Administration, Office of Advocacy, from data supplied by U.S. Department of Commerce, Bureau of the Census, 1997 Survey of Women-Owned Business Enterprises (SWOBE) and 1997 Survey of Minority-Owned Business Enterprises (SMOBE).

In 1997, women-owned businesses operated in all industries, with 55.0 percent of women-owned firms in the service sector, 17.0 percent in retail, and nearly 9.0 percent in finance, insurance, and real estate. The wholesale trade, retail trade, and services industry businesses owned by women together generated 64.3 percent of the revenues of women-owned businesses. Most of the employment occurred in the services, retail, and manufacturing sectors.

Legal Forms of Ownership

In 1997, women operated businesses across the spectrum of legal forms of ownership: C corporations, S corporations, sole proprietorships, partnerships, and other forms.⁴ The most common form of ownership was individual proprietorships, which represented 84.8 percent or 4.6 million of the businesses owned by women. C corporations generated 45.0 percent of total women-owned business revenues and accounted for 5.8 percent of all businesses owned by women. Subchapter S corporations, partnerships, and other forms accounted for 6.2, 3.1, and 0.1 percent respectively.

Men's and Women's Ownership of Nonfarm Sole Proprietorships

Special tabulations from the U.S. Internal Revenue Service permit a review of sole proprietorships by the owner's gender. Women-owned sole proprietorships showed steady growth in number, receipts, and net income relative to all sole proprietorships for 1982 through 1998, the most recent year for which data are available (Table 1.7).⁵ For all three of these measures, the women-owned share has been rising steadily, particularly the share of net income generated by women-owned sole proprietorships, which has doubled since 1982. Net income per proprietorship has also increased. Notably, in 1998, the average net income of women-owned sole proprietorships was roughly 47 percent that of sole proprietorships owned by men, up from 31 percent in 1982.

In 1998, women-owned sole proprietorships generated more than \$165 billion in receipts and accrued \$43.6 billion in net income (Table 1.8). Male-owned businesses generated \$731.1 billion in receipts and had total net income of

4 C corporations were counted not by ownership, but by who controlled the business.

5 The figures in Table 1.3 were calculated from IRS income tax Form 1040 Schedule C returns filed, and it should be noted that many men and women file more than one Schedule C in any given year.

Table 1.7 Trends in Nonfarm Sole Proprietorships by Gender, 1982–1998
(Numbers in thousands, shares and ratios in percents)

Year	Number of Nonfarm Sole Proprietorships			Female-Operated as a Share of Female and Male-Operated			Ratio of Female to Male-Operated		
	Total	Female	Male	Unknown	Number	Receipts	Net Income	Receipts per Proprietorship	Net Income per Proprietorship
1998	19,377	7,126	11,947	304	37	18	22	38	47
1997	19,219	6,978	11,902	339	37	18	21	38	44
1996	19,032	6,466	11,798	768	35	17	20	37	45
1995	18,391	6,136	11,526	730	35	16	18	36	41
1994	18,109	6,047	11,276	786	35	16	18	34	42
1993	17,714	5,852	11,393	470	34	15	18	35	43
1992	17,292	5,698	11,154	440	34	15	17	34	41
1991	16,958	5,549	10,993	416	34	15	18	36	44
1990	16,596	5,348	10,807	442	33	15	16	36	40
1989	15,921	4,977	10,454	489	32	14	16	33	41
1988	15,159	4,611	10,028	520	32	14	16	34	42
1987	14,549	4,462	9,576	510	32	14	16	35	42
1986	13,798	4,121	9,244	433	31	14	16	35	41
1985	13,297	3,738	9,076	483	29	13	15	35	41
1984	12,495	3,383	8,643	469	28	11	12	33	35
1983	11,781	3,254	8,065	462	29	12	11	34	32
1982	11,170	2,942	7,788	440	27	10	10	30	31

Source: U.S. Small Business Administration, Office of Advocacy calculations derived from tabulations of Schedule Cs (nonfarm business income) filed with individual income tax returns, provided under contract by the Internal Revenue Service (IRS) Statistics of Income Division. Before 1998, IRS recorded gender based on first name; if the name was ambiguous or if both names of spouses filing joint returns appeared on a Schedule C, the business was reported as "male and female jointly operated," shown here as "unknown." Unknown names were excluded in calculating female-operated shares.

Table 1.8 Number, Receipts, and Net Income of Nonfarm Sole Proprietorships by Gender of Ownership and Industry Division, 1998 (all figures in thousands)

	Female-Operated			Male-Operated		
	Number of Businesses	Business Receipts	Net Income	Number of Businesses	Business Receipts	Net Income
Agriculture, forestry, and fishing	102.1	2,118.0	175.0	481.2	24,297.3	3,645.2
Mining, construction, and manufacturing	290.1	11,463.2	1,777.8	2,493.8	151,884.8	26,725.2
Transportation, communications, and public utilities	170.9	5,131.2	925.4	771.9	43,320.9	6,395.3
Wholesale and retail trade	1,568.1	44,890.7	2,775.1	1,783.3	187,186.0	15,839.6
Finance, insurance, and real estate	585.4	23,206.5	8,934.5	989.6	76,398.9	20,048.0
Services	4,409.8	78,288.4	28,988.8	5,426.8	247,989.8	83,966.0
Total, all industries	7,126.4	165,098.0	43,576.6	11,946.6	731,077.7	156,619.3

Note: Excluded from these data are firms (of which there were 304,000 in 1998) for which the gender of the owners or the proportion of joint ownership by men and women is unknown.

Source: U.S. Small Business Administration, Office of Advocacy, calculations derived from tabulations of Schedule Cs (for nonfarm business income) filed with individual income tax returns, provided under contract by the Internal Revenue Service (IRS) Statistics of Income Division.

\$157 billion. Thus, women-owned sole proprietorships accounted for more than one-fifth of the receipts and more than one-quarter of the net income attributable to both male- and female-owned sole proprietorships.

Minority-Owned Businesses

The Census Bureau's 1997 Survey of Minority-Owned Business Enterprises (SMOBE)—the latest available Census data—suggested large increases from 1992 to 1997 in minority-owned businesses, most of them small. The most striking increase was in businesses owned by American Indians and Alaska Natives. According to the data, there were 197,300 businesses owned by American Indians and Alaska Natives in 1997, 912,960 by Asians and Pacific

Islanders, 1,199,896 by Hispanics and 823,499 by Blacks (Table 1.6). Their shares of the 20.8 million U.S. firms were 0.95 percent, 4.38 percent, 5.76 percent, and 3.95 percent, respectively.

The data for the first time included C corporations, making the totals more comprehensive than those collected in the last economic census in 1992. The Census Bureau estimates that, excluding C corporations, the number of American Indian- and Alaska Native-owned businesses rose 84 percent, and their receipts grew by 179 percent. The number of businesses owned by Asians and Pacific Islanders rose 30 percent, and their total receipts climbed by 68 percent. Hispanic- and Black-owned businesses increased their numbers by 30 percent and 26 percent and their receipts by 49 percent and 33 percent, respectively. In comparison, the total number of U.S. firms other than C corporations was up 7 percent, and their total receipts were up 40 percent.

Small businesses predominated among all four sets of owners. Eighty-three percent of businesses owned by American Indians and Alaska Natives, 68 percent of those owned by Asians and Pacific Islanders, 82 percent of Hispanic-owned firms and 89 percent of those owned by Blacks had no paid employees. Receipts also were typically small. Among Asian- and Pacific Islander-owned firms, 28 percent had receipts of less than \$10,000; among American Indian- and Alaska Native-owned firms, 41 percent. Forty-nine percent of Black-owned firms and 40 percent of the Hispanic-owned firms had receipts of less than \$10,000.

Minority-owned firms were represented in many industries. Hispanic-owned businesses constituted more than 5 percent of businesses in all major industries except mining, manufacturing, and finance, insurance, and real estate. Black-owned firms made up nearly 8 percent of the transportation, communications and public utilities sector. Asian- and Pacific-Islander-owned firms constituted more than 6 percent of both retail and wholesale businesses. American Indian- and Alaska Native-owned firms owned small shares of the businesses in each major industry.

Businesses Owned by Veterans

Throughout its history, the United States has been fortunate that many of its veterans have directed their talents and energies to starting and growing small businesses. For millions, the technical skills and leadership abilities learned and

developed in the service of their country have been re-channeled to entrepreneurship when they left the military. In recent years, there has been a renewed interest in the importance of small businesses owned and controlled by the nation's veterans.

Although considerable data have been developed separately on veterans and on small businesses, almost no data are currently generated on small businesses owned by veterans or service-disabled veterans. Identification by veteran status has simply not been a uniform requirement or practice in government procurement, programs, or databases. Information on veterans' business ownership from the U.S. Census Bureau's 1992 Economic Census is now seriously dated.

Mining available data sources for information on veterans, the U.S. Small Business Administration's Office of Advocacy did find a few relevant facts on self-employment of veterans. The Current Population Survey, a joint effort of the U.S. Bureau of the Census and the Bureau of Labor Statistics, indicates that of the 11.6 million individuals with some self-employment earnings in 1999, 1.6 million, or 13.9 percent, were veterans. The percentage of veterans that were self-employed was 10.6 percent, higher than the national average of 7.8 percent (based on individuals with any job during the year).

Recognizing that more needed to be done to facilitate veterans' entrepreneurship and that more statistical information was needed concerning the role of veteran-owned businesses in the U.S. economy, the Congress enacted legislation in 1997 and 1999 toward these ends. The Veterans Entrepreneurship and Small Business Development Act of 1999, Public Law 106-50 (August 17, 1999), was of particular importance. Among its provisions are new requirements for the collection and reporting of economic data and data on participation in government programs and procurement by veteran-owned businesses and businesses owned and controlled by service-disabled veterans. The act further establishes a new government-wide goal for participation by small business concerns owned and controlled by service-disabled veterans of not less than 3 percent of the total value of all prime contract and subcontract awards per year.

Public Law 106-50 also gave the U.S. Small Business Administration's Office of Advocacy the responsibility to monitor and evaluate the efforts of government agencies to assist veteran-owned small businesses, to provide statistical information on the utilization of government programs and procurement opportunities by such businesses, and to make appropriate recommendations to promote the establishment and growth of such businesses.

Because the Veterans Entrepreneurship and Small Business Development Act of 1999 was approved only two weeks before the beginning of fiscal year 2000, the start of the period covered by this report, mechanisms to capture the information it requires were not yet in place. The Federal Procurement Data System was modified to monitor implementation of the new veterans goals' during FY 2001 and future years, and the new data on federal contract awards to veterans will be reported in future editions of this report.

Similarly, SBA's Office of Advocacy has begun work on acquiring the information contemplated by Public Law 106-50. The office has commissioned new research in direct response to the act, and is working with the Department of Veterans Affairs and other federal agencies to begin to fill the information gap on veteran-owned and service-disabled veteran-owned businesses. The Office of Advocacy is also working closely with SBA's Office of Veterans Business Development to coordinate the efforts of both offices on behalf of the nation's community of veterans.

As is the case with most landmark legislation, full implementation of the Veterans Entrepreneurship and Small Business Development Act of 1999 will take some time. The information it seeks has not been "on the shelf"; therefore, new mechanisms to capture data and new research will be necessary to learn more about veteran-owned and service-disabled veteran-owned small businesses and the role they play in our economy. Future editions of *The Small Business Economy* will report on this research as it becomes available.

Conclusion

The 1999–2000 period exhibited exceptionally strong real GDP growth, but also showed some signs of increases in the rate of growth of average consumer prices and total labor costs. In the midst of the changing economy, both corporate profits and nonfarm proprietors' income continued to increase—corporate profits by 10.5 percent and proprietors' income by 7.8 percent.

The number of businesses also increased in 2000, and bankruptcies declined for the third consecutive year. Small businesses with fewer than 500 employees comprise more than 99 percent of all firms and employ about 51 percent of the private sector economy. They account for 75 percent of net new jobs, according to the most recent available data. Overall, the services industries created the most new jobs—1.35 million over the 1999–2000 period, while manufacturing lost 83,000 jobs.

Newly available Census data for 1997 show that women- and minority-owned firms continue to increase at rates exceeding the average rate of increase in U.S. firms. Women-owned firms made up about 26 percent of nonfarm businesses in 1997. Minority-owned business' shares of the nonfarm business population were 5.8 percent Hispanic, 4.4 percent Asian/Pacific Islander, 4.0 percent Black, and about 1.0 percent American Indian/Alaska native.

About 11 percent of veterans are self-employed and 14 percent of the self-employed are veterans. A new law, the Veterans Entrepreneurship and Small Business Development Act of 1999, will require the collection and reporting of additional data on businesses owned by veterans and service-disabled veterans. Research is under way to address the new requirements.

2 FINANCING SMALL BUSINESS *in 2000*

Synopsis

With the U.S. economy slowing significantly in the second half of 2000, a pause in borrowing by small businesses resulted in little growth in borrowing for the whole year. Still, borrowing by small firms in the debt markets has remained at a relatively high level with little increase over the past four years.

Borrowing in the equity markets, however, continued to increase significantly in 2000. While small company initial public offerings (IPOs) declined significantly, IPOs by venture-backed industrial firms remained very active. Venture capital financing also grew by more than 50 percent over the record 1999 level to \$100 billion in 2000.

Economic and Credit Conditions in 2000

The U.S. economy continued to perform well in 2000, although at a slower growth rate than in 1999, and in spite of the tightened monetary policy that resulted in rising short-term interest rates throughout the year. A robust first half of the year followed by subdued growth in economic activity resulted in annual average real growth of about 3 percent, still a respectable performance. However, rapidly decelerating economic activity in the second half of the year caused concern to businesses and affected their investment plans and borrowing activities.

With continued growth in output, although at slower rates, high interest rates relative to the rate of inflation, and a considerable decline in the stock market, credit market activity remained at the high level of the previous year. Spending by nonpublic sectors, especially the household and business sectors, remained high, contributing to high levels of borrowing in the credit markets.

Interest Rate Movements

As the Federal Reserve Board continued the tight money stance initiated in late 1999, short-term interest rates moved upward continuously throughout 2000, with 30-day Treasury bills yielding around 6 percent by year's end. Short-term rates began declining slightly in December 2000 as the economic slowdown became evident and the demand for funding declined. The tight money policy of 2000 was reflected in the flattening, then reversal of the yield curve by late 2000.⁶ During the last quarter of 2000, the yields for three-month Treasury bills were 50 basis points higher than the yields for 30-year Treasury bills. As business confidence and activities slowed, lenders' concern about the financial health of business borrowers increased. The rate spread between lower- and higher-quality credit widened.

Overall, loan rates paid by small firms for loans under \$100,000 and loans of \$100,000 to \$500,000 increased about 100 basis points from the fourth quarter of 1999 to the fourth quarter of 2000. Unlike rates for loans with minimal risk—such as loans to large corporations, which move in line with interest rates in the capital and money markets—average rates for fixed-rate small loans under \$100,000 tend to move in line with the prime rate with a time lag. The rates rose from 9.44 percent in November 1999 to 10.33 percent in 2000 (Table 2.1).

Uses of Funds by Major Sectors

The federal government became an important saver in the U.S. economy in 2000, generating a budgetary surplus of almost \$300 billion. The decline in total credit borrowing in 2000 came completely from this negative borrowing. State and local governments also contributed to declines in total credit borrowing in 2000; their net borrowing declined by almost 50 percent, from \$52 billion in 1999 to \$27 billion in 2000 (Table 2.2). The economic slowdown reduced both tax revenues and spending plans in most state governments.

6 A "normal" or upward rising yield curve shows rising interest rates for securities as the term to maturity of the securities increases.

Table 2.1 Loan Rates Charged by Banks by Loan Size, February 1998–November 2000 (percent)

	Loan Size (thousands of dollars)	Fixed-rate Term Loans	Variable-rate Loans (2-30-day terms)	Variable-rate Loans (31-365-day terms)
2000/11	1.0–99	10.33	9.95	10.18
	100–499	9.96	9.24	9.77
	500–999	8.66	8.63	8.68
	Minimum risk loans	9.25	7.12	7.82
2000/8	1.0–99	10.44	9.98	10.18
	100–499	9.70	9.45	9.32
	500–999	8.87	9.31	8.52
	Minimum risk loans	9.23	7.07	7.56
2000/5	1.0–99	10.01	9.66	9.68
	100–499	9.24	9.04	8.90
	500–999	8.77	8.68	8.24
	Minimum risk loans	7.90	7.16	7.17
2000/2	1.0–99	9.64	9.31	9.41
	100–499	8.81	8.44	8.70
	500–999	9.24	7.88	7.88
	Minimum risk loans	7.80	6.88	7.70
1999/11	1.0–99	9.44	8.90	9.32
	100–499	8.84	8.03	8.38
	500–999	8.41	7.50	7.50
	Minimum risk loans	6.51	6.19	7.01
1999/8	1.0–99	9.19	8.79	9.15
	100–499	8.71	7.91	8.00
	500–999	7.86	7.55	7.55
	Minimum risk loans	6.74	5.76	6.48
1999/5	1.0–99	8.90	8.36	9.03
	100–499	8.28	7.70	8.23
	500–999	7.62	7.20	7.77
	Minimum risk loans	6.33	5.26	5.91
1999/2	1.0–99	8.99	8.77	9.05
	100–499	8.41	7.68	8.12
	500–999	7.90	6.90	6.97
	Minimum risk loans	5.62	6.12	5.83

(continued, next page)

Table 2.1 (continued)

	Loan Size (thousands of dollars)	Fixed-rate Term Loans	Variable-rate Loans (2-30-day terms)	Variable-rate Loans (31-365-day terms)
1998/11	1.0-99	9.45	9.15	9.21
	100-499	8.51	8.01	8.28
	500-999	7.81	7.10	7.04
	Minimum risk loans	5.90	5.69	6.16
1998/8	1.0-99	9.62	9.62	9.60
	100-499	8.29	8.66	8.29
	500-999	7.97	7.82	7.28
	Minimum risk loans	6.77	6.25	7.06
1998/5	1.0-99	9.88	9.81	9.76
	100-499	8.77	8.78	8.58
	500-999	8.57	7.72	7.64
	Minimum risk loans	7.77	6.27	6.20
1998/2	1.0-99	9.81	9.83	9.77
	100-499	8.92	8.44	8.72
	500-999	8.08	7.47	7.78
	Minimum risk loans	8.96	5.97	6.38

Note: Small loans refer to loans under \$100,000.

Source: Board of Governors of the Federal Reserve System, Survey of Terms of Lending, Statistical Release E.2, various issues, and special tabulations prepared by the Federal Reserve Board for the Office of Advocacy.

Borrowing by the household sector increased further, reaching another record at \$566 billion in 2000. Consumer spending remained robust in spite of a falloff in household wealth caused by stock market declines, especially in the prices of technology stocks. Overall consumer spending was very brisk during the first three quarters of 2000, and was accompanied by only slight declines in residential housing outlays, which were affected by mortgage rates, still at record highs since the mid-1990s. Lenders did not appear concerned about the creditworthiness of the household sector until the last quarter of 2000, when the slowdown in economic activity became more apparent and worrisome.

Business borrowing rose significantly during the first two quarters of economic expansion and fell off significantly as the economy slowed in the second half of the year; the result was a 4.4 percent decline in net borrowing for the year.

Table 2.2 Credit Market Borrowing by the Nonfinancial Sector, 1987-2000 (billions of dollars)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total domestic borrowing	733.7	767.7	720.3	669.4	480.6	544.5	589.4	575.2	712.0	731.4	804.6	1,011.4	1,088.8	862.7
Government														
Federal	143.9	155.1	146.4	278.2	304.0	256.1	155.9	155.9	144.4	145.0	23.2	-52.6	-71.2	-295.9
State and local	91.1	54.5	246.9	46.6	81.6	31.0	74.7	-46.2	-51.5	-6.8	56.1	80.3	52.3	27.2
Business														
Farm	-11.6	-10.2	0.6	1.0	2.1	1.3	2.6	4.4	2.9	4.8	6.2	7.7	5.2	11.1
Nonfarm noncorporate	55.5	84.2	69.6	1.1	-11.0	-16.0	3.2	3.3	30.6	81.4	115.6	112.0	115.3	116.8
Nonfinancial corporate	148.7	225.0	183.2	110.0	-53.0	42.7	45.5	142.3	243.7	148.8	266.5	392.0	454.7	437.3
Total	192.6	299.0	253.4	112.1	-61.9	28.0	51.3	150.0	277.2	235.0	379.3	527.1	591.2	565.2
Households	306.5	259.1	269.5	263.7	182.7	160.7	205.9	316.3	350.3	358.1	337.1	472.1	532.4	566.2
Foreign borrowing in the United States	6.2	6.4	10.2	23.9	14.8	23.7	69.8	-13.9	71.1	88.4	71.8	43.3	25.3	66.5

Source: Board of Governors of the Federal Reserve System, Flow of Funds Accounts, First Quarter 2001: Flows and Outstandings (June 2001).

Total business borrowing declined from \$591.2 billion in 1999 to \$565.2 billion in 2000. Most of the declines were attributable to the nonfinancial corporate business sector, where borrowing declined from \$454.7 billion to \$437.3 billion, largely as a result of declines in corporate bond flotation (Tables 2.2 and 2.3).⁷ Declines in capital expenditures in the telecommunications sector, uncertainty about corporate profits in the changing economy, and decreased merger and acquisition activity contributed to the slowdown in corporate borrowing in 2000.

Borrowing by the nonfarm noncorporate sector remained virtually unchanged at an annual rate of \$116.8 billion in 2000 compared with \$115.3 billion in 1999. Small business borrowing had stayed at this level for the previous four years (Tables 2.2 and 2.4).

Patterns of Small Business Financing

A brief digression to a new survey by the Federal Reserve Board may shed some light on changing small and women-owned business financing patterns. Small businesses use a variety of financing sources, including internal resources such as owners' savings, business retained earnings, and depreciation; "informal" external sources, such as friends and business associates; financial intermediaries, such as banks and finance companies; small business investment companies and the public markets, where standardized financial instruments are sold to a large number of buyers. With increasing availability of data on small business finances, an analysis of changes in the sources and uses of small business financing becomes possible.

In 1998, the Federal Reserve Board conducted a new survey of a nationally representative sample of 5.3 million U.S. small firms (defined as those with 500 or fewer employees) about their financing activities in 1997.⁸ The data are still being edited, and more information, especially information about the

7 Net bond issues declined from \$230 billion in 1999 to \$175 billion in 2000. See Board of Governors of the Federal Reserve System, *Flow of Funds Accounts of the United States, First Quarter 2001*, Table F 102.

8 Two previous surveys on small business finances were conducted in 1988 and 1993 (for data years 1987 and 1992). See *The State of Small Business: A Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1998), 158–179.

Table 2.3 Major Sources and Uses of Funds by Nonfarm, Nonfinancial Corporate Businesses, 1986–2000 (billions of dollars)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Before-tax profit	151.3	214.9	200.0	236.5	236.5	217.1	256.7	307.4	391.9	437.7	458.8	494.5	487.2	536.6	587.7
Domestic undistributed profit	-2.1	41.3	73.6	32.2	20.5	8.3	33.7	55.9	106.0	111.7	108.3	120.2	90.3	122.4	140.2
Depreciation with capital consumption adjustment	312.8	324.0	338.3	349.3	354.3	364.3	373.7	384.4	418.6	430.7	504.2	539.7	574.8	621.7	666.8
Total internal funds, on book basis	315.5	370.1	418.4	384.8	377.9	372.6	407.3	440.3	524.5	542.4	612.5	659.9	665.1	744.0	807.1
Net increase in liability	190.0	273.9	443.7	347.4	183.5	67.1	161.3	217.9	241.6	390.8	398.5	283.5	621.0	725.5	740.1
Funds raised in credit markets	236.3	148.7	225.0	183.2	110.0	-55.1	42.7	45.5	134.1	218.6	148.8	266.5	392.0	454.7	437.3
Net new equity issues	-85.0	-75.5	-129.5	-124.2	-63.0	18.3	27.0	21.3	-44.9	-58.3	-69.5	-114.4	-267.0	-143.5	166.6
Capital expenditures	347.3	357.4	373.3	399.4	394.5	371.9	382.0	445.2	511.1	567.7	684.7	778.6	853.6	940.2	1,059.6
Net financial investment	-18.0	-39.4	-60.7	-113.9	-68.3	62.7	-8.9	124.1	41.7	42.7	4.8	-133.1	-50.4	-87.1	-132.6

Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, First Quarter 2001: Flows and Outstandings* (June 2001).

Table 2.4 Major Sources and Uses of Funds by Nonfarm, Noncorporate Businesses, 1986-2000 (billions of dollars)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Net income	306.7	331.9	378.2	407.0	434.9	464.1	441.0	473.9	495.3	534.2	569.7	609.9	651.4	694.7	742.8
Gross investment	64.0	67.7	72.8	77.0	80.6	67.5	82.9	84.4	64.7	56.4	110.8	118.5	125.8	133.5	139.6
Fixed capital expenditures	106.6	107.4	112.9	118.0	106.4	91.1	96.8	93.5	94.6	99.2	109.6	91.1	106.9	159.3	192.9
Changes in inventories	0.6	1.5	1.1	1.6	0.3	-0.1	0.1	1.3	2.5	1.9	1.1	3.0	3.8	2.2	2.8
Net financial investments	-43.1	-41.2	-41.2	-42.6	-26.1	-23.5	-14.1	-10.5	-32.5	-44.7	0	27.4	19.0	-25.8	-53.3
Net increase in credit market debt	48.1	25.7	87.6	61.1	13.8	-15.0	-16.4	3.2	3.3	23.9	81.4	115.6	112.0	115.3	116.8
Mortgages	82.7	39.9	68.5	56.1	4.1	-9.9	-15.1	-1.5	-13.8	-2.2	50.9	87.9	79.8	89.3	87.6
Net investment by proprietors	-53.1	-28.0	-15.6	-28.1	20.3	18.5	28.6	26.9	61.8	51.9	-18.1	-65.1	-58.9	-26.9	-12.0

Source: Board of Governors of the Federal Reserve System, Flow of Funds Accounts, First Quarter 2001: Flows and Outstandings (June 2001).

total dollar amounts of assets and of credit used, will be available in the future. Preliminary results show that the small business use of financing declined slightly in 1997 compared with 1992, the data year of the last such survey.⁹ Some 55 percent of small businesses reported having outstanding loans, capital leases, or credit lines at year's end compared with 59 percent in the 1993 survey.¹⁰ Again, credit use increased with firm size—from 33 percent of the smallest firms to 92 percent of the largest firms. Small firms increased their uses of different types of credit including mortgages, credit lines, and credit cards over the five-year period between surveys.

The same data base for 1997 showed that women business owners were less likely to use commercial banks but more likely to use thrift institutions and credit unions as their suppliers of credit. About 92 percent of women business owners used at least one financial service. Women business owners were more likely to have a savings account and less likely to use a checking account. They were more likely to use personal credit cards for financing their businesses, and less likely to use business credit cards.

Small Business Borrowing

The demand for and supply of business loans, especially from the banking sector, rose and fell concurrent with the strong economic expansion in the first half of 2000 and was followed by decelerating business activity in the second half, especially in the fourth quarter. Total commercial and industrial (C&I) loans made by commercial banks increased 13 percent in the first half of 2000 and decelerated to 3 percent in the second half. Fewer banks reported increased demand and more banks reported tightened credit standards in the third and the fourth quarters of 2000.¹¹ While financing continued to be

9 Bitler, Robb, and Wolken, "Financial Services Used by Small Businesses: Evidence from the 1998 Survey of Small Business Finances," *Federal Reserve Bulletin* (April 2001), 184–205.

10 The decline may not be significant because the 1998 population contained a much larger percentage of the smallest firms with 4 or fewer employees: 64 percent compared with 57 percent in the 1993 population. Since a relatively smaller percentage of smaller firms used credit, the overall averages will have been affected.

11 See Federal Reserve Board, "Senior Loan Officer Opinion Survey on Bank Lending Practices," various issues. See also "Profits and Balance Sheet Developments at U.S. Commercial Banks in 2000," *Federal Reserve Bulletin*, June 2001, 370.

available to small firms, borrowing costs continued to rise and stayed high in spite of falling demand late in the year. The rising cost of funds and the increasing interest rate spread for lower quality loans contributed to small firms' high costs of borrowing (Table 2.1).

Lending to Small Businesses by Commercial Banks

Because data on small business lending reported by commercial banks are available only as of June 30 of each year, the following analysis will be made for the period ending in June 2000.¹² The dollar value of small business loans outstanding (loans under \$1 million) totaled \$437 billion in June 2000, and accounted for one-third of the \$1.3 trillion in total business loans made by all banks in 2000.¹³ Outstanding loans under \$100,000, the smallest loans, amounted to \$121 billion, less than 10 percent of all business loans (Tables 2.5 and 2.6).

The growth in small loans again lagged behind the growth in large loans.¹⁴ While total business loans increased by 13.8 percent and large business loans over \$1 million grew by 16.1 percent, small loans under \$100,000 increased just 6.7 percent; loans of \$100,000 to \$250,000, 8.5 percent; and loans of \$250,000 to \$1 million, 11.8 percent (Table 2.7). Although the smallest loans

Table 2.5 Dollar Amount and Number of Small Business Loans, 1999 and 2000 (dollars in billions, numbers in millions)

Loan Size		1999	2000	Percent Change
Under \$100,000	dollars	113.9	121.4	6.7
	number	7.7	9.8	26.8
Under \$250,000	dollars	195.0	209.4	7.4
	number	8.4	10.5	25.3
Under \$1 million	dollars	398.5	437.0	9.7
	number	9.0	11.2	24.1
Total business loans		1,142.3	1,300.3	13.8

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

grew the least, they did increase more in 2000 than in previous years. Large banks' aggressive promotion of the small business credit card program and small credit lines contributed to this growth.¹⁵

And while the smallest loans grew slowly in total value, their numbers increased rapidly, by 27 percent, over the June 1999–June 2000 period (Table 2.8). These growth rates have been erratic, however, because of sales of credit card programs and trade receivables between commercial banks and finance companies. The number of loans of \$100,000 to \$250,000 and \$250,000 to \$1 million also increased in 2000, by 7 percent and 8.4 percent respectively.

Effects of Bank Mergers on Small Business Lending

Bank consolidations continued to affect the relative importance of banks of different sizes, as well as overall lending in the small business loan market. The number of commercial banks submitting call reports continued to decline—by 200 in 2000, compared with 307 in 1999 (Table 2.9 and Chart 2.1). Most of

12 Banks were required to report lending to small businesses in term of small loans, once a year in their June quarterly call reports. Reports required under the Community Reinvestment Act (CRA) cover small business lending information for the previous calendar year.

13 Another data source for small business lending is the CRA database submitted by large banks and bank holding companies (BHCs). The data are not comparable to call report data because CRA data are for the volume of loans during a calendar year, while call report data are for loan balances at the end of June. In the most recently available CRA data, some 755 large banks and BHCs made 2.7 million small loans under \$1 million valued at \$160 billion in 1999. See U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States, Micro-Business-Friendly Banks in the United States*, and *The Bank Holding Company Study*, various issues.

14 Analysts have encountered several difficulties in assessing year-to-year changes in small business lending using the call report database. See notes to Tables 2.7 and 2.8 for information about adjustments made to make year-to-year comparisons meaningful. For example, changes for 1996–1997 and 1997–1998 were estimated based on revised estimates for Keycorp in 1997.

15 The purchase of small business trade accounts from Office Depot by GE Financial is one example of the increase. Purchases and sales of credit card operations between banks and nonbank financial institutions made the year-to-year comparisons less meaningful.

Table 2.6 Number and Amount of Business Loans Outstanding by Loan and Bank Size, June 2000 (amounts in thousands)

Bank Asset Size	Loan Size						Total				
	Under \$100,000		\$100,000–\$250,000		\$250,000–\$1 million			Under \$1 million		Amount	Number of Loans
	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount		Number of Loans	Amount		
C & I loans											
All banks	9,086,774	89,166,806	495,884	43,527,282	311,694	97,320,944	9,894,352	230,015,032	626,349,518	856,364,550	
Under \$100M	606,525	14,164,553	33,521	3,769,806	19,048	5,688,953	659,094	23,623,312	1,344,957	24,968,269	
\$100M–\$500M	1,472,870	21,585,288	96,941	10,723,844	62,432	19,525,823	1,632,243	51,834,955	12,254,012	64,088,967	
\$500M–\$1B	232,469	5,100,359	31,238	3,397,757	23,850	7,169,872	287,557	15,667,988	9,678,066	25,346,054	
\$1B–\$10B	2,528,620	14,442,369	175,351	8,494,082	67,431	20,274,394	2,771,402	43,210,845	71,548,553	114,759,398	
Over \$10B	4,246,290	33,874,237	158,833	17,141,793	138,933	44,661,902	4,544,056	95,677,932	531,523,930	627,201,862	
Nonresidential mortgage											
All banks	715,556	32,271,377	333,171	44,471,987	321,367	130,223,684	1,370,094	206,967,048	236,934,327	443,901,375	
Under \$100M	170,454	8,150,728	30,823	4,122,192	24,228	9,086,492	225,505	21,359,412	2,080,211	23,439,623	
\$100M–\$500M	263,101	11,828,162	99,538	13,394,263	88,298	35,766,189	450,937	60,988,614	23,677,338	84,665,952	
\$500M–\$1B	44,189	2,086,993	27,263	3,646,664	26,750	11,019,509	98,202	16,753,166	15,507,766	32,260,932	
\$1B–\$10B	101,661	4,133,831	65,782	8,793,515	67,402	27,540,875	234,845	40,468,221	56,164,775	96,632,996	
Over \$10B	136,151	6,071,663	109,765	14,515,353	114,689	46,810,619	360,605	67,397,635	139,504,237	206,901,872	
All business loans											
All banks	9,802,330	121,438,183	829,055	87,999,269	633,061	227,544,628	11,264,446	436,982,080	863,283,845	1,300,265,925	
Under \$100M	776,979	22,315,281	64,344	7,891,998	43,276	14,775,445	884,599	44,982,724	3,425,168	48,407,892	
\$100M–\$500M	1,735,971	33,413,450	196,479	24,118,107	150,730	55,292,012	2,083,180	112,823,569	35,931,350	148,754,919	
\$500M–\$1B	276,658	7,187,352	58,501	7,044,421	50,600	18,189,381	385,759	32,421,154	25,185,832	57,606,986	
\$1B–\$10B	2,630,281	18,576,200	241,133	17,287,597	134,833	47,815,269	3,006,247	83,679,066	127,713,328	211,392,394	
Over \$10B	4,382,441	39,945,900	268,598	31,657,146	253,622	91,472,521	4,904,661	163,075,567	671,028,167	834,103,734	

Note: M = million, B = billion

Source: Special tabulations of the June 2000 call reports (Consolidated Reports of Condition and Income for U.S. Banks) prepared for the U.S. Small Business Administration, Office of Advocacy, by James Kolari, A&M University, College Station Texas.

Table 2.7 Change in the Dollar Amount of Business Loans by Loan Size, 1995–2000 (percent)

Loan Size	1995–1996	1996–1997 ¹	1997–1998 ¹	1998–1999 ²	1999–2000
<\$100,000	4.8	2.9	3.0	2.5	6.7
\$100,000–\$250,000	5.7	5.2	8.1	6.3	8.5
\$250,000–\$1 million	5.7	5.7	7.7	11.2	11.8
>\$1 million	5.1	11.5	13.0	14.6	16.1

¹ Changes for 1996–1997 and 1997–1998 were calculated based on revised estimates for Keycorp in 1997.

² So that 1998–1999 changes could be shown, figures for 1998 were revised to exclude the credit card operation of Mountain West Financial, which was purchased by a nonbank financial intermediary and thus excluded from 1999 data.

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

Table 2.8 Change in the Number of Small Business Loans by Loan Size, 1995–2000 (percent)

Loan Size	1995–1996	1996–1997 ¹	1997–1998 ¹	1998–1999 ²	1999–2000 ²
<\$100,000	8.8	26.6	19.3	10.1	26.9
\$100,000–\$250,000	6.0	8.6	1.8	5.4	7.0
\$250,000–\$1 million	7.5	8.0	1.4	7.6	8.4

¹ Changes for 1996–1997 and 1997–1998 were estimated based on revised estimates for Keycorp in 1997.

² So that 1998–1999 trends could be shown, 1998 figures were revised to exclude the credit card operation of Mountain West Financial, which was purchased by a nonbank financial intermediary and thus excluded from 1999 data.

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

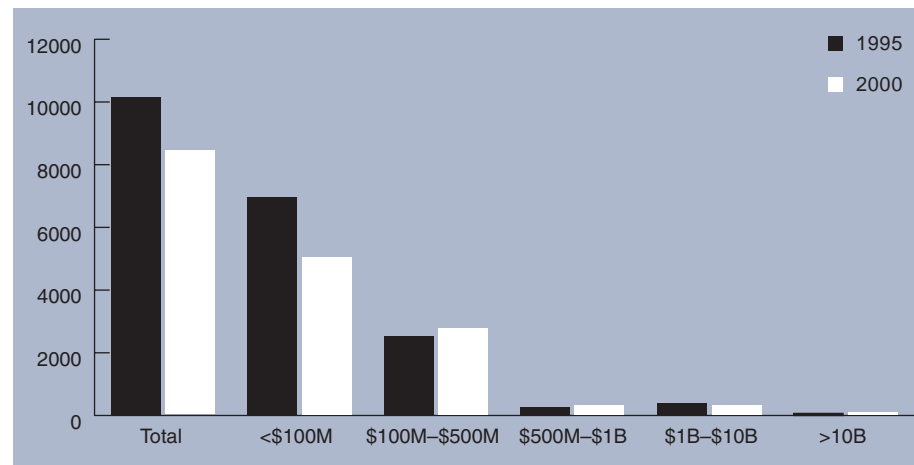
Table 2.9 Number of Reporting Banks by Asset Size, 1995–2000

Bank Asset Size	1995	1996	1997	1998	1999	2000
<\$100 million	6,980	6,465	6,047	5,644	5,302	5,034
\$100 million–\$500 million	2,521	2,548	2,590	2,656	2,683	2,751
\$500 million–\$1 billion	256	260	292	303	290	302
\$1 billion–\$10 billion	326	326	300	302	309	293
>\$10 billion	66	71	64	61	75	79
Total	10,149	9,670	9,293	8,966	8,659	8,459

Note: changes in the number of reporting banks may be caused by the financial reporting consolidation of bank holding companies.

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

Chart 2.1 Changes in the Number of Reporting Banks by Bank Size, 1995 and 2000



Note: Changes in the number of reporting banks may be caused by the financial reporting consolidation of bank holding companies.

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

the declines were in the smallest banks with assets of less than \$100 million; these banks either grew into the next size category, merged, or were acquired by larger banks. The 79 multi-billion-dollar banks with assets in excess of \$10 billion accounted for some 65 percent of total assets in 2000. As bank assets become more concentrated in these large banks, their continued emphasis on lending to larger businesses deserves close scrutiny (Table 2.10 and Chart 2.2).

The impact of bank consolidations on small business lending remains a complicated issue. The ratio of small business loans to total business loans or total assets declines as bank size increases; nevertheless, many multi-billion-dollar banks have been and continue to be active small business lenders.¹⁶ But as the assets of multi-billion-dollar banks continue to increase faster than their small business lending, there is reason to be concerned.¹⁷

A careful analysis of developments over the past five years indicates that increasing concentration of bank assets in large banks has adversely affected the availability of funding to small businesses (Table 2.11).¹⁸ While the ratio of small business loans to total assets increased over the 1996–2000 period in all bank size categories under \$10 billion, the overall small business loan to asset ratio declined. The reason is clear: these ratios are much smaller for large banks (4.8 percent for banks with assets over \$10 billion) than for smaller banks (about 20 percent for banks with assets under \$500 million). And bank assets overall are shifting from smaller banks to very large banks: the largest banks' share of assets increased from 48 percent in 1996 to 64 percent in 2000. As a consequence, the small business share of total business bank loans and total bank assets declined from 1996 through 2000.¹⁹

16 See U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues, and other companion studies on small business lending and micro-business lending.

17 It has been argued, however, that large banks have used technologies such as credit scoring techniques to promote small business lending, especially in the smallest loan categories (under \$100,000), thus significantly increasing large banks' presence in the small business loan market. Consequently, the gap has narrowed between large and small banks in their lending emphasis in the smallest loan category. See The Federal Reserve Bank of Dallas, "Consolidation, Technology, and the Changing Structure of Banks' Small Business Lending," *Economic and Financial Review*, (First Quarter 2001), 23–32.

18 See Charles Ou, "Comments on Consolidation, Technology, and the Changing Structure of Banks' Small Business Lending," June 2001.

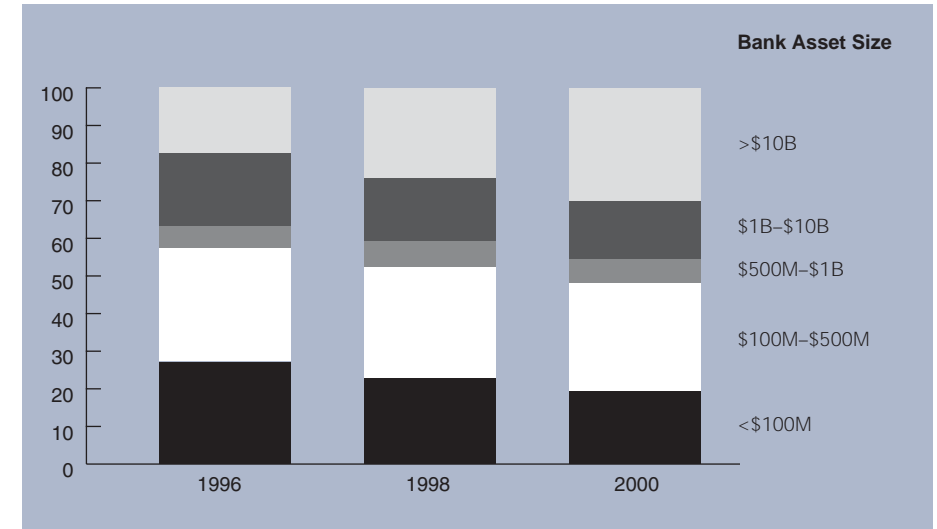
19 It is difficult to interpret the changes in the ratios for individual large banks because of merger and acquisition activities.

Table 2.10 Changes in Shares of Small Business Loans, Total Business Loans, and Total Assets by Bank Size 1996–2000 (percent)

	Small Business Loan Dollars			Large Business Loan Dollars		Total Assets
	<\$100,000	\$100,000–\$250,000	\$250,000–\$1 Million	Total Business Loans	(Over \$1 Million)	
Banks with assets under \$100 million						
1996	27.0	12.3	14.8	6.2	0.5	7.7
1997	24.5	10.8	13.3	5.5	0.5	6.9
1998	22.8	9.8	12.3	4.8	0.5	5.9
1999	20.5	9.5	11.2	4.2	0.5	5.2
2000	19.3	9.0	10.4	3.8	0.4	4.6
Banks with assets of \$100 million–\$500 million						
1996	30.0	27.9	27.0	13.5	4.8	13.3
1997	29.4	27.6	26.6	13.1	4.7	12.9
1998	29.5	27.5	26.4	12.2	4.2	11.8
1999	28.9	27.1	26.0	11.8	4.2	11.3
2000	28.9	27.5	26.2	11.5	4.2	10.8
Banks with assets of \$500 million–\$1 billion						
1996	6.3	7.7	7.3	4.6	2.9	4.7
1997	7.0	8.5	8.1	5.0	3.1	5.0
1998	6.9	8.8	8.1	5.0	3.2	4.7
1999	6.0	8.0	7.6	4.4	2.8	4.2
2000	6.2	8.0	7.6	4.5	2.9	4.1
Banks with assets of \$1 billion–\$10 billion						
1996	19.2	27.3	25.9	26.4	26.7	26.4
1997	15.9	22.8	22.0	22.5	22.9	22.6
1998	16.8	22.5	21.9	20.1	19.2	20.9
1999	15.0	20.9	20.1	17.7	16.4	18.0
2000	15.6	19.6	19.0	16.2	14.7	16.4
Banks with assets over \$10 billion						
1996	17.6	24.8	25.0	49.4	65.1	48.0
1997	23.2	30.3	30.1	53.9	68.8	52.7
1998	23.8	31.3	31.3	57.8	73.0	56.7
1999	29.6	34.4	35.1	61.9	76.2	61.3
2000	30.0	35.9	36.7	64.1	77.8	64.0

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues. Prepared for the U.S. Small Business Administration, Office of Advocacy, by James Kolari, A&M University, College Station, Texas.

Chart 2.2 Changes in the Share of the Amount of Small Business Loans Under \$100,000 by Bank Size, 1996–2000



Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

Table 2.11 Changes in Asset and Loan Shares and in Small Business Loan Ratios by Bank Size 1996–2000

	Ratio of small business loans under \$1 million to total assets	Ratio of large business loans over \$1 million to total business loans	Ratio of large business loans over \$1 million to total assets	Industry share of total business loans	Industry share of total assets
Banks with assets under \$100 million					
1996	0.172	0.051	0.009	6.2	7.7
1997	0.173	0.057	0.010	5.5	6.9
1998	0.177	0.061	0.011	4.8	5.9
1999	0.181	0.072	0.014	4.2	5.2
2000	0.190	0.071	0.014	3.8	4.6
Banks with assets of \$100 to \$500 million					
1996	0.180	0.215	0.049	13.5	13.3
1997	0.185	0.219	0.052	13.1	12.9
1998	0.187	0.217	0.052	12.2	11.8
1999	0.193	0.231	0.058	11.8	11.3
2000	0.204	0.242	0.065	11.5	10.8

(continued, next page)

Table 2.11 (continued)

	Ratio of small business loans under \$1 million to total assets	Ratio of large business loans over \$1 million to total business loans	Ratio of large business loans over \$1 million to total assets	Industry share of total business loans	Industry share of total assets
Banks with assets of \$500 million to \$1 billion					
1996	0.138	0.382	0.085	4.6	4.7
1997	0.144	0.382	0.089	5.0	5.0
1998	0.147	0.400	0.098	5.0	4.7
1999	0.150	0.411	0.104	4.4	4.2
2000	0.155	0.437	0.121	4.5	4.1
Banks with assets of \$1 billion to \$10 billion					
1996	0.087	0.614	0.138	26.4	26.4
1997	0.087	0.626	0.145	22.5	22.6
1998	0.087	0.608	0.135	20.1	20.9
1999	0.094	0.603	0.143	17.7	18.0
2000	0.099	0.603	0.150	16.2	16.4
Banks with assets over \$10 billion					
1996	0.046	0.802	0.186	49.4	48.0
1997	0.051	0.786	0.187	53.9	52.7
1998	0.046	0.803	0.189	57.8	56.7
1999	0.048	0.801	0.195	61.9	61.3
2000	0.048	0.810	0.204	64.0	64.0
All banks					
1996	0.088	0.607	0.137	100.0	100.0
1997	0.089	0.615	0.143	100.0	100.0
1998	0.084	0.636	0.147	100.0	100.0
1999	0.084	0.651	0.157	100.0	100.0
2000	0.084	0.666	0.168	100.0	100.0

Source: U.S. Small Business Administration, Office of Advocacy, *Small Business Lending in the United States*, various issues.

It can be argued that the bank consolidations have reduced the availability of lending to small businesses by temporarily disrupting existing banking relationships between small businesses and the local banks that have become branches of larger banks.²⁰ The negative impact of mergers and acquisitions in interrupting established relationships may even have negated the positive impact of banks' use of new technology to promote small business lending.²¹

Lending by Finance Companies

Finance companies continued to expand lending to small businesses, by 16.3 percent from 1999 to 2000. Information on the distribution of business loans by loan size (or to small business borrowers) is not available for finance companies, so little can be said about the extent to which finance companies are increasing their lending to small businesses relative to large businesses (Table 2.12).

Borrowing in the Public Issue Markets

A 10-year boom in technology stocks came to an end in 2000 as the NASDAQ index peaked in March at around 5,000 and then proceeded to trend downward, ending the year at 50 percent below the peak. The impact of a declining stock market on initial public offerings (IPOs), especially smaller IPOs, has always been dramatic. While total IPOs declined by 20 percent, from \$68.7 billion in 1999 to \$55.2 billion in 2000, offerings by small issuers with assets of \$10 million or less fell off drastically, by about two-thirds, from \$4.1 billion in 1999 to \$1.5 billion in 2000 (Table 2.13). Offerings by issuers with assets of \$25 million or less fell from \$13.1 billion to \$8.8 billion. The average issue size increased significantly, indicating that investors were shying away from small issuers with weaker financial statements.

²⁰ A possible outcome of transition to the new owning institutions is an interruption in the provision of services as a result of the delay in establishing a new relationship between small business borrowers and new branch managers.

²¹ A recent study by Robert Avery (of the Federal Reserve) and Katherine Samolyk of the Federal Deposit Insurance Corporation shows the negative impact of mergers and acquisitions in the banking sector on small business lending, especially in rural areas. See "Bank Consolidation and the Provision of Banking Services: The Case of Small Commercial Loans," FDIC working paper, March 2001.

Table 2.12 Business Loans Outstanding from Finance Companies, December 31, 1980–December 31, 2000

	Total Receivables Outstanding		Annual Change in Chain-Type* Price Index for GDP (Percent)
	Billions of Dollars	Change (Percent)	
December 31, 2000	471.1	16.3	NA
December 31, 1999	405.2	16.6	NA
December 31, 1998	347.5	9.1	NA
December 31, 1997	318.5	2.9	NA
December 31, 1996	309.5	2.6	1.8
December 31, 1995	301.6	9.7	2.4
December 31, 1994	274.9	NA	2.5
December 31, 1993	294.6	-2.3	2.3
December 31, 1992	301.3	1.9	2.5
December 31, 1991	295.8	0.9	2.6
December 31, 1990	293.6	14.6	3.4
December 31, 1989	256.0	9.1	4.6
December 31, 1988	234.6	13.9	3.9
December 31, 1987	206.0	19.7	4.0
December 31, 1986	172.1	9.3	3.2
December 31, 1985	157.5	14.3	2.5
December 31, 1984	137.8	21.9	3.5
December 31, 1983	113.4	12.9	3.8
December 31, 1982	100.4	0	5.3
December 31, 1981	100.3	11.1	8.5
December 31, 1980	90.3		

NA=Not available

* Changes from the fourth quarter of the year before.

Note: Major data revision for 1994–1996. See Federal Reserve Board, *Federal Reserve Bulletin*, December 1997, A33.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, Table 1.52 (or 1.51), various issues; U.S. Department of Commerce, Bureau of Economic Analysis, *Business Conditions Digest*, various issues; and idem., *Survey of Current Business*, various issues.

Table 2.13 Common Stock Initial Public Offerings by All and Small Issuers, 1995–2000

	Number	Amount (millions of dollars)	Average Size (millions of dollars)
Offerings by all issuers			
2000	379	55,235.1	145.7
1999	543	68,663.2	126.5
1998	375	36,864.9	98.3
1997	630	43,252.5	68.7
1996	871	49,878.0	57.3
1995	580	30,013.3	51.7
Offerings by issuers with assets of \$10 million or less			
2000	36	1,482.0	41.2
1999	101	4,128.7	40.9
1998	62	1,429.1	23.1
1997	159	2,621.9	16.5
1996	280	5,245.7	18.7
1995	165	2,544.5	15.4
Offerings by issuers with assets of \$25 million or less			
2000	130	8,843.4	68.0
1999	242	13,127.5	54.2
1998	131	3,785.5	28.9
1997	284	6,413.8	22.6
1996	440	10,135.5	23.0
1995	262	5,489.0	21.0

Note: Excludes closed end funds. Registered offerings data from the Securities and Exchange Commission are no longer available.

Data provided by Securities Data Company are not as inclusive as those registered with the SEC.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by Thomson Financial Securities Data, March 2001.

IPO offerings by venture-backed companies remained strong, with a small decline in numbers but a rather healthy increase in amounts; the number of venture-backed IPOs declined from 258 in 1999 to 231 in 2000, while the amount increased from \$19.8 billion to \$21.9 billion in 2000. Thus, the average size of venture-backed IPOs increased significantly, from \$77 million to \$85 million.

Venture Capital Funds

The venture-backed IPO market contributed to the significant growth in fund-raising by venture capital funds and another record volume of commitments and disbursements in 2000. Funds raised by venture capital firms increased another 50 percent to \$93 billion, surpassing the record high of \$60 billion achieved in 1999 (Table 2.14).²² Total capital under management amounted to \$210 billion by the end of 2000. The steep decline in the prices of technology stocks and the decline in the IPO market during the last quarter were expected to reduce the level of activity in the venture capital market in the year 2001.

Commitments from pension funds remained the most important source of capital funds in 2000, providing 40 percent of the total (Table 2.15). Two other major sources of funding were foundations/endowments and banks/insurance companies, each contributing more than one-fifth of the total. Corporations' share of investment capital continued to decline in importance, to 3.7 percent in 2000, drastically lower than the 25 percent share this sector contributed in 1997.

While corporations' share has dropped, however, their dollar contribution has not declined much because total commitments to the venture capital sector increased 50 percent, from \$60 billion in 1999 to \$92 billion in 2000 (Table 2.15). The huge increase in total investment and large increases in the average size of deals reflected an overvalued stock market and the rosy promise of venture-backed IPOs. The idea of investing patient capital seemed to be out of fashion over the years of the venture investing boom.

²² The total capitalization, however, included \$5 billion in capital for Warburg, Pincus Equity Partners, LP. The limited partnership was not included in 1997.

Table 2.14 Sources of Capital Committed to Independent Venture Funds, 1982–2000

	Commitments (billions of dollars)	Disbursements (billions of dollars)	Initial Round (number of funded companies)	Follow-on (number of funded companies)	Capital under Management (billions of dollars)
2000	92.9	103.5	2,986	2,959	209.8
1999	60.0	59.4	2,058	2,206	142.9
1998	29.4	22.0	1,508	1,867	90.9
1997	17.1	17.2	1,421	1,501	65.1
1996	11.8	11.2	977	1,164	48.9
1995	9.9	5.5	523	870	40.2
1994	7.6	5.3	413	841	35.3
1993	4.5	4.9	346	853	31.6
1992	5.0	5.1	396	971	30.3
1991	1.7	2.5	255	866	30.1
1990	3.1	3.3	368	1,011	32.0
1989	5.6	4.7	528	1,059	31.0
1988	4.5	4.9	617	983	27.5
1987	4.8	4.5	663	1,081	25.2
1986	3.7	4.1	606	900	20.9
1985	3.1	3.4	504	886	17.6
1984	3.2	3.3	624	829	14.3
1983	4.2	3.1	687	680	10.8
1982	2.0	1.8	599	516	6.8

Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).

Disbursements to small businesses by small business investment companies (SBICs) increased significantly—from \$4.22 billion in FY 1999 to \$5.47 billion in FY 2000 (Table 2.16). The number of investments also increased significantly, by about 50 percent, from 3,039 to 4,639. Again, this increase came completely from regular SBICs, as the SBA continued to promote the formation and expansion of larger SBICs. Investment by specialized SBICs (also known as 301(d) companies or SSBICs), most of them very small and all of them limited to financing disadvantaged businesses, showed another slight decline in FY 2000. Initial financing remained a major part of overall financing (Table 2.17).

Table 2.15 Sources of Capital Committed to Independent Venture Funds, 1987–2000 (percent)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total (billions of dollars)	4.82	4.50	5.59	3.13	1.74	5.02	4.53	7.61	9.92	11.78	17.10	29.42	60.00	92.92
Corporations	12.66	13.11	23.26	7.35	4.60	3.59	8.17	9.33	4.64	19.86	25.20	11.86	14.20	3.70
Endowments/foundations	11.20	14.00	13.95	14.06	27.59	21.31	11.92	21.94	20.26	11.88	16.61	6.32	17.20	21.10
Individuals/families	13.90	9.78	6.80	12.46	13.79	12.15	7.28	12.09	16.73	6.88	12.46	11.32	9.60	11.80
Financial institutions	17.22	10.44	14.85	9.90	5.75	17.33	11.70	9.72	19.96	3.06	6.26	10.37	15.50	23.30
Pension funds	45.02	52.67	41.15	56.23	48.28	45.62	60.93	46.91	38.41	58.32	39.47	60.13	43.50	40.01
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Venture Capital Journal (various issues) and National Venture Capital Association Yearbook 2001, Prepared by Venture Economics.

Table 2.16 Disbursements to Small Businesses by Small Business Investment Companies (SBICs) and 301(d) SBICs, 1980–2000 (Millions of Dollars)

Year	Total		SBICs		301(d) SBICs*	
	Number	Amount	Number	Amount	Number	Amount
2000	4,639	5,466.2	4,346	5,403.4	293	62.8
1999	3,096	4,220.9	2,770	4,161.8	326	59.1
1998	3,456	3,239.4	2,817	3,130.0	639	109.4
1997	2,634	2,315.7	1,866	2,202.7	768	113.0
1996	2,302	1,848.5	1,343	1,731.7	959	116.8
1995	2,173	1,184.4	1,045	1,036.7	1,128	148.3
1994	2,375	1,120.6	1,070	965.2	1,305	155.4
1993	2,302	923.6	986	784.9	1,316	138.7
1992	1,633	484.2	767	395.7	866	88.5
1991	2,044	460.1	1,036	364.2	1,008	95.9
1990	2,367	645.2	1,334	545.9	1,033	99.3
1989	3,322	690.0	1,876	542.4	1,446	147.6
1988	3,724	750.9	2,227	614.4	1,497	136.5
1987	4,128	680.5	2,522	537.9	1,606	142.6
1986	4,333	620.8	2,675	75.9	1,658	144.9
1985	4,205	542.3	2,756	434.6	1,449	107.7
1984	3,990	513.9	2,755	425.5	1,235	88.0
1983	3,247	468.8	2,464	412.9	783	55.9
1982	2,941	369.9	2,177	322.9	764	47.0
1981	3,176	387.1	2,434	332.7	742	54.4
1980	2,637	337.4	2,090	295.2	547	42.2

* 301(d) companies were permitted to finance only small businesses that were at least 50 percent owned, and managed on a day-to-day basis, by persons who qualified as socially or economically disadvantaged under SBA's regulations.

Source: U.S. Small Business Administration, Investment Division.

Table 2.17 Disbursements to Small Businesses by Small Business Investment Companies, Initial vs. Follow-on, Fiscal Year 1998–Fiscal Year 2000 (millions of dollars)

Fiscal Year	Initial Financing		Follow-on Financing		Total	
	Number	Amount	Number	Amount	Number	Amount
2000	2,251	3,860	2,388	1,607	4,639	5,466
1999	1,379	2,926	1,717	1,295	3,096	4,221
1998	1,721	2,037	1,725	1,202	3,456	3,239

Source: U.S. Small Business Administration, Investment Division.

Conclusion

Small businesses use a variety of financing sources, from internal resources such as their own savings and retained earnings, to external sources, such as informal loans from associates, loans from banks and other financial intermediaries, and financial instruments in the public markets.

With the U.S. economy slowing significantly in the second half of 2000, a pause in borrowing by small businesses resulted in little growth in borrowing over the course of the year. Borrowing by small firms in the debt market stayed at a rather high level, but increased little over the previous four years.

Bank consolidations continued to affect the relative importance of banks of various sizes in small business lending in 2000. While many of the multi-billion dollar banks that emerge from these consolidations continue to be active small business lenders, the trend toward larger financial institutions with much lower ratios of small business loans to total business loans deserves continuing scrutiny.

Borrowing in the equity markets continued to increase significantly in 2000. While small company IPO offerings declined considerably, IPOs by venture-backed industrial firms remained very active. Most significantly, venture capital financing grew by more than 50 percent in 2000 over the record 1999 level. Venture capital disbursements reached \$100 billion.

Overall, most small firms were able to obtain needed financing in the continuing strong credit markets of 2000, although decelerating economic activity at the end of the year raised concerns for many businesses considering investing and expanding.

3 PROCUREMENT

Synopsis

Small businesses won \$76.3 billion in federal contract awards in FY 2000, including \$45.3 billion in direct prime contract awards from the federal government and an additional \$31.0 billion in subcontracts from prime contractors working directly for the federal government. The \$76.3 billion small business total represented 34.5 percent of the \$221.2 billion in contract actions awarded by the federal government in FY 2000, a decrease from the previous year's 35.6 percent small business share.

The \$45.3 billion small firm share of prime contract dollars constituted 20.5 percent of the total, down from 20.9 percent the previous year. Small businesses' share of larger federal prime contracts over \$25,000 has been increasing gradually every year since FY 1989, from 14.9 percent that year to 18.8 percent in FY 2000. Their share of smaller contracts under \$25,000 has declined, on the other hand, from about 51 percent, where it hovered in the FY 1990–FY 1995 period, to 42.6 percent in FY 2000, its lowest level since the \$25,000 threshold was instituted in FY 1984.

Part of the explanation may be in the unintended effects of procurement reform on the small business procurement marketplace. The Federal Acquisition Streamlining Act (FASA), enacted in 1994, and the Federal Acquisition Reform Act (FARA) or Clinger-Cohen Act, enacted in 1996, have had an unprecedented impact on the federal procurement process. Additional reforms were enacted in December 1997 in the HUBZone and contract bundling legislation. The reforms were designed to make the government operate more like a commercial buyer and make it easier for businesses to participate in government markets. Prior to procurement reform, small purchases were primarily restricted for small business awards. Post-reform this practice has changed, in part because of the widespread use of credit cards. Agencies increased

their credit card purchases from about \$5 billion in FY 1997 to nearly \$13 billion in FY 2000. For the same period, the number of actions doubled from 11 million to nearly 22 million. While small businesses have historically been the beneficiary of small purchase orders, preliminary reports suggest this may not be the case with credit cards.

The share of prime contract dollars awarded in FY 2000 to small socially and economically disadvantaged and women-owned businesses also declined slightly from FY 1999 to FY 2000. In FY 1999, minority-owned firms were awarded \$12.1 billion in prime contracts or 6.0 percent of total federal contract dollars; the dollar amount increased to \$13 billion in FY 2000 and the share decreased slightly—to 5.9 percent. Women-owned firms were awarded \$4.5 billion in prime contracts or 2.25 percent of federal buys in FY 1999; the women-owned share decreased in FY 2000 to 2.20 percent.

The federal procurement sector offers valuable opportunities for small firms to enter the marketplace and grow, and where small firms have been in a position to take advantage of the opportunities, they have made many important contributions. Ensuring that the federal contracting market remains open to small firms is an ongoing challenge.

Introduction

In FY 1999, the federal government awarded \$200.8 billion in contracts for the purchase of goods; the total increased to \$221.2 billion in FY 2000. These totals include contracting for the purchase of goods and services such as research and development, educational and training courses, paint, tools, toiletries, military weapons, housing, and hardware. Costs associated with payment for these goods and services support federal civilian and military personnel around the world.

The government awarded small businesses \$41.5 billion in prime contract dollars in FY 1999, including \$34.7 billion in actions over \$25,000 and \$6.9

billion in actions of \$25,000 or less.²³ Slightly more, \$45.3 billion, went to small firms in FY 2000, of which \$38.8 billion was in actions over \$25,000 and \$6.5 billion was in actions of \$25,000 or less (Table 3.1). While small business dollars increased slightly, the small business share was down, from 20.9 percent of all prime contract dollars awarded in FY 1999 to about 20.5 percent in FY 2000.

Adding the dollar value of small business subcontracts increases the total by an additional \$27.9 billion, to \$69.3 billion in FY 1999 and by \$31.0 billion, to \$76.3 billion in FY 2000.²⁴ The \$76.3 billion small business amount was 34.5 percent of the \$221.2 billion in contract actions awarded by the federal government in FY 2000, down from 35.6 percent in FY 1999.

Size of Federal Contract Actions

The federal contracting process involves a relatively small number of very substantial purchases and a large number of smaller awards. More than 90 percent (\$185.1 billion in FY 1999 and \$205.8 billion in FY 2000) of federal procurement dollars were awarded in contract actions over \$25,000 (Table 3.2). Small firms have won a gradually increasing share of these larger transactions every year for the past 11 years. In FY 1999, they won 18.7 percent; the total increased slightly to 18.8 percent in FY 2000 (Chart 3.1). The financial returns are, of course, much greater for the small businesses that win larger awards.

These large transactions, however, accounted for only 3 percent of the number of contract actions executed during the period. Conversely, 97 percent of the

23 The Federal Procurement Data System (FPDC) has been publishing data on contract awards since FY 1979. From FY 1979 to FY 1983, the FPDS published detailed data on all contract awards over \$10,000. Starting in FY 1983, the Department of Defense increased its reporting threshold from \$10,000 to \$25,000; for civilian agencies, a similar change began in FY 1986. Unless otherwise stated, the discussions of federal procurement in this and subsequent sections of this report reflect individual awards of \$25,000 or more. A small firm is defined for procurement purposes by size standards established by the U.S. Small Business Administration. Typically, for most purposes, the SBA's Office of Advocacy defines a small business as having fewer than 500 employees and not dominant in its field. For detailed definitions for procurement purposes, see SBA's small business size regulations at 13 CFR 121.9, published January 1, 1996.

24 Data on subcontracting awards are based on federal agency reports required by Public Law 95-507, Section 221(h).

Table 3.1 Total Federal Contract Dollars, FY 2000

	Thousands of Dollars		Small Business Share (percent)
	Total	Small Business	
Total	218,950,746	44,801,482	20.5
Actions under \$25,000	15,337,450	6,541,176	42.6
Actions over \$25,000	203,613,296	38,260,306	18.8

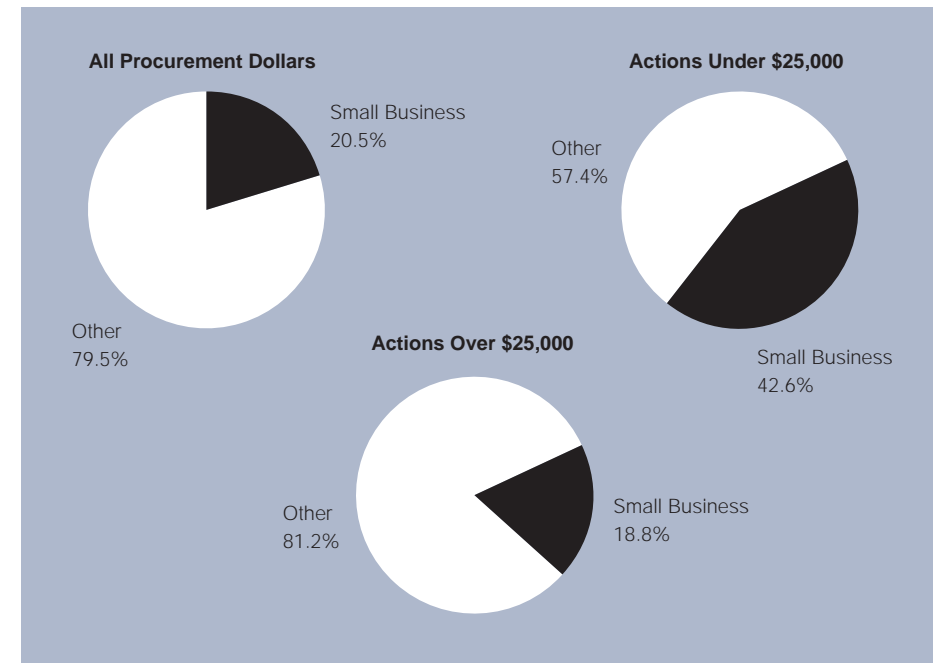
Source: General Services Administration, Federal Procurement Data System and Eagle Eye Publishers, Inc.

Table 3.2 Small Business Share of Dollars in Contract Actions, FY 1995–FY 2000

Fiscal Year	Thousands of Dollars		Small Business Share
	Total	Small Business	
Contract actions over \$25,000			
2000	205,847,301	38,781,448	18.8
1999	185,124,691	34,664,335	18.7
1998	184,111,005	34,259,439	18.6
1997	178,924,894	33,129,663	18.5
1996	183,483,693	33,764,796	18.4
1995	185,119,992	33,924,015	18.3
Contract actions under \$25,000			
2000	15,337,450	6,541,176	42.6
1999	15,678,184	6,856,096	43.7
1998	16,383,684	7,541,821	46.0
1997	17,218,902	8,082,760	46.9
1996	18,971,206	9,183,409	48.4
1995	21,449,638	11,122,015	51.9

Source: Federal Procurement Data System unpublished data; figures for contracts under \$25,000 are from *The State of Small Business: A Report of the President*, various issues. Because of updating, totals may differ from totals in previous reports.

Chart 3.1 Federal Contract Dollars by Size of Contract Action, FY 2000



Source: Federal Procurement Data System and Eagle Eye Publishers, Inc.

total number of contract actions were issued in contract actions of \$25,000 or less; these contracts were valued at \$15.7 billion in FY 1999 and \$15.3 billion in FY 2000.

Small businesses have always been significantly more successful in competing for smaller awards than for larger contracts. Over the FY 1990–FY 1995 period, their share of dollars in these smaller contracts remained in the 50–52 percent range and the small business dollar totals were in the \$10 billion to \$11 billion range. But in FY 1996, as procurement reforms began taking effect, their percentage and dollar shares of these contracts began dropping steadily. By FY 1999, they were awarded \$6.9 billion or 43.7 percent of total federal dollars in contract actions of \$25,000 or less, and in FY 2000 just \$6.5 billion or 42.6 percent (Table 3.2).

The Federal Acquisition Streamlining Act of 1994 (FASA), signed into law on October 13, 1994, simplified the federal contracting process. Prior to enactment of FASA, only procurements of \$25,000 or less could be set aside for small businesses with limited competition. Government procurement personnel may now follow a simplified small business acquisition process for purchases between \$2,500 and \$100,000 as long as there is a reasonable expectation of bids being received from two or more responsible small businesses whose bids are competitive and commensurate with market expectations. But because other options, including credit card purchases, are now open to contracting officers, the effect has been a decline in the percentage of small contract dollars awarded to small businesses. Thus, the perception of some potential small firm contractors is that the doorway through which new and small businesses can enter the federal procurement marketplace has narrowed to the extent that they are discouraged from trying.

Sources of Small Business Awards by Agency/Department

Some 59.8 percent of the \$38.8 billion in FY 2000 of prime contract dollars over \$25,000 awarded to small businesses resulted from Department of Defense (DOD) awards (Table 3.3). The DOD share of total awards over \$25,000 in FY 2000 was somewhat larger—63.9 percent—reflecting the larger share of contracts awarded to large businesses by DOD. This share of awards overall has declined steadily since the mid-1980s when the department was responsible for 80 percent of prime contract dollars in contracts over \$25,000 (Table 3.4).

The next largest source of federal contracting awards to small businesses was the General Services Administration, which accounted for 10.1 percent in FY 2000 of the total dollars awarded to small businesses, up from 8.0 percent in FY 1999. Although the Department of Transportation was third in FY 1999, with 4.0 percent, the National Aeronautics and Space Administration outperformed DOT in 2000, awarding 3.5 percent of the dollars over \$25,000 awarded to small firms, compared with DOT's 2.4 percent.

Table 3.3 Distribution of Small Business Share of Dollars in Contract Actions over \$25,000 by Procuring Agency Source, FY 1999 and FY 2000

	Total Small Business (thousands of dollars)		Small Business Distribution (percent)		Rank	
	FY 2000	FY 1999	FY 2000	FY 1999	FY 2000	FY 1999
	Total, All Agencies	38,781,448	34,664,335			
Advisory Committee on the Federal Prevailing Rate	25	75	*	*	48	47
Agency for International Development	72,044	95,255	0.19	0.27	21	19
American Battle Monuments Commission	47		*		46	
Commodity Futures Trading Commission						
Consumer Product Safety Commission	1,534	2,058	*	0.01	40	38
Corporation for National and Community Service	2,334	2,275	0.01	0.01	36	37
Department of Agriculture	1,131,038	1,198,059	2.92	3.46	4	4
Department of Commerce	552,753	407,803	1.43	1.18	11	12
Department of Defense	23,179,213	21,454,705	59.77	61.89	1	1
Department of Education	106,507	79,427	0.27	0.23	20	20
Department of Energy	498,611	466,256	1.29	1.35	12	11
Department of Health and Human Services	983,165	1,108,201	2.54	3.20	6	6
Department of Housing and Urban Development	392,157	255,738	1.01	0.74	13	15
Department of Justice	819,979	759,460	2.11	2.19	8	9
Department of Labor	325,967	202,178	0.84	0.58	16	16
Department of State	388,116	391,148	1.00	1.13	14	13
Department of the Interior	718,330	549,142	1.85	1.58	9	10
Department of the Treasury	680,469	779,976	1.75	2.25	10	8
Department of Transportation	931,930	1,380,086	2.40	3.98	7	3
Department of Veterans Affairs	1,009,803	789,115	2.60	2.28	5	7
Environmental Protection Agency	213,625	280,326	0.55	0.81	17	14
Equal Employment Opportunity Commission	3,530	3,047	0.01	0.01	34	35

* Less than 0.01 percent

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Table 3.3 (continued)

	Total Small Business (thousands of dollars)		Small Business Distribution (percent)		Rank	
	FY 2000	FY 1999	FY 2000	FY 1999	FY 2000	FY 1999
	Executive Office of the President	17,200	16,180	0.04	0.05	26
Federal Communications Commission	3,558		0.01		33	
Federal Election Commission	1,044	244	0.00	*	41	46
Federal Emergency Management Agency	66,949	60,531	0.17	0.17	22	22
Federal Labor Relations Authority						
Federal Maritime Commission	60		*		45	
Federal Trade Commission	7,380	6,948	0.02	0.02	29	31
General Services Administration	3,906,682	2,691,928	10.07	7.77	2	2
International Trade Commission	1,725	1,467	0.01	*	38	42
Merit Systems Protection Board						
National Aeronautics and Space Administration	1,358,117	1,186,185	3.50	3.42	3	5
National Archives and Records Administration	10,232	9,718	0.03	0.03	28	30
National Capital Planning Commission						
National Foundation on the Arts and Humanities	268	813	*	*	44	43
National Labor Relations Board	4,852	3,982	0.01	0.01	31	32
National Mediation Board	1,689	1,657	*	*	39	40
National Science Foundation	14,227	20,067	0.04	0.06	27	26
Nuclear Regulatory Commission	23,485	28,778	0.06	0.08	24	24
Office of Personnel Management	144,405	102,954	0.37	0.30	19	18
Peace Corps	3,720	3,737	0.00	0.01	32	33
Railroad Retirement Board	1,820	1,591	*	*	37	41
Securities and Exchange Commission	6,987	9,934	0.02	0.03	30	29
Selective Service System	35	600	*	*	47	45
Small Business Administration	23,023	21,650	0.06	0.06	25	25
Smithsonian Institution	27,735	45,470	0.07	0.13	23	23
Social Security Administration	148,676	144,991	0.38	0.42	18	17
Tennessee Valley Authority	360,794	71,991	0.93	0.21	15	21

* Less than 0.01 percent

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Table 3.3 (continued)

	Total Small Business (thousands of dollars)		Small Business Distribution (percent)		Rank	
	FY 2000	FY 1999	FY 2000	FY 1999	FY 2000	FY 1999
	U.S. Arms Control and Disarmament Agency		1,949		0.01	
U.S. Holocaust Memorial Museum	557	701	*	*	43	44
U.S. Information Agency		19,647		0.06		27
U.S. Soldiers' and Airmen's Home	943	2,918	*	0.01	42	36
U.S. Trade and Development Agency	2,893	3,374	0.01	0.00	35	34

* Less than 0.01 percent

Source: General Services Administration, Federal Procurement Data Center, and Eagle Eye Publishers.

Table 3.4 Procurement Dollars in Contract Actions Over \$25,000 by Major Agency Source, FY 1984–FY 2000

FY	Total (thousands of dollars)	Percent of Total			
		Department of Defense	Department of Energy	National Aeronautics and Space Administration	Other
2000	205,847,301	63.9	8.2	5.3	22.6
1999	185,124,691	66.6	8.5	5.8	19.1
1998	188,186,597	64.1	8.2	5.9	21.7
1997	183,681,389	65.5	8.9	6.2	19.4
1996	181,750,326	66.5	8.7	6.2	18.7
1995	176,544,042	64.3	9.1	6.3	20.2
1994	172,612,189	65.4	9.9	6.3	18.4
1993	179,286,902	66.7	10.0	6.4	16.8
1992	193,550,425	66.3	10.1	6.6	16.9
1991	183,081,207	70.2	9.5	6.1	14.2
1990	184,426,948	72.0	9.7	6.4	11.9
1989	181,500,339	75.0	8.8	5.7	10.6
1988	185,119,992	76.9	8.2	4.9	10.0
1987	183,483,693	78.6	7.7	4.2	9.5
1986	178,924,894	79.6	7.3	4.0	9.0
1985	184,111,005	80.0	7.7	4.0	8.3
1984	187,973,230	79.3	7.9	4.0	9.0

Source: Federal Procurement Data System and Eagle Eye Publishers.

Small Business Share of Purchasing Agency Awards

The small business share of agency procurement budgets is one measure of small businesses' ability to win contracts from the principal procurement centers of the federal government. For example, although the Department of Defense accounted for about 62 percent of all contract dollars over \$25,000 awarded to small businesses in FY 1999 and about 60 percent in FY 2000 (Table 3.3), the small business share amounted to only 17 to 18 percent of DOD's total in each year (Table 3.5).

As measured by their share of agency budgets, small businesses were most successful in FY 2000 in winning awards from the Office of Personnel Management (74.4 percent), the Department of the Interior (59.5 percent), and the Department of Transportation (51.8 percent) (Table 3.5). This group was followed by the General Services Administration (37.9 percent), the Nuclear Regulatory Commission (36.6 percent), the Department of Housing and Urban Development (35.9 percent), the Smithsonian (35.3 percent), the Department of Agriculture (34.1 percent), the Department of State (31.5 percent), the Department of Commerce (31.1 percent), and the Social Security Administration (30.8 percent). The Department of Energy came in last at less than 3.0 percent.

Product/Service Categories

Three major categories of goods and services—supplies and equipment, research and development, and other services and construction—make up the federal procurement markets (Table 3.6). The volume of award dollars in each of the three major procurement categories shifted slightly as a percentage of total awards from FY 1999 to FY 2000. The services and construction category, which includes activities as diverse as architectural and engineering services, data processing, telecommunications, general construction, and management support services, decreased from 51.8 percent in FY 1999 to 50.2 percent in FY 2000. Expenditures for supplies and equipment, the second largest category, increased from 34.9 percent in FY 1999 to 37.2 percent in FY 2000. Research and development (R&D) continued to lose some ground, accounting for 13.3 percent of awards in FY 1999 and 11.5 percent in FY 2000.

Table 3.5 Small Business Share of Dollars in Contract Actions Over \$25,000 by Top 25 Major Procuring Agencies, Fiscal Years 2000 and 1999

Agency	FY 2000 (thousands of dollars)		Small Business Share (percent)		FY 2000 Share Rank
	Total	Small Business	1999	2000	
Total, All Agencies	205,847,301	38,781,448	18.6	18.8	0
Office of Personnel Management	194,092	144,405	64.99	74.40	1
Department of the Interior	1,207,814	718,330	50.96	59.47	2
Department of Transportation	1,800,044	931,930	48.65	51.77	3
General Services Administration	10,310,911	3,906,682	39.23	37.89	4
Nuclear Regulatory Commission	64,205	23,485	42.67	36.58	5
Department of Housing and Urban Development	1,091,944	392,157	33.34	35.91	6
Smithsonian Institution	78,524	27,735	49.43	35.32	7
Department of Agriculture	3,316,245	1,131,038	38.92	34.11	8
Department of State	1,232,962	388,116	40.40	31.48	9
Department of Commerce	1,780,281	552,753	37.25	31.05	10
Social Security Administration	482,666	148,676	31.62	30.80	11
Federal Emergency Management Agency	237,143	66,949	21.13	28.23	12
Department of Justice	3,061,665	819,979	23.65	26.78	13
Department of Veterans Affairs	3,879,921	1,009,803	30.30	26.03	14
Department of Labor	1,288,566	325,967	18.33	25.30	15
Department of Health and Human Services	3,947,167	983,165	25.22	24.91	16
Environmental Protection Agency	875,302	213,625	26.29	24.41	17
Department of the Treasury	2,793,287	680,469	23.77	24.36	18
Department of Defense	131,593,409	23,179,213	17.45	17.61	19
Agency for International Development	441,124	72,044	18.56	16.33	20
National Aeronautics and Space Administration	10,912,591	1,358,117	10.90	12.45	21
Department of Education	881,341	106,507	11.50	12.08	22
National Science Foundation	153,428	14,227	9.42	9.27	23
Tennessee Valley Authority	4,253,112	360,794	12.02	8.48	24
Department of Energy	16,903,647	498,611	3.30	2.95	25

Source: General Services Administration, Federal Procurement Data System and Eagle Eye Publishers.

Table 3.6 Distribution of Dollars in Prime Contract Actions Over \$25,000 by Major Product or Service Category for FY 1999 and FY 2000 (percent)

Product/Service Category	FY 1999	FY 2000
Total (thousands of dollars)	185,124,691	205,847,301
Research and development	13.3	11.5
Other services and construction	51.8	50.2
Supplies and equipment	34.9	37.2

Note: No product/service codes are available for the Federal Aviation Administration so the FAA is excluded from the FY 2000 data; thus, the total will not equal the total amount awarded.

Source: General Services Administration, Federal Procurement Data System and Eagle Eye Publishers, Inc.

The small business market shares increased over the FY 1999–FY 2000 period in research and development and other services and construction, and declined in supplies and equipment. Small businesses increased their share of dollars in research and development from 14.3 percent in FY 1999 to 15.1 percent in FY 2000 (Table 3.7). Their share of services and construction dollars increased from 22.4 percent to 22.9 percent. The small firm market share of supplies and equipment declined from 14.9 percent to 14.3 percent.

Small Business Innovation Research

Ten government agencies with extramural R&D obligations over \$100 million participate in the Small Business Innovation Research (SBIR) program each year by setting aside a small percentage of their external R&D budgets for the program.²⁵ The required percentage was 1.25 percent in FY 1992, 1.5 percent in FY 1993 and FY 1994, 2.0 percent in FY 1995 and FY 1996, and 2.5 percent continuously beginning in FY 1997.

25 The Small Business Innovation Research (SBIR) program began as a government-wide program in FY 1983. The program was most recently reauthorized through the Consolidated Appropriations Act of 2001 (P.L. 106-554), which was signed into law December 21, 2000. It reauthorized the program for a period of eight years, through September 30, 2008.

Table 3.7 Small Business Share of Dollars in Contract Actions Over \$25,000 by Major Product or Service Category, FY 1999 and FY 2000

	FY 1999		FY 2000	
	Amount (thousands of dollars)	Small Business Share (percent)	Amount (thousands of dollars)	Small Business Share (percent)
Research and development				
Total	24,595,627		23,623,275	
Small business	3,518,418	14.3	3,562,535	15.1
Other services and construction				
Total	95,834,678		103,383,167	
Small business	21,511,690	22.4	23,709,918	22.9
Supplies and equipment				
Total	64,694,386		76,606,635	
Small business	9,634,227	14.9	10,987,691	14.3

Note: No product service codes are available for the Federal Aviation Administration, so the FAA is excluded from the FY 2000 data.

Source: Federal Procurement Data System Federal Procurement Report, and Eagle Eye Publishers.

FY 2000 was the 18th year of the program, which has three phases. Phase I is a limited effort, usually for six months, to determine the scientific and technical merit and feasibility of an idea. This phase has been restricted by legislation to ideas “that appear to have commercial potential.” The amount that can be awarded in Phase I is \$100,000.

Small businesses that win Phase I awards are eligible to apply for Phase II, the detailed research and development phase that lasts about two years and often ends with the development of a prototype product or process. Commercial potential also receives increased emphasis in Phase II. The amount that can be awarded in Phase II is \$750,000.

Small businesses conduct Phase III with non-SBIR funds to pursue commercial applications of the R&D funded in Phases I and II. Phase III is the keystone of the program and involves private sector investment and support for introducing the innovation into the marketplace. Phase III may involve non-SBIR R&D or production contracts with a federal agency for products or processes intended for use by the federal government.

A total of \$10.9 billion was awarded to small businesses in 59,639 Phase I and II projects over the first 18 years of the program (Table 3.8). The program has been very competitive. Participating agencies received a total of 21,492 Phase I and Phase II proposals in FY 1999 and 20,174 proposals in FY 2000. A total of 43,649 Phase I and 15,990 Phase II awards have been made since the beginning of the program.

Agencies using SBIR contracts include the Departments of Commerce, Defense, Education, and Transportation, the Environmental Protection Agency, the National Aeronautics and Space Administration, the Nuclear Regulatory Commission and, in the initial years of the program, the Department of the Interior. SBIR awards are made in the form of grants at the Departments of Agriculture, Energy, and Health and Human Services, and the National Science Foundation, and thus are not included in any R&D data in other tables in this chapter.

In FY 2000, awards were made in every state, the District of Columbia, and Puerto Rico, with concentrations in technology-rich California (883 awards) and Massachusetts (652 awards) (Table 3.9). Other states receiving more than 100 awards each were Colorado, Virginia, Texas, Maryland, New York, Ohio, Pennsylvania, New Jersey, Florida, and Washington.

Procurement from Minority- and Women-Owned Businesses

Small women- and minority-owned businesses continue to account for a small percentage of total federal award dollars in comparison with their representation in the U.S. economy. Women-owned businesses constitute approximately 26 percent of the total nonagricultural business population of the United States, but small women-owned businesses obtained only 2.2 percent of

Table 3.8 Small Business Innovation Research Program, FY 1983–FY 2000

Fiscal Year	Phase I		Phase II		Total Awards (millions of dollars)
	Number of Proposals	Number of Awards	Number of Proposals	Number of Awards	
Total	311,563	43,649	34,911	15,990	10,899.9
2000	17,641	3,172	2,533	1,335	1,190.2
1999	19,016	3,334	2,476	1,256	1,096.5
1998	18,775	3,022	2,480	1,320	1,066.7
1997	19,585	3,371	2,420	1,404	1,106.9
1996	18,378	2,841	2,678	1,191	916.3
1995	20,185	3,085	2,856	1,263	834.1
1994	25,588	3,102	2,244	928	717.6
1993	23,640	2,898	2,532	1,141	698.0
1992	19,579	2,559	2,311	916	508.4
1991	20,920	2,553	1,734	788	483.1
1990	20,957	2,346	2,019	837	460.7
1989	17,233	2,137	1,776	749	431.9
1988	17,039	2,013	1,899	711	389.1
1987	14,723	2,189	2,390	768	350.5
1986	12,449	1,945	1,112	564	297.9
1985	9,086	1,397	765	407	199.1
1984	7,955	999	559	338	108.4
1983	8,814	686	127	74	44.5

Note: Phase I evaluates the scientific and technical merit and feasibility of an idea. Phase II expands on the results and further pursues the development of Phase I. Phase III commercializes the results of Phase II and requires the use of private or non-SBIR federal funding. The Phase II proposals and awards in FY 1983 were pursuant to predecessor programs that qualified as SBIR funding.

Source: U.S. Small Business Administration, Office of Innovation, Research, and Technology (annual reports for FY 1983–FY 2000).

Table 3.9 SBIR Awards by State, FY 2000 (thousands of dollars)

State	Phase 1		Phase 2		Total	
	Awards	Dollars	Awards	Dollars	Awards	Dollars
Alabama	51	4,485,763	31	20,485,704	82	24,971,467
Alaska	1	100,000	2	878,459	3	978,459
Arizona	68	5,751,527	28	15,032,857	96	20,784,384
Arkansas	3	233,990	3	1,893,994	6	2,127,984
California	622	61,401,182	261	153,766,314	883	215,167,496
Colorado	173	15,222,480	66	38,430,550	239	53,653,030
Connecticut	43	3,961,204	27	14,445,183	70	18,406,387
Delaware	21	2,011,930	7	3,509,476	28	5,521,406
District of Columbia	10	1,132,530	6	2,892,521	16	4,025,051
Florida	79	6,976,130	35	19,987,392	114	26,963,522
Georgia	37	3,357,080	13	7,483,949	50	10,841,029
Hawaii	11	935,985	8	3,698,626	19	4,634,611
Idaho	7	570,782	2	415,000	9	985,782
Illinois	52	5,021,610	23	12,955,961	75	17,977,571
Indiana	14	1,379,529	5	2,948,051	19	4,327,580
Iowa	5	484,173	1	592,723	6	1,076,896
Kansas	8	667,778	7	2,085,145	15	2,752,923
Kentucky	12	1,310,251	4	1,427,909	16	2,738,160
Louisiana	7	676,055	4	1,500,846	11	2,176,901
Maine	10	869,335	4	2,099,454	14	2,968,789
Maryland	135	12,921,490	71	43,703,954	206	56,625,444
Massachusetts	452	44,722,006	200	119,125,306	652	163,847,312
Michigan	44	3,939,419	22	12,018,090	66	15,957,509
Minnesota	44	3,905,351	19	11,033,969	63	14,939,320
Mississippi	5	529,310	6	3,129,896	11	3,659,206
Missouri	16	1,517,578	6	3,454,100	22	4,971,678
Montana	18	1,476,802	6	4,141,589	24	5,618,391

(continued, next page)

Table 3.9 (continued)

State	Phase 1		Phase 2		Total	
	Awards	Dollars	Awards	Dollars	Awards	Dollars
Nebraska	5	409,264	4	2,171,420	9	2,580,684
Nevada	5	429,978	3	1,580,505	8	2,010,483
New Hampshire	34	2,922,021	18	10,631,030	52	13,553,051
New Jersey	90	8,300,759	42	24,480,000	132	32,780,759
New Mexico	52	4,533,173	23	13,881,716	75	18,414,889
New York	133	13,755,267	52	28,620,318	185	42,375,585
North Carolina	46	4,855,939	13	6,255,607	59	11,111,546
North Dakota	3	300,000	4	1,835,000	7	2,135,000
Ohio	119	11,353,638	52	31,107,271	171	42,460,909
Oklahoma	9	709,874	3	1,540,784	12	2,250,658
Oregon	41	4,236,373	18	8,287,293	59	12,523,666
Pennsylvania	116	10,691,904	35	21,461,191	151	32,153,095
Puerto Rico	-	-	1	558,868	1	558,868
Rhode Island	18	1,667,855	6	2,712,217	24	4,380,072
South Carolina	14	1,067,303	5	2,719,642	19	3,786,945
South Dakota	3	268,949	1	400,000	4	668,949
Tennessee	27	2,443,447	13	7,166,730	40	9,610,177
Texas	135	13,172,432	49	26,992,022	184	40,164,454
Utah	30	2,903,852	11	5,770,344	41	8,674,196
Vermont	8	778,489	8	3,708,639	16	4,487,128
Virginia	164	14,279,013	69	45,534,274	233	59,813,287
Washington	81	8,169,778	24	12,907,842	105	21,077,620
West Virginia	6	505,675	3	1,544,808	9	2,050,483
Wisconsin	27	2,470,546	17	7,979,521	44	10,450,067
Wyoming	6	484,678	3	1,183,371	9	1,668,049

Note: Based on awards issued and funding obligations for new awards only.

Source: U.S. Small Business Administration, Office of Advocacy, based on data from SBA's Office of Innovation, Research, and Technology.

federal contract dollars in FY 2000 (Table 3.10 and Chart 3.2). Minority-owned businesses make up 9 percent of the business population of the United States; they won just 6 percent of the award dollars in FY 1999 and 5.9 percent in FY 2000.²⁶

The shares of prime contract dollars awarded in FY 2000 to small socially and economically disadvantaged and women-owned businesses declined slightly from FY 1999 to FY 2000. In FY 1999, minority-owned firms were awarded \$12.1 billion in prime contracts or 6.0 percent of total federal contract dollars; the dollar amount increased to \$13 billion in FY 2000 and the share decreased slightly—to 5.9 percent. Women-owned firms were awarded \$4.5 billion in prime contracts or 2.25 percent of federal buys in FY 1999; the women-owned amount increased in FY 2000 to \$4.9 billion, but the share decreased to 2.20 percent.

And, as is true for small businesses overall, relatively fewer dollars in the smallest contracts are going to small disadvantaged and small women-owned firms. The share of total dollars in contracts of less than \$25,000 declined over the FY 1999–FY 2000 period for women-owned businesses from 3.5 percent to 2.8 percent and for small disadvantaged businesses from 3.4 percent to 3.2 percent. Within these categories, 96.2 percent of awards to small disadvantaged businesses were in contracts over \$25,000, up from 95.5 percent in FY 1999; the corresponding percentages for women-owned firms were 91.3 percent, up from 87.8 percent.²⁷ Dollars in prime contracts over \$25,000 increased more in FY 2000 than in FY 1999 for minority-owned businesses, less in FY 2000 for women-owned businesses (Table 3.11).

26 For additional information, see Harry J. Chmelynski and Jonathan Skolnik, *The Pattern of Federal Procurement from Minority and Women-Owned Small Business*, report no. PB93-182582, prepared by Jack Faucett Associates for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1993). The Faucett study indicates that women-owned firms, after adjustments were made for comparable procurement/industry characteristics, competed for and won contracts over a five-year period with a value that exceeded the annual rate of growth in federal contracting overall and in the gross domestic product. Bureau of the Census data indicate that there were 5.9 million women-owned businesses in 1992 and 1.2 million minority-owned businesses in the United States in 1987. See also U.S. Department of Commerce, Bureau of the Census, *1987 Survey of Minority-Owned Business Enterprises, Summary* (Washington, D. C.: U. S. Government Printing Office, August 1991) and *idem; Women-Owned Business, 1992*, (Washington, D. C.: U.S. Government Printing Office, August 1990).

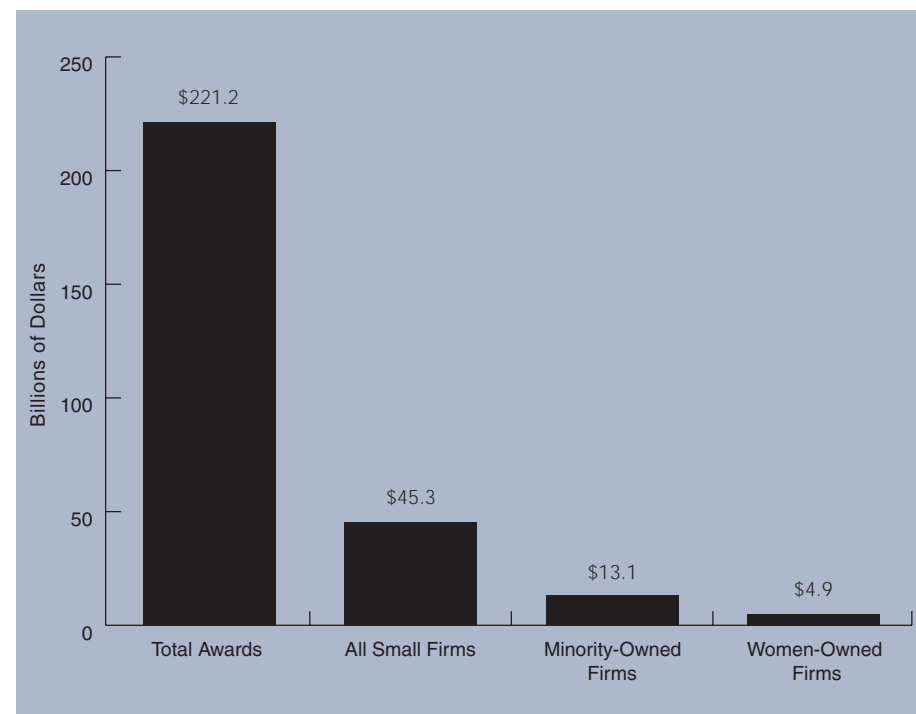
27 For possible reasons, see the following discussion of the effects of procurement reform on small firms.

Table 3.10 Total Dollars in Federal Contract Actions to Small, Woman-Owned, and Minority-Owned Businesses, FY 2000 (thousands of dollars)

	Total		Over \$25,000		Under \$25,000	
	Amount	Percent	Amount	Percent	Amount	Percent
Total large and small purchases	221,184,751	100.0	205,847,301	100.0	15,337,450	100.0
Small business	45,322,624	20.5	38,781,448	18.8	6,541,176	42.6
Women-owned business	4,876,917	2.2	4,455,003	2.2	421,914	2.8
Minority-owned business	13,078,545	5.9	12,586,798	6.1	491,747	3.2

Source: General Services Administration, Federal Procurement Data System, and Eagle Eye Publishers.

Chart 3.2 Federal Contract Actions to Small, Minority-Owned, and Women-Owned Businesses, FY 2000 (billions of dollars)



Source: Federal Procurement Data System and Eagle Eye Publishers.

Table 3.11 Annual Change in the Dollar Volume of Contract Actions Over \$25,000 Awarded to Small, Women-Owned, and Minority-Owned Businesses, FY 1980–FY 2000 (thousands of dollars)

	Total, All Business			Small Business			Women-Owned Business			Minority-Owned Business		
	Total Dollars	Change from Prior Year		Total Dollars	Change from Prior Year		Total Dollars	Change from Prior Year		Total Actions	Change from Prior Year	
		Dollars	Percent		Dollars	Percent		Dollars	Percent		Dollars	Percent
2000	205,847,301	20,722,610	11.2	38,781,448	3,036,256	8.5	4,455,003	427,264	10.6	12,586,798	727,575	6.1
1999	185,124,691	1,013,686	0.6	35,745,192	1,485,753	4.3	4,027,739	485,838	13.7	11,859,223	414,203	3.6
1998	184,111,005	5,186,111	2.8	34,259,439	-7,013,742	-17.0	3,541,901	-48,406	-1.3	11,445,020	312,398	2.8
1997	178,924,894	-4,558,799	-2.5	41,273,181	8,082,760	24.4	3,590,307	621,845	20.9	11,132,622	491,851	4.6
1996	183,483,693	-1,636,299	-0.9	33,190,421	1,383,158	4.3	2,968,462	148,214	5.3	10,640,771	121,302	1.2
1995	185,119,992	3,619,653	2.0	31,807,263	3,384,230	11.9	2,820,248	508,700	22.0	10,519,469	1,459,981	16.1
1994	181,500,339	-2,926,609	-1.6	28,423,033	475,592	1.7	2,311,548	262,828	12.8	9,059,488	255,468	2.9
1993	184,426,948	1,345,741	0.7	27,947,441	-282,308	-1.0	2,048,720	56,155	2.8	8,804,020	1,007,913	12.9
1992	183,081,207	-10,469,218	-5.4	28,229,749	-617,609	-2.1	1,992,565	227,399	12.9	7,796,107	1,309,818	20.2
1991	193,550,425	14,263,523	8.0	28,847,358	3,445,732	13.6	1,765,166	287,272	19.4	6,486,289	796,229	14.0
1990	179,286,902	6,674,713	3.8	25,401,626	1,685,455	7.1	1,477,894	74,955	5.3	5,690,060	356,172	6.7
1989	172,612,189	-3,931,853	-2.2	23,716,171	-1,955,147	-7.6	1,402,939	75,215	5.7	5,333,888	141,382	2.7
1988	176,544,042	-5,206,284	-2.9	25,671,318	-2,256,401	-8.1	1,327,724	74,839	6.0	5,192,506	343,381	7.1
1987	181,750,326	-1,931,063	-1.1	27,927,719	-852,373	-3.0	1,252,885	56,034	4.7	4,849,125	563,200	13.1
1986	183,681,389	-4,505,240	-2.4	28,780,092	2,077,397	7.8	1,196,851	102,643	9.4	4,285,925	401,286	10.3
1985	188,186,629	20,085,235	11.9	26,702,695	1,196,672	4.7	1,094,208	238,077	27.8	3,884,639	-119,500	-3.0
1984	168,101,394	12,513,288	8.0	25,506,023	3,425,999	15.5	856,131	244,755	40.0	4,004,139	817,048	25.6
1983	155,588,106	3,190,222	2.1	22,080,024	-1,478,539	-6.3	611,376	60,775	11.0	3,187,091	328,180	11.5
1982	152,397,884	23,533,140	18.3	23,558,563	3,489,774	17.4	550,601	-534,772	-49.3	2,858,911	223,903	8.5
1981	128,864,744	27,971,359	27.7	20,068,789	4,742,668	30.9	1,085,373	297,844	37.8	2,635,008	813,087	44.6
1980	100,893,385	-	-	15,326,121	-	-	787,529	-	-	1,821,921	-	-

Source: General Services Administration, Federal Procurement Data System and Eagle Eye Publishers.

Small disadvantaged businesses won \$5.6 billion through the 8(a) program in FY 2000, down from nearly \$6 billion in FY 1999 (Table 3.12). The 8(a) share of dollars in contracts over \$25,000 has been declining steadily for the past four years, from 3.7 percent in FY 1996 to 2.7 percent in FY 2000.

In FY 2000, small disadvantaged businesses were awarded \$5.1 billion in subcontracts; women-owned small businesses received \$3.6 billion in subcontract dollars, and HUBZone businesses recorded \$195 million in subcontract awards. HUBZone businesses were awarded \$663,280 in prime contract dollars in FY 2000.

Changes in the Procurement Markets

Federal contract markets continue to change in ways that both help and hinder small, women-owned, and disadvantaged businesses. The Federal Acquisition Streamlining Act of 1994 (FASA) and the Federal Acquisition Reform Act of 1996 (FARA) were designed to save money, reduce paperwork burdens on federal contractors, facilitate the acquisition of commercial products, enhance the use of simplified procedures for small purchases, transform the acquisition process to electronic commerce, and improve the efficiency of the laws governing federal procurement. Additional reforms implemented in the December 1997 enactment of both HUBZone and contract bundling legislation are also affecting the small business procurement markets.²⁸

The U.S. Small Business Administration's Office of Advocacy continues to analyze the use of such acquisition tools as credit card purchases and contract bundling to determine their impact on small business purchases.²⁹ Agencies have increased their credit card purchases from about \$5 billion in FY 1997

Table 3.12 Contract Actions Over \$25,000, FY 1984–FY 2000 with Annual 8(a) Set-Aside Breakout

Fiscal Year	Thousands of Dollars		8(a) Share
	Total	8(a) Set-Aside	
2000	205,847,301	5,616,701	2.7
1999	185,124,691	5,971,393	3.2
1998	184,111,005	6,527,194	3.5
1997	178,924,894	6,511,118	3.6
1996	183,483,693	6,765,012	3.7
1995	185,119,992	6,911,080	3.7
1994	181,500,339	5,977,455	3.3
1993	184,426,948	5,483,544	3.0
1992	183,081,207	5,205,080	2.8
1991	193,550,425	4,147,148	2.1
1990	179,286,902	3,743,970	2.1
1989	172,612,189	3,449,860	2.0
1988	176,544,042	3,528,790	2.0
1987	181,750,326	3,341,841	1.8
1986	183,681,389	2,935,633	1.6
1985	188,186,629	2,669,174	1.4
1984	168,101,394	2,517,738	1.5

Source: General Services Administration, Federal Procurement Data System and Eagle Eye Publishers.

²⁸ The contract bundling legislation that was enacted is intended to restrict unnecessary contract consolidations. The HUBZone legislation is intended to provide federal contracting opportunities for small businesses located in historically underutilized business zones. Both the HUBZone and contract bundling provisions were included in the Small Business Reauthorization Act of 1997 (P.L. 105–135), signed into law on December 2, 1997.

²⁹ See U.S. Small Business Administration, Office of Advocacy, "Testimony of Susan M. Walthall, Acting Chief Counsel for Advocacy, U.S. Small Business Administration, before the Committee on Small Business, U.S. House of Representatives, on Government Procurement Policies and their Impact on Small Business," June 20, 2001.

to nearly \$13 billion in FY 2000. For the same period, the number of actions has doubled from 11 million to nearly 22 million. Small businesses have historically been the beneficiary of small purchase orders. But preliminary reports suggest this may not be the case with credit cards.³⁰

Studies of Contract Bundling

Contract bundling is defined as the consolidation of two or more smaller contracts into one very large contract. The SBA Reauthorization Act of 1997 established guidelines to assist agencies in evaluating their planned bundled acquisitions or “umbrella contracts.” The statute provides for consolidation of contracts when the agency proves that there are measurably substantial benefits associated with bundling the contract.

Evidence of the negative impact of contract bundling on small businesses in the years prior to enactment of the 1997 legislation was presented in a 1993 report by the U.S. Small Business Administration’s Office of Government Contracting.³¹ The study relied on a survey of small business owners and others involved in the federal procurement process and it recommended more systematic and detailed analysis of prime contract data to substantiate or disprove the claims of small business owners that umbrella contracts were harming their companies.

In 1997, the SBA’s Office of Advocacy contracted with Eagle Eye Publishers, Inc., to develop new analytical techniques in an effort to fulfill the mandate of the earlier SBA study and analyze the impacts of bundled contracts.³² This study revealed a number of important facts. First, as federal spending declined

over the FY 1991–FY 1995 period, the share of dollars in large contracts greater than or equal to \$100,000 increased significantly. Second, between FY 1991 and FY 1995, small business contractors saw total dollars, market share and numbers of contracts decline, while the average contract size increased. Third, the number of new small business contractors—contractors that had not done work for the government in the previous year—reached 37,906 in FY 1992, but fell to 37,380 in FY 1993, 25,160 in FY 1994 and 21,058 in FY 1995, a four-year loss of 44 percent. If bundling was occurring, researchers posited, one of the negative impacts would be the decrease in the number of new small businesses entering the federal marketplace, and that indeed had occurred.

An update to the study covering the FY 1992–FY 1999 period and published in the year 2000, was even more critical of contract bundling.³³ The following are highlights: (1) The average bundled contract was valued at \$8 million in FY 1999, representing a 21 percent increase in the value of the average contract award over the previous eight years; (2) for every increase of 100 bundled contracts, there was a decrease of more than 106 individual contracts awarded to small firms; (3) in FY 1999, large businesses received 67 percent of all prime contract dollars and 74 percent of all bundled dollars. Small firms received 18.7 percent of all contract dollars and 15 percent of bundled contracts; and (4) the two areas fueling the growth of contract bundling are construction and non-research services—both sectors dominated by small businesses.

Conclusion

Small firms are particularly important as job creators and as innovators that bring new ideas to the marketplace. The federal government has long recognized that participation by small businesses, including those owned by women, minorities, and disabled veterans, is vital, not only to the growth of these businesses, but to the growth and constant regeneration of the economy.

30 A recent (2003) study supported by the Office of Advocacy, *Impact of Purchase Card Activity on Small Businesses* by Eagle Eye Publishers Inc., Fairfax, Virginia, found that “Purchase card usage by federal agencies now totals \$14 billion annually and that “the small business share of these purchases is lower than both the small business share of federal prime contracts...and...of small purchases.”

31 U.S. Small Business Administration, Office of Government Contracting, *Study of the Impact of Contract Bundling on Small Business Concerns and Practical Recommendations*, 1993.

32 Eagle Eye Publishers, *Bundled Contract Study FY 91–FY 95*, prepared for the U.S. Small Business Administration, Office of Advocacy, under contract no. SBA-HQ-95-C-0020 (Springfield, Va: National Technical Information Service, 1997).

33 Paul Murphy, *The Impact of Contract Bundling on Small Business: FY 1992–FY 1999*, prepared by Eagle Eye Publishers, Inc., for the U.S. Small Business Administration, Office of Advocacy, under contract no. SBA-HQ-97-M-0861 (Springfield, Va.: National Technical Information Service, 2000).

APPENDIX

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Table A.1 Macroeconomic U.S. Data, 1991–2000

	1991	1998	1999	2000	Percent Change 1999–2000
Gross Domestic Product (GDP) (billions of dollars)¹					
Current dollars	5,986.2	8,759.9	9,299.2	9,963.1	7.1
Constant dollars (billions of 1996 dollars)	6,676.4	8,515.7	8,875.8	9,318.5	5.0
Personal consumption expenditures	4,466.6	5,850.9	6,268.7	6,757.3	7.8
Sales (billions of dollars)²					
Manufacturing	239.8	325.0	336.9	356.7	5.9
Wholesale trade	148.3	198.3	211.6	229.6	8.5
Retail trade	154.7	219.5	238.6	256.9	7.7
Income (billions of dollars)					
Compensation of employees ²	3,454.9	4,984.2	5,299.8	5,638.2	6.4
Nonfarm proprietors' income	357.8	595.2	638.2	687.8	7.8
Farm proprietors' income	26.4	25.4	25.3	22.6	-10.7
Corporate profits ³	431.2	815.0	856.0	946.2	10.5
Output and productivity (business sector indexes, 1992=100)					
Output	96.5	128.6	134.8	142.4	5.6
Hours of all persons worked	100.2	116.1	118.4	120.0	1.4
Productivity (output per hour)	96.3	110.8	113.8	118.6	4.2
Employment and compensation					
Nonfarm private employment (millions) ²	89.8	106.0	108.7	111.1	2.2
Unemployment rate (percent)	6.8	4.5	4.2	4.0	-4.8
Bank loans, interest rates, and yields					
Total compensation cost index (Dec.) (June 1989=100)	111.7	139.8	144.6	150.9	4.4
Wage and salary index (Dec.) (June 1989=100)	110.0	137.4	142.2	147.7	3.9
Employee benefits cost index (Dec.) (June 1989=100)	116.2	145.2	150.2	158.6	5.6
Bank loans, interest rates, and yields					
Bank commercial and industrial loans (billions of dollars)	623.2	949.5	1,003.0	1,094.3	9.1
Prime rate (percent)	8.46	8.35	8.00	9.23	15.4
U.S. Treasury 10-year bond yields (percent)	7.86	5.26	5.65	6.03	6.7
Investments by nonfarm nonfinancial corporate business					
Capital expenditures	444.1	847.1	907.0	1,021.1	12.6
Increase in financial assets	82.3	347.1	691.4	513.5	-25.7
Federal budget (fiscal year)					
Receipts	1,055.0	1,721.8	1,827.5	2,025.2	10.8
Outlays	1,324.4	1,652.6	1,702.9	1,788.8	5.1
Surplus or deficit	-269.4	69.2	124.6	236.4	89.7
Price indices (inflation measures)					
Consumer price index (urban) (1982–84 = 100)	136.2	163.0	166.6	172.2	3.4
Producer price index (finished goods) (1982 = 100)	121.7	130.7	133.0	138.0	3.8
GDP implicit price deflator (1996 = 100)	98.1	103.2	104.8	106.9	2.1

¹ Small Business Share of Private, Nonfarm Gross Domestic Product by Joel Popkin and Company (Office of Advocacy funded study) found small businesses (fewer than 500 employees) created 51 percent of the total nonfarm private output in 1992.

² Statistics of U.S. Businesses, Bureau of the Census, showed that in 1997, small firms (fewer than 500 employees) accounted for 24.8 percent of manufacturing sales, 52.6 percent of retail sales, 46.8 percent of wholesale sales, 46.5 percent of annual payroll, and 51.8 percent of total nonfarm private employment.

³ With inventory valuation adjustment and capital consumption adjustments.

Source: U.S. Small Business Administration, Office of Advocacy, from the Council of Economic Advisers, Economic Indicators, May 1999 and May 2001.

Table A.2 U.S. Data Related to Small Businesses, 1990, 1998–2000

	1990	1998	1999	2000	Percent Change 1999–2000
Number of businesses					
Employer firms ¹	5,073,795	5,685,900	e 5,688,200	e 5,812,100	2.2
Self-employment ²	10,097,000	10,303,000	10,087,000	9,907,000	-1.8
Business tax returns	20,219,400	24,285,900	e 24,809,200	e 25,390,100	2.3
Business turnover					
Employer firm births ¹	584,892	589,982	e 587,100	e 612,400	4.3
Employer firm terminations ¹	531,400	540,601	e 530,500	e 550,000	3.7
Bankruptcies	63,912	44,197	37,639	35,219	-6.4
Income (billions of constant 1999 dollars)					
Wage and salary income	2,754.6	4,280.3	4,467.8	4,836.3	8.2
Nonfarm proprietors' income	581.0	608.4	638.2	714.8	12.0
State corporate taxes	22.5	31.8	30.7	35.6	15.6

e estimated.

NA=Not available.

¹ Data for 1998 and 1999 are estimated from 1997 data from the Bureau of the Census, with yearly percent changes in similar data provided by the Department of Labor, Employment and Training Administration and rounded. Births and terminations are from prior year's March through current year's March.

² Self-employment represents individuals whose primary occupation is self-employment and who might have employees (about another 1 million are self-employed in secondary occupations).

Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Census Bureau, Bureau of Labor Statistics, Employment and Training Administration, Bureau of Economic Analysis, and Administrative Office of the U.S. Courts.

Table A.3 Employer Firms, Establishments, Employment, and Annual Payroll by Employment Size, 1988–1998

Year	Total	Employment Size of Firm									
		0*	0–4*	5–9	10–19	<20	20–99	100–499	<500	500+	
Employer firms											
1998	5,579,129	711,892	3,376,330	1,011,843	600,157	4,988,330	574,421	80,072	5,562,751	16,378	
1997	5,541,918	719,978	3,358,048	1,006,897	593,696	4,958,641	487,491	79,707	5,525,839	16,079	
1996	5,478,047	717,991	3,327,783	996,356	585,844	4,909,983	476,312	76,136	5,462,431	15,616	
1995	5,369,068	688,584	3,249,573	981,094	576,866	4,807,533	469,869	76,222	5,353,624	15,444	
1994	5,276,964	691,141	3,208,235	964,985	563,097	4,736,317	452,383	73,267	5,261,967	14,997	
1993	5,193,642	671,306	3,139,518	962,481	559,602	4,661,601	445,900	71,512	5,179,013	14,629	
1992	5,095,356	644,453	3,075,280	945,802	551,912	4,572,994	439,084	69,156	5,081,234	14,122	
1991	5,051,025	NA	3,036,304	941,296	551,299	4,528,899	439,811	68,338	5,037,048	13,977	
1990	5,073,795	NA	3,020,935	952,030	562,610	4,535,575	453,732	70,465	5,059,772	14,023	
1989	5,021,315	NA	3,003,224	937,202	553,449	4,493,875	443,959	69,608	5,007,442	13,873	
1988	4,954,645	NA	2,979,905	923,580	540,988	4,444,473	430,640	66,708	4,941,821	12,824	
Establishments											
1998	6,941,739	713,505	3,382,798	1,025,898	639,793	5,048,489	981,768	307,277	6,030,257	911,482	
1997	6,894,869	721,844	3,364,434	1,022,901	639,090	5,026,425	682,580	308,633	6,017,638	877,231	
1996	6,738,476	720,241	3,338,051	1,013,353	624,610	4,976,014	636,285	280,635	5,892,934	845,542	
1995	6,612,721	690,772	3,259,795	998,264	618,268	4,876,327	638,616	283,993	5,798,936	813,785	

* Employment is measured in March, thus some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment and some annual payroll. (continued, next page)

Table A.3 (continued)

Year	Total	Employment Size of Firm									
		0*	0-4*	5-9	10-19	<20	20-99	100-499	<500	500+	
1994	6,509,065	693,992	3,218,076	982,695	608,804	4,809,575	631,324	283,782	5,724,681	784,384	
1993	6,401,233	673,408	3,147,991	980,865	608,922	4,737,778	631,873	285,184	5,654,835	746,398	
1992	6,319,300	646,065	3,082,325	964,863	606,276	4,653,464	634,713	283,719	5,571,896	747,404	
1991	6,200,859	NA	3,048,830	961,391	593,302	4,603,523	593,248	260,595	5,457,366	743,493	
1990	6,175,559	NA	3,032,253	970,580	599,529	4,602,362	590,496	254,747	5,447,605	727,954	
1989	6,106,922	NA	3,014,009	956,347	592,901	4,563,257	586,494	252,335	5,402,086	704,836	
1988	6,016,367	NA	2,989,964	943,442	583,301	4,516,707	581,622	244,697	5,343,026	673,341	
Employment											
1998	108,117,731	0	5,584,470	6,643,285	8,047,650	20,275,405	19,377,614	15,411,390	55,064,409	53,053,322	
1997	105,299,123	0	5,546,306	6,610,374	7,962,136	20,118,816	19,109,691	15,316,863	54,545,370	50,753,753	
1996	102,187,297	0	5,485,712	6,541,288	7,854,502	19,881,502	18,643,192	14,649,808	53,174,502	49,012,795	
1995	100,314,946	0	5,395,432	6,440,349	7,734,080	19,569,861	18,422,228	14,660,421	52,652,510	47,662,436	
1994	96,721,594	0	5,318,961	6,332,580	7,543,777	19,195,318	17,693,995	14,118,375	51,007,688	45,713,906	
1993	94,773,913	0	5,258,195	6,313,651	7,498,345	19,070,191	17,420,634	13,825,238	50,316,063	44,457,850	
1992	92,825,797	0	5,178,909	6,202,861	7,390,874	18,772,644	17,121,010	13,307,187	49,200,841	43,624,956	
1991	92,307,559	0	5,151,143	6,174,730	7,386,939	18,712,812	17,146,411	13,143,390	49,002,613	43,304,946	
1990	93,469,275	0	5,116,914	6,251,632	7,543,360	18,911,906	17,710,042	13,544,849	50,166,797	43,302,478	
1989	91,626,094	0	5,054,429	6,152,151	7,420,196	18,626,776	17,353,444	13,373,640	49,353,860	42,272,234	
1988	87,844,303	0	5,006,203	6,060,724	7,252,715	18,319,642	16,833,702	12,761,379	47,914,723	39,929,580	
Annual Payroll (thousands of dollars)											
1998	3,309,405,533	31,634,539	168,432,551	159,689,162	207,062,798	535,184,511	531,231,157	446,353,485	1,512,769,153	1,796,636,380	
1997	3,047,907,469	29,732,398	158,448,270	150,877,445	193,804,539	503,130,254	494,617,183	418,452,574	1,416,200,011	1,631,707,458	
1996	2,848,623,049	27,583,182	150,825,321	144,692,446	185,490,873	481,008,640	465,229,695	384,020,002	1,330,258,327	1,518,364,722	
1995	2,665,921,824	25,787,172	141,537,925	137,083,047	175,388,093	454,009,065	437,065,364	361,060,815	1,252,135,244	1,413,786,580	
1994	2,487,959,727	24,081,138	134,649,352	131,666,587	166,475,972	432,791,911	408,053,078	335,573,696	1,176,418,685	1,311,541,042	
1993	2,363,208,106	22,361,727	128,968,107	127,133,193	159,153,336	415,254,636	385,005,072	316,183,732	1,116,443,440	1,246,764,666	
1992	2,272,392,408	21,432,778	124,592,441	122,381,613	152,830,640	399,804,694	368,969,129	298,174,483	1,066,948,306	1,205,444,102	
1991	2,145,015,851	NA	118,233,813	116,794,212	146,516,583	381,544,608	352,032,797	279,436,898	1,013,014,303	1,132,001,548	
1990	2,103,971,179	NA	116,856,518	114,006,469	144,450,673	375,313,660	352,390,861	279,451,864	1,007,156,385	1,096,814,794	
1989	1,989,941,554	NA	112,462,139	108,002,714	136,794,734	357,259,587	332,733,188	264,144,335	954,137,110	1,035,804,444	
1988	1,858,652,147	NA	108,800,891	103,041,106	130,326,463	342,168,460	315,751,201	244,647,178	902,566,839	956,085,308	
Receipts (thousands of dollars)											
1997	18,242,632,687	190,570,902	1,038,627,904	797,161,654	951,050,012	2,786,839,570	2,519,756,576	2,161,615,554	7,468,211,700	10,774,420,987	

* Employment is measured in March, thus some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment and some annual payroll.

NA = Not available.

Notes: Establishments are locations with active payroll in any quarter. Firms are an aggregation of all establishments owned by a parent company. This table illustrates the changing importance of firm sizes over time. It does not illustrate job growth as firms can grow or decline and change firm size cells over time. Receipts data are available only for 1997.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of Census, Statistics of U.S. Businesses.

Table A.4 Employers, Establishments, Employment, and Payroll by State and Employment Size of Firm, 1998
(annual payroll in thousands of dollars)

State		Total	Employment Size of Firm						500+
			0 *	<20	20-99	100-499	<500		
United States	Firms	5,579,177	711,899	4,988,367	494,357	80,075	5,562,799	16,378	
	Establishments	6,941,822	713,512	5,048,528	674,503	307,294	6,030,325	911,497	
	Employment	108,117,731	0	20,275,405	19,377,614	15,411,390	55,064,409	53,053,322	
	Annual payroll	3,309,405,533	31,634,539	535,184,511	531,231,157	446,353,485	1,512,769,153	1,796,636,380	
Alabama	Firms	81,096	8,693	69,650	7,523	1,776	78,949	2,147	
	Establishments	100,316	8,700	70,335	10,091	4,918	85,344	14,972	
	Employment	1,604,110	0	297,134	277,593	215,113	789,840	814,270	
	Annual payroll	40,330,597	295,049	6,415,408	6,521,152	5,200,596	18,137,156	22,193,441	
Alaska	Firms	15,677	2,916	13,878	1,087	245	15,210	467	
	Establishments	18,212	2,916	14,102	1,594	687	16,383	1,829	
	Employment	196,135	0	52,119	38,558	27,915	118,592	77,543	
	Annual payroll	6,883,920	93,249	1,608,388	1,209,164	941,954	3,759,506	3,124,414	
Arizona	Firms	90,374	12,847	77,292	8,454	2,131	87,877	2,497	
	Establishments	110,245	12,880	78,181	10,756	5,101	94,038	16,207	
	Employment	1,763,508	0	315,754	311,122	247,376	874,252	889,256	
	Annual payroll	49,052,246	561,089	8,029,520	7,696,139	6,342,762	22,068,421	26,983,825	
Arkansas	Firms	52,094	5,981	45,262	4,309	1,004	50,575	1,519	
	Establishments	62,353	5,995	45,701	5,890	2,861	54,452	7,901	
	Employment	944,935	0	184,419	155,900	123,566	463,885	481,050	
	Annual payroll	21,764,625	165,577	3,709,278	3,256,660	2,614,810	9,580,748	12,183,877	
California	Firms	642,156	85,126	563,623	61,285	11,834	636,742	5,414	
	Establishments	773,925	85,322	570,118	78,884	32,720	681,722	92,203	
	Employment	12,026,989	0	2,285,494	2,344,306	1,791,143	6,420,943	5,606,046	
	Annual payroll	406,481,070	5,222,880	68,580,568	69,782,811	58,696,525	197,059,904	209,421,166	
Colorado	Firms	110,993	16,385	96,913	9,151	2,183	108,247	2,746	
	Establishments	130,354	16,412	97,759	11,700	4,845	114,304	16,050	
	Employment	1,757,628	0	368,521	332,321	229,912	930,754	826,874	
	Annual payroll	53,790,978	616,089	9,962,125	8,973,509	6,757,956	25,693,590	28,097,388	
Connecticut	Firms	78,821	8,870	67,976	7,084	1,739	76,799	2,022	
	Establishments	92,362	8,879	68,613	8,816	3,929	81,358	11,004	
	Employment	1,493,964	0	280,085	261,578	208,788	750,451	743,513	
	Annual payroll	58,225,763	449,424	9,457,094	9,226,230	7,419,354	26,102,678	32,123,085	
Delaware	Firms	19,487	2,724	15,980	1,708	562	18,250	1,237	
	Establishments	22,871	2,725	16,134	2,095	1,046	19,275	3,596	
	Employment	354,643	0	61,184	59,322	44,001	164,507	190,136	
	Annual payroll	11,831,134	120,633	1,624,949	1,669,140	1,197,356	4,491,445	7,339,689	
District of Columbia	Firms	16,411	1,526	12,608	1,959	792	15,359	1,052	
	Establishments	19,571	1,534	12,685	2,287	1,376	16,348	3,223	
	Employment	402,070	0	54,012	65,091	73,060	192,163	209,907	
	Annual payroll	17,358,137	134,199	2,353,572	2,668,933	3,015,486	8,037,991	9,320,146	

* Employment is measured in March, thus some firms will have zero employment and some annual payroll.

(continued, next page)

Table A.4 (continued)

State		Total	Employment Size of Firm						
			0 *	<20	20-99	100-499	<500	500+	
Florida	Firms	348,523	48,714	314,174	24,866	5,465	344,505	4,018	
	Establishments	420,638	48,831	317,016	31,614	14,565	363,195	57,443	
	Employment	5,756,353	0	1,159,695	924,403	707,703	2,791,801	2,964,552	
	Annual payroll	149,936,849	1,857,345	29,778,905	23,302,505	18,592,113	71,673,523	78,263,326	
Georgia	Firms	156,431	20,849	135,235	13,717	3,660	152,612	3,819	
	Establishments	194,213	20,881	136,464	17,443	8,550	162,457	31,756	
	Employment	3,198,950	0	535,596	493,430	404,912	1,433,938	1,765,012	
	Annual payroll	94,687,270	1,061,775	14,451,060	13,375,434	11,397,727	39,224,221	55,463,049	
Hawaii	Firms	23,977	2,337	20,496	2,200	505	23,201	776	
	Establishments	29,603	2,343	20,883	3,197	1,761	25,841	3,762	
	Employment	416,571	0	88,093	81,757	63,215	233,065	183,506	
	Annual payroll	11,291,978	107,262	2,244,923	1,989,986	1,625,028	5,859,937	5,432,041	
Idaho	Firms	31,140	4,588	27,145	2,532	540	30,217	923	
	Establishments	35,961	4,589	27,412	3,480	1,482	32,374	3,587	
	Employment	423,615	0	108,631	87,820	53,550	250,001	173,614	
	Annual payroll	10,595,285	121,242	2,231,786	1,900,547	1,205,695	5,338,028	5,257,257	
Illinois	Firms	252,757	30,959	217,729	24,670	6,047	248,446	4,311	
	Establishments	304,533	31,025	219,990	31,103	13,515	264,608	39,925	
	Employment	5,221,782	0	888,521	925,796	759,821	2,574,138	2,647,644	
	Annual payroll	175,703,556	1,402,826	26,295,457	28,328,156	23,912,749	78,536,362	97,167,194	
Indiana	Firms	117,141	12,409	99,502	11,864	2,913	114,279	2,862	
	Establishments	146,197	12,431	100,642	15,861	7,999	124,502	21,695	
Iowa	Employment	2,540,866	0	437,052	444,095	375,978	1,257,125	1,283,741	
	Annual payroll	71,435,864	492,612	9,955,651	11,147,806	9,875,553	30,979,010	40,456,854	
Kansas	Firms	66,078	7,170	56,982	6,041	1,424	64,447	1,631	
	Establishments	80,838	7,175	57,751	8,796	4,354	70,901	9,937	
	Employment	1,213,285	0	237,172	227,101	181,923	646,196	567,089	
	Annual payroll	30,409,574	178,495	4,751,137	5,211,434	4,358,455	14,321,026	16,088,548	
Kentucky	Firms	61,212	6,661	52,253	5,694	1,380	59,327	1,885	
	Establishments	74,019	6,666	52,915	7,858	3,502	64,275	9,744	
	Employment	1,081,941	0	213,646	208,103	164,592	586,341	495,600	
	Annual payroll	28,747,577	208,351	4,691,267	4,972,605	4,143,941	13,807,813	14,939,764	
Louisiana	Firms	72,795	7,727	61,867	7,041	1,748	70,656	2,139	
	Establishments	89,593	7,750	62,464	9,363	4,332	76,159	13,434	
	Employment	1,443,015	0	265,161	255,362	211,900	732,423	710,592	
	Annual payroll	36,889,001	275,256	5,580,864	5,874,790	5,053,613	16,509,267	20,379,734	
Maine	Firms	82,138	8,361	69,915	8,312	1,862	80,089	2,049	
	Establishments	100,667	8,382	70,737	10,806	4,848	86,391	14,276	
	Employment	1,577,220	0	304,347	317,616	238,637	860,600	716,620	
	Annual payroll	40,802,387	334,218	6,731,245	7,038,813	5,790,838	19,560,896	21,241,491	

* Employment is measured in March, thus some firms will have zero employment and some annual payroll.

(continued, next page)

Table A.4 (continued)

State		Total	Employment Size of Firm					
			0 *	<20	20-99	100-499	<500	500+
Maryland	Firms	104,750	13,213	89,735	10,063	2,465	102,263	2,487
	Establishments	126,577	13,237	90,595	12,694	5,404	108,693	17,884
	Employment	1,938,727	0	372,699	366,117	293,099	1,031,915	906,812
	Annual payroll	59,817,673	576,021	10,326,270	10,372,661	8,814,873	29,513,804	30,303,869
Massachusetts	Firms	140,843	16,590	121,191	13,475	3,323	137,989	2,854
	Establishments	167,929	16,611	122,404	16,532	8,557	147,493	20,436
	Employment	2,924,913	0	499,538	509,612	447,669	1,456,819	1,468,094
	Annual payroll	105,871,311	940,520	15,704,566	16,764,805	15,277,496	47,746,867	58,124,444
Michigan	Firms	193,730	24,581	167,781	18,969	3,955	190,705	3,025
	Establishments	235,403	24,618	169,569	24,870	11,252	205,691	29,712
	Employment	3,919,567	0	720,603	721,257	579,851	2,021,711	1,897,856
	Annual payroll	128,649,484	1,002,394	19,541,703	20,663,265	17,414,760	57,619,728	71,029,756
Minnesota	Firms	113,297	15,553	97,288	11,087	2,545	110,920	2,377
	Establishments	134,981	15,623	98,321	14,479	6,821	119,621	15,360
	Employment	2,271,671	0	398,400	420,002	352,314	1,170,716	1,100,955
	Annual payroll	70,094,975	519,746	10,139,865	11,378,837	9,936,699	31,455,401	38,639,574
Mississippi	Firms	49,016	5,347	42,313	4,177	1,023	47,513	1,503
	Establishments	59,771	5,353	42,704	5,595	3,187	51,486	8,285
	Employment	937,023	0	174,158	150,424	124,811	449,393	487,630
	Annual payroll	21,066,790	162,428	3,406,181	3,224,808	2,660,047	9,291,036	11,775,754
Missouri	Firms	118,282	13,289	101,791	11,212	2,587	115,590	2,692
	Establishments	143,912	13,319	102,923	14,838	6,708	124,469	19,443
Montana	Employment	2,310,122	0	414,168	419,827	314,869	1,148,864	1,161,258
	Annual payroll	64,669,474	475,859	9,733,905	10,542,440	8,417,020	28,693,365	35,976,109
	Firms	27,342	3,939	24,456	1,917	370	26,743	599
	Establishments	30,957	3,943	24,667	2,624	1,085	28,376	2,581
Nebraska	Employment	277,144	0	93,333	67,742	38,593	199,668	77,476
	Annual payroll	5,960,687	87,382	1,720,420	1,337,649	847,910	3,905,979	2,054,708
	Firms	40,841	4,551	35,187	3,577	810	39,574	1,267
	Establishments	48,655	4,553	35,630	4,979	2,358	42,967	5,688
Nevada	Employment	720,252	0	146,050	131,832	95,951	373,833	346,419
	Annual payroll	18,178,238	178,520	3,035,606	3,081,085	2,425,023	8,541,714	9,636,524
	Firms	37,717	5,936	31,408	3,606	1,097	36,111	1,606
	Establishments	44,613	5,981	31,734	4,400	2,177	38,311	6,302
New Hampshire	Employment	800,861	0	125,878	127,949	103,112	356,939	443,922
	Annual payroll	21,847,334	321,682	3,616,114	3,541,628	2,847,497	10,005,239	11,842,095
	Firms	31,879	3,987	27,268	2,903	671	30,842	1,037
	Establishments	36,842	3,993	27,510	3,550	1,551	32,611	4,231
New Jersey	Employment	518,526	0	110,733	104,427	75,893	291,053	227,473
	Annual payroll	14,863,829	152,845	3,052,521	2,944,224	2,052,769	8,049,514	6,814,315
	Firms	201,167	26,146	178,085	16,145	3,830	198,060	3,107
	Establishments	230,860	26,167	179,300	18,841	7,651	205,792	25,068
Annual payroll	Employment	3,368,365	0	675,276	597,759	475,460	1,748,495	1,619,870
	Annual payroll	125,787,145	1,258,712	22,022,938	19,942,020	16,043,247	58,008,205	67,778,940

* Employment is measured in March, thus some firms will have zero employment and some annual payroll.

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Table A.4 (continued)

State		Employment Size of Firm							500+
		Total	0 *	<20	20-99	100-499	<500		
New Mexico	Firms	35,775	4,236	30,485	3,186	777	34,448	1,327	
	Establishments	42,608	4,260	30,787	4,218	2,010	37,015	5,593	
	Employment	540,186	0	124,799	112,636	80,415	317,850	222,336	
	Annual payroll	13,133,707	162,260	2,616,859	2,352,003	1,912,777	6,881,639	6,252,068	
New York	Firms	418,277	54,197	374,713	32,439	6,971	414,123	4,154	
	Establishments	481,962	54,243	377,351	39,123	16,962	433,436	48,526	
	Employment	6,993,814	0	1,395,677	1,224,694	1,054,362	3,674,733	3,319,081	
	Annual payroll	274,634,982	2,955,483	44,320,159	41,203,071	37,443,347	122,966,577	151,668,405	
North Carolina	Firms	160,381	19,223	139,743	14,172	3,284	157,199	3,182	
	Establishments	198,690	19,263	141,241	19,082	9,286	169,609	29,081	
	Employment	3,223,178	0	575,528	522,556	425,832	1,523,916	1,699,262	
	Annual payroll	86,780,877	753,811	13,658,750	12,920,785	11,069,000	37,648,535	49,132,342	
North Dakota	Firms	17,416	1,936	14,919	1,571	398	16,888	528	
	Establishments	20,288	1,939	15,131	2,156	996	18,283	2,005	
	Employment	249,476	0	61,228	58,344	43,767	163,339	86,137	
	Annual payroll	5,533,810	62,328	1,179,296	1,147,503	931,081	3,257,880	2,275,930	
Ohio	Firms	214,406	23,220	183,137	22,586	4,985	210,708	3,698	
	Establishments	270,343	23,273	185,564	29,971	13,515	229,050	41,293	
	Employment	4,806,046	0	806,155	861,749	701,134	2,369,038	2,437,008	
	Annual payroll	140,265,358	975,872	19,917,173	22,877,804	19,134,543	61,929,520	78,335,838	
Oklahoma	Firms	70,491	7,863	61,218	6,103	1,372	68,693	1,798	
	Establishments	84,881	7,883	61,875	8,173	3,600	73,648	11,233	
Oregon	Employment	1,167,709	0	245,491	225,896	165,821	637,208	530,501	
	Annual payroll	28,667,008	235,030	5,148,088	4,945,992	3,787,270	13,881,350	14,785,658	
	Firms	84,387	11,147	73,480	7,287	1,665	82,432	1,955	
	Establishments	99,183	11,174	74,166	9,666	4,772	88,604	10,579	
Pennsylvania	Employment	1,310,750	0	296,147	261,468	199,723	757,338	553,412	
	Annual payroll	37,722,920	326,493	6,938,264	6,822,860	5,449,658	19,210,782	18,512,138	
	Firms	237,142	24,432	205,088	23,090	5,133	233,311	3,831	
	Establishments	292,659	24,474	207,528	30,005	13,807	251,340	41,319	
Rhode Island	Employment	4,906,190	0	873,000	872,413	727,430	2,472,843	2,433,347	
	Annual payroll	145,569,019	1,089,211	21,675,350	23,543,569	20,451,566	65,670,485	79,898,534	
	Firms	25,378	3,000	21,840	2,167	551	24,558	820	
	Establishments	28,245	3,006	21,989	2,488	1,152	25,629	2,616	
South Carolina	Employment	402,485	0	84,624	80,265	68,081	232,970	169,515	
	Annual payroll	11,115,638	90,239	2,154,084	2,088,341	1,764,615	6,007,040	5,108,598	
	Firms	77,017	9,109	66,510	6,691	1,675	74,876	2,141	
	Establishments	94,985	9,128	67,227	8,831	4,389	80,447	14,538	
South Dakota	Employment	1,526,106	0	278,113	240,259	193,175	711,547	814,559	
	Annual payroll	38,559,169	344,032	6,186,252	5,351,255	4,696,411	16,233,918	22,325,251	
	Firms	20,445	2,528	17,667	1,713	435	19,815	630	
	Establishments	23,521	2,530	17,906	2,299	1,249	21,454	2,067	
Annual payroll	Employment	289,422	0	71,584	60,555	46,511	178,650	110,772	
	Annual payroll	6,403,476	58,960	1,334,952	1,261,071	1,028,597	3,624,620	2,778,856	

* Employment is measured in March, thus some firms will have zero employment and some annual payroll.

(continued, next page)

Table A.4 (continued)

State	Total	Employment Size of Firm							500+
		0 *	<20	20-99	100-499	<500	500+		
Tennessee									
Firms	104,027	11,198	88,633	10,003	2,541	101,177	2,850		
Establishments	131,110	11,207	89,534	13,124	6,292	108,950	22,160		
Employment	2,299,348	0	371,759	369,624	307,838	1,049,221	1,250,127		
Annual payroll	62,441,176	525,848	8,921,416	9,726,964	7,990,948	26,639,328	35,801,848		
Texas									
Firms	366,250	43,252	319,782	34,338	7,320	361,440	4,810		
Establishments	462,875	43,368	323,721	46,067	21,075	390,863	72,012		
Employment	7,570,820	0	1,326,798	1,291,671	982,605	3,601,074	3,969,746		
Annual payroll	229,185,833	2,430,685	35,310,915	33,644,352	27,381,834	96,337,101	132,848,732		
Utah									
Firms	44,037	6,842	37,193	4,317	965	42,475	1,562		
Establishments	52,025	6,859	37,541	5,441	2,340	45,322	6,703		
Employment	866,146	0	152,631	158,056	110,909	421,596	444,550		
Annual payroll	22,199,933	244,029	3,511,846	3,748,959	2,749,526	10,010,331	12,189,602		
Vermont									
Firms	19,005	2,458	16,697	1,418	331	18,446	559		
Establishments	21,261	2,460	16,823	1,873	932	19,628	1,633		
Employment	239,034	0	64,925	50,250	43,358	158,533	80,501		
Annual payroll	5,907,989	61,658	1,392,035	1,191,542	1,095,450	3,679,027	2,228,962		
Virginia									
Firms	137,486	16,078	118,863	12,499	3,117	134,479	3,007		
Establishments	172,182	16,160	120,180	16,551	7,861	144,592	27,590		
Employment	2,700,589	0	491,310	453,629	377,502	1,322,441	1,378,148		
Annual payroll	81,261,075	602,149	12,380,844	12,411,446	11,103,293	35,895,583	45,365,492		
Washington									
Firms	136,813	19,214	120,147	11,580	2,564	134,291	2,522		
Establishments	161,473	19,220	121,342	15,766	6,731	143,839	17,634		
Employment	2,134,598	0	474,025	419,945	307,174	1,201,144	933,454		
Annual payroll	73,268,188	605,807	11,905,628	11,602,291	9,369,590	32,877,509	40,390,679		
West Virginia									
Firms	34,354	3,617	29,666	2,904	659	33,229	1,125		
Establishments	41,703	3,622	29,989	3,884	1,973	35,846	5,857		
Employment	547,234	0	122,705	104,188	72,317	299,210	248,024		
Annual payroll	13,278,895	89,329	2,304,949	2,258,774	1,495,424	6,059,147	7,219,748		
Wisconsin									
Firms	115,373	13,332	98,552	11,972	2,579	113,103	2,270		
Establishments	138,635	13,354	99,680	15,886	6,951	122,517	16,118		
Employment	2,319,343	0	426,597	453,252	379,952	1,259,801	1,059,542		
Annual payroll	64,912,499	467,818	10,093,420	11,283,342	10,212,009	31,588,771	33,323,728		
Wyoming									
Firms	15,808	2,152	13,863	1,141	268	15,272	536		
Establishments	17,888	2,152	13,989	1,573	591	16,153	1,735		
Employment	163,791	0	53,311	37,233	22,425	112,969	50,822		
Annual payroll	3,980,094	49,508	1,039,519	805,334	511,375	2,356,228	1,623,866		

* Employment is measured in March, thus some firms will have zero employment and some annual payroll.

Notes: For state data, a firm is defined as an aggregation of all establishments owned by a parent company within a state. Establishments are locations with active payroll in any quarter.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.5 Employers and Employment by Metropolitan Statistical Area and Employment Size, 1998

Metropolitan Statistical Area	Firms			Employment				
	Total	Employment Size of Firm		Total	Employment Size of Firm			
		< 20	< 500		500+	< 20	< 500	500+
Abilene, TX	3,112	2,407	2,810	302	48,503	10,103	26,292	22,211
Akron, OH	14,932	11,982	14,095	837	287,987	53,326	157,224	130,763
Albany, GA	2,516	1,830	2,183	333	47,439	8,325	24,907	22,532
Albany-Schenectady-Troy, NY	16,979	13,989	16,047	932	323,468	58,542	161,343	162,125
Albuquerque, NM	15,037	12,024	14,010	1,027	276,365	49,348	142,873	133,492
Alexandria, LA	2,760	2,095	2,481	279	45,683	9,419	25,950	19,733
Allentown-Bethlehem-Easton, PA	12,905	10,550	12,112	793	249,627	45,788	118,744	130,883
Altoona, PA	2,897	2,236	2,621	276	49,527	9,888	28,106	21,421
Amarillo, TX	4,921	3,872	4,491	430	79,684	16,237	41,679	38,005
Anchorage, AK	6,874	5,664	6,455	419	107,084	23,005	56,928	50,156
Ann Arbor, MI	12,427	10,170	11,806	621	222,798	42,871	116,152	106,646
Anniston, AL	2,279	1,767	2,042	237	39,928	7,640	19,746	20,182
Appleton-Oshkosh-Neenah, WI	7,849	6,017	7,279	570	180,515	27,367	86,832	93,683
Asheville, NC	5,875	4,711	5,385	490	95,337	18,916	49,038	46,299
Athens, GA	3,235	2,550	2,902	333	51,474	10,998	24,931	26,543
Atlanta, GA	88,326	74,550	85,094	3,232	1,894,836	281,407	799,712	1,095,124
Atlantic-Cape May, NJ	9,284	8,104	8,882	402	146,021	28,396	62,273	83,748
Auburn-Opelika, Alabama	1,847	1,384	1,634	213	30,235	6,114	16,420	13,815
Augusta-Aiken, GA-SC	8,179	6,541	7,472	707	165,449	27,446	66,835	98,614
Austin-San Marcos, TX	25,434	20,757	23,991	1,443	479,731	83,125	233,339	246,392
Bakersfield, CA	9,311	7,491	8,693	618	142,507	31,551	84,598	57,909
Baltimore, MD	51,663	43,311	49,781	1,882	991,749	181,383	509,652	482,097
Bangor, ME	2,581	1,970	2,346	235	42,864	8,662	26,108	16,756
Barnstable-Yarmouth, MA	5,047	4,377	4,839	208	48,894	15,865	33,022	15,872
Baton Rouge, LA	12,566	9,902	11,718	848	247,957	43,821	131,908	116,049
Beaumont-Port Arthur, TX	7,085	5,633	6,525	560	129,920	24,319	64,139	65,781
Bellingham, WA	4,973	4,142	4,678	295	55,623	16,616	39,497	16,126
Benton Harbor, MI	3,692	2,978	3,465	227	60,344	12,802	35,349	24,995
Bergen-Passaic, NJ	41,354	35,921	40,197	1,157	611,339	132,405	350,670	260,669
Billings, MT	4,348	3,445	3,987	361	53,847	14,241	34,735	19,112
Biloxi-Gulfport-Pascagoula, MS	6,256	5,126	5,830	426	123,677	21,356	51,716	71,961
Binghamton, NY	4,384	3,417	4,012	372	92,610	15,277	42,424	50,186
Birmingham, AL	19,100	15,374	17,912	1,188	423,492	67,434	189,079	234,413
Bismarck, ND	2,679	2,094	2,486	193	40,019	8,588	25,100	14,919
Bloomington, IN	2,579	2,002	2,351	228	45,630	9,208	24,766	20,864
Bloomington-Normal, IL	3,095	2,272	2,718	377	76,943	9,890	27,306	49,637
Boise City, ID	10,606	8,666	9,904	702	176,686	35,564	88,730	87,956
Boston, MA-NH	83,233	70,320	80,888	2,345	1,863,513	290,176	874,019	989,494
Boulder-Longmont, CO	9,685	8,118	9,161	524	136,146	30,508	77,307	58,839
Brazoria, TX	3,373	2,672	3,074	299	56,950	11,407	27,513	29,437
Bremerton, WA	4,585	3,886	4,318	267	45,673	14,535	32,155	13,518
Bridgeport, CT	10,019	8,223	9,442	577	174,003	34,210	93,377	80,626
Brockton, MA	4,681	3,775	4,422	259	79,531	15,902	46,506	33,025

(continued, next page)

Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Total	Employment Size of Firm			Total	Employment Size of Firm		
		< 20	< 500	500+		< 20	< 500	500+
Brownsville-Harlingen-San Benito, TX	4,860	3,869	4,522	338	79,534	15,631	42,592	36,942
Bryan-College Station, TX	2,878	2,210	2,579	299	42,899	9,742	26,253	16,646
Buffalo-Niagara Falls, NY	22,817	18,824	21,747	1,070	466,370	80,965	239,053	227,317
Burlington, VT	5,339	4,358	4,982	357	85,147	18,591	49,934	35,213
Canton-Massillon, OH	8,628	6,883	8,097	531	166,770	30,489	90,024	76,746
Casper, WY	2,399	1,872	2,157	242	24,563	7,593	16,486	8,077
Cedar Rapids, IA	4,572	3,385	4,099	473	110,504	15,231	46,019	64,485
Champaign-Urbana, IL	3,568	2,685	3,215	353	67,242	11,601	35,458	31,784
Charleston, WV	5,976	4,667	5,390	586	106,243	20,297	50,957	55,286
Charleston-North Charleston, SC	11,638	9,400	10,845	793	204,989	39,294	99,579	105,410
Charlotte-Gastonia-Rock Hill, NC-SC	33,547	27,256	31,606	1,941	726,913	112,937	315,531	411,382
Charlottesville, VA	4,154	3,357	3,827	327	63,682	13,578	33,916	29,766
Chattanooga, TN-GA	9,562	7,527	8,827	735	198,319	32,517	95,897	102,422
Cheyenne, WY	2,150	1,675	1,927	223	25,338	6,983	16,698	8,640
Chicago, IL	173,865	147,963	170,185	3,680	3,741,075	594,461	1,799,363	1,941,712
Chico-Paradise, CA	4,068	3,343	3,808	260	49,894	13,513	32,857	17,037
Cincinnati, OH-KY-IN	32,733	26,117	31,027	1,706	789,795	114,954	365,264	424,531
Clarksville-Hopkinsville, TN-KY	3,236	2,505	2,891	345	52,325	10,407	26,913	25,412
Cleveland-Lorain-Elyria, OH	49,530	41,142	47,641	1,889	1,043,092	176,253	521,959	521,133
Colorado Springs, CO	11,461	9,410	10,700	761	194,751	35,475	92,584	102,167
Columbia, MO	3,371	2,641	3,039	332	58,592	11,012	26,535	32,057
Columbia, SC	11,664	9,254	10,735	929	233,393	39,526	103,081	130,312
Columbus, GA-AL	4,872	3,837	4,402	470	101,005	16,744	40,540	60,465
Columbus, OH	29,518	23,569	27,882	1,636	724,046	102,105	315,250	408,796
Corpus Christi, TX	7,740	6,093	7,108	632	128,979	26,590	65,446	63,533
Corvallis, Oregon	1,857	1,517	1,737	120	29,170	6,306	15,349	13,821
Cumberland, MD-WV	2,090	1,684	1,909	181	29,036	7,161	16,099	12,937
Dallas, TX	71,325	58,718	68,467	2,858	1,747,902	239,341	714,320	1,033,582
Danbury, CT	5,941	4,942	5,572	369	83,625	18,979	NA	NA
Danville, VA	2,231	1,788	2,020	211	37,618	7,420	16,495	21,123
Davenport-Moline-Rock Island, IA-IL	7,970	6,172	7,340	630	159,134	26,992	81,866	77,268
Daytona Beach, FL	10,261	8,873	9,765	496	134,415	32,810	72,100	62,315
Dayton-Springfield, OH	17,297	13,670	16,236	1,061	414,619	63,031	189,478	225,141
Decatur, AL	2,938	2,267	2,658	280	51,824	9,513	24,212	27,612
Decatur, IL	2,473	1,830	2,196	277	54,225	8,290	23,293	30,932
Denver, CO	53,500	45,016	51,196	2,304	969,914	170,374	467,146	502,768
Des Moines, IA	10,757	8,348	9,876	881	245,713	35,693	108,984	136,729
Detroit, MI	86,848	73,428	84,573	2,275	1,927,121	314,437	914,580	1,012,541
Dothan, AL	3,272	2,541	2,958	314	56,966	10,703	28,759	28,207
Dover, DE	2,680	2,050	2,410	270	42,453	8,569	22,371	20,082
Dubuque, IA	2,311	1,741	2,085	226	47,588	7,559	25,002	22,586
Duluth-Superior, MN-WI	5,859	4,806	5,502	357	89,666	21,499	50,812	38,854
Dutchess County, NY	6,026	5,161	5,670	356	82,574	19,148	43,085	39,489
Eau Claire, WI	3,391	2,597	3,092	299	58,683	11,599	34,236	24,447

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Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Employment Size of Firm				Employment Size of Firm			
	Total	< 20	< 500	500+	Total	< 20	< 500	500+
El Paso, TX	10,394	8,308	9,618	776	198,571	34,552	99,591	98,980
Elkhart-Goshen, IN	4,416	3,328	4,093	323	109,830	16,291	55,072	54,758
Elmira, NY	1,690	1,211	1,472	218	36,456	5,617	18,913	17,543
Enid, OK	1,564	1,208	1,396	168	20,739	5,075	12,533	8,206
Erie, PA	5,906	4,618	5,469	437	116,678	20,649	64,608	52,070
Eugene-Springfield, OR	8,778	7,210	8,324	454	114,500	29,962	78,539	35,961
Evansville-Henderson, IN-KY	6,799	5,222	6,233	566	143,201	24,146	71,595	71,606
Fargo-Moorhead, ND-MN	4,608	3,485	4,244	364	85,860	15,613	50,282	35,578
Fayetteville, NC	4,583	3,557	4,153	430	86,766	15,951	40,613	46,153
Fayetteville-Springdale-Rogers, AR	6,344	5,199	5,904	440	123,754	20,528	49,822	73,932
Fitchburg-Leominster, MA	2,851	2,256	2,647	204	48,080	9,632	27,815	20,265
Flagstaff, UT-AZ	3,227	2,621	2,986	241	38,488	11,123	24,213	14,275
Flint, MI	7,857	6,387	7,400	457	149,767	27,573	72,330	77,437
Florence, AL	3,110	2,512	2,852	258	49,097	10,832	25,722	23,375
Florence, SC	2,939	2,220	2,618	321	54,875	9,806	27,276	27,599
Fort Collins-Loveland, CO	7,026	5,793	6,573	453	87,930	22,899	53,538	34,392
Fort Lauderdale, FL	44,085	38,894	42,683	1,402	585,668	132,147	311,354	274,314
Fort Myers-Cape Coral, FL	10,312	8,620	9,639	673	134,701	32,413	77,564	57,137
Fort Pierce-Port St. Lucie, FL	7,108	6,089	6,700	408	85,342	22,082	50,547	34,795
Fort Smith, AR-OK	4,394	3,451	4,037	357	89,985	14,660	39,428	50,557
Fort Walton Beach, FL	4,170	3,359	3,818	352	55,450	13,042	30,615	24,835
Fort Wayne, IN	10,971	8,543	10,210	761	250,226	38,840	123,923	126,303
Fort Worth-Arlington, TX	30,538	24,940	29,030	1,508	637,361	105,179	293,867	343,494
Fresno, CA	14,728	12,090	13,930	798	228,001	50,779	128,188	99,813
Gadsden, AL	1,993	1,544	1,791	202	33,001	6,846	16,754	16,247
Gainesville, FL	4,579	3,656	4,164	415	75,584	16,103	36,771	38,813
Galveston-Texas City, TX	4,201	3,353	3,838	363	68,024	13,286	34,538	33,486
Gary, IN	11,669	9,515	11,012	657	224,929	42,494	113,423	111,506
Glens Falls, NY	2,947	2,424	2,734	213	41,344	8,425	22,031	19,313
Goldsboro, NC	2,113	1,609	1,907	206	36,626	6,855	19,441	17,185
Grand Forks, ND-MN	2,348	1,766	2,156	192	36,323	7,913	24,187	12,136
Grand Junction, CO	3,297	2,682	3,052	245	39,408	11,059	25,869	13,539
Grand Rapids-Muskegon-Holland, MI	22,635	18,296	21,617	1,018	515,774	84,226	269,979	245,795
Great Falls, MT	2,319	1,853	2,125	194	26,152	7,770	16,501	9,651
Greeley, CO	3,464	2,821	3,211	253	52,895	11,222	25,813	27,082
Green Bay, WI	5,384	4,065	4,985	399	121,799	18,447	61,185	60,614
Greensboro-Winston-Salem-High Pt., NC	26,980	22,131	25,672	1,308	598,402	92,300	279,132	319,270
Greenville, NC	2,731	2,050	2,447	284	50,143	8,787	24,031	26,112
Greenville-Spartanburg-Anderson, SC	20,347	16,687	19,182	1,165	466,291	70,309	190,257	276,034
Hagerstown, MD	2,841	2,153	2,534	307	51,788	9,687	26,946	24,842
Hamilton-Middletown, OH	5,472	4,301	5,106	366	102,274	19,102	54,852	47,422
Harrisburg-Lebanon-Carlisle, PA	12,425	9,828	11,535	890	296,313	44,243	125,211	171,102
Hartford, CT	25,535	21,168	24,332	1,203	545,578	90,341	256,649	288,929

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Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Total	Employment Size of Firm			Total	Employment Size of Firm		
		< 20	< 500	500+		< 20	< 500	500+
Hattiesburg, MS	2,536	1,948	2,273	263	40,966	8,119	21,422	19,544
Hickory-Morganton, NC	6,889	5,526	6,470	419	158,148	23,785	74,772	83,376
Honolulu, HI	17,177	14,401	16,443	734	309,487	61,848	166,954	142,533
Houma, LA	3,960	3,181	3,711	249	68,532	14,172	41,433	27,099
Houston, TX	78,892	66,059	76,232	2,660	1,761,037	272,592	783,696	977,341
Huntington-Ashland, WV-KY-OH	5,890	4,747	5,466	424	98,156	20,945	53,050	45,106
Huntsville, AL	7,113	5,522	6,501	612	136,188	23,338	64,468	71,720
Indianapolis, IN	33,708	27,284	31,942	1,766	762,800	117,904	352,692	410,108
Iowa City, IA	2,371	1,790	2,135	236	45,266	7,917	21,949	23,317
Jackson, MI	3,116	2,399	2,847	269	53,517	11,036	30,791	22,726
Jackson, MS	9,430	7,321	8,628	802	199,211	30,669	89,710	109,501
Jackson, TN	2,628	1,898	2,300	328	53,047	8,268	24,630	28,417
Jacksonville, FL	22,634	18,766	21,256	1,378	459,459	75,057	190,353	269,106
Jacksonville, NC	2,297	1,823	2,103	194	28,155	7,671	17,747	10,408
Jamestown, NY	2,804	2,250	2,589	215	46,937	9,416	24,437	22,500
Janesville-Beloit, WI	2,987	2,320	2,722	265	60,340	10,257	27,956	32,384
Jersey City, NJ	11,907	10,028	11,395	512	210,152	36,324	109,118	101,034
Johnson City-Kingsport-Bristol, TN-VA	8,693	7,096	8,102	591	171,863	30,092	78,228	93,635
Johnstown, PA	4,792	3,941	4,490	302	70,402	16,892	43,910	26,492
Jonesboro, AR	2,083	1,602	1,889	194	32,834	6,760	17,647	15,187
Joplin, MO	3,623	2,888	3,314	309	70,204	11,397	28,859	41,345
Kalamazoo-Battle Creek, MI	8,953	7,029	8,355	598	186,237	31,932	94,804	91,433
Kankakee, IL	2,117	1,629	1,887	230	57,571	6,878	17,684	39,887
Kansas City, MO-KS	39,081	32,027	37,212	1,869	825,691	132,855	398,598	427,093
Kenosha, WI	2,819	2,173	2,562	257	46,908	9,141	25,402	21,506
Killeen-Temple, TX	3,994	3,176	3,663	331	80,253	13,910	34,328	45,925
Knoxville, TN	15,542	12,510	14,511	1,031	292,374	52,481	144,487	147,887
Kokomo, IN	2,105	1,581	1,862	243	47,828	7,334	17,305	30,523
La Crosse, WI-MN	3,006	2,306	2,734	272	59,931	10,512	30,395	29,536
Lafayette, IN	3,369	2,565	3,021	348	72,232	11,717	29,990	42,242
Lafayette, LA	8,728	6,983	8,217	511	136,772	30,524	86,450	50,322
Lake Charles, LA	3,730	2,818	3,354	376	71,390	13,008	35,954	35,436
Lakeland-Winter Haven, FL	8,320	6,772	7,712	608	151,889	26,826	71,627	80,262
Lancaster, PA	9,827	7,722	9,216	611	201,341	35,021	113,895	87,446
Lansing-East Lansing, MI	8,958	7,018	8,332	626	166,071	32,019	91,779	74,292
Laredo, TX	3,579	2,839	3,287	292	46,888	12,039	29,626	17,262
Las Cruces, NM	2,893	2,292	2,649	244	34,739	9,670	22,256	12,483
Las Vegas, NV-AZ	25,732	21,002	24,406	1,326	585,646	85,918	252,734	332,912
Lawrence, KS	2,448	1,929	2,252	196	35,809	7,885	21,763	14,046
Lawrence, MA-NH	8,199	6,726	7,723	476	142,227	27,068	74,156	68,071
Lawton, OK	1,958	1,536	1,766	192	27,604	6,398	15,164	12,440
Lewiston-Auburn, ME	2,293	1,806	2,129	164	38,289	7,562	21,849	16,440
Lexington, KY	10,461	8,187	9,656	805	217,622	35,752	104,715	112,907

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Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Employment Size of Firm				Employment Size of Firm			
	Total	< 20	< 500	500+	Total	< 20	< 500	500+
Lima, OH	3,466	2,653	3,142	324	68,686	12,261	34,380	34,306
Lincoln, NE	5,889	4,627	5,455	434	117,339	20,507	59,206	58,133
Little Rock-North Little Rock, AR	13,419	10,793	12,512	907	266,651	45,410	128,155	138,496
Longview-Marshall, TX	4,972	3,869	4,543	429	79,200	16,720	44,700	34,500
Los Angeles-Long Beach, CA	191,051	164,304	187,949	3,102	3,693,537	642,390	1,908,407	1,785,130
Louisville, KY-IN	22,461	17,979	21,165	1,296	493,737	78,278	242,604	251,133
Lowell, MA-NH	5,658	4,561	5,308	350	108,268	19,317	55,142	53,126
Lubbock, TX	5,731	4,463	5,231	500	90,311	19,458	51,869	38,442
Lynchburg, VA	4,717	3,816	4,365	352	87,448	15,788	42,840	44,608
Macon, GA	6,259	4,871	5,669	590	118,841	20,719	53,585	65,256
Madison, WI	10,345	8,046	9,676	669	214,837	35,603	117,890	96,947
Manchester, NH	5,233	4,011	4,718	515	92,739	17,331	49,338	43,401
Mansfield, OH	3,636	2,788	3,295	341	68,412	11,880	35,464	32,948
McAllen-Edinburg-Mission, TX	7,036	5,770	6,647	389	101,510	24,581	64,111	37,399
Medford-Ashland, OR	4,733	3,918	4,442	291	58,195	15,608	36,473	21,722
Meibourne-Titusville-Palm Bay, FL	9,875	8,400	9,324	551	154,136	32,330	70,409	83,727
Memphis, TN-AR-MS	20,044	15,596	18,577	1,467	511,190	69,173	217,927	293,263
Merced, CA	2,617	2,078	2,403	214	37,537	8,328	21,162	16,375
Miami, FL	60,836	54,130	59,350	1,486	835,903	191,541	457,178	378,725
Middlesex-Somerset-Hunterdon, NJ	29,472	24,931	28,180	1,292	568,456	94,174	260,308	308,148
Milwaukee-Waukesha, WI	33,406	27,031	31,982	1,424	769,342	120,472	390,297	379,045
Minneapolis-St. Paul, MN-WI	68,037	56,789	65,932	2,105	1,538,957	228,152	742,211	796,746
Missoula, MT	3,298	2,676	3,082	216	37,491	10,813	27,139	10,352
Mobile, AL	11,239	8,937	10,444	795	200,357	37,864	108,434	91,923
Modesto, CA	7,145	5,759	6,679	466	113,536	24,491	63,488	50,048
Monmouth-Ocean, NJ	26,166	23,308	25,470	696	305,726	84,675	187,348	118,378
Monroe, LA	3,670	2,854	3,341	329	61,306	12,404	34,030	27,276
Montgomery, AL	6,801	5,296	6,218	583	122,349	23,728	66,270	56,079
Muncie, IN	2,382	1,707	2,094	288	49,162	7,895	24,837	24,325
Myrtle Beach, SC	6,210	5,094	5,798	412	80,708	20,770	52,231	28,477
Naples, FL	7,376	6,329	6,985	391	82,383	22,844	51,177	31,206
Nashua, NH	4,789	3,740	4,395	394	91,172	15,507	43,249	47,923
Nashville, TN	27,118	22,019	25,497	1,621	612,035	92,339	264,789	347,246
Nassau-Suffolk, NY	80,330	72,374	79,038	1,292	1,019,809	255,343	600,166	419,643
New Bedford, MA	3,655	3,019	3,433	222	56,288	12,270	31,540	24,748
New Haven-Meriden, CT	12,909	10,656	12,228	681	238,167	44,035	119,468	118,699
New London-Norwich, CT-RI	6,252	5,206	5,895	357	118,707	22,235	55,210	63,497
New Orleans, LA	26,623	21,669	25,271	1,352	534,086	92,495	273,710	260,376
New York, NY	215,579	192,640	212,937	2,642	3,557,965	688,625	1,845,319	1,712,646
Newark, NJ	52,358	45,400	50,822	1,536	896,342	171,882	445,564	450,778
Newburgh, NY-PA	7,818	6,651	7,372	446	93,288	25,316	58,318	34,970
Norfolk-Virginia Beach-Newpt. News, VA	27,108	22,334	25,826	1,282	546,903	97,925	266,466	280,437
Oakland, CA	48,523	40,389	46,722	1,801	886,967	165,599	461,380	425,587

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Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Employment Size of Firm				Employment Size of Firm			
	Total	< 20	< 500	500+	Total	< 20	< 500	500+
Ocala, FL	4,809	3,891	4,404	405	69,245	14,717	34,772	34,473
Odessa-Midland, TX	6,372	5,082	5,891	481	87,376	22,108	53,565	33,811
Oklahoma City, OK	24,897	20,809	23,678	1,219	426,425	81,522	217,645	208,780
Olympia, WA	4,592	3,820	4,300	292	49,668	14,810	32,194	17,474
Omaha, NE-IA	15,681	12,528	14,644	1,037	357,254	52,009	156,422	200,832
Orange County, CA	65,400	54,105	63,218	2,182	1,274,074	222,022	668,031	606,043
Orlando, FL	35,651	29,882	33,870	1,781	745,905	111,869	303,006	442,899
Owensboro, KY	2,141	1,597	1,894	247	39,917	7,385	20,670	19,247
Panama City, FL	3,735	2,970	3,423	312	54,230	12,836	32,131	22,099
Parkersburg-Marietta, WV-OH	3,503	2,757	3,180	323	59,359	12,018	30,522	28,837
Pensacola, FL	7,372	5,944	6,768	604	125,967	24,059	58,940	67,027
Peoria-Pekin, IL	7,162	5,599	6,614	548	157,458	24,980	76,304	81,154
Philadelphia, PA-NJ	103,652	88,593	100,992	2,660	2,112,593	367,440	1,029,427	1,083,166
Phoenix-Mesa, AZ	58,547	48,802	56,311	2,236	1,274,299	196,374	582,877	691,422
Pine Bluff, AR	1,493	1,144	1,339	154	26,837	4,909	12,569	14,268
Pittsburgh, PA	48,543	40,783	46,814	1,729	1,006,882	175,770	496,606	510,276
Pittsfield, MA	2,377	1,863	2,165	212	37,701	8,194	NA	NA
Pocatello, ID	1,698	1,279	1,512	186	23,376	5,933	12,726	10,650
Portland, ME	8,037	6,512	7,487	550	126,534	25,673	67,893	58,641
Portland-Vancouver, OR-WA	47,361	39,889	45,598	1,763	835,549	159,284	438,688	396,861
Portsmouth-Rochester, NH-ME	6,357	5,224	5,956	401	98,305	21,346	53,802	44,503
Providence-Fall River-Warwick, RI-MA	27,312	23,325	26,418	894	458,066	91,591	258,790	199,276
Provo-Orem, UT	5,858	4,686	5,485	373	132,096	18,873	58,913	73,183
Pueblo, CO	2,868	2,313	2,605	263	45,760	10,209	22,873	22,887
Punta Gorda, FL	2,664	2,211	2,452	212	30,868	8,247	15,954	14,914
Racine, WI	3,845	3,004	3,558	287	76,877	13,045	40,066	36,811
Raleigh-Durham-Chapel Hill, NC	26,942	22,197	25,521	1,421	540,152	90,453	240,259	299,893
Rapid City, SD	2,908	2,318	2,683	225	38,208	10,031	25,140	13,068
Reading, PA	7,066	5,598	6,567	499	143,449	25,349	73,447	70,002
Redding, CA	4,007	3,289	3,732	275	44,494	13,600	29,243	15,251
Reno, NV	9,680	7,778	8,945	735	161,330	30,899	78,689	82,641
Richland-Kennewick-Pasco, WA	3,922	3,097	3,578	344	60,632	13,091	29,374	31,258
Richmond-Petersburg, VA	21,692	17,577	20,386	1,306	452,442	73,916	203,606	248,836
Riverside-San Bernardino, CA	42,897	35,662	41,306	1,591	766,953	149,022	418,331	348,622
Roanoke, VA	6,050	4,655	5,451	599	121,911	19,564	56,444	65,467
Rochester, MN	2,554	1,879	2,281	273	68,663	8,081	26,190	42,473
Rochester, NY	19,878	16,446	18,898	980	455,352	69,699	205,072	250,280
Rockford, IL	7,768	6,119	7,215	553	159,158	27,188	80,923	78,235
Rocky Mount, NC	2,848	2,193	2,554	294	57,771	9,466	25,729	32,042
Sacramento, CA	30,109	25,140	28,796	1,313	504,427	102,417	260,950	243,477
Saginaw-Bay City-Midland, MI	8,169	6,488	7,617	552	158,208	29,348	81,133	77,075
Salem, OR	7,676	6,362	7,273	403	104,344	26,081	63,922	40,422
Salinas, CA	7,587	6,272	7,143	444	101,381	26,265	63,668	37,713

(continued, next page)

Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Total	Employment Size of Firm			Total	Employment Size of Firm		
		< 20	< 500	500+		< 20	< 500	500+
Salt Lake City-Ogden, UT	27,873	22,813	26,497	1,376	589,820	94,168	272,504	317,316
San Angelo, TX	2,291	1,785	2,070	221	34,098	7,183	18,157	15,941
San Antonio, TX	26,974	22,076	25,544	1,430	572,897	91,683	258,901	313,996
San Diego, CA	54,832	46,416	53,044	1,788	961,014	186,238	524,135	436,879
San Francisco, CA	53,585	45,161	51,951	1,634	962,037	181,022	505,689	456,348
San Jose, CA	38,557	31,377	36,989	1,568	946,363	131,240	425,172	521,191
San Luis Obispo-Atascadero-Paso Rs, CA	6,008	5,134	5,748	260	69,698	21,565	47,978	21,720
Santa Barbara-Santa Maria-Lompoc, CA	9,455	7,799	8,967	488	129,260	33,003	85,048	44,212
Santa Cruz-Watsonville, CA	6,216	5,295	5,943	273	74,213	21,993	50,952	23,261
Santa Fe, NM	4,622	3,869	4,314	308	50,260	15,026	32,885	17,375
Santa Rosa, CA	11,909	10,089	11,396	513	154,187	40,307	98,338	55,849
Sarasota-Bradenton, FL	14,337	12,323	13,598	739	238,738	43,808	100,551	138,187
Savannah, GA	6,430	4,972	5,819	611	112,080	20,762	57,072	55,008
Scranton-Wilkes Barre-Hazleton, PA	12,913	10,620	12,261	652	245,900	43,306	132,793	113,107
Seattle-Bellevue-Everett, WA	64,492	54,790	62,466	2,026	1,169,062	215,680	589,143	579,919
Sharon, PA	2,657	2,024	2,391	266	44,553	8,764	26,045	18,508
Sheboygan, WI	2,351	1,822	2,170	181	53,132	8,404	25,127	28,005
Sherman-Denison, TX	2,290	1,804	2,048	242	38,179	7,415	17,977	20,202
Shreveport-Bossier City, LA	7,781	6,135	7,171	610	146,661	27,168	73,565	73,096
Sioux City, IA-NE	2,998	2,244	2,716	282	60,627	9,971	30,452	30,175
Sioux Falls, SD	4,923	3,755	4,490	433	96,691	15,768	48,850	47,841
South Bend, IN	5,785	4,329	5,239	546	120,449	20,237	62,383	58,066
Spokane, WA	10,198	8,217	9,572	626	161,001	34,401	91,507	69,494
Springfield, IL	5,006	3,914	4,548	458	82,178	16,303	41,817	40,361
Springfield, MA	11,432	9,317	10,818	614	223,989	40,963	117,273	106,716
Springfield, MO	8,201	6,591	7,647	554	144,195	27,532	71,782	72,413
St. Cloud, MN	4,157	3,246	3,863	294	76,696	14,249	41,407	35,289
St. Joseph, MO	2,348	1,808	2,112	236	36,831	7,307	20,098	16,733
St. Louis, MO-IL	54,806	45,603	52,844	1,962	1,193,331	192,305	568,749	624,582
Stamford-Norwalk, CT	13,600	11,428	12,902	698	217,393	43,558	107,328	110,065
State College, PA	2,765	2,114	2,519	246	44,202	8,986	26,654	17,548
Steubenville-Weirton, OH-WV	2,538	2,046	2,340	198	42,809	8,528	18,992	23,817
Stockton-Lodi, CA	8,750	6,937	8,129	621	143,285	29,038	79,785	63,500
Sumter, SC	1,748	1,329	1,551	197	34,515	5,969	17,402	17,113
Syracuse, NY	14,063	11,386	13,212	851	287,709	48,347	139,097	148,612
Tacoma, WA	13,540	11,275	12,896	644	190,567	44,281	112,693	77,874
Tallahassee, FL	6,048	4,748	5,491	557	94,778	19,669	48,787	45,991
Tampa-St. Petersburg-Clearwater, FL	50,519	43,625	48,570	1,949	976,883	161,736	405,151	571,732
Terre Haute, IN	3,092	2,386	2,783	309	55,704	10,198	25,459	30,245
Texarkana, TX-Texarkana, AR	2,576	1,968	2,320	256	39,921	8,651	22,218	17,703
Toledo, OH	12,488	9,768	11,666	822	284,220	45,277	139,252	144,968
Topeka, KS	4,088	3,141	3,706	382	81,210	13,315	38,470	42,740
Trenton, NJ	8,365	6,761	7,778	587	156,991	27,465	76,645	80,346
Tucson, AZ	15,532	12,672	14,646	886	268,142	53,663	149,009	119,133

(continued, next page)

Table A.5 (continued)

Metropolitan Statistical Area	Firms				Employment			
	Total	Employment Size of Firm			Total	Employment Size of Firm		
		< 20	< 500	500+		< 20	< 500	500+
Tulsa, OK	18,802	15,401	17,753	1,049	357,212	63,378	175,355	181,857
Tuscaloosa, AL	3,571	2,771	3,285	286	65,228	12,542	33,437	31,791
Tyler, TX	4,407	3,425	4,020	387	70,510	14,528	37,567	32,943
Utica-Rome, NY	5,364	4,435	5,011	353	100,353	18,231	51,784	48,569
Vallejo-Fairfield-Napa, CA	8,742	7,097	8,202	540	133,172	29,964	78,056	55,116
Ventura, CA	14,711	12,030	13,917	794	217,737	48,300	130,358	87,379
Victoria, TX	2,045	1,556	1,823	222	29,345	7,082	17,544	11,801
Vineland-Millville-Bridgeton, NJ	2,830	2,302	2,631	199	44,863	9,972	26,064	18,799
Visalia-Tulare-Porterville, CA	5,268	4,285	4,928	340	73,205	17,892	47,725	25,480
Waco, TX	4,225	3,244	3,802	423	82,466	14,028	38,614	43,852
Washington, DC-MD-VA-WV	101,638	86,113	98,997	2,641	2,055,459	352,257	1,043,030	1,012,429
Waterbury, CT	4,806	3,900	4,489	317	73,834	16,603	44,238	29,596
Waterloo-Cedar Falls, IA	2,793	2,052	2,493	300	58,478	9,562	28,726	29,752
Wausau, WI	3,064	2,298	2,800	264	58,831	10,248	30,190	28,641
West Palm Beach-Boca Raton, FL	31,473	27,600	30,371	1,102	414,845	96,975	225,357	189,488
Wheeling, WV-OH	3,418	2,727	3,139	279	52,268	11,906	29,421	22,847
Wichita Falls, TX	3,178	2,501	2,877	301	47,654	10,349	24,706	22,948
Wichita, KS	11,593	9,119	10,803	790	256,215	38,390	120,819	135,396
Williamsport, PA	2,593	2,002	2,347	246	47,148	8,531	24,504	22,644
Wilmington, NC	6,943	5,714	6,494	449	88,404	23,602	52,882	35,522
Wilmington-Newark, DE-MD	14,821	11,855	13,688	1,133	283,521	44,924	124,620	158,901
Worcester, MA-CT	10,112	8,119	9,487	625	206,031	34,060	105,848	100,183
Yakima, WA	4,377	3,512	4,107	270	58,832	14,144	41,466	17,366
Yolo, CA	3,018	2,249	2,698	320	53,870	10,411	26,952	26,918
York, PA	6,949	5,427	6,452	497	149,419	24,276	74,913	74,506
Youngstown-Warren, OH	11,907	9,800	11,352	555	214,495	43,547	122,334	92,161
Yuba City, CA	2,242	1,799	2,063	179	25,657	7,196	16,320	9,337
Yuma, AZ	2,197	1,673	1,981	216	30,497	7,345	18,816	11,681

NA = Not available.

Notes: For metropolitan statistical areas, a firm is defined as an aggregation of all establishments owned by a parent company within an MSA. Establishments are locations with active payroll in any quarter. Employment is measured in March; thus, some firms will have no employment and some annual payroll.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Bureau of the Census.

Table A.6 Employers, Establishments, Employment, and Payroll by Major Industry and Employment Size of Firm, 1998
(annual payroll in thousands of dollars)

Industry (NAICS classifications)	Employment Size of Firm							500+
	Total	0*	<20	20-99	100-499	<500		
Total	5,579,177	711,899	4,988,367	494,357	80,075	5,562,799	16,378	
Establishments	6,941,822	713,512	5,048,528	674,503	307,294	6,030,325	911,497	
Employment	108,117,731	0	20,275,405	19,377,614	15,411,390	55,064,409	53,053,322	
Annual payroll	3,309,405,533	31,634,539	535,184,511	531,231,157	446,353,485	1,512,769,153	1,796,636,380	
Agriculture, forestry, fishing, and hunting	26,619	4,676	24,947	1,333	226	26,506	113	
Establishments	27,292	4,676	24,963	1,424	345	26,732	560	
Employment	187,149	0	89,977	46,074	27,696	163,747	23,402	
Annual payroll	4,654,305	131,790	2,157,661	1,102,727	581,302	3,841,690	812,615	
Mining	19,831	2,000	16,676	2,315	495	19,486	345	
Establishments	24,659	2,009	16,965	2,924	1,231	21,120	3,539	
Employment	497,849	0	69,129	86,207	63,861	219,197	278,652	
Annual payroll	21,941,916	119,745	2,204,641	3,057,149	2,754,914	8,016,704	13,925,212	
Utilities	6,603	425	5,234	870	267	6,371	232	
Establishments	15,895	426	5,301	1,393	1,039	7,733	8,162	
Employment	682,227	0	20,046	38,127	45,337	103,510	578,717	
Annual payroll	38,097,227	72,549	600,515	1,554,292	2,098,264	4,253,071	33,844,156	
Construction	686,250	106,286	630,355	49,595	5,423	685,373	877	
Establishments	693,018	106,296	630,533	50,254	6,752	687,539	5,479	
Employment	5,798,942	0	2,400,048	1,838,353	881,538	5,119,939	679,003	
Annual payroll	198,547,023	3,777,345	69,463,568	65,268,790	34,863,894	169,596,252	28,950,771	
Manufacturing	318,537	24,419	230,820	66,342	16,537	313,699	4,838	
Establishments	366,443	24,432	231,221	70,286	26,364	327,871	38,572	
Employment	16,946,142	0	1,308,207	2,746,971	2,959,622	7,014,800	9,931,342	
Annual payroll	607,342,407	2,160,387	36,084,915	83,491,454	94,511,498	214,087,867	393,254,540	
Wholesale trade	363,454	35,734	310,830	41,398	7,921	360,149	3,305	
Establishments	453,987	35,837	315,992	58,200	24,738	398,930	55,057	
Employment	5,885,230	0	1,393,629	1,494,655	961,569	3,849,853	2,035,377	
Annual payroll	233,924,453	1,790,300	48,905,496	53,715,118	36,755,618	139,376,232	94,548,221	
Retail trade	738,890	76,244	667,589	60,418	8,484	736,491	2,399	
Establishments	1,113,851	76,515	683,637	102,827	52,163	838,627	275,224	
Employment	14,241,512	0	2,946,942	2,227,794	1,215,103	6,389,839	7,851,673	
Annual payroll	260,349,716	2,125,506	52,464,433	53,637,808	29,919,297	136,021,538	124,328,178	
Transportation and warehousing	154,715	23,532	136,213	14,598	2,794	153,605	1,110	
Establishments	186,364	23,545	137,171	17,979	8,304	163,454	22,910	
Employment	3,462,624	0	507,564	559,665	439,671	1,506,900	1,955,724	
Annual payroll	108,597,481	775,744	12,697,978	14,700,366	12,667,577	40,065,921	68,531,560	
Information	75,299	12,199	64,049	8,373	1,908	74,330	969	
Establishments	120,635	12,243	64,648	10,425	5,553	80,626	40,009	
Employment	3,142,024	0	263,838	320,813	318,542	903,193	2,238,831	
Annual payroll	146,824,689	1,154,538	10,282,431	12,078,594	14,525,588	36,886,613	109,938,076	
Finance and insurance	222,005	25,403	201,694	15,107	3,564	220,365	1,640	
Establishments	412,416	25,455	206,838	33,308	25,801	265,947	146,469	
Employment	5,770,339	0	672,926	604,343	603,366	1,880,635	3,889,704	
Annual payroll	290,008,843	1,520,940	26,967,080	26,771,742	27,504,705	81,243,527	208,765,316	
Real estate and rental and leasing	242,497	33,690	228,483	10,446	2,267	241,196	1,301	
Establishments	292,450	33,798	232,811	18,698	10,352	261,861	30,589	

* Employment is measured in March, thus some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment. (continued, next page)

Table A.6 (continued)

Industry (NAICS classifications)	Total	Employment Size of Firm						
		0*	<20	20–99	100–499	<500	500+	
Real estate and rental and leasing	1,812,728	0	688,032	364,808	255,218	1,308,058	504,670	
Professional, scientific, and services	49,888,042	1,220,396	17,358,665	9,887,517	7,453,832	34,700,014	15,188,028	
Management of companies and technical enterprises	641,621	96,052	601,448	32,770	5,240	639,458	2,163	
Administration and support and waste management and remediation services	687,992	96,102	604,745	42,080	14,570	661,395	26,597	
Educational services	6,052,365	0	1,960,332	1,210,239	840,861	4,011,432	2,040,933	
Health care and social assistance	277,676,568	4,828,230	77,826,479	59,211,329	42,538,851	179,576,659	98,099,909	
Arts, entertainment, and recreation	26,419	1,418	6,495	5,785	7,577	19,857	6,562	
Accommodation and food services	43,681	1,422	6,551	6,056	8,616	21,223	22,458	
Other services (except public administration)	2,703,799	0	16,071	66,261	221,967	304,299	2,399,500	
Auxiliaries, except corporate, subsidiary and regional managing offices	175,648,657	290,881	1,140,339	2,982,466	10,857,683	14,980,488	160,668,169	
Unclassified	302,863	52,051	266,768	25,657	7,564	299,989	2,874	
	351,134	52,101	267,972	29,445	13,576	310,993	40,141	
	7,775,033	0	974,674	1,020,200	1,353,409	3,348,283	4,426,750	
	163,707,409	2,291,581	24,012,947	22,940,319	26,258,965	73,212,231	90,495,178	
	58,468	7,268	44,349	10,587	2,606	57,542	926	
	64,902	7,277	44,710	12,102	4,998	61,810	3,092	
	2,323,817	0	199,291	441,153	452,343	1,092,787	1,231,030	
	52,287,365	265,761	3,766,130	8,369,404	9,801,711	21,937,245	30,350,120	
	527,667	42,679	465,553	45,710	12,990	524,253	3,414	
	649,681	42,878	472,814	67,729	49,949	590,492	59,189	
	13,758,395	0	2,174,630	1,814,647	2,464,278	6,453,555	7,304,840	
	395,478,378	3,476,059	76,795,677	51,080,309	55,021,003	182,896,989	212,581,389	
	96,317	19,692	81,919	11,827	2,040	95,786	531	
	102,870	19,713	82,227	12,846	3,344	98,417	4,453	
	1,583,836	0	305,540	471,466	331,198	1,108,204	475,632	
	36,046,794	1,445,377	9,319,682	8,140,139	9,303,707	26,763,528	9,283,266	
	418,270	58,746	338,174	70,690	7,850	416,714	1,556	
	544,565	59,117	340,789	84,964	32,453	458,206	86,359	
	9,466,660	0	1,770,043	2,661,970	1,376,139	5,808,152	3,658,508	
	109,595,274	2,297,965	19,098,491	27,788,591	15,143,278	62,030,360	47,564,914	
	659,258	55,957	616,140	37,883	4,029	658,052	1,206	
	719,368	56,127	621,795	50,076	15,044	686,915	32,453	
	5,038,717	0	2,450,104	1,343,677	556,476	4,350,257	688,460	
	96,012,860	1,346,315	42,761,174	24,978,506	12,316,490	80,056,170	15,956,690	
	5,333	10	351	1,095	1,605	3,051	2,282	
	13,816	11	360	1,169	2,102	3,631	10,185	
	916,349	0	1,126	11,453	43,196	55,775	860,574	
	41,475,743	667	43,303	407,060	1,475,308	1,925,671	39,550,072	
	56,803	33,532	56,485	318	0	56,803	0	
	56,803	33,532	56,485	318	0	56,803	0	
	71,994	0	63,256	8,738	0	71,994	0	
	1,300,383	542,463	1,232,906	67,477	0	1,300,383	0	

* Employment is measured in March, thus some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment.
 NA = Not available.

Notes: Firms are an aggregation of all establishments owned by a parent company within an industry.

Source: U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Department of Commerce, Bureau of the Census.

Table A.7 Employer Firms, Establishments, Employment, and Annual Payroll by Employment and Receipts Size of Firm, 1997
(annual payroll and receipts in thousands of dollars)

	Firms	Establishments	Employment	Annual payroll	Receipts
Total	5,541,918	6,894,869	105,299,123	3,047,907,469	18,242,632,687
Receipts size of firm (dollars)					
<100,000	1,395,284	1,396,297	2,065,133	21,520,720	70,173,526
100,000–499,999	2,371,725	2,386,474	9,618,518	159,386,864	581,222,000
500,000–999,999	729,916	758,704	6,840,366	143,326,313	511,112,889
1–2.9 million	632,993	722,414	11,497,199	281,025,246	1,059,895,605
3–4.9 million	151,115	208,128	5,178,499	141,584,067	577,314,688
5–7.49 million	81,169	131,505	3,955,855	112,920,440	492,532,436
7.5–24.9 million	124,326	281,576	10,715,784	317,417,893	1,626,644,367
25–99.9 million	42,402	204,622	10,450,405	326,756,115	1,927,916,981
100+ million	12,988	805,149	44,977,364	1,543,969,811	11,395,820,195
Employment size of firm					
0–4*	3,358,048	3,364,434	5,546,306	158,448,270	1,038,627,904
5–9	1,006,897	1,022,901	6,610,374	150,877,445	797,161,654
10–19	593,696	639,090	7,962,136	193,804,539	951,050,012
20–99	487,491	682,580	19,109,691	494,617,183	2,519,756,576
100–499	79,707	308,633	15,316,863	418,452,574	2,161,615,554
500+	16,079	877,231	50,753,753	1,631,707,458	10,774,420,987

* Employment is measured in March, so some firms (start-ups after March, closures before March, and seasonal firms) will have zero employment.

Notes: Firms are an aggregation of all establishments owned by a parent company.

Source: U.S. Small Business Administration, Office of Advocacy, based on U.S. Census Bureau data.

Table A.8 Business Income Tax Returns by Receipts Size of Tax Return (thousands), 1990–1998

Receipts Size of Tax Return (dollars) ¹	1990	1995	1996	1997	1998
Total returns	20,052.9	22,446.0	23,240.7	23,645.4	NA
Under 25,000 ²	12,037.4	13,278.6	13,593.3	13,796.7	
25,000–49,999	2,038.2	2,404.6	2,517.5	2,567.5	
50,000–99,999	1,774.4	1,981.7	2,098.9	2,109.4	
100,000–499,999	2,828.3	3,119.1	3,291.0	3,380.7	
500,000–999,999	610.8	719.5	749.1	760.8	
1,000,000 or more	763.8	942.5	990.9	1,030.3	
Corporations, total	3,716.7	4,441.2	4,631.4	4,710.2	NA
Under 25,000 ²	878.7	1,030.0	1,059.7	1,106.1	
25,000–49,999	252.0	288.4	286.0	305.6	
50,000–99,999	358.9	446.8	480.4	453.4	

¹ Size classes are based on the sum of business receipts (gross amounts from sales and operations and gross rents for all industries) except for the finance, insurance, and real estate industry. For this industry, positive net rental income is included, which is the sum of business receipts and investment income.

² Includes returns with no receipts as defined above.

³ Total receipts include, in part, only the net income or loss from farming and rentals. An effort is made to include rental (although not farm) gross receipts in the receipts used for the size distribution.

NA = Not available.

(continued, next page)

Table A.8 (continued)

Receipts Size of Tax Return (dollars) ¹	1990	1995	1996	1997	1998
100,000–499,999	1,161.7	1,360.0	1,444.1	1,450.4	NA
500,000–999,999	416.0	512.7	520.8	532.8	
1,000,000 or more	649.4	803.3	840.4	861.9	
Partnerships, total³	1,553.6	1,580.9	1,654.2	1,758.6	1,855.3
Under 25,000 ²	962.6	931.3	956.2	987.4	1,037.6
25,000–49,999	126.0	133.5	140.6	151.2	157.3
50,000–99,999	133.4	142.3	145.7	164.6	156.8
100,000–499,999	222.4	245.1	268.4	293.6	320.2
500,000–999,999	52.1	59.4	63.6	68.0	76.6
1,000,000 or more	57.1	69.3	79.7	93.8	106.8
Nonfarm sole proprietorships, total	14,782.6	16,423.9	16,955.1	17,176.6	17,408.8
Under 2,500 ²	3,750.1	4,139.5	4,261.2	4,292.7	4,246.4
2,500–4,999	1,714.5	1,954.1	1,963.9	1,994.1	2,055.6
5,000–9,999	2,011.7	2,254.4	2,258.6	2,309.1	2,407.0
10,000–24,999	2,719.8	2,969.3	3,093.7	3,107.3	3,058.3
25,000–49,999	1,660.2	1,982.7	2,090.9	2,110.7	2,111.9
50,000–99,999	1,282.1	1,392.6	1,472.8	1,491.4	1,590.1
100,000–499,999	1,444.2	1,514.0	1,578.5	1,636.7	1,686.3
500,000–999,999	142.7	147.4	164.7	160.0	175.1
1,000,000 or more	57.3	69.9	70.8	74.6	78.1

¹ Size classes are based on the sum of business receipts (gross amounts from sales and operations and gross rents for all industries) except for the finance, insurance, and real estate industry. For this industry, positive net rental income is included, which is the sum of business receipts and investment income.

² Includes returns with no receipts as defined above.

³ Total receipts include, in part, only the net income or loss from farming and rentals. An effort is made to include rental (although not farm) gross receipts in the receipts used for the size distribution.

NA = Not available.

Note: Business tax returns overcount the number of businesses when businesses file more than one tax return.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of the Treasury, Internal Revenue Service.

Table A.9 Employer Firm Births and Deaths by Employment Size of Firm, 1989–1998

Firms	Period	Change	Total	Beginning year employment size of firm			Size class as percent of total		
				<20	<500	500+	<20	<500	>500
1997–1998	Firm births		589,982	564,804	589,706	276	95.7	100.0	
	Firm deaths		540,601	511,567	540,112	489	94.6	99.9	
	Net change		49,381	53,237	49,594	-213	-	-	
1996–1997	Firm births		590,644	564,197	590,335	309	95.5	99.9	
	Firm deaths		500,536	500,014	500,014	522	99.9	99.9	
	Net change		90,108	64,183	90,321	-213	71.2	-	
1995–1996	Firm births		597,792	572,442	597,503	289	95.8	100.0	
	Firm deaths		512,402	485,509	512,024	378	94.8	99.9	
	Net change		85,390	86,933	85,479	-89	-	-	
1994–1995	Firm births		594,369	568,896	594,119	250	95.7	100.0	
	Firm deaths		497,246	472,441	496,874	372	95.0	99.9	
	Net change		97,123	96,455	97,245	-122	99.3	-	
1993–1994	Firm births		570,587	546,437	570,337	250	95.8	100.0	
	Firm deaths		503,563	476,667	503,125	438	94.7	99.9	
	Net change		67,024	69,770	67,212	-188	-	-	
1992–1993	Firm births		564,504	539,601	564,093	411	95.6	99.9	
	Firm deaths		492,651	466,550	492,266	385	94.7	99.9	
	Net change		71,853	73,051	71,827	26	-	100.0	
1991–1992	Firm births		544,596	519,014	544,278	318	95.3	99.9	
	Firm deaths		521,606	492,746	521,176	430	94.5	99.9	
	Net change		22,990	26,268	23,102	-112	-	-	
1990–1991	Firm births		541,141	515,870	540,889	252	95.3	100.0	
	Firm deaths		546,518	516,964	546,149	369	94.6	99.9	
	Net change		-5,377	-1,094	-5,260	-117	-	-	
1989–1990	Firm births		584,892	558,478	584,660	232	95.5	100.0	
	Firm deaths		531,400	502,685	530,991	409	94.6	99.9	
	Net change		53,492	55,793	53,669	-177	-	-	
1990–1995	Firm births		1,797,117	1,679,831	1,795,661	1,456	93.5	99.9	
	Firm deaths		1,546,705	1,426,040	1,545,007	1,698	92.2	99.9	
	Net change		250,412	253,791	250,654	-242	-	-	
1997–1998	Firm births		3,205,451	1,812,103	3,002,401	203,050	56.5	93.7	
	Firm deaths		3,233,412	1,661,544	2,991,722	241,690	51.4	92.5	
	Continuing firms		2,841,138	1,235,734	1,723,897	1,117,241	43.5	60.7	
Net change		2,813,177	1,386,293	1,734,576	1,078,601	49.3	61.7		
1996–1997	Firm births		3,227,556	1,813,539	3,029,666	197,890	56.2	93.9	
	Firm deaths		3,274,604	1,620,797	2,960,814	313,790	49.5	90.4	
	Continuing firms		3,151,331	1,364,954	2,285,350	865,981	43.3	72.5	
Net change		3,104,283	1,557,696	2,354,202	750,081	50.2	75.8		

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Table A.9 (continued)

Employment	Period	Change	Total	Beginning year employment size of firm				Size class as percent of total	
				<20	<500	500+	<20	<500	
Firm births	1995-1996	3,255,676	1,844,516	3,055,596	200,080	56.7	93.9		
Firm deaths		3,099,589	1,559,598	2,808,493	291,096	50.3	90.6		
Continuing firms		1,711,158	1,150,535	1,212,409	498,749	67.2	70.9		
Net change		1,867,245	1,435,453	1,459,512	407,733	76.9	78.2		
Firm births	1994-1995	3,322,001	1,836,153	3,049,456	272,545	55.3	91.8		
Firm deaths		2,822,627	1,516,552	2,633,587	189,040	53.7	93.3		
Continuing firms		3,092,193	1,358,182	2,197,436	894,757	43.9	71.1		
Net change		3,591,567	1,677,783	2,613,305	978,262	46.7	72.8		
Firm births	1993-1994	3,105,753	1,760,322	2,889,507	216,246	56.7	93.0		
Firm deaths		3,077,307	1,549,072	2,800,933	276,374	50.3	91.0		
Continuing firms		1,916,014	1,100,290	1,504,776	411,238	57.4	78.5		
Net change		1,944,460	1,311,540	1,593,350	351,110	67.5	81.9		
Firm births	1992-1993	3,438,106	1,750,662	3,053,765	384,341	50.9	88.8		
Firm deaths		2,906,260	1,515,896	2,697,656	208,604	52.2	92.8		
Continuing firms		1,416,407	1,241,062	1,431,127	-14,720	87.6	-		
Net change		1,948,253	1,475,828	1,787,236	161,017	75.8	91.7		
Firm births	1991-1992	3,200,969	1,703,491	2,863,799	337,170	53.2	89.5		
Firm deaths		3,126,463	1,602,579	2,894,127	232,336	51.3	92.6		
Continuing firms		448,605	1,041,557	875,026	-426,421	-	-		
Net change		523,111	1,142,469	844,698	-321,587	-	-		
Firm births	1990-1991	3,105,363	1,712,856	2,907,351	198,012	55.2	93.6		
Firm deaths		3,208,099	1,723,159	3,044,470	163,629	53.7	94.9		
Continuing firms		-1,058,980	561,228	-570,399	-488,581	-	-		
Net change		-1,161,716	550,925	-707,518	-454,198	-	-		
Firm births	1989-1990	3,211,064	1,886,311	3,090,643	120,421	58.7	96.2		
Firm deaths		3,198,829	1,683,174	2,988,436	210,393	52.6	93.4		
Continuing firms		1,830,946	1,313,100	1,300,511	530,435	71.7	71.0		
Net change		1,843,181	1,516,237	1,402,718	440,463	82.3	76.1		
Firm births	1990-1995	13,304,645	6,514,382	12,126,607	1,178,038	49.0	91.1		
Firm deaths		11,808,721	5,611,968	11,113,149	695,572	47.5	94.1		
Continuing firms		5,357,860	2,457,482	4,228,021	1,129,839	45.9	78.9		
Net change		6,853,784	3,359,896	5,241,479	1,612,305	49.0	76.5		

Notes: 1990-1995 represents firm births that survived until 1995, and firm deaths are firms that existed in 1990. The data represent activity from March of the beginning year to March of the ending year. Establishments with no employment in the first quarter of the beginning year were excluded. New firm births are classified by their employment size at the first quarter. Percent of size class is not calculated when size classes change in opposite directions. New firms represent new original establishments and deaths represent closed original establishments.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Bureau of the Census.

Table A.10 Employer Firms and Self-Employment by State, 1999 and 2000

	Employer Firms				Self-Employment (thousands)	
	1999	2000	Percent change	Rank	1999	2000
United States	e 5,688,200	e 5,812,100	2.2		10,087	9,907
Alabama	86,139	88,222	2.4	14	143	144
Alaska	16,136	16,190	0.3	42	33	29
Arizona	101,149	103,893	2.7	10	160	156
Arkansas	59,554	59,431	-0.2	47	89	87
California	906,092	939,979	3.7	4	1,507	1,505
Colorado	128,889	134,085	4.0	3	171	183
Connecticut	95,351	96,344	1.0	34	125	123
Delaware	24,178	24,782	2.5	12	23	22
District of Columbia	26,558	26,157	-1.5	49	14	14
Florida	374,776	385,113	2.8	8	430	438
Georgia	184,458	189,156	2.5	11	288	248
Hawaii	27,489	28,112	2.3	16	48	47
Idaho	38,025	39,089	2.8	7	68	65
Illinois	277,313	278,754	0.5	39	346	332
Indiana	123,620	124,654	0.8	37	186	198
Iowa	68,859	68,970	0.2	43	164	140
Kansas	66,773	67,461	1.0	35	134	108
Kentucky	86,644	88,460	2.1	19	146	136
Louisiana	95,947	96,441	0.5	41	141	135
Maine	37,785	38,711	2.5	13	74	80
Maryland	127,817	130,628	2.2	18	168	159
Massachusetts	164,803	167,740	1.8	25	226	207
Michigan	219,552	213,865	-2.6	51	303	297
Minnesota	126,451	128,943	2.0	22	225	216
Mississippi	52,907	53,509	1.1	33	90	106
Missouri	126,699	128,319	1.3	30	184	194
Montana	31,223	e 31,223	-	44	65	64
Nebraska	44,142	44,699	1.3	31	103	97

e estimated.

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Table A.10 (continued)

	Employer Firms				Self-Employment (thousands)	
	1999	2000	Percent change	Rank	1999	2000
Nevada	42,922	44,741	4.2	2	57	47
New Hampshire	39,004	39,643	1.6	26	60	61
New Jersey	235,493	e 265,758	12.9	1	211	198
New Mexico	41,712	41,535	-0.4	48	71	73
New York	462,473	471,808	2.0	20	546	541
North Carolina	169,351	172,661	2.0	23	290	291
North Dakota	18,661	18,637	-0.1	46	46	42
Ohio	238,755	232,755	-2.5	50	332	343
Oklahoma	73,812	74,554	1.0	36	150	154
Oregon	98,027	99,521	1.5	27	174	193
Pennsylvania	250,367	259,492	3.6	5	389	379
Rhode Island	32,215	32,666	1.4	28	27	23
South Carolina	86,924	88,668	2.0	21	107	121
South Dakota	22,141	22,556	1.9	24	49	49
Tennessee	109,688	110,510	0.7	38	248	217
Texas	383,148	388,439	1.4	29	826	817
Utah	51,500	52,737	2.4	15	71	75
Vermont	20,391	20,976	2.9	6	39	35
Virginia	157,469	160,988	2.2	17	190	198
Washington	189,769	194,977	2.7	9	255	226
West Virginia	38,701	38,665	-0.1	45	51	46
Wisconsin	121,222	121,850	0.5	40	206	220
Wyoming	18,347	18,566	1.2	32	27	31

e estimated.

Notes: State employers do not add to the total as firms can be in multiple states. U.S. employer totals are estimated from 1998 Bureau of the Census data, percent changes in the state totals and rounded. Because of reporting issues, Montana figures are set at the 1999 level forward and New Jersey 1998 forward. The self-employed are aged 16 and over whose primary occupation is self-employment and state figures do not add to the total because of processing and weighting.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the Employment and Training Administration, the U.S. Census Bureau, the Bureau of Labor Statistics, and Advocacy estimates.

Table A.11 Business Turnover by SBA Region and State, 1999 and 2000

	New Employer Firms			Business Terminations			Business Bankruptcies					
	1999	2000	Percent Change	Rank	1999	2000	Percent Change	Rank	1999	2000	Percent Change	Rank
United States	e 587,100	e 612,400	4.3		e 530,500	e 550,000	3.7		37,639	35,219	-6.4	
Alabama	10,847	10,067	-7.2	49	13,390	9,302	-30.5	50	434	445	2.5	18
Alaska	2,374	2,333	-1.7	41	2,651	2,671	0.8	29	115	118	2.6	17
Arizona	12,513	15,175	21.3	3	15,913	11,984	-24.7	48	781	765	-2.0	22
Arkansas	5,531	4,680	-15.4	51	4,850	5,581	15.1	6	295	261	-11.5	32
California	155,707	167,047	7.3	11	107,745	134,541	24.9	3	5,014	4,595	-8.4	29
Colorado	19,109	25,462	33.2	1	10,138	7,561	-25.4	49	347	373	7.5	11
Connecticut	9,375	9,910	5.7	16	11,523	11,528	-	33	142	139	-2.1	23
Delaware	3,767	3,682	-2.3	43	3,442	3,052	-11.3	46	2,115	2,320	9.7	7
District of Columbia	3,488	4,472	28.2	2	3,196	4,996	56.3	2	81	58	-28.4	47
Florida	60,772	59,912	-1.4	40	58,935	55,186	-6.4	41	1,723	1,447	-16.0	37
Georgia	30,133	28,925	-4.0	47	26,800	26,754	-0.2	36	933	1,012	8.5	10
Hawaii	3,563	3,745	5.1	18	3,888	3,521	-9.4	45	87	63	-27.6	45
Idaho	5,877	5,829	-0.8	38	6,176	6,249	1.2	25	340	269	-20.9	42
Illinois	28,222	28,875	2.3	25	30,885	31,361	1.5	24	1,394	1,270	-8.9	30
Indiana	13,515	14,112	4.4	20	16,797	15,738	-6.3	40	501	398	-20.6	41
Iowa	5,842	5,668	-3.0	45	7,404	7,485	1.1	26	196	214	9.2	9
Kansas	5,755	6,483	12.7	6	6,194	6,981	12.7	8	172	169	-1.7	21
Kentucky	9,158	8,637	-5.7	48	9,111	7,508	-17.6	47	281	355	26.3	1
Louisiana	10,333	10,468	1.3	32	11,086	13,708	23.7	4	589	619	5.1	13
Maine	5,007	5,135	2.6	22	4,720	4,906	3.9	17	197	162	-17.8	39
Maryland	18,820	20,539	9.1	8	18,631	19,563	5.0	14	795	677	-14.8	36
Massachusetts	16,375	18,640	13.8	5	19,667	18,164	-7.6	44	566	393	-30.6	48
Michigan	23,512	23,760	1.1	33	19,221	30,240	57.3	1	634	577	-9.0	31
Minnesota	12,783	13,906	8.8	9	10,274	4,829	-53.0	51	1,584	1,492	-5.8	26
Mississippi	7,353	6,439	-12.4	50	7,622	7,555	-0.9	37	201	203	1.0	19
Missouri	13,685	13,996	2.3	26	18,898	17,580	-7.0	43	358	369	3.1	16
Montana	3,977	e 3,977	-	34	3,946	e 3,946	-	34	121	141	16.5	4
Nebraska	4,179	4,441	6.3	13	5,203	5,234	0.6	31	158	115	-27.2	44
Nevada	8,405	8,587	2.2	28	7,567	7,761	2.6	20	309	332	7.4	12
New Hampshire	4,256	4,677	9.9	7	6,165	7,341	19.1	5	348	302	-13.2	34
New Jersey	e 26,059	e 26,059	-	34	e 27,167	e 27,167	-	34	877	660	-24.7	43
New Mexico	5,703	5,836	2.3	24	6,351	6,451	1.6	23	554	513	-7.4	27
New York	60,674	61,507	1.4	31	53,566	57,423	7.2	11	1,872	1,960	4.7	14
North Carolina	23,724	23,310	-1.7	42	23,218	23,467	1.1	27	442	445	0.7	20
North Dakota	1,550	1,493	-3.7	46	2,212	2,191	-0.9	38	100	92	-8.0	28
Ohio	22,918	22,290	-2.7	44	24,151	24,276	0.5	32	1,195	1,471	23.1	2
Oklahoma	8,427	8,979	6.6	12	8,198	8,848	7.9	9	728	876	20.3	3
Oregon	13,685	14,729	7.6	10	16,665	16,102	-3.4	39	2,939	1,453	-50.6	51
Pennsylvania	29,741	35,104	18.0	4	32,359	34,893	7.8	10	1,397	1,455	4.2	15
Rhode Island	3,572	3,675	2.9	21	3,985	4,170	4.6	15	116	74	-36.2	50
South Carolina	10,910	11,114	1.9	30	11,086	11,721	5.7	13	191	138	-27.7	46

e estimated.

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Table A.11 (continued)

	New Employer Firms			Business Terminations			Business Bankruptcies					
	1999	2000	Percent Change	Rank	1999	2000	Percent Change	Rank	1999	2000	Percent Change	Rank
South Dakota	2,013	2,138	6.2	14	1,749	1,809	3.4	18	152	133	-12.5	33
Tennessee	15,445	15,793	2.3	27	17,046	17,563	3.0	19	802	641	-20.1	40
Texas	52,999	54,330	2.5	23	56,919	57,300	0.7	30	2,302	2,592	12.6	6
Utah	9,381	9,875	5.3	17	9,572	10,135	5.9	12	464	451	-2.8	24
Vermont	2,530	2,511	-0.8	37	2,543	2,653	4.3	16	83	71	-14.5	35
Virginia	21,270	22,219	4.5	19	22,031	20,569	-6.6	42	841	815	-3.1	25
Washington	38,105	40,357	5.9	15	41,059	41,793	1.8	22	632	717	13.5	5
West Virginia	4,214	4,177	-0.9	39	5,493	5,542	0.9	28	253	277	9.5	8
Wisconsin	12,447	12,436	-0.1	36	13,358	15,151	13.4	7	819	685	-16.4	38
Wyoming	2,271	2,314	1.9	29	2,842	2,908	2.3	21	69	47	-31.9	49

e estimated.

Notes: U.S. totals for new firms and terminations are estimated from 1998 Bureau of the Census data. States do not add to the total as firms can be in more than one state. New firms are firms that plan to begin to hire employees, terminations are business closings and bankruptcies are firms that file for bankruptcy with the U.S. court system. Because of reporting issues, Montana figures are set at the 1999 level forward and New Jersey 1998 forward.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Department of Commerce, Bureau of the Census; the U.S. Department of Labor, Employment and Training Administration; the Administrative Office of the U.S. Courts; and Advocacy estimates.

Table A.12 Women-Owned and Minority-Owned Firms by State, 1997

	Women	African American	Hispanic	Asian/Pacific Islander	American Indian/Aleut Eskimo
United States	5,417,034	823,499	1,199,896	912,960	197,300
Alabama	69,515	19,077	2,919	3,315	3,513
Alaska	16,633	876	1,385	1,816	6,820
Arizona	88,780	3,582	28,894	7,145	5,510
Arkansas	42,581	6,721	2,586	1,530	2,308
California	700,513	79,110	336,405	316,048	26,603
Colorado	114,807	4,926	20,859	9,028	3,390
Connecticut	72,393	7,251	6,594	5,904	1,311
Delaware	13,662	2,707	898	1,501	288
District of Columbia	13,979	10,909	2,153	2,422	66
Florida	337,811	59,732	193,902	33,769	10,546
Georgia	145,576	55,766	11,741	18,158	4,470
Hawaii	25,807	638	4,153	50,634	458
Idaho	25,763	164	2,844	1,028	1,239
Illinois	239,725	41,244	31,010	36,857	3,945
Indiana	107,082	11,107	4,277	4,854	2,898
Iowa	57,527	1,353	1,343	1,741	949
Kansas	54,638	3,396	3,547	2,626	2,318
Kentucky	65,965	5,629	1,481	2,595	3,069
Louisiana	70,550	25,782	6,645	6,490	3,230
Maine	30,598	257	545	646	1,417
Maryland	115,801	47,614	11,158	22,164	2,421
Massachusetts	142,661	11,834	12,725	12,729	3,428
Michigan	184,590	24,954	9,997	11,677	5,802
Minnesota	108,417	4,024	3,616	5,435	2,413
Mississippi	38,321	17,617	988	2,518	1,088
Missouri	103,626	13,678	4,107	4,974	4,106
Montana	22,404	62	1,006	443	1,912
Nebraska	33,469	1,565	1,437	877	799

(continued, next page)

Table A.12 (continued)

	Women	African American	Hispanic	Asian/Pacific Islander	American Indian/Aleut Eskimo
Nevada	33,311	2,796	6,565	5,005	1,231
New Hampshire	27,265	326	735	1,165	1,038
New Jersey	155,345	26,500	36,116	41,432	2,375
New Mexico	38,706	1,132	28,285	2,548	6,838
New York	394,014	86,469	104,189	123,258	6,443
North Carolina	139,900	39,901	7,270	8,050	7,148
North Dakota	12,417	99	444	279	752
Ohio	205,044	26,970	6,448	11,398	5,124
Oklahoma	67,481	5,309	4,349	3,999	15,066
Oregon	80,543	2,219	6,022	7,513	2,861
Pennsylvania	202,990	19,791	7,893	17,397	5,161
Rhode Island	19,886	1,269	2,186	1,110	625
South Carolina	64,232	23,216	2,036	3,530	2,229
South Dakota	14,121	150	261	303	955
Tennessee	99,772	20,196	3,639	5,296	3,746
Texas	381,453	60,427	240,396	60,226	15,668
Utah	41,991	440	4,740	2,379	1,428
Vermont	17,030	168	898	304	751
Virginia	132,219	33,539	13,703	22,441	3,280
Washington	123,042	5,553	10,009	23,309	4,689
West Virginia	30,231	1,148	940	1,240	1,017
Wisconsin	89,284	4,848	3,020	3,752	2,338
Wyoming	11,148	232	1,239	294	477

Note: Firms are based on operations under the same ownership with more than \$1,000 in business receipts using business tax returns. Using this definition, there were 20,821,934 firms in 1997.

Source: U.S. Small Business Administration, Office of Advocacy, based upon data from the U.S. Department of Commerce, Bureau of the Census.

Table A.13 Growth in Women-Owned and Minority-Owned Firms, 1992–1997 (adjusted figures)

		1992	1997	Percent Change
Firms by gender (excludes agricultural, publicly held, nonprofit and foreign-owned firms)				
Total	Firms	19,199,000	20,440,000	6.5
	Receipts (millions)	6,771,182	8,392,001	23.9
	Receipts per firm	352,684	410,568	16.4
Women	Firms	6,403,000	7,452,000	16.4
	Receipts (millions)	1,236,605	1,642,556	32.8
	Receipts per firm	193,129	220,418	14.1
Firms by race and origin (excludes agricultural, C-corporation, nonprofit and foreign-owned firms)				
Total	Firms	17,253,143	18,431,456	6.8
	Receipts (millions)	3,324,200	4,661,018	40.2
	Receipts per firm	192,672	252,884	31.3
African American	Firms	620,912	780,770	25.7
	Receipts (millions)	32,197	42,671	32.5
	Receipts per firm	51,854	54,653	5.4
Asian/Pacific Islander	Firms	603,426	785,480	30.2
	Receipts (millions)	95,714	161,142	68.4
	Receipts per firm	158,618	205,151	29.3
American Indian/Aleut Eskimo	Firms	102,271	187,921	83.7
	Receipts (millions)	8,057	22,441	178.5
	Receipts per firm	78,781	119,417	51.6
Hispanic	Firms	862,605	1,121,433	30.0
	Receipts (millions)	76,842	114,431	48.9
	Receipts per firm	89,081	102,040	14.5

Note: The definitions of the categories reported in this table were changed between 1992 and 1997; for purposes of comparison, the Census Bureau tabulated adjusted figures based on comparable definitions, which are reported here. Most of these differ from totals given elsewhere.

Source: U.S. Small Business Administration, Office of Advocacy, based upon data from the U.S. Department of Commerce, Bureau of the Census.

Table A.14 Characteristics of Self-Employed Individuals, 1991–1999

Characteristic	1991		1997		1998		1999		Percent Change 1991–1999	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
Total	12,379.4	100.0	12,301.2	100.0	12,110.1	100.0	11,631.6	100.0	7.8	-6.0
Sex										
Female	4,406.8	35.6	4,689.2	38.1	4,678.4	38.6	4,564.6	39.2	6.5	3.6
Male	7,972.6	64.4	7,612.0	61.9	7,431.7	61.4	7,067.0	60.8	9.0	-11.4
Race										
Asian/American Indian	461.2	3.7	542.4	4.4	552.7	4.6	550.7	4.7	7.9	19.4
Black	597.8	4.8	706.2	5.7	770.5	6.4	818.3	7.0	4.7	36.9
White	11,320.4	91.4	11,052.6	89.9	10,786.9	89.1	10,262.6	88.2	8.2	-9.3
Origin or Descent										
Hispanic	607.3	4.9	748.2	6.1	790.5	6.5	792.1	6.8	5.1	30.4
Other	11,772.1	95.1	11,553.0	93.9	11,319.7	93.5	10,839.5	93.2	8.1	-7.9
Age										
<25	577.2	4.7	628.9	5.1	621.8	5.1	587.4	5.1	2.3	1.8
25–34	2,645.2	21.4	2,089.5	17.0	2,100.8	17.3	2,006.0	17.2	6.1	-24.2
35–44	3,774.0	30.5	3,647.6	29.7	3,562.0	29.4	3,451.2	29.7	8.9	-8.6
45–54	2,723.8	22.0	3,209.6	26.1	3,150.6	26.0	3,012.9	25.9	9.7	10.6
55–64	1,736.0	14.0	1,874.6	15.2	1,799.7	14.9	1,792.4	15.4	11.8	3.3
65+	923.2	7.5	850.9	6.9	875.2	7.2	781.7	6.7	14.2	-15.3
Educational Level										
High school or less	5,519.8	44.6	4,975.9	40.5	4,755.1	39.3	4,637.5	39.9	6.9	-16.0
Some college	3,063.7	24.7	3,396.7	27.6	3,305.1	27.3	3,184.0	27.4	7.4	3.9
Bachelor's degree	2,154.1	17.4	2,427.8	19.7	2,541.5	21.0	2,301.2	19.8	8.8	6.8
Master's degree or above	1,641.9	13.3	1,500.7	12.2	1,508.4	12.5	1,508.9	13.0	11.8	-8.1
Veteran Status	2,372.7	19.2	1,901.9	15.5	1,714.5	14.2	1,612.3	13.9	10.6	-32.1
Disability	637.7	5.2	645.4	5.2	607.9	5.0	561.9	4.8	11.3	-11.9
Born in the United States	NA	NA	10,890.0	88.5	10,620.0	87.7	10,210.0	87.8	7.5	NA

* The self-employment rate is the percent with any self-employment earnings of the total number of individuals that had any job during the year.

NA = Not available.

Notes: Represents individuals with any self-employment earnings in the year. Asian/American Indian = Asian, Pacific, American Indian and Aleut Eskimo. Disability consists of disabilities or health problems that restrict or prevent the amount or kind of work.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Census Bureau, March Current Population Surveys.

Table A.15 Characteristics of the Private Sector Work Force by Employment Size of Firm, 1999 (percent unless specified)

Characteristic	Total	Employment Size of Firm					
		<10	10–24	25–99	100–499	<500	500+
Number of employees (thousands)	117,149	19,874	13,007	17,854	17,490	68,225	48,924
Gender							
Female	46.5	46.8	44.5	43.8	45.5	45.2	48.2
Male	53.5	53.2	55.5	56.2	54.5	54.8	51.8
Race or origin (descent)							
Asian / American Indian	4.8	5.0	4.9	4.3	4.4	4.6	4.9
Black	11.4	8.4	7.9	9.9	12.3	9.7	13.8
White	83.9	86.6	87.2	85.9	83.4	85.7	81.3
Hispanic	11.3	12.0	13.7	13.7	11.8	12.7	9.3
Age							
<25	19.6	20.0	23.2	20.2	15.6	19.5	19.6
25–34	23.3	21.1	22.2	23.9	25.2	23.1	23.5
35–44	25.8	23.4	25.6	26.8	28.2	25.9	25.7
45–54	19.0	18.5	16.8	17.9	19.4	18.2	20.1
55–64	9.2	10.8	8.6	8.0	9.6	9.3	8.9
65+	3.1	6.2	3.6	3.1	2.1	3.8	2.1
Educational level							
High school or less	48.1	52.9	53.8	51.3	48.3	51.5	43.3
Some college	29.1	26.9	27.8	28.4	28.3	27.8	30.9
Bachelor's degree	16.5	13.9	13.8	15.2	16.9	15.0	18.7
Master's degree or above	6.3	6.3	4.7	5.1	6.6	5.7	7.1
Assistance							
Financial assistance	1.0	1.4	1.0	0.9	0.9	1.1	0.9
Public assistance	1.0	0.8	0.9	0.9	0.9	0.9	1.1

Notes: Asian/American Indian includes Asian, Pacific, American Indian and Aleut Eskimo. Financial assistance is money (excluding loans) regularly received from outside the household during the year. Public assistance is assistance (excluding food stamps and Supplemental Security Income) received from the government at any time in the year.

Source: U.S. Small Business Administration, Office of Advocacy, from data provided by the U.S. Census Bureau, March Current Population Surveys.

Table A.16 Employer Firm Survival by Industry and Age of Firm, 1989–1996 (percentages of firms that started between 1989 and 1992)

Age of Firm	All industries	Manufacturing	Retail Trade	Services	Other
Still open after 2 years	66.0	69.4	67.2	71.5	66.2
4 years	49.6	52.5	49.0	55.7	49.0
6 years	39.5	NA	NA	NA	NA

NA = Not available.

Notes: Excludes farms and companies starting with multi-establishments (a relatively rare occurrence). All industries includes firms that opened and closed so quickly that an industry classification was not established and this group had a survival rate of 15.2 percent after two years and 9.4 percent after four years.

Source: U.S. Small Business Administration, Office of Advocacy, from an Advocacy-produced U.S. Census Bureau Center for Economic Studies working paper, *Business Success*.

Table A.17 Historical U.S. Business Measures, 1980–2000

Year	Employer Firms	Establishments (a)	Self-Employment (thousands)	Self-Employment Rate (percent)	Nonfarm Business Tax Returns	New Employer Firms	Employer Terminations	Bankruptcies
2000	e 5,812,100	NA	9,907	7.0	25,390,100	e 612,400	e 550,000	35,219
1999	e 5,688,200	NA	10,087	7.2	24,809,200	e 587,100	e 530,500	37,639
1998	5,579,129	6,941,739	10,303	7.5	24,285,900	e 591,200	e 537,900	44,197
1997	5,541,918	6,894,869	10,513	7.7	23,857,100	590,644	530,003	53,819
1996	5,478,047	6,738,476	10,490	7.8	23,115,300	597,792	512,402	53,200
1995	5,369,068	6,612,721	10,482	7.9	22,555,200	594,369	497,246	50,516
1994	5,276,964	6,509,065	10,648	8.1	22,191,000	570,587	503,563	50,845
1993	5,193,642	6,401,233	10,280	8.0	20,874,796	564,504	492,651	62,399
1992	5,095,356	6,319,300	9,960	7.8	20,476,775	544,596	521,606	69,848
1991	5,051,025	6,200,859	10,274	8.1	20,498,855	541,141	546,518	70,605
1990	5,073,795	6,175,559	10,097	8.0	20,219,400	584,892	531,400	63,912
1989	5,021,315	6,106,922	10,008	8.1	19,560,700	NA	NA	62,449
1988	4,954,645	6,016,367	9,917	8.2	18,619,400	NA	NA	62,845
1987	NA	5,937,061	9,624	8.0	18,351,400	NA	NA	81,463
1986	NA	5,806,973	9,327	7.9	17,524,600	NA	NA	79,926
1985	NA	5,701,485	9,269	8.0	16,959,900	NA	NA	70,644
1984	NA	5,517,715	9,338	8.2	16,077,000	NA	NA	64,211
1983	NA	5,306,787	9,143	8.2	15,245,000	NA	NA	62,412
1982	NA	4,633,960	8,898	8.1	14,546,000	NA	NA	69,242
1981	NA	4,586,510	8,735	8.0	13,858,000	NA	NA	48,086
1980	NA	4,543,167	8,643	8.1	13,021,600	NA	NA	43,252

e estimate.

NA = Not available.

a Units with paid employees in the fourth quarter through 1983. 1984 on includes units active in any quarter of the year.

Sources: U.S. Small Business Administration, Office of Advocacy, from data provided by sources below:

Employer firms and establishments from the U.S. Census Bureau with estimates for 1999.

Self employment (primary occupation) from the Bureau of Labor Statistics; the self employment rate is based on the civilian labor force.

Nonfarm business tax returns from the U.S. Department of Commerce, Internal Revenue Service.

New employer firms from the U.S. Census Bureau with estimates for 1998 and 1999.

Employer terminations from the U.S. Census Bureau with estimates for 1998 and 1999.

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