Table A.21 *Business Dissolution Rates by Firm Size and Number of Jobs Created (Percent)*

Age of Business (Minimum Years)	All Firms	Firms Creating No Jobs	Firms Creating 1–4 Jobs	Firms Creating 5+ Jobs
2	23.7	29.9	8.3	6.0
4	52.7	64.8	19.6	13.1
6	62.2	74.0	23.5	21.1
8	70.9	81.5	46.5	30.0
10*	79.0	90.5	59.1	37.6

*Estimated using log linear regression models.

Note: Firms were traced beginning in 1976 and observed, if available, every other year beginning in 1978 and ending in 1990. Business dissolution includes businesses that disappear for any reason at all, including failure, bankruptcy, owner retirement, owner health, or the desire to enter a more profitable endeavor. It has been estimated that about 15 percent of business dissolutions represent actual failures.

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, 1978–1990 USEEM file.

cable opportunity to participate in the performance of contracts let by the federal government. To that end, Public Law 95–507 requires the head of each federal agency, after consultation with the U.S. Small Business Administration (SBA), to establish realistic goals for the award of contracts to small and small disadvantaged businesses.

It is important to note that goals differ with each agency. This is in part because of the procurement mix of each procuring agency. Each agency has a specific mission that requires a vast diversification of products and services. For example, the Department of Defense requires the purchase of a large number of aircraft, but there are few small businesses providing this service; the General Services Administration, however, purchases paper clips, paper, computers, etc., for which there are many small business vendors. Therefore, different percentage goals would be established for these agencies.

In establishing their goals, agencies use their professional judgment to consider historical performance, anticipated budget or mission changes affecting the procurement mix, and forecasted major acquisitions that will cause deviation from usual award practices. If these goals are not recommended at levels consistent with the U.S. Small Business Administration's analysis, the SBA does not concur and negotiates a goal at a more appropriate level.

SBA Guidance

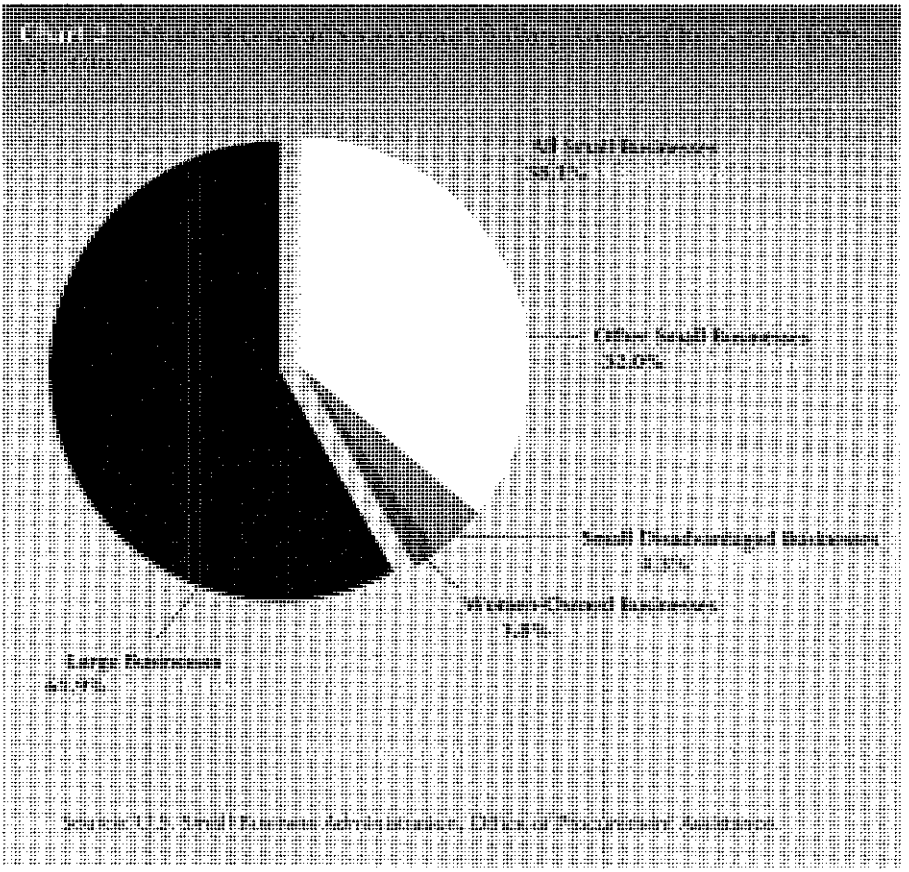
Each year, federal agencies provide the SBA with estimates of the total dollar amount of (1) all prime contracts to be awarded during the year and (2) subcontracts to be awarded by all of the agency's "reporting prime contractors."[1] After consulting with the SBA, each agency must also report its goals, expressed both in dollars and as a percentage of the total amount to be awarded. If there is a variance between the dollar and percent amounts, the percentage controls. The categories are:

- Prime contract awards to be made to small businesses;
- Prime contract awards to be made under the authority of Section 8(a) of the Small Business Act;
- Prime contract awards to be made to small businesses owned and controlled by socially and economically disadvantaged individuals other than 8(a);
- Prime contract awards to be made to small businesses owned and controlled by women;
- Subcontracts to be awarded by prime contractors to small businesses;
- Subcontracts to be awarded by prime contractors to small businesses owned and controlled by socially and economically disadvantaged individuals; and
- Subcontracts to be awarded by prime contractors to small businesses owned and controlled by women.

[1] "Reporting prime contractors" is defined in the federal government's Standard Form 295. See the appendix for detailed instructions provided to agencies.

Table A.22 *Employment in Selected Small-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
275	Commercial Printing	532.6	535.1	2.5	0.5
279	Printing Trade Services	60.0	57.7	−2.3	−3.8
316	Luggage	10.3	9.8	−0.5	−4.9
317	Handbags and Personal Leather Goods	11.8	11.3	−0.5	−4.2
327	Concrete, Gypsum, and Plaster Products	182.9	189.1	6.2	3.4
3441	Fabricated Structural Metal	66.4	66.3	−0.1	−0.2
3444	Sheet Metal Work	91.0	94.3	3.3	3.6
3446	Architectural and Ornamental Metal Work	25.9	25.4	−0.5	−1.9
3451	Screw Machine Products	44.8	46.2	1.4	3.1
3469	Metal Stampings, n.e.c.	78.4	79.5	1.1	1.4
347	Coating, Engraving, and Allied Services	114.8	115.2	0.4	0.3
3496	Miscellaneous Fabricated Wire Products	51.4	52.1	0.7	1.4
3535	Conveyors and Conveying Equipment	34.0	35.5	1.5	4.4
354	Metalworking Machinery and Equipment	116.2	115.5	−0.7	−0.6
3544	Special Dies and Tools, Die Sets, Jigs, Molds	140.7	143.6	2.9	2.1
3545	Cutting Tools, Machine Tool Accessories, Measuring	48.8	48.4	−0.4	−0.8
3552	Textile Machinery	15.4	15.8	0.4	2.6
3556	Food Products Machinery	22.9	22.7	−0.2	−0.9
359	Miscellaneous Industrial Machinery	63.7	63.1	−0.6	−0.9
3596	Scales and Balances, except Laboratory	225.4	226.0	0.6	0.3
3633	Household Laundry Equipment	17.8	18.5	0.7	3.9
3645	Residential Electric Lighting Fixtures	20.5	20.5	0.0	0.0
391	Jewelry, Silverware, and Plated Ware	13.2	12.8	−0.4	−3.0
3911	Jewelry, Precious Metal	37.6	37.7	0.1	0.3
393	Musical Instruments	13.0	13.2	0.2	1.5
396	Costume Jewelry	29.5	28.8	−0.7	−2.4
399	Miscellaneous Manufacturing Industries	130.9	132.3	1.4	1.1
	Transportation and Public Utilities	**960.2**	**968.2**	**8.0**	**0.8**
41 [3]	Local and Interurban Passenger Transportation	49.6	48.3	−1.3	−2.6



Most of the agencies provided the information; however, the Department of Defense was unable to collect these data. The Federal Procurement Data System's Federal Procurement Report for FY 1992 shows that 67.7 percent of the total dollars awarded was by the Department of Defense. The SBA has retained the other agencies' reports; when complete data are collected, the requested information will be provided. The absence of these data should not prevent the SBA from reporting the procurement preference goaling achievement report.

The SBA's detailed analysis and comments cover only the 18 federal agencies with the largest contracting budgets. These 18 agencies represent approximately 99 percent of federal procurement awards reported to the SBA. Tabular data on many of the smaller agencies are also included for FY 1992.

Small Business Prime Contract Awards

In FY 1992, the federal government awarded 22.9 percent, or $41.3 billion of a total $180.4 billion, in prime contract dollars to small business (Table 1).

Table A.22 *Employment in Selected Small-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
526	Retail Nurseries, Lawn and Garden Supply Stores	82.6	83.8	1.2	1.5
542	Meat Markets and Freezer Provisioners	55.2	60.6	5.4	9.8
545	Dairy Products Stores	20.6	18.6	−2.0	−9.7
546	Retail Bakeries	169.8	175.5	5.7	3.4
55[2]	Automotive Dealers and Gasoline Service Stations	138.5	155.6	17.1	12.3
551	New and Used Car Dealers	885.3	923.8	38.5	4.3
553	Auto and Home Supply Stores	340.7	358.5	17.8	5.2
554	Gasoline Service Stations	612.8	617.4	4.6	0.8
559	Automotive Dealers, n.e.c.	7.1	6.0	−1.1	−15.5
561	Men's and Boys' Clothing and Furnishings	95.7	95.5	−0.2	−0.2
571	Furniture and Home Furnishings Stores	456.5	485.3	28.8	6.3
572	Household Appliance Stores	76.7	73.0	−3.7	−4.8
58	Eating and Drinking Places	6,654.7	6,936.1	281.4	4.2
592	Liquor Stores	117.4	118.4	1.0	0.9
593	Used Merchandise Stores	81.7	84.6	2.9	3.5
594	Miscellaneous Shopping Goods Stores	197.5	194.6	−2.9	−1.5
5941	Sporting Goods and Bicycles	170.1	183.4	13.3	7.8
5943	Stationery Stores	73.2	74.7	1.5	2.0
5944	Jewelry Stores	151.1	150.9	−0.2	−0.1
5947	Gift, Novelty, and Souvenir Shops	193.5	194.9	1.4	0.7
5962	Automatic Merchandising Machine Operators	76.4	77.5	1.1	1.4
598	Fuel Dealers	102.9	103.1	0.2	0.2
599	Retail Stores, n.e.c.	438.0	478.3	40.3	9.2
	Finance, Insurance and Real Estate	**2,180.7**	**2,197.0**	**16.3**	**0.7**
606	Credit Unions	141.2	147.4	6.2	4.4
64	Insurance Agents, Brokers, and Service	647.6	645.3	−2.3	−0.4
65[2]	Real Estate	31.9	36.3	4.4	13.8
651	Real Estate Operators and Lessors	561.2	558.9	−2.3	−0.4
653	Real Estate Agents and Managers	569.9	574.9	5.0	0.9
655	Subdividers and Developers	106.0	103.9	−2.1	−2.0
67	Holding and Investment Services	122.9	130.3	7.4	6.0

Both the total amount and the percentage awarded to small businesses exceeded the projected figures: small firms gained $4.9 billion more than had been estimated, and 1.8 percentage points more than the overall share goal of 21.1 percent.

Of the 18 agencies with the largest contracting budgets, 10 exceeded their percentage goals for FY 1992—eight by more than $100 million. The Department of Defense (DOD) awarded $24.0 billion—more than half—of the total $41.3 billion in contracts to small business. The DOD exceeded its 19.0-percent goal by 1.5 percentage points; the additional amount awarded to small business exceeded $2.2 billion.

The magnitude of the dollar gains is not always apparent in the small business share figures: DOD exceeded its 19.0-percent goal by 1.5 percentage points, but because the total contracted amount was more than $2.7 billion above the estimated figure, the additional amount to small firms was $2.2 billion, for a small firm award total of $24 billion. On the other hand, although the Department of Agriculture missed its goal by 7.7 percentage points, small business received an additional $242 million for total prime contract awards to small businesses of $1.6 billion.

Seven of the 18 agencies set more aggressive goals in FY 1992 than in FY 1991 and three of those—the Department of Health and Human Services, the Department of Transportation, and the Department of Veterans Affairs—achieved their goals.

Agency Shortfalls

The U.S. Small Business Administration is charged in P.L. 95–507 to analyze and comment on shortfalls by major reporting agencies. Nine of the 18 major agencies missed their percentage goals for prime contract awards to small businesses: the Departments of Agriculture, Education, Energy, Interior, Labor, and State; the Environmental Protection Agency; the General Services Administration Federal Supply Schedules; and the Tennessee Valley Authority. This group includes three of the agencies that had set more aggressive goals than in FY 1991.

Department of Agriculture

The Department of Agriculture (USDA) failed to achieve its FY 1992 goal of 55 percent by 7.7 percentage points. In FY 1992, USDA underestimated their projected $2.46 billion expenditures by more than $913 million. This increased the dollar awards to small business by $242 million, although the percentage share was under the goal of 55 percent. SBA records contain no extenuating circumstances relating to USDA's performance.

Department of Education

The Department of Education (DOEd) failed to achieve its 23.9-percent goal by 6.4 percentage points. The DOEd underestimated its projected $169 million expenditures by more than $115 million.

Table A.22 *Employment in Selected Small-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
836	Residential Care	551.9	587.5	35.6	6.5
839	Social Services, n.e.c.	176.8	184.2	7.4	4.2
84	Museums, Botanical and Zoological Gardens	71.9	76.7	4.8	6.7
86	Membership Organizations	[1] 231.6	1,233.6	2.0	0.2
861	Business Associations	102.4	104.3	1.9	1.9
862	Professional Organizations	52.9	53.8	0.9	1.7
863	Labor Organizations	135.5	134.9	−0.6	−0.4
864	Civic and Social Associations	417.4	429.0	11.6	2.8
8712	Architectural Services	112.6	115.1	2.5	2.2
8713	Surveying Services	46.7	50.5	3.8	8.1
87	Engineering, Accounting, Research	939.5	976.9	37.4	4.0
872	Accounting, Auditing, and Bookkeeping	502.0	498.7	−3.3	−0.7
8732	Commercial Economic, Sociological, and Educational Research	105.5	107.0	1.5	1.4
8743	Public Relations Services	30.7	31.0	0.3	1.0
89	Services, n.e.c.	41.3	41.2	−0.1	−0.2

[1] Represents sum of three-digit components, which are also shown separately.

[2] Represents two-digit industries with three-digit industry breakout. However, due to the inability to distribute all industry employment, industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

[3] Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by the Bureau of Labor Statistics.

n.e.c. = Not elsewhere classified.

Note: Excludes self-employed workers. Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. While 99.9 percent of industry employment was allocated to small, large, or indeterminate industries, about 2 percent of employment in the manufacturing and service sectors could not be allocated because of SIC code inconsistencies.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (February 1994), Table B.2.

National Aeronautics and Space Administration	12,172,176	872,069	7.0	7.5	7.0	7.1	7.2
National Science Foundation	162,920	11,471	1.9	3.3	10.6	6.9	7.0
Nuclear Regulatory Commission	42,847	22,564	36.2	36.2	34.0	22.6	52.7
Office of Personnel Management	55,028	22,210	1.9	17.6	18.3	49.2	40.4
Securities and Exchange Commission	22,938	5,571	51.8	5.8	12.9	26.9	24.3
Small Business Administration	38,411	36,781	46.8	56.5	NA	72.4	87.9
Smithsonian Institution	22,915	11,096	66.6	56.1	63.3	47.0	48.4
Tennessee Valley Authority [2]	1,322,927	408,201	48.8	−9.0	62.0	26.4	30.9
United States Information Agency	61,196	12,438	22.3	33.7	54.1	31.0	20.3

[1] A total of 62 agencies are represented in the total dollars for FY 1992; the 29 organizations listed are those agencies that awarded at least $15 million in contract actions over $25,000 in FY 1992. In the aggregate, these organizations accounted for more than 99 percent of the dollar volume of awards over $25,000 in FY 1992.

[2] The negative small business figures for the Tennessee Valley Authority in FY 1985 were due to deobligations in multiyear contracts for the purchase of coal that had fallen in price.

NA = Not available.

Note: Starting in FY 1983, the dollar threshold for reporting detailed information on DOD procurement actions increased from $10,000 to $25,000. For civilian agencies, a similar change was made starting in FY 1986.

Source: Federal Procurement Data Center, "Special Report S89522C" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 12, 1989); and idem, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Table A.23 *Employment in Selected Large-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
2341	Women's, Misses', Children's, and Infants' Underwear and Nightwear	44.6	42.4	−2.2	−4.9
2436	Softwood Veneer and Plywood	27.3	26.9	−0.4	−1.5
2451	Mobile Homes	43.6	49.8	6.2	14.2
252	Office Furniture	62.5	63.5	1.0	1.6
262	Paper Mills	171.7	165.8	−5.9	−3.4
263	Paperboard Mills	51.7	51.0	−0.7	−1.4
265	Paperboard Containers and Boxes	74.0	71.7	−2.3	−3.1
2653	Corrugated and Solid Fiber Boxes	122.8	123.4	0.6	0.5
2656	Sanitary Food Containers, except Folding	15.7	15.9	0.2	1.3
267	Converted Paper and Paperboard Products, except Containers and Boxes	168.5	167.9	−0.6	−0.4
2672	Coated and Laminated Paper	44.4	44.2	−0.2	−0.5
2677	Envelopes	23.6	23.7	0.1	0.4
271	Newspapers: Publishing, or Publishing and Printing	454.9	454.8	−0.1	−0.0
273	Books	117.6	120.1	2.5	2.1
281	Industrial Inorganic Chemicals	136.6	133.7	−2.9	−2.1
282	Plastic Materials	170.6	164.7	−5.9	−3.5
283	Drugs	259.0	262.9	3.9	1.5
2841	Soap and Other Detergents	42.4	42.0	−0.4	−0.9
2844	Perfumes, Cosmetics, and Other Toilet Preparations	68.6	68.7	0.1	0.1
2865	Cyclic Organic Crudes and Intermediates, and Organic Dyes and Pigments	25.2	25.2	0.0	0.0
2869	Industrial Organic Chemicals, n.e.c.	124.1	119.0	−5.1	−4.1
287	Agricultural Chemicals	56.4	55.9	−0.5	−0.9
291	Petroleum Refining	117.1	115.0	−2.1	−1.8
301	Tires and Inner Tubes	83.6	83.1	−0.5	−0.6
302	Rubber and Plastics Footwear	10.3	10.3	0.0	0.0
305	Gaskets, Packing, and Sealing Devices	59.3	60.9	1.6	2.7
314	Footwear, except Rubber	61.9	61.7	−0.2	−0.3
321	Flat Glass	14.3	14.2	−0.1	−0.7
322	Glass and Glassware, Pressed or Blown	78.9	76.6	−2.3	−2.9
324	Cement, Hydraulic	17.0	16.8	−0.2	−1.2

Table C.4 *Distribution of Small Business Share of Dollars in Contract Actions Over $25,000 by Procuring Agency Source, FY 1992*

	Thousands of Dollars		Small Business Distribution (Percent)
	Total	Small Business	
Total, All Agencies	**177,786,381**	**28,229,749**	**100.0**
Department of Defense	120,389,083	17,673,518	62.6
General Services Administration	5,174,962	2,039,507	7.2
Department of Transportation	2,832,389	1,260,027	4.5
Department of Agriculture	2,774,109	1,102,547	3.9
National Aeronautics and Space Administration	12,172,176	872,069	3.1
Department of Veterans Affairs	2,301,889	858,243	3.0
Department of the Interior	1,481,560	675,033	2.4
Department of Energy	18,543,995	556,601	2.0
Department of Health and Human Services	2,317,072	550,054	1.9
Department of Justice	1,421,175	514,671	1.8
Department of the Treasury	1,533,527	416,873	1.5
Tennessee Valley Authority	1,322,927	408,201	1.4
Environmental Protection Agency	1,243,767	257,110	0.9
Department of State	719,625	204,249	0.7
Department of Commerce	642,279	198,466	0.7
Agency for International Development	955,586	176,839	0.6
Department of Labor	754,801	158,638	0.6
Federal Emergency Management Agency	199,887	73,224	0.3
Department of Education	284,458	40,231	0.1
Department of Housing and Urban Development	198,958	38,834	0.1
Small Business Administration	38,411	33,781	0.1
Nuclear Regulatory Commission	42,847	22,564	0.1
Office of Personnel Management	55,028	22,210	0.1
United States Information Agency	61,196	12,438	(*)
National Science Foundation	162,920	11,471	(*)
Smithsonian Institution	22,915	11,096	(*)
National Archives and Records Administration	11,554	7,860	(*)
Executive Office of the President	15,048	5,999	(*)
Securities and Exchange Commission	22,938	5,571	(*)
National Labor Relations Board	4,309	3,270	(*)
Federal Trade Commission	4,061	2,721	(*)
Railroad Retirement Board	7,799	2,555	(*)
Equal Employment Opportunity Commission	29,829	2,446	(*)
National Gallery of Art	4,174	2,347	(*)
Peace Corps	11,038	2,033	(*)
Federal Energy Regulatory Commission	8,742	1,454	(*)
National Mediation Board	1,240	1,224	(*)
Consumer Product Safety Commission	2,123	1,198	(*)
International Trade Commission	1,735	1,150	(*)
All Others	13,871	1,426	(*)

*Less than 0.05 percent.

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Table A.23 *Employment in Selected Large-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
3641	Electric Lamp Bulbs and Tubes	21.2	20.7	−0.5	−2.4
3643	Current Carrying Wiring Devices	63.9	64.4	0.5	0.8
3644	Noncurrent Carrying Wiring Devices	19.1	19.3	0.2	1.0
365	Household Audio and Video Equipment	83.0	84.7	1.7	2.0
366	Communications Equipment	234.5	229.3	−5.2	−2.2
367	Electronic Components and Accessories	281.0	277.3	−3.7	−1.3
3671	Electron Tubes	25.2	23.4	−1.8	−7.1
3674	Semiconductors and Related Devices	215.0	216.5	1.5	0.7
369	Miscellaneous Electrical Machinery	150.0	152.1	2.1	1.4
371	Motor Vehicles and Equipment	79.0	83.0	4.0	5.1
3711	Motor Vehicles and Passenger Car Bodies	321.8	330.3	8.5	2.6
3714	Motor Vehicle Parts and Accessories	421.6	434.2	12.6	3.0
3721	Aircraft	319.4	286.4	−33.0	−10.3
3724	Aircraft Engines and Engine Parts	120.2	105.0	−15.2	−12.6
3728	Aircraft Parts and Auxiliary Equipment	143.6	117.6	−26.0	−18.1
3731	Ship Building and Repairing	119.5	108.4	−11.1	−9.3
374	Railroad Equipment	28.1	28.0	−0.1	−0.4
376	Guided Missiles and Space Vehicles	133.3	111.1	−22.2	−16.7
381	Search, Detention, Navigation Equipment	215.6	191.1	−24.5	−11.4
382	Laboratory Apparatus	283.8	271.7	−12.1	−4.3
384	Surgical, Medical, and Dental Instruments	265.0	263.4	−1.6	−0.6
385	Ophthalmic Goods	37.7	37.7	0.0	0.0
386	Photographic Equipment and Supplies	84.0	89.4	−4.6	−4.9
	Transportation and Public Utilities	**3,098.0**	**3,065.0**	**−33.0**	**−1.1**
40	Railroad Transportation	32.7	32.5	−0.2	−0.6
4011	Railroads, Line-Haul Operating	218.8	214.5	−4.3	−2.0
45	Transportation by Air	28.8	28.5	−0.3	−1.0
451	Air Transportation	601.0	611.5	10.5	1.7
458	Air Transportation Services	89.7	87.5	−2.2	−2.2
46	Pipelines, except Natural Gas	18.4	17.2	−1.2	−6.5
48	Communications	25.4	24.8	−0.6	−2.4
481	Telephone Communication	884.1	859.6	−24.5	−2.8
4833	Television Broadcasting Stations	114.2	115.0	0.8	0.7
484	Cable and Other Pay Television Services	129.2	131.4	2.2	1.7

Table C.2 *Distribution of Dollars in Contract Actions Over $25,000 by Major Recipient Category for Selected Years (Percent)*

Recipient Category	FY 1980	FY 1990	FY 1992
Total	100.0	100.0	100.0
Large Business	74.0	71.4	70.1
Small Business	15.2	14.8	15.9
Educational Institutions and Nonprofit Groups	6.0	4.1	4.5
State and Local Governments	(*)	1.8	2.2
Domestic Firms Working Outside the U.S.	—	0.8	1.0
Foreign Firms	—	2.7	2.3
Unclassified	4.8	4.4	4.0

*Data for state and local governments for FY 1980 are included in the figures for "Educational Institutions and Nonprofit Groups."

Note: Starting in FY 1983, the dollar threshold for reporting detailed information on DOD procurement actions increased from $10,000 to $25,000. For civilian agencies, a similar change was made starting in FY 1986.

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993); idem, *Federal Procurement Data System Standard Report* (Washington, D.C.: U.S. Government Printing Office, March 15, 1986); and idem, "Special Report 85462S" (prepared for the U.S. Small Business Administration, Office of Advocacy, February 28, 1986).

Table A.23 *Employment in Selected Large-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
7374	Computer Processing and Data Preparation	211.9	220.7	8.8	4.2
7375	Information Retrieval Services	47.1	51.7	4.6	8.8
7378	Computer Maintenance and Repair	42.5	39.9	−2.6	−6.1
7514	Passenger Car Rental	87.3	110.7	13.4	13.8
781	Motion Picture Production	174.4	180.6	6.2	3.6
783	Motion Picture Theaters	107.3	106.6	−0.7	−0.7
80	Health Services	302.5	317.5	15.0	5.0
8062	Hospitals	3,494.3	3,513.1	18.8	0.5
8063	Psychiatric Hospitals	102.6	88.3	−4.3	−4.2
8069	Specialty Hospitals, except Psychiatric	202.8	206.2	3.4	1.7
822	Colleges and Universities	1,122.8	1,157.6	34.8	3.1
8731	Physical and Biological Research	231.7	231.2	−0.5	−0.2

[1] Represents sum of three-digit components, which are also shown separately.

[2] Represents two-digit industries with three-digit industry breakout. However, due to the inability to distribute all industry employment, industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

[3] Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by the Bureau of Labor Statistics.

Note: Excludes self-employed workers. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with more than 500 employees. While 89.9 percent of industry employment was allocated to small, large, or indeterminate industries, about 2 percent of employment in the manufacturing and service sectors could not be allocated because of SIC code inconsistencies.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (February 1994), Table B.2.

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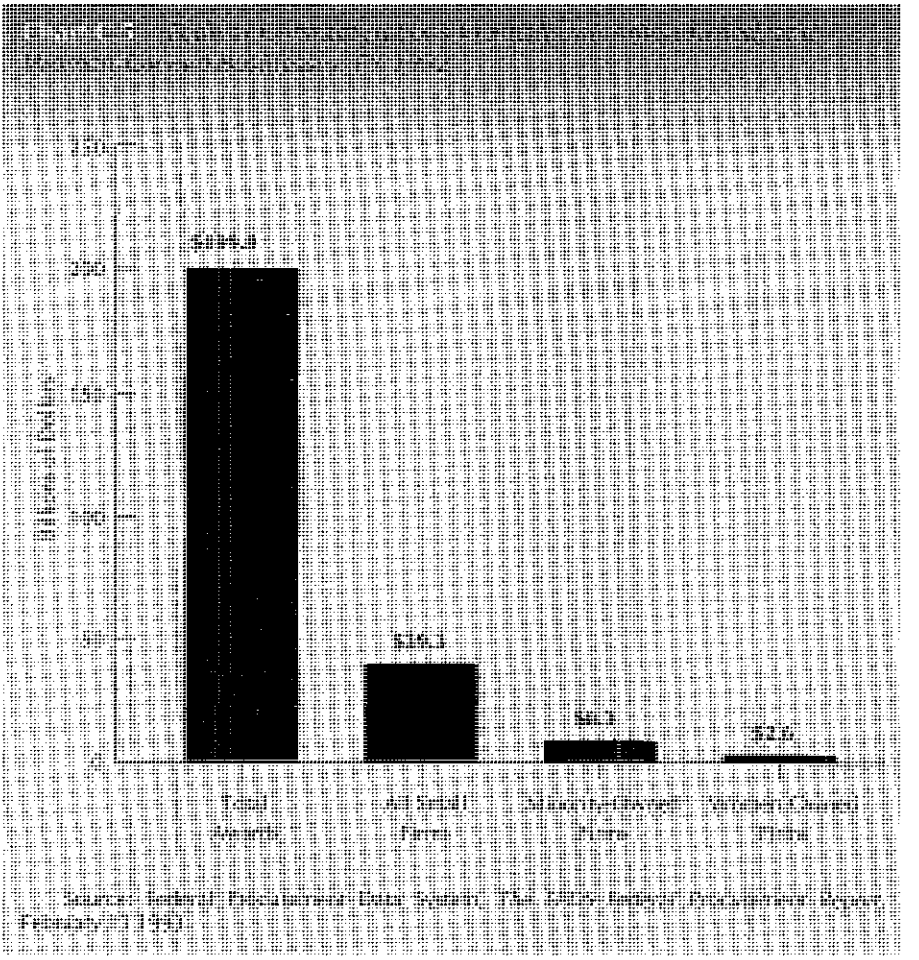
Table A.24 *Employment in Selected Indeterminate Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
253	Public Building and Related Furniture	34.8	35.7	0.9	2.6
2657	Folding Paperboard Boxes	49.5	48.3	−1.2	−2.4
2673	Plastics, Foil, and Coated Paper Bags	36.1	35.9	−0.2	−0.6
272	Periodicals: Publishing, or Publishing and Printing	124.0	125.7	1.7	1.4
274	Miscellaneous Publishing	80.7	80.4	−0.3	−0.4
276	Manifold Business Forms	47.7	47.2	−0.5	−1.0
278	Blankbooks, Looseleaf Binders, and Bookbinding and Related Work	67.9	65.9	−2.0	−2.9
2842	Specialty Cleaning, Polishing, and Sanitation Preparations	42.7	42.5	−0.2	−0.5
285	Paints, Varnishes, Lacquers, Enamel	58.3	57.4	−0.9	−1.5
289	Miscellaneous Chemical Products	92.4	88.6	−3.8	−4.1
295	Asphalt Paving and Roofing Material	25.1	25.5	0.4	1.6
306	Fabricated Rubber Products, n.e.c.	100.9	101.1	0.2	0.2
308	Miscellaneous Plastics Products	622.0	637.0	15.0	2.4
3111	Leather Tanning and Finishing	23.2	23.5	0.3	1.3
323	Products of Purchased Glass	58.9	57.7	−1.2	−2.0
325	Structural Clay Products	30.6	30.6	0.0	0.0
326	Pottery and Related Products	37.6	38.4	0.8	2.1
3291	Abrasive Products	19.4	19.3	−0.1	−0.5
3325	Steel Foundries, n.e.c.	24.0	24.5	0.5	2.1
342	Cutlery, Handtools, and General Hardware	11.4	11.8	0.4	3.5
3423	Hand and Edge Tools, except Machine Tools and Handsaws	40.9	41.8	0.9	2.2
343	Heating Equipment, except Electric and Warm Air; and Plumbing Fixtures	57.0	59.2	2.2	3.9
3442	Metal Doors, Sash, Frames, Molding, and Trim	69.4	70.5	1.1	1.6
3443	Fabricated Plate Work (Boiler Shops)	97.3	94.3	−3.0	−3.1
3452	Bolts, Nuts, Screws, Rivets, and Washers	44.5	44.1	−0.4	−0.9
3462	Iron and Steel Forgings	28.5	29.1	0.6	2.1
3494	Valves and Pipe Fittings, n.e.c.	23.8	23.6	−0.2	−0.8



Legislative debates in 1994 resulted in the passage of the Federal Acquisition Streamlining Act (FASA). The most significant reform measures included in the law were as follows:

- The small purchase threshold is increased from $25,000 to $100,000.
- Federal agencies are encouraged to purchase commercial items and exemptions are provided from certain socioeconomic statutes.
- A governmentwide electronic data interchange (EDI) system will be established to notify potential contractors of procurement opportunities.
- Waivers of certain laws are authorized for certain agency procurements.
- The instances in which agency managers are required to buy from GSA's Multiple Award Schedule are reduced.
- A new 5-percent governmentwide procurement goal is established for women-owned businesses.

Table A.24 *Employment in Selected Indeterminate Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
449	Services Incidental to Water Transportation	104.1	103.1	−1.0	−1.0
	Wholesale Trade	**1,558.9**	**1,594.5**	**35.6**	**2.3**
504	Professional and Commercial Equipment	321.4	319.9	−1.5	−0.5
5047	Medical, Dental, and Hospital Equipment	152.4	160.9	8.5	5.6
5065	Electronic Parts and Equipment	220.5	228.0	7.5	3.4
511	Paper and Paper Products	239.6	248.7	9.1	3.8
514	Groceries and Related Products	432.1	446.8	14.7	3.4
516	Chemicals and Allied Products	140.2	137.6	−2.6	−1.9
5182	Wine and Distilled Alcoholic Beverages	52.7	52.6	−0.1	−0.2
	Retail Trade	**1,396.8**	**1,399.1**	**2.3**	**0.2**
54	Food Stores	124.8	142.0	17.2	13.8
573	Radio, TV and Music Stores	109.7	113.9	4.2	3.8
5731	Radio, Television, and Consumer Electronics Stores	129.8	142.7	12.9	9.9
591	Drug Stores and Proprietary Stores	617.7	621.0	3.3	0.5
5942	Book Stores	99.0	98.6	−0.4	−0.4
5949	Sewing, Needlework, and Piece Goods	66.9	63.0	−3.9	−5.8
596	Nonstore Retailers	51.3	48.1	−3.2	−6.2
5961	Catalog and Mail-Order Houses	197.6	169.8	−27.8	−14.1
	Finance, Insurance, and Real Estate	**1,324.2**	**1,363.5**	**39.3**	**3.0**
6022	State Commercial Banks	603.6	619.3	15.7	2.6
6035	Savings Institutions, Federally Chartered	193.5	191.8	−1.7	−0.9
61	Nondepository Credit Institutions	16.9	17.2	0.3	1.8
614	Personal Credit Institutions	126.4	123.7	−2.7	−2.1
616	Mortgage Bankers and Brokers	178.9	204.1	25.2	14.1
623	Security and Commodity Exchanges	22.6	22.9	0.3	1.3
628	Services Allied with Exchange of Securities or Commodities	82.7	86.2	3.5	4.2
671	Holding Offices	99.6	98.3	−1.3	−1.3
	Services	**6,024.8**	**6,271.5**	**246.7**	**4.1**
701	Hotels, Motels, and Tourist Courts	1,474.1	1,492.8	18.7	1.3

The small business share increased in about half of the states between FY 1991 and FY 1992 and declined in the other half. The largest share gain for small firms was in West Virginia, where the small business share more than doubled, from 18.0 to 41.4 percent; the largest loss was in Georgia, where the small business share declined from 23.3 to 11.2 percent.

Subcontracting by Major Purchasing Agency

Data on subcontracts to small businesses are available only from federal agencies that project agency procurement of $10 million or more and only for individual prime contracts exceeding $500,000 (except for construction awards, for which the data include only awards in excess of $1 million). Subcontracting dollars represent a very substantial source of revenue to small firms, especially those specialized firms equipped to perform only part of a large or complex project. The inclusion of subcontracts to small firms raises the small business share of procurement from just under 20 percent of the total value of federal contract actions to over 30 percent in FY 1992.

Although the dollar value of subcontracts varies considerably from year to year, the trend has been generally upward in recent years for most of the major federal procurement centers. Of the 23 major federal agencies and departments reporting for both FY 1992 and FY 1991, 15 show an increase in dollars subcontracted to small businesses over FY 1991 levels (Table C.10).

Paralleling federal prime contracting patterns, subcontracting awards to small firms emanate primarily from the prime contractors to the DOD ($18.2 billion), the National Aeronautics and Space Administration ($1.6 billion), and the General Services Administration ($873.6 million) (Table C.10).

In FY 1992, small businesses also obtained significant subcontract awards working with prime contractors to the Departments of Veterans Affairs ($610.4 million), Energy ($233.7 million), and the Treasury ($155.1 million), the Environmental Protection Agency ($143.4 million), and the Department of Health and Human Resources ($108.1 million).

Federal Contract Awards to Minority- and Women-Owned Businesses

Women- and minority-owned businesses are the most rapidly growing segments of federal contracting markets. From FY 1991 to FY 1992, women- and minority-owned businesses increased their share of the value of awards over $25,000 by 12.9 percent and 20.2 percent, respectively, in the face of declining dollar amounts to small businesses overall and decreasing procurement programs of the federal government (Table C.11). Seventy-seven percent of the FY 1992 dollar awards to women-owned firms and 94 percent of the awards to minority-owned firms were in contract actions over $25,000 (Table C.12).

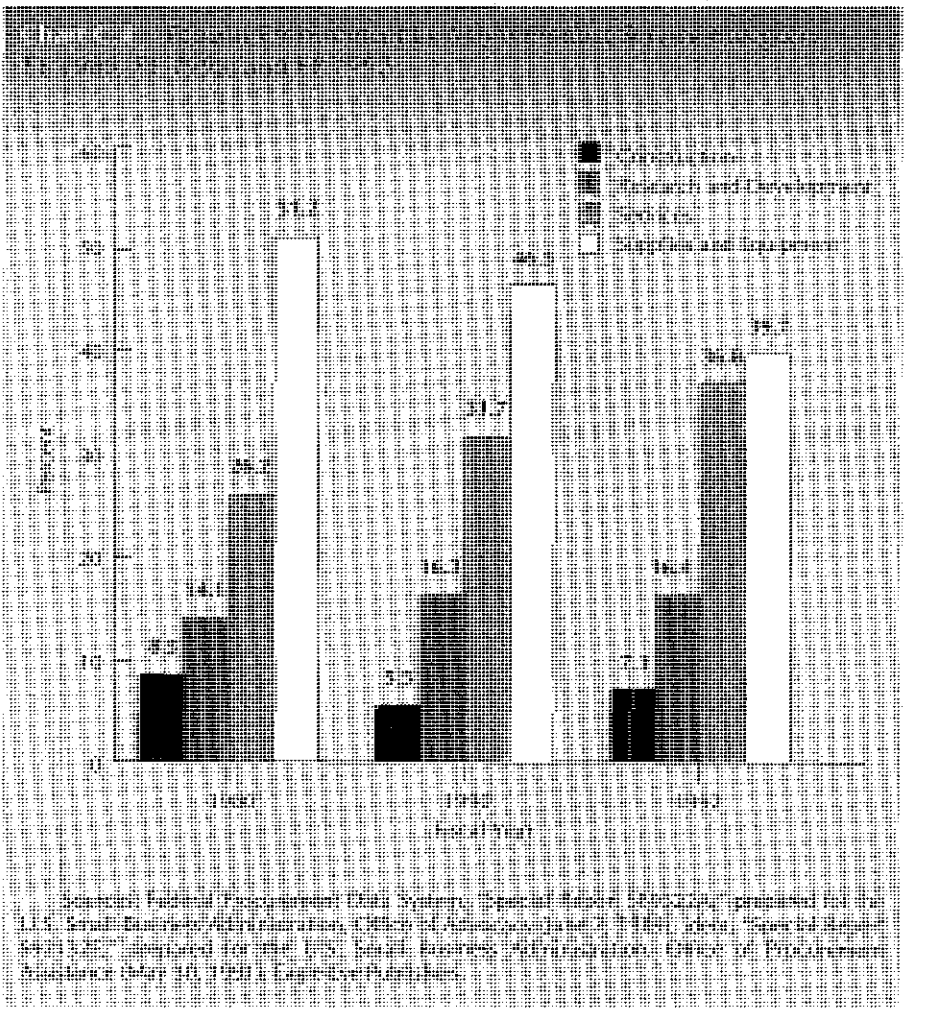
Table A.25 *Change in Employment in Small-Business-Dominated, Large-Business-Dominated, and Indeterminate Industries, December 1992 and December 1993 (Thousands)*

Industry	Industry Totals		Small-Business-Dominated Industries		Large-Business-Dominated Industries		Indeterminate Industries	
	Absolute Change	Percent	Absolute Change	Percent	Absolute Change	Percent	Absolute Change	Percent
Total, All Industries	**1,874.9**	**2.1**	**1,330.6**	**3.2**	**167.6**	**0.5**	**376.7**	**2.3**
Mining	−5.9	−1.0	0.0	0.0	−19.7	−5.5	13.8	6.1
Construction	195.6	4.5	195.6	4.5	NA	NA	NA	NA
Manufacturing	−131.2	−0.7	−1.3	0.0	−151.4	−1.4	21.5	0.5
Transportation	−7.5	−0.1	8.0	0.8	−33.0	−1.1	17.5	1.0
Wholesale Trade	69.4	1.1	63.1	1.7	−29.3	−3.9	35.6	2.3
Retail Trade	464.4	2.3	484.4	4.1	−22.3	−0.3	2.3	0.2
Finance, Insurance, Real Estate	85.4	1.3	16.3	0.7	29.8	1.0	39.3	3.0
Services	1,204.7	4.1	564.5	3.6	393.5	5.1	246.7	4.1

NA = Indicates lack of industry representation within that size category.

Note: Detail may not add to total due to rounding. Data exclude self-employed workers. Small-business-dominated industries are industries in which 60 percent or more of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries that have 60 percent or more of employment in firms with more than 500 employees. A third set of industries, in which 40.1 to 59.9 percent of employment is in firms with fewer than 500 employees, constitutes an indeterminate group, where dominance is unclear. While 99.9 percent of BLS employment could be allocated overall, only 98 percent could be allocated in the manufacturing and services sectors because of inconsistencies in the Standard Industrial Classification codes.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (February 1994), Table B.2.

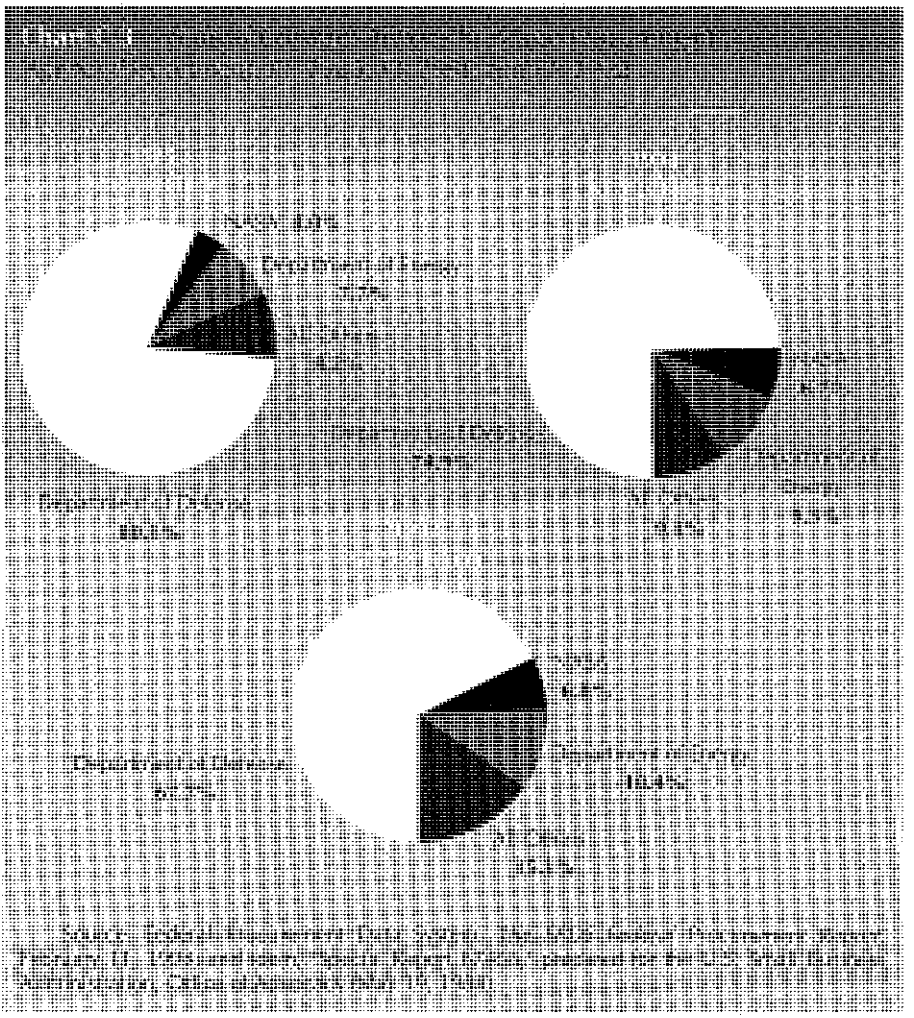


rewarding for many small firms. Of the $65.7 billion in contract actions awarded by the federal government for services in FY 1992, 17.0 percent ($11.2 billion) was awarded to small firms, up from 15.9 percent ($8.8 billion) two years earlier (Table C.7). The dollar value of service awards to small firms has increased almost every year since 1979 (Table C.8).

As pressure mounts on federal procuring agencies and departments to lower their overall acquisition levels, it is likely that many will postpone the replacement of hardware and other supplies and equipment and opt instead for maintenance and repair awards in the service categories. This shift should provide growth and expansion opportunities for small service firms with procurement experience, as well as encouraging the first-time entry of other small businesses into federal procurement markets.

Table A.27 *Wage-and-Salary and Nonfarm Proprietors' Income by SBA Region and State, 1992 and 1993*

	1992	1993	Percent Change	Rank
U.S. Total				
Wages and Salaries	2,964,238	3,073,067	3.7	
Nonfarm Proprietors' Income	370,578	397,271	7.2	
Total Earned Income	3,390,954	3,521,312	3.8	
Region I				
Wages and Salaries	177,088	182,529	3.1	
Nonfarm Proprietors' Income	21,709	23,283	7.3	
Total Earned Income	198,797	205,812	3.5	
Connecticut				
Wages and Salaries	51,177	51,970	1.6	50
Nonfarm Proprietors' Income	5,985	6,369	6.4	38
Total Earned Income	57,161	58,339	2.1	49
Maine				
Wages and Salaries	11,736	12,090	3.0	46
Nonfarm Proprietors' Income	2,046	2,157	5.5	50
Total Earned Income	13,781	14,247	3.4	46
Massachusetts				
Wages and Salaries	85,168	88,372	3.8	33
Nonfarm Proprietors' Income	9,435	10,222	8.3	15
Total Earned Income	94,603	98,594	4.2	31
New Hampshire				
Wages and Salaries	12,344	12,804	3.7	34
Nonfarm Proprietors' Income	2,044	2,178	6.6	35
Total Earned Income	14,388	14,982	4.1	32
Rhode Island				
Wages and Salaries	10,881	11,265	3.5	38
Nonfarm Proprietors' Income	1,200	1,275	6.2	41
Total Earned Income	12,082	12,539	3.8	40
Vermont				
Wages and Salaries	5,783	6,030	4.3	28
Nonfarm Proprietors' Income	1,000	1,082	8.2	17
Total Earned Income	6,783	7,112	4.8	24
Region II				
Wages and Salaries	372,263	378,298	1.6	
Nonfarm Proprietors' Income	45,705	48,501	6.1	
Total Earned Income	417,969	426,800	2.1	
New Jersey				
Wages and Salaries	113,075	117,066	3.5	37
Nonfarm Proprietors' Income	12,526	13,352	6.6	34
Total Earned Income	125,601	130,418	3.8	37
New York				
Wages and Salaries	259,188	261,233	0.8	52
Nonfarm Proprietors' Income	33,179	35,150	5.9	44
Total Earned Income	292,368	296,382	1.4	51

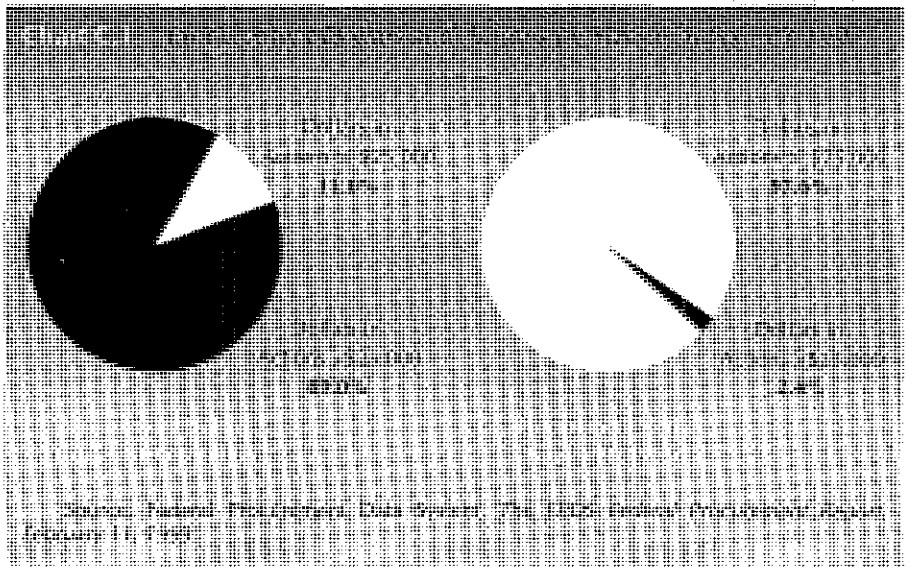


As discretionary programs continue to be trimmed or frozen to meet deficit reduction goals, it is likely that the DOD will continue to lose ground as the primary source of federal contract awards to small firms. Because a significant portion of small firm performance is directly attuned to military procurement cycles, there may be an adverse impact on many small businesses. Moreover, alternate sources, such as the DOE and NASA, have historically allocated substantial portions of their budgets to large-scale programs with high levels of technical sophistication, requiring initial investments beyond the capabilities of most smaller firms.

Some experts believe that small firms, with their inherent flexibility, fit into the niches of marginal spending more effectively than their larger counterparts, and so will perform better than large firms during a downswing in military procurement. With continued military downsizing, there are likely to be new opportunities to test this notion.

Table A.27 *Wage-and-Salary and Nonfarm Proprietors' Income by SBA Region and State, 1992 and 1993*—Continued

	1992	1993	Percent Change	Rank
Kentucky				
Wages and Salaries	34,460	35,951	4.3	27
Nonfarm Proprietors' Income	3,944	4,237	7.4	23
Total Earned Income	38,404	40,188	4.6	29
Mississippi				
Wages and Salaries	19,441	20,834	7.2	5
Nonfarm Proprietors' Income	2,721	2,958	8.7	12
Total Earned Income	22,162	23,792	7.4	4
North Carolina				
Wages and Salaries	74,576	78,940	5.9	12
Nonfarm Proprietors' Income	7,629	8,277	8.5	14
Total Earned Income	82,205	87,217	6.1	12
South Carolina				
Wages and Salaries	34,877	36,469	4.6	24
Nonfarm Proprietors' Income	3,556	3,927	10.4	6
Total Earned Income	38,433	40,395	5.1	19
Tennessee				
Wages and Salaries	52,649	55,562	5.5	14
Nonfarm Proprietors' Income	7,448	8,100	8.8	11
Total Earned Income	60,097	63,662	5.9	14
Region V				
Wages and Salaries	557,059	580,320	4.2	
Nonfarm Proprietors' Income	56,076	59,731	6.5	
Total Earned Income	613,135	640,051	4.4	
Illinois				
Wages and Salaries	150,534	156,064	3.7	35
Nonfarm Proprietors' Income	16,928	17,919	5.9	45
Total Earned Income	167,462	173,983	3.9	36
Indiana				
Wages and Salaries	61,471	64,396	4.8	21
Nonfarm Proprietors' Income	6,117	6,530	6.8	30
Total Earned Income	67,587	70,926	4.9	23
Michigan				
Wages and Salaries	110,141	115,287	4.7	22
Nonfarm Proprietors' Income	8,561	9,109	6.4	39
Total Earned Income	118,701	124,396	4.8	26
Minnesota				
Wages and Salaries	56,566	59,269	4.8	20
Nonfarm Proprietors' Income	5,859	6,302	7.6	22
Total Earned Income	62,425	65,571	5.0	21
Ohio				
Wages and Salaries	123,097	127,305	3.4	42
Nonfarm Proprietors' Income	13,352	14,272	6.9	29
Total Earned Income	136,449	141,577	3.8	42



Major Procurement Centers

The defense share of gross domestic product (GDP) has been gradually shrinking for the past three decades. Military outlays currently constitute less than 5.0 percent of GDP, compared with 8.8 percent in 1960.[9]

Nevertheless, the DOD remains the single most important center of federal acquisition activity in the federal government. In FY 1992, DOD accounted for 67.7 percent of dollars in contracts over $25,000, down from 71.1 percent in the preceding year and from DOD's peak share of 80.1 percent in FY 1985 (Table C.3 and Chart C.3).

The Department of Energy (DOE) and the National Aeronautics and Space Administration (NASA) also are important sources of federal contracting activity, accounting for 10.4 percent and 6.8 percent, respectively, of all dollars in federal contract actions over $25,000 in FY 1992. Over the years, the procurement activities of DOD, DOE, and NASA have formed the bulwark of all federal contracting activity, comprising from 84 to more than 90 percent of the dollar value of major federal contract awards, while all other agencies and departments combined accounted for about 10 to 15 percent.

Sources of Small Business Awards by Agency/Department

The agencies' order of importance as procurement centers shifts slightly when only small business awards are considered. The DOD remains the most important single source of contracting dollars, awarding nearly two-thirds ($17.7 billion) of the total $28.3 billion in contract dollars awarded to small firms in FY 1992 (Table C.4).

[9] Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business* (various issues, 1992–1994), (Washington, D.C.: U.S. Government Printing Office, February 1994).

Table A.27 *Wage-and-Salary and Nonfarm Proprietors' Income by SBA Region and State, 1992 and 1993*—Continued

	1992	1993	Percent Change	Rank
Nebraska				
Wages and Salaries	16,559	17,278	4.3	26
Nonfarm Proprietors' Income	2,237	2,403	7.4	24
Total Earned Income	18,796	19,681	4.7	28
Region VIII				
Wages and Salaries	82,880	88,439	6.7	
Nonfarm Proprietors' Income	11,125	12,098	8.7	
Total Earned Income	94,005	100,536	6.9	
Colorado				
Wages and Salaries	42,660	45,618	6.9	6
Nonfarm Proprietors' Income	5,518	6,072	10.0	9
Total Earned Income	48,178	51,690	7.3	6
Montana				
Wages and Salaries	6,581	7,007	6.5	8
Nonfarm Proprietors' Income	1,174	1,241	5.8	48
Total Earned Income	7,754	8,248	6.4	10
North Dakota				
Wages and Salaries	5,537	5,834	5.4	16
Nonfarm Proprietors' Income	745	790	6.0	43
Total Earned Income	6,283	6,623	5.4	16
South Dakota				
Wages and Salaries	5,778	6,212	7.5	3
Nonfarm Proprietors' Income	1,075	1,144	6.4	40
Total Earned Income	6,853	7,356	7.3	5
Utah				
Wages and Salaries	17,685	18,880	6.8	7
Nonfarm Proprietors' Income	1,882	2,075	10.3	8
Total Earned Income	19,568	20,955	7.1	7
Wyoming				
Wages and Salaries	4,639	4,888	5.4	15
Nonfarm Proprietors' Income	732	776	6.0	42
Total Earned Income	5,370	5,664	5.5	15
Region IX				
Wages and Salaries	455,538	463,077	1.7	
Nonfarm Proprietors' Income	66,278	71,120	7.3	
Total Earned Income	521,816	534,197	2.4	
Arizona				
Wages and Salaries	37,728	40,105	6.3	10
Nonfarm Proprietors' Income	3,873	4,219	8.9	10
Total Earned Income	41,601	44,324	6.5	9
California				
Wages and Salaries	384,132	387,273	0.8	51
Nonfarm Proprietors' Income	57,607	61,497	6.8	31
Total Earned Income	441,739	448,770	1.6	50

subcontracting awards from prime contractors under contract to the federal government (See Table).[5]

Table *Dollars Awarded to Small Firms in Federal Contracts, FY 1992*

	Thousands of Dollars		Small Business Share (Percent)
	Total	Small Business	
Total	199,806,499	61,584,618	30.8
Total Prime Contract Actions	199,806,499	39,259,718	19.6
Under $25,000	22,020,118	11,029,969	50.1
Over $25,000	177,786,381	28,229,749	15.9
Subcontracts to Small Firms	NA	22,324,900	NA

NA = Not applicable.

Note: Actions under $25,000 are reported in summary; actions over $25,000 are reported individually. Subcontracting data are available only for individual prime contracts exceeding $500,000 ($1 million for construction awards) from federal agencies that project agency procurement of $10 million or more.

Source: Federal Procurement Data System, Federal Procurement Report (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Size of Federal Contract Actions

It is estimated that some 50,000 individual firms compete for a relatively small number of very large purchases and numerous smaller awards.[6] In FY

[5] Procurement data (other than subcontract awards) cited here are compiled and reported annually by the Federal Procurement Data Center in the *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993). Data on subcontracting awards are based on federal agency reports required by Public Law 95–507, Section 221(h). Reports and data from the SBA's Office of Procurement Assistance (OPA) published at the end of this report and titled "The Annual Report on Procurement Preference Goals and Accomplishments," are also based on federal agency reports provided directly to OPA as required by Public Law 95–507. There are three basic differences between the two sets of data: (1) the OPA data include contract actions over and under $25,000, while the FPDC data used here reflect primarily awards over $25,000 (except where noted otherwise); (2) the OPA statistics encompass a business population only, while the FPDC data include educational institutions, nonprofit groups, sheltered workshops, state and local governments, and contractors (domestic and foreign) performing contract work outside the United States; and (3) the release dates of the data differ—OPA receives reports from individual agencies immediately after the fiscal year ends, while the FPDC annual fiscal report data are issued several months later.

[6] Depending on the date and period covered, estimates of the number of individual companies competing for federal contracting awards vary between 42,000 and 50,000. See, for example, Ann Maust, *Analysis of Smaller Firm Participation in Federal Contracting*, report no. PB84–214022, prepared by Research Dimensions, Inc., for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1984); and Richard Fullenbaum and Mariana McNeill, *Impact of Federal Procurement on Small Business Development*, report no. PB93–144590, prepared for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1992).

Table A.28 *Nonfarm Sole Proprietorships by Gender of Ownership and SBA Region, 1980 and 1991*

Industry	1980			1991			Percent Change (1980–1991)	
	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses
U.S. Total	**9,730,019**	**2,535,240**	**26.1**	**16,957,638**	**5,548,513**	**32.7**	**74.28**	**118.86**
Region I	512,401	120,273	23.5	929,680	318,397	34.2	81.44	164.73
Region II	807,319	195,756	24.2	1,458,560	489,029	33.5	80.67	149.82
Region III	866,848	231,216	26.7	1,527,619	528,437	34.6	76.23	128.55
Region IV	1,480,801	370,354	25.0	2,904,751	872,026	30.0	96.16	135.46
Region V	1,774,893	481,945	27.2	2,767,606	916,389	33.1	55.93	90.14
Region VI	1,237,802	277,022	22.4	2,107,895	587,657	27.9	70.29	112.13
Region VII	602,859	166,643	27.6	926,672	346,346	37.4	53.71	107.84
Region VIII	431,948	115,755	26.8	652,902	220,755	33.8	51.15	90.71
Region IX	1,513,668	446,169	29.5	2,924,232	1,002,820	34.3	93.19	124.76
Region X	484,626	123,924	25.6	757,721	266,657	35.2	56.35	115.18

Note: Detail may not add to totals because of disclosure rules regarding the release of information for specific taxpayers. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; Region VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by the U.S. Department of the Treasury, Internal Revenue Service, 1994.

Appendix C

Procurement

Synopsis

The small business share of goods and services purchased by the federal government increased to 30.8 percent in fiscal year 1992 from 29.9 percent the previous year. Small businesses were awarded $61.6 billion (30.8 percent) of a total of $199.8 billion in contracts for goods and services. Of the overall total, 19.6 percent ($39.3 billion) was awarded directly to small firms and at least $22.3 billion (11.2 percent) was awarded to small businesses as subcontractors.

The level of procurement activity in the federal government, as reflected in contract actions over $25,000, declined by 6.2 percent ($11.8 billion) in FY 1992, after increasing during the previous two years. While the small business sector registered a loss of $617.6 million (2.1 percent)—down from $28.8 billion in FY 1991 to $28.2 billion in FY 1992—minority- and women-owned businesses experienced gains of 20.2 percent ($1.3 billion) and 12.9 percent ($227.4 million), respectively, over their award levels of the previous year.

Procurement data for the past 10 years indicate that women- and minority-owned businesses have been successful in obtaining awards during a period when overall federal expenditures—and federal procurement award dollars—were being reduced. While total federal and small-business-sector procurement dollars decreased each year from FY 1986 to FY 1989 and again in FY 1992, the value of awards has increased each year since 1982 for women-owned firms and since 1986 for minority-owned firms.

Despite a continuing decline in Department of Defense acquisitions, the DOD continues to be the largest single source of contract awards from the federal government overall and for small business in particular, accounting for 68 percent of all federal contract dollars over $25,000 and for nearly 63 percent of small business award dollars. Next in importance as procurement award centers for small business are the General Services Administration ($2.0 billion), the Department of Transportation ($1.3 billion), the Department of Agriculture ($1.1 billion), and the National Aeronautics and Space Administration ($872.1 million), which, taken together, awarded nearly 19 percent of the FY 1992 total dollar awards to small businesses.

In 1980, half of all awards to small firms were for supplies and equipment. Since then, awards for supplies and equipment and construction have declined, while opportunities for providing services and research and development assistance to the federal government have increased. As pressure con-

Table A.30 *Nonfarm Sole Proprietorships by Gender of Ownership and Industry Group, 1980 and 1991*

Industry	1980			1991			Percent Change (1980–1991)	
	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses
Total, All Industries	**9,730,019**	**2,535,240**	**26.1**	**16,957,636**	**5,548,513**	**32.7**	**74.28**	**118.86**
Agriculture, Forestry, and Fishing	307,720	30,811	10.0	465,258	83,776	18.0	51.20	171.90
Mining, Construction, and Manufacturing	1,409,280	84,221	6.0	2,437,812	228,454	9.4	72.98	171.26
Transportation, Communications, and Public Utilities	438,795	27,696	6.3	722,602	122,827	17.0	64.68	343.48
Wholesale and Retail Trade	2,527,084	824,771	32.6	3,051,122	1,200,839	39.4	20.74	45.60
Finance, Insurance, and Real Estate	1,048,966	354,801	33.8	1,544,798	536,131	34.7	47.27	51.11
Services	3,918,166	1,212,940	3.0	8,736,044	3,376,486	38.7	122.96	178.37

Note: Detail may not add to totals because of disclosure rules regarding the release of information for specific taxpayers. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; Region VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by the U.S. Department of the Treasury, Internal Revenue Service, 1994.

Table B.19 *Mean Amounts of Debt Outstanding for Small Businesses, by Debt Type and Firm Size, 1987 (Thousands of Dollars)*

Employment Size of Firm	Total Debt	Financial Leases	Credit Lines	Mortgages	Vehicle Loans	Equipment Loans	Loans from Owners	Other Loans
1–4	58.82	14.27	35.13	95.98	12.29	22.27	98.91	53.33
5–9	126.22	31.40	64.47	269.35	15.45	30.74	71.17	77.38
10–19	158.18	42.03	99.90	214.12	17.63	56.82	162.03	138.94
20–29	474.89	83.93	326.36	594.99	26.79	94.04	138.83	242.99
50–998	54.14	145.52	520.75	670.27	152.49	317.45	182.25	559.98
100–499	3,652.94	397.28	2,188.25	1,710.81	1,029.61	975.00	604.49	2,410.30
All firms	**232.38**	**57.90**	**241.01**	**289.30**	**37.43**	**86.95**	**125.00**	**150.54**

Source: U.S. Small Business Administration, Office of Advocacy, and Board of Governors of the Federal Reserve System, preliminary tabulations of the National Survey of Small Business Finances, 1989.

Appendix B

Small Business Financing

Synopsis

Debt borrowing by most small businesses remained flat during 1993. While banks seemed to have eased their credit terms, there was no indication that they had appreciably lowered the strict standards adopted in earlier years. The prime rate, the base rate for most floating-rate loans, remained unusually high despite the fact that money market rates were at historic lows.

Commercial and industrial loans outstanding from U.S. banks declined for the third year in a row. Business loans by the U.S. Small Business Administration, however, showed significant increases over the previous year.

Financing conditions for small dynamic firms remained very favorable. A continued strong stock market provided a strong stimulus to the initial public offering and venture capital markets. Funding for these markets was at historic highs in 1993.

Introduction

After slow growth during the first quarter of 1993, the U.S. economy moved forward and the pace of recovery accelerated. The economy, as measured by real GDP, grew at annual rates of 2.9 percent and 3.1 percent respectively during the third and fourth quarters of 1993. With inflation low and showing no sign of rising and with long-term interest rates remaining very low, prospects for further growth seemed assured.

Overall borrowing paralleled developments in the economy. After a significant fall-off in borrowing during the first quarter of 1993, borrowing increased in most sectors during the second and third quarters, averaging $623 billion annually (Table B.2). The largest increase in borrowing occurred in the household sector. With record low interest rates for mortgage loans, home equity lines, and other consumer loans, borrowing by the household sector increased to an annual rate of $225.2 billion; in fact, household borrowing during the second and third quarters averaged $269 billion at annual rates, compared to an annual rate of $197 billion in 1990 through 1992 (Table B.2).

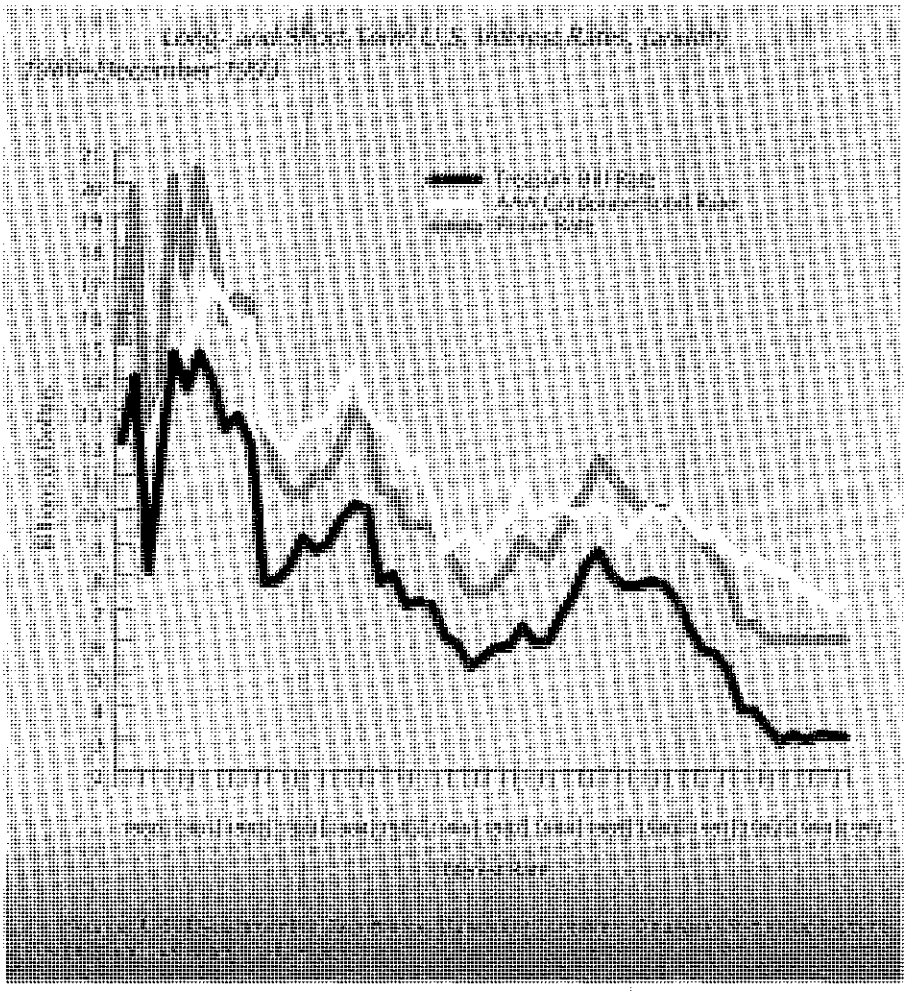
Federal government borrowing declined significantly during 1993 as the federal budget deficit abated, falling from $304 billion in 1992 to an average annual rate of $252 billion during the first three quarters of 1993. Borrowing by state and local governments remained at about the same level as in the previous two years.

Table B.17 *Financial Services Used by Small Firms, by Type of Financial Institution,[1] 1987 (Percentage of Small Firms)*

Service	Any Financial Institution	Local	Nonlocal	Primary	Nonprimary	Commercial Bank	Nonbank
Checking	97.0	95.7	4.0	96.9	12.5	92.0	7.8
Savings	25.0	23.5	2.5	19.3	9.4	20.4	6.8
Credit	59.0	54.0	14.3	43.8	32.3	47.9	24.5
Leasing	7.4	4.6	3.5	1.6	6.0	2.3	5.6
Line of Credit	24.1	22.8	1.7	22.0	4.0	22.2	2.6
Mortgage	15.0	13.8	1.8	10.4	5.5	11.8	3.6
Motor Vehicle Loan	25.1	20.2	6.4	10.2	16.8	15.3	11.6
Equipment Loan	12.4	10.6	2.3	7.8	5.5	9.3	3.8
Other Loan	8.9	8.1	1.1	6.3	3.1	7.1	2.1
Other[2]	59.3	57.8	4.2	55.3	13.2	55.7	8.1
Transaction	47.3	46.6	2.4	45.4	6.9	45.2	3.6
Cash Management	15.0	14.3	.8	13.5	2.4	14.0	1.1
Credit-related	7.4	6.7	.8	6.3	1.6	6.6	1.0
Brokerage	3.3	2.7	.6	.6	2.8	.4	2.9
Trust	3.8	3.5	.3	2.2	1.7	3.1	.8

[1] Small firms are firms with 1 to 499 employees. Borrowing from nonfinancial institutions is excluded. Local institutions are 30 miles or less from the principal.
[2] Transaction services include currency and coin, credit card processing, and night depository; cash management services include cash management, lockbox, and wire transfer; credit-related services include bankers' acceptances, sales finance, letters of credit, and factoring; trust services include pensions, trusts, and safekeeping.

Source: Gregory Elliehausen and John Wolken, "Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses," Staff Studies 160 (Washington, D.C.: Board of Governors of the Federal Reserve System, 1990), 16, Table 7.



business sector remained very weak.[4] A continued vibrant stock market did enable many dynamic small businesses to obtain financing through the initial public offering market and from venture capital companies.

Sources of Financing Used by Small Businesses

Major categories of financing available to small businesses include internal sources, such as owners' savings, business retained earnings, and depreciation; informal external sources, such as friends and business associates; financial in-

[4] New corporate bond issues by domestic nonfinancial corporations reached an annual rate of $159.8 billion in the first nine months of 1993 compared to $104.9 billion in 1992, while common stock public offerings totaled $82.3 billion compared with $57.1 billion in 1992. See *Federal Reserve Bulletin* (January 1994), A34, Table 1.46.

Table B.15 Sources of Capital Committed to Independent Venture Funds, 1983–1992 (Percent)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Total (Billions of Dollars)	**3.4**	**3.2**	**2.3**	**3.3**	**4.2**	**2.8**	**2.4**	**1.8**	**1.3**	**2.5**
Share Contributed by:										
Pension Funds	31	34	33	50	39	46	36	53	42	42
Foreign Sources	16	18	23	11	13	14	13	7	12	11
Corporations	12	14	12	11	11	11	20	7	4	3
Endowments	8	6	8	6	10	12	12	13	24	19
Individuals	21	15	13	12	12	8	6	11	12	11
Banks/Insurance Companies	12	13	11	10	15	9	13	9	6	15
Total	100	100	100	100	100	100	100	100	100	100

Note: Data may not add to 100 percent because of rounding.
Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).

Chart 8.2 Sources of Financing Available to Small Business

Type	Debt Capital	Equity Capital
Internal Sources	Loans from shareholders/owners	Founder's or proprietor's equity capital stock Business retained earnings
Informal External Sources	Loans from friends, relatives, and other individuals	Investment by individuals ("informal investors")
Financial Intermediaries	Trade credit from suppliers and customers Direct and indirect lending by banks, savings institutions, and financial companies Secured or unsecured debt with or without personal guarantee Short-term or Long-term debt	Investment by venture capitalists and small business investment companies
Public Markets	Bond issues	Issues of common and preferred stock

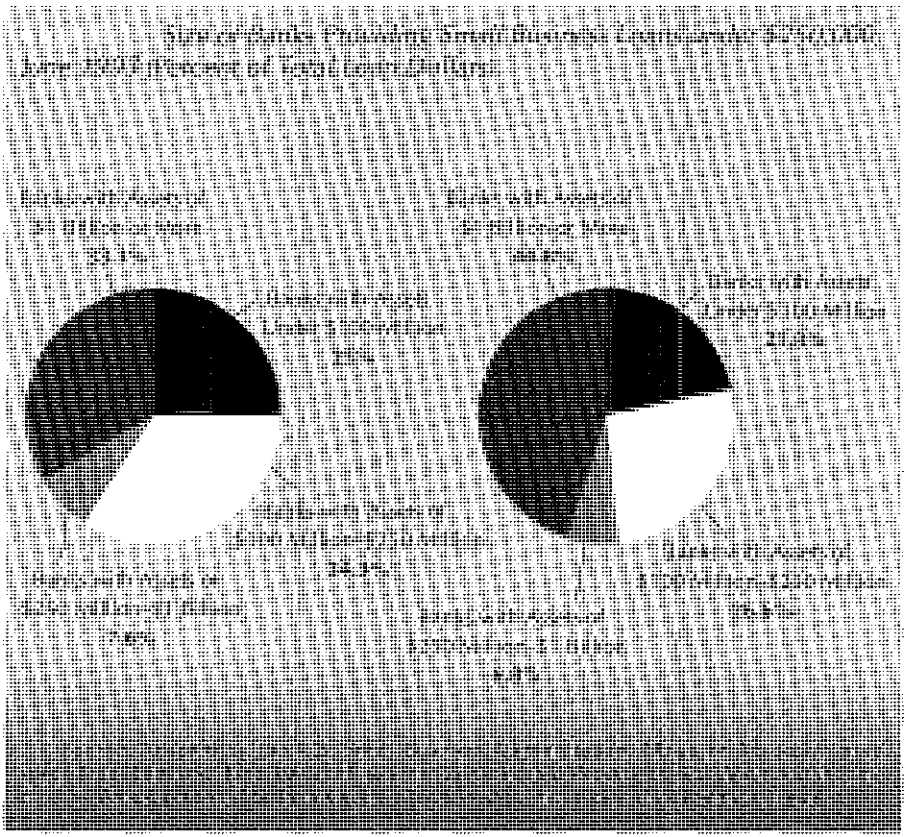
Source: "Financing Patterns of Small Firms," *The State of Small Business: A Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1987), 67.

Table B.13 *Common Stock Initial Public Offerings by All and Small Issuers, 1988–1993 (Millions of Dollars)*[1]

	Common Stock	
	Number	Amount
Offerings by All Issuers		
1993	709	41,509.9
1992	516	24,024.2
1991	365	16,344.7
1990	172	4,519.0
1989	210	6,082.3
1988	228	5,940.1
Offerings by Issuers with Assets of $10 Million or Less		
1993	200	2,924.3
1992	170	2,223.0
1991	108	1,216.4
1990	65	411.9
1989	89	583.8
1988	83	655.5
Offerings by Nonfinancial Issuers with Assets of $10 Million or Less		
1993	184	1,991.2
1992	163	1,900.6
1991	102	1,171.1
1990	59	361.5
1989	84	562.3
1988	71	365.6

[1] 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 Securities Data Company, Inc., 1994.



sized businesses, real estate lending and appraisals, appeals of examination decisions and complaint handling, examination processes and procedures, and paperwork and regulatory burdens.

Lending to Small Businesses

On March 30, 1993, the four banking regulators—the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, and the Office of Thrift Supervision—issued a joint policy statement that would permit financial institutions to make character loans (loans made on the basis of "character" evaluations) to small businesses. Specifically, a financial institution that is adequately capitalized and well managed (with a 1 or 2 CAMEL rating),[16] would be allowed, with minimal documentation, to make small business loans of up to 20 percent of the institution's total capital.

[16] Federal financial supervisory agencies conduct annual audits and rate individual institutions' financial conditions, that is, their capital adequacy, asset quality, management, earnings, and liquidity (CAMEL). CAMEL ratings "1" and "2" are the top two quality ratings an institution can receive.

Table B.11 *Sources of Business Loans by Type and by Size of Borrower, 1987 (Percent)*

Type of Credit by Business Size	All Institutions	Banks	Finance Companies	Other Institutions
Firms With 1–19 Employees				
Lease	100.0	35.3	6.4	58.2
Line of Credit	100.0	81.7	9.2	9.1
Mortgage Loan	100.0	50.2	1.8	48.1
Vehicle Loan	100.0	61.5	28.4	10.1
Equipment Loan	100.0	62.4	18.2	19.4
Other	100.0	48.8	1.8	49.4
Total	100.0	55.9	6.1	38.0
Firms With 20–99 Employees				
Lease	100.0	14.1	20.4	65.6
Line of Credit	100.0	83.7	11.6	4.7
Mortgage Loan	100.0	42.2	2.9	54.9
Vehicle Loan	100.0	51.2	42.2	6.6
Equipment Loan	100.0	53.6	20.3	26.1
Other	100.0	58.3	19.1	22.7
Total	100.0	60.0	11.2	28.8
Firms With 100–499 Employees				
Lease	100.0	23.1	21.0	55.9
Line of Credit	100.0	78.6	8.5	12.9
Mortgage Loan	100.0	84.0	0.1	15.9
Vehicle Loan	100.0	26.5	63.3	10.2
Equipment Loan	100.0	63.1	22.5	14.4
Other	100.0	36.4	9.7	53.9
Total	100.0	66.8	14.0	19.2
All Small Firms				
Lease	100.0	23.9	15.7	60.5
Line of Credit	100.0	81.2	9.9	8.9
Mortgage Loan	100.0	54.4	1.8	43.8
Vehicle Loan	100.0	43.1	47.4	9.5
Equipment Loan	100.0	60.3	20.6	19.1
Other	100.0	47.5	7.8	44.6
Total	100.0	60.8	10.4	28.8

Source: U.S. Small Business Administration, Office of Advocacy, and Board of Governors of the Federal Reserve System, National Survey of Small Business Finances, 1989.

Lending for Real Estate

Under the real estate appraisal requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Federal Deposit Insurance Corporation Improvement Act (FDICIA), any loan that involves real estate valued in excess of $100,000 must have an appraisal completed by a licensed and certified real estate appraiser. Periodic appraisal is also required for existing loans, even other loans for which real estate was used as collateral. The added cost of the appraisals and the burden placed on small business borrowers has been substantial. Regulators have been examining options such as foregoing the certified appraisal requirement and raising the threshold for certified appraisals.

Appeals on Lending Decisions

One reason financial institutions have been reluctant to lend to small businesses is the aggressiveness of examiners in classifying small business loans as "problem loans." The result is that bankers do not make loans that have even the slightest possibility of being classified "problematic." Moreover, there was often an inadequate process for handling bankers' complaints or appeals about loans that had been negatively classified by the examiners. The regulators are reviewing the appeals process for bankers and designating within each of the banking regulatory agencies an office to respond to complaints from the general public.

Examination Procedures

Where the law permits it, new federal initiatives would require more coordination of federal examination processes and procedures with respect to financial institutions. Currently, some financial institutions are under the jurisdiction of more than one federal regulator, as well as state banking agencies, and must submit to costly multiple examinations. Most affected by these examinations are small institutions, which may have to halt almost all bank operations while an examination is in progress.

Paperwork and Regulatory Burdens

With the enactment of FDICIA and FIRREA and expanded enforcement of the Community Reinvestment Act (CRA), the paperwork burden on financial institutions has increased significantly. A study by the Federal Financial Institutions Examination Council estimated the cost of compliance to be as high as $14 billion annually.[18] Policymakers are reviewing the findings of that study

[18] Federal Financial Institutions Examination Council, "Study on Regulatory Burden," December 1992. According to Alan Greenspan, chairman of the Board of Governors of the Federal Reserve System, and the banking trade associations, it is not any single paperwork requirement or regulatory burden that is the problem, but the cumulative effect of all laws and regulations. The banking trade associations point to the Community Reinvestment Act, the Truth in Lending Act, and the Bank Secrecy Act as especially burdensome.

Table B.9 *Share of Loans by Loan Size and by Bank's Asset Size (Percent)*

Bank's Asset Size (Millions of Dollars)	Share by Loan Sizes									
	Under $100,000		$100,000–$250,000		$250,000–$1 Million		Under $1 Million		Over $1 Million (Dollar Amount)	Total (Dollar Amount)
	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount		
Commercial and Industrial Loans										
0–$100	25.5	24.4	12.3	12.6	8.3	6.8	24.4	17.0	0.4	6.8
$100–$250	16.8	27.1	23.7	24.7	18.5	20.8	17.1	24.7	3.2	11.5
$250–$1,000	4.3	6.2	8.5	8.9	8.7	8.8	4.6	7.4	3.0	4.7
Over $1,000	53.4	42.2	55.5	53.8	64.6	63.6	53.9	50.8	93.5	77.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nonfarm, Nonresidential Real Estate Loans										
0–$100	42.6	29.4	16.0	15.0	12.9	9.9	34.4	18.3	1.1	10.4
$100–$250	30.0	36.9	27.7	28.6	24.0	26.4	28.8	30.8	8.7	20.6
$250–$1,000	5.0	7.2	8.1	8.6	7.6	9.0	5.8	8.2	6.0	7.2
Over $1,000	22.5	26.5	48.2	47.8	55.6	54.7	31.0	42.7	84.3	61.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Business Loans										
0–$100	28.0	26.3	13.9	13.8	10.4	8.5	26.2	17.6	0.6	8.2
$100–$250	18.7	30.8	25.5	26.6	21.1	23.8	19.3	27.5	4.9	14.9
$250–$1,000	4.4	6.6	8.3	8.7	8.1	8.9	4.8	7.8	3.9	5.6
Over $1,000	48.9	36.3	52.2	50.9	60.3	58.8	49.7	47.1	90.6	71.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Loans under $1 million are a proxy for small business lending.

Source: Special tabulations of June 1993 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, Texas A&M University.

loans outstanding stood at $15.1 billion on 104,258 loans on September 30, 1993, a 15.3-percent increase over the dollar value in the previous year.

In response to the strong demand for government-guaranteed loans in a still uncertain recovery, SBA has recently initiated several new programs to provide loan guarantees to different types of borrowers. Examples include very small or "micro" loans and an export revolving line of credit. On August 13, 1993, President Clinton signed into law the Small Business Guaranteed Credit Enhancement Act of 1993, which increased appropriations for SBA's 7(a) business guaranteed loan program to $7.155 billion for FY 1993 and to $8.458 billion for FY 1994.

Finance Companies

Business loans by finance companies have increased little over the past three years. For the first nine months of 1993, total business receivables outstanding for finance companies amounted to $287.2 billion, a decrease at an annual rate of 4.5 percent from December 1992 (Table B.10).

How important are finance companies as suppliers of funds to small firms? Statistics from the 1989 National Survey of Small Business Finances provided the first glimpse. Finance company lending to small businesses accounted for about one-fourth of total business credit outstanding of finance companies in 1987.[23] Finance companies were very active in the vehicle and equipment loan markets, somewhat active in leasing and extending other loans to larger small businesses, and less active in lines of credit and mortgage lending (Table B.11 and Charts B.8 and B.9).[24] While most very small firms obtained little financing from finance companies, larger small firms (with 100 to 499 employees) obtained 14 percent of total financing from finance companies (Table B.12 and Chart B.10).

Borrowing in the Public Issue Markets

Stimulated by very low money market and deposit rates from banks, markets for stocks and bonds continued to be very active in 1993. Continued declines in corporate bond rates encouraged further borrowing by corporate America. Net issues of corporate bonds averaged $65 billion (annual value) during the first three quarters of 1993, compared with $79 billion and $67 billion in 1992 and 1991, respectively.[25] Low interest rates on time and savings deposits

[23] Total business loans outstanding (including leases, lines of credit, mortgages, and vehicle, equipment, and other loans) by finance companies to 3.5 million small businesses amounted to about $50 billion at the end of 1987 (the reference date of data collection), according to estimates from the National Survey of Small Business Finances. The small business population used in the survey was Dun and Bradstreet's Dun's Market Identifier (DMI) file.

[24] The Federal Reserve Board and the U.S. Small Business Administration will be conducting another survey on small business finances in 1994 with results expected to be available in 1995.

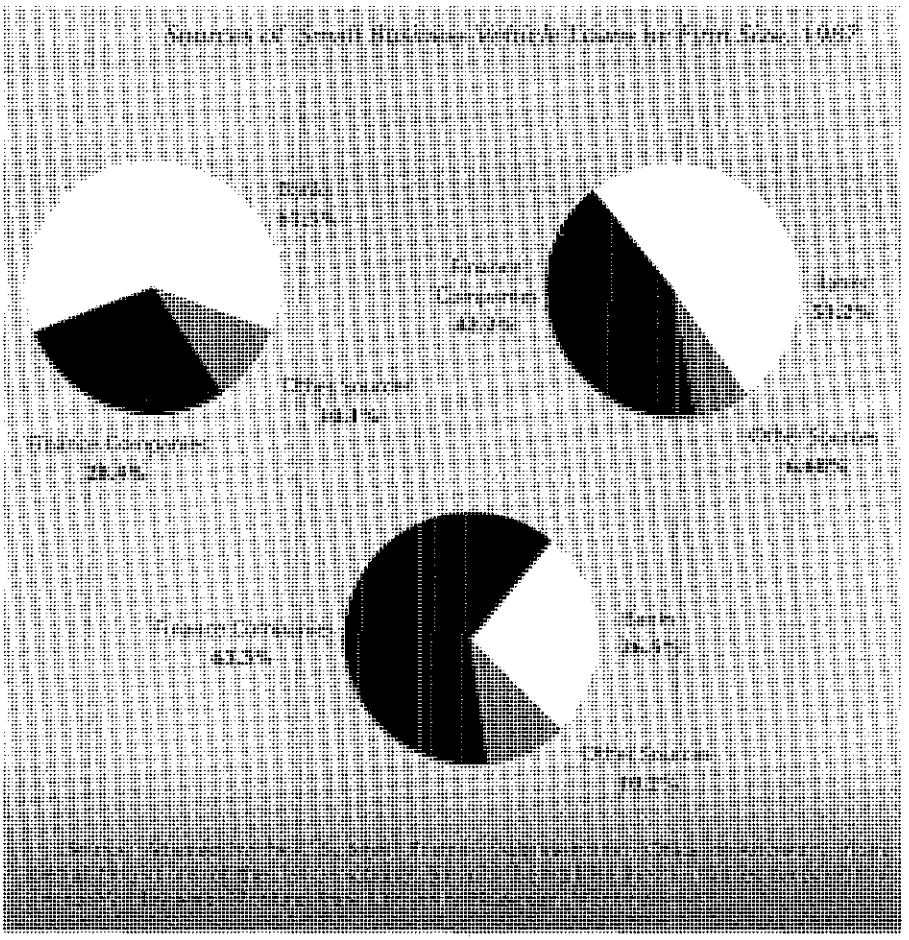
[25] The gross issuance of corporate bonds surpassed the record high reached in 1992. See Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, Third Quarter 1993: Accounts, Flows, and Outstandings* (December 1993) and *Federal Reserve Bulletin* (various issues).

Table B.7 *Commercial and Industrial Loans by Large Weekly Reporting and Other Commercial Banks, December 31, 1980–October 31, 1993 (Billions of Dollars)*[1]

	All Banks		Large Weekly Reporting Banks		Other Banks		Annual Change in GDP Deflator[2] (Percent)
	Amount	Change (Percent)	Amount	Change (Percent)	Amount	Change (Percent)	
October 31, 1993	583.4	[3]−3.5	270.7	[3]−3.2	312.7	[3]−3.7	2.21
December 31, 1992	600.6	−3.1	277.9	−4.3	322.7	−2.0	2.78
December 31, 1991	619.1	−4.5	290.1	−8.4	329.0	−0.8	3.39
December 31, 1990	648.0	0.8	316.6	−0.7	331.4	2.7	4.45
December 31, 1989	642.6	3.4	318.8	5.6	322.8	6.9	4.36
December 31, 1988	605.0	6.8	302.0	8.1	303.0	4.5	4.24
December 31, 1987	566.4	5.1	279.5	−3.3	289.9	16.0	3.37
December 31, 1986	539.0	7.3	289.1	11.2	249.9	3.2	2.62
December 31, 1985	502.1	5.7	260.0	3.4	242.1	8.1	3.47
December 31, 1984	474.9	14.2	251.4	12.3	223.9	16.7	3.36
December 31, 1983	415.7	4.9	223.9	2.5	191.8	7.9	3.24
December 31, 1982	396.2	10.0	218.5	10.9	177.7	9.0	NA
December 31, 1981	360.1	10.7	197.0	11.9	163.1	9.3	NA
December 31, 1980	325.3		176.1		149.2		

[1] Not seasonally adjusted. Large weekly reporting banks are banks with domestic assets of $1.4 billion or more as of December 31, 1982.
[2] Changes from the fourth quarter of the previous year.
[3] Annualized rate of change.
NA = GDP deflator not available for these years.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, various issues; idem, "Revised Bank Credit Series," March 9, 1988; U.S. Department of Commerce, Bureau of Economic Analysis, *Business Conditions Digest*, various issues; and idem, *Survey of Current Business*, various issues.



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Fundraising by venture capital funds continued to be very active in 1993. Total funds raised by venture capital firms amounted to $2.5 billion, the same level as in 1992 (Table B.14). Pension funds remained the most important contributor to the capital pool, accounting for 42 percent of total funding (Table B.15).[29]

Disbursements to venture-capital-funded companies also increased to $1.7 billion during the first half of 1993, a 21-percent increase over disburse-

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[29] "Venture Capital Reborn," *Venture Capital Journal* (January 1993), 32–36.

Table B.5 *Short-Term and Long-Term Loan Rates for Small Loans by All Commercial Banks, February 1986–November 1993*[1]

	Short-Term Loans[2]			Long-Term Loans	
	Fixed Rate	Floating Rate	Prime Rate	Fixed Rate	Floating Rate
1993					
November	8.08	7.41	6.00	8.33	7.60
August	8.50	7.40	6.00	8.59	7.63
May	8.27	7.48	6.00	8.80	7.77
February	8.43	7.42	6.00	8.98	8.13
1992					
November	8.64	7.53	9.28	7.95	
August	8.94	7.48	6.00	9.41	7.71
May	7.89	7.78	6.50	9.17	7.79
February	8.18	7.80	6.50	9.07	7.84
1991					
November	9.35	8.95	7.50	10.05	9.03
August	11.20	10.16	8.50	11.26	10.37
May	11.19	10.22	8.50	11.24	10.64
February	11.29	10.68	9.00	11.73	11.12
1990					
November	11.90	11.87	10.00	12.30	12.06
August	12.06	11.84	10.00	12.15	12.08
May	11.87	11.96	10.00	11.99	12.05
February	12.12	11.96	10.00	12.29	12.19
1989					
November	12.38	12.45	10.50	12.28	12.48
August	12.67	12.49	10.50	12.42	12.66
May	13.37	13.46	11.50	13.16	13.74
February	12.26	12.54	10.93	14.08	12.66
1988					
November	11.94	11.90	10.05	12.65	12.05
August	11.43	11.48	9.84	11.53	11.59
May	10.90	10.38	8.84	11.77	10.62
February	11.17	10.48	8.51	11.90	10.88
1987					
November	11.29	10.78	8.78	11.93	11.28
August	10.66	10.15	8.70	12.11	10.15
May	11.10	9.85	8.25	11.22	10.08
February	10.51	9.41	7.50	11.04	9.81
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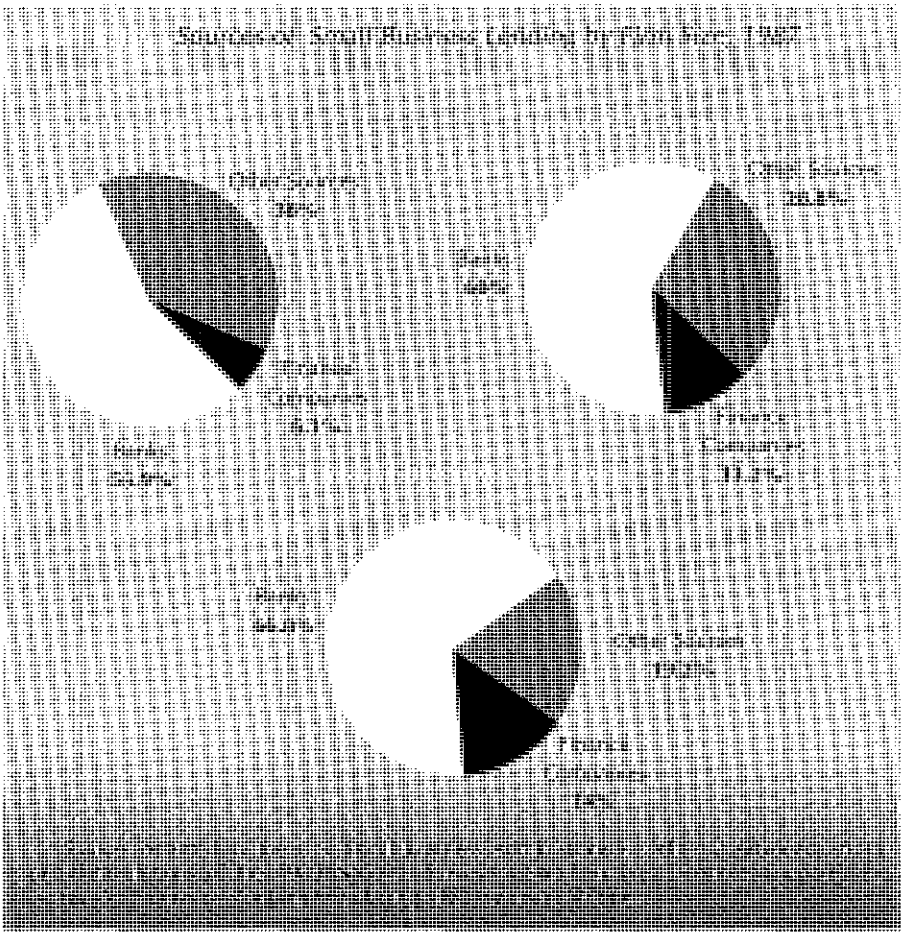
[1] Small loans refer to loans under $100,000.

[2] For rates before November 1990, averages of loan rates for three loan sizes: under $25,000, $25,000 to under $50,000, and $50,000 to under $100,000.

Source: Board of Governors of the Federal Reserve System, *Survey of Terms of Bank Lending*, Statistical Release E.2, various issues; and *Federal Reserve Bulletin*, various issues.



Equity Enhancement Act of 1992 (P.L. 102–366) also authorized SBA to issue participating preferred securities to provide equity-type financing to SBICs.[31]

Conclusion

Overall, small business borrowing of debt capital declined further in 1993 despite a strong recovery during the last two quarters of the year. Small businesses, displaying caution, continued to delay increases in capital expenditures and inventory. Declines in bank loan rates also lagged behind the

[31] Debt-type financing provided by the SBA to SBIC companies was thought to be one of the major factors contributing to the liquidity problems encountered by many SBICs.

Table B.3 *Major Sources and Uses of Funds by Nonfarm, Nonfinancial Corporate Businesses, 1980–1993, Third Quarter (Billions of Dollars)*[1]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1st qtr. 1993	2nd qtr. 1993	3rd qtr. 1993
Before-Tax Profit	181.1	180.9	133.0	156.0	189.0	165.5	149.0	212.1	256.1	232.4	231.3	213.7	254.4	267.9	290.5	281.1
Domestic Undistributed Profit	69.2	64.2	30.6	30.5	46.4	21.7	−2.1	41.3	73.6	32.2	20.5	38.2	52.2	35.3	48.7	44.9
Depreciation with Capital Consumption Adjustment	154.8	186.2	215.1	251.5	274.2	310.1	312.8	324.3	338.1	352.2	359.4	351.1	376.7	389.8	392.4	399.1
Total Internal Funds, on Book Basis	224.0	250.3	245.7	282.0	320.7	331.9	310.8	365.6	411.7	384.3	379.8	389.3	429.0	425.1	441.1	444.0
Net Increase in Liability	130.6	151.8	83.3	147.5	164.7	134.4	195.2	164.6	206.6	162.6	113.4	35.4	124.0	7.7	122.2	125.5
Funds Raised in Debt Market	66.2	115.5	67.3	76.2	187.6	160.6	225.3	140.7	201.3	186.5	100.7	−11.3	41.8	0.3	62.5	46.0
Net New Equity Issues	10.4	−13.5	1.9	20.0	−79.0	−84.5	−85.0	−75.5	−129.5	−124.2	−63.0	18.3	26.8	9.0	26.0	30.0
Capital Expenditures	255.8	313.0	285.3	300.1	398.5	374.9	351.9	365.1	394.4	403.8	407.3	381.6	397.2	446.6	449.2	457.7
Net Financial Investment	−33.5	−43.4	−18.8	−31.1	−47.9	−43.4	−43.7	−39.7	−42.8	−42.8	−18.7	34.2	16.6	2.6	−7.7	2.5

[1] Major data revisions in September 1993. See *Flow of Funds Accounts, Second Quarter 1993: Flows and Outstandings*, annual revisions (September 1993).
Source: Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, Third Quarter 1993: Flows and Outstandings* (December 1993).

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Table B.1 *Major Sources of Business Financing, 1992[1] (Billions of Dollars)*

	All Business	Small Business
Total Assets[1]	10,335	4,249
Total Debt[2]	5,141	2,119
Total Net Worth[2]	5,194	2,130
Other Debt and Net Worth Estimates[3]		
Commercial Mortgages	710	[4] 406
Commercial and Industrial Loans by Banks[5]	600	323
Trade Debt[6]	783	225
Finance Company Receivables from Businesses	297	NA
Initial Public Offerings of Common Stock[7]	NA	NA
Venture Capital Pool	31	31

[1] All estimates are stock estimates valued at the end of 1992, unless otherwise noted. Small business includes all noncorporate business and small corporations with assets under $25 million.

[2] Estimates by the Federal Reserve Board for nonfarm, nonfinancial corporations and nonfarm, noncorporate businesses. Total assets and debt for small corporations were estimated by applying 17.5 percent and 19.0 percent, respectively, to that of all corporations. Net worth is treated as a residual. (These ratios were estimated by using corporate tax return data published by the U.S. Department of the Treasury, Internal Revenue Service).

[3] These estimates are obtained from sources using different methodologies. They are not strictly comparable and should not be summed for a total.

[4] For nonfarm, noncorporate business only. Major revisions have been made in the data.

[5] Total commercial and industrial loans outstanding of banks other than large weekly reporting banks are used as a proxy for loans to small businesses.

[6] Totals for small business are estimated by applying 20 percent to trade credit for all nonfinancial corporations for the small corporation share.

[7] The total estimated cumulative value of initial public offerings of common stock for the period 1976–1987.

NA = Not available.

Source: Board of Governors of the Federal Reserve System, *Balance Sheets for the U.S. Economy 1945–1992* (Washington, D.C.: Board of Governors of the Federal Reserve System, September 1993); U.S. Securities and Exchange Commission, Directorate of Economic and Policy Analysis, *Small Business Financing Trends* (Washington, D.C.: U.S. Securities and Exchange Commission, September 1988).

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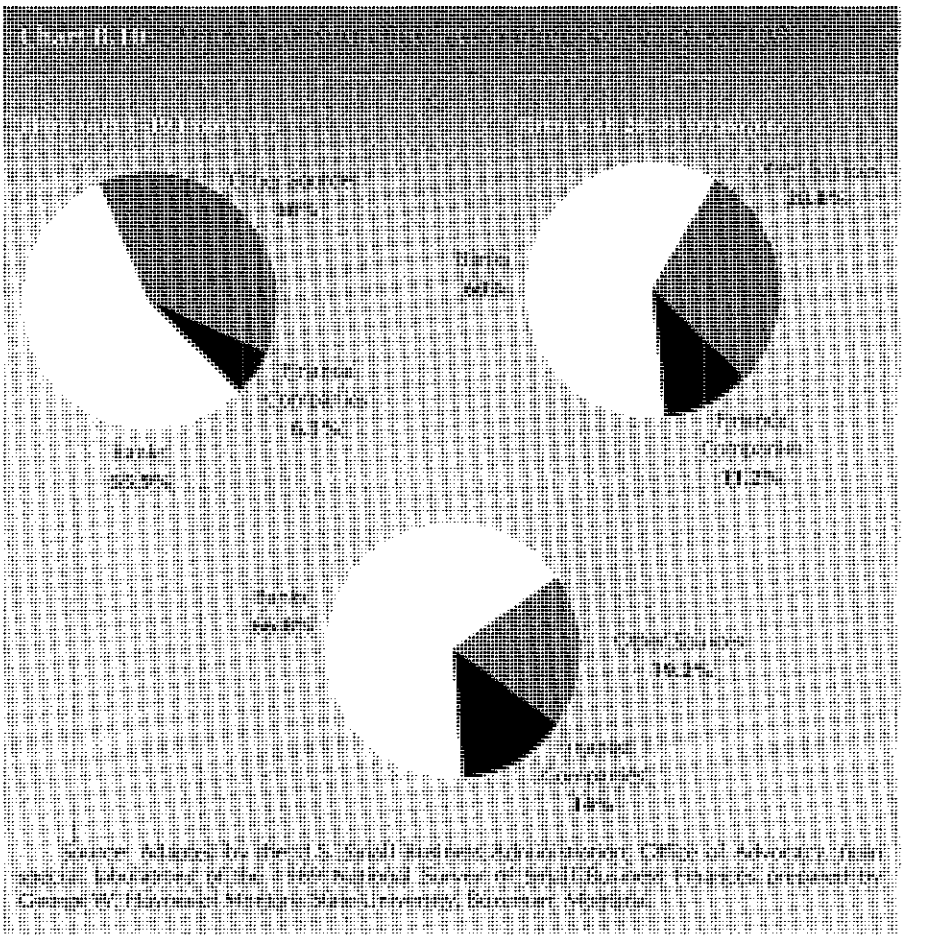

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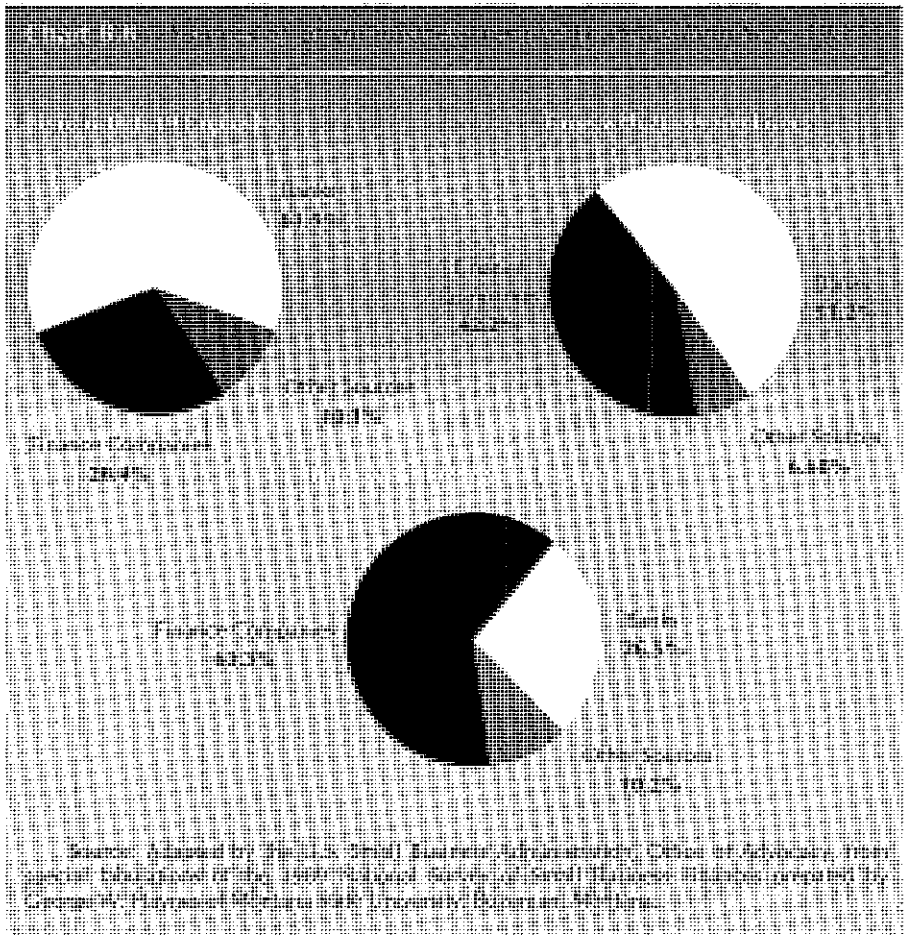

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Table B.7 *Commercial and Industrial Loans by Large Weekly Reporting and Other Commercial Banks, December 31, 1980–October 31, 1993 (Billions of Dollars)*[1]

	All Banks		Large Weekly Reporting Banks		Other Banks		Annual Change in GDP Deflator[2] (Percent)
	Amount	Change (Percent)	Amount	Change (Percent)	Amount	Change (Percent)	
October 31, 1993	583.4	[3]−3.5	270.7	[3]−3.2	312.7	[3]−3.7	2.21
December 31, 1992	600.6	−3.1	277.9	−4.3	322.7	−2.0	2.78
December 31, 1991	619.1	−4.5	290.1	−8.4	329.0	−0.8	3.39
December 31, 1990	648.0	0.8	316.6	−0.7	331.4	2.7	4.45
December 31, 1989	642.6	3.4	318.8	5.6	322.8	6.9	4.36
December 31, 1988	605.0	6.8	302.0	8.1	303.0	4.5	4.24
December 31, 1987	566.4	5.1	279.5	−3.3	289.9	16.0	3.37
December 31, 1986	539.0	7.3	289.1	11.2	249.9	3.2	2.62
December 31, 1985	502.1	5.7	260.0	3.4	242.1	8.1	3.47
December 31, 1984	474.9	14.2	251.4	12.3	223.9	16.7	3.36
December 31, 1983	415.7	4.9	223.9	2.5	191.8	7.9	3.24
December 31, 1982	396.2	10.0	218.5	10.9	177.7	9.0	NA
December 31, 1981	360.1	10.7	197.0	11.9	163.1	9.3	NA
December 31, 1980	325.3		176.1		149.2		

[1] Not seasonally adjusted. Large weekly reporting banks are banks with domestic assets of $1.4 billion or more as of December 31, 1982.
[2] Changes from the fourth quarter of the previous year.
[3] Annualized rate of change.
NA = GDP deflator not available for these years.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, various issues; idem, "Revised Bank Credit Series," March 9, 1988; U.S. Department of Commerce, Bureau of Economic Analysis, *Business Conditions Digest*, various issues; and idem, *Survey of Current Business*, various issues.

loans outstanding stood at $15.1 billion on 104,258 loans on September 30, 1993, a 15.3-percent increase over the dollar value in the previous year.

In response to the strong demand for government-guaranteed loans in a still uncertain recovery, SBA has recently initiated several new programs to provide loan guarantees to different types of borrowers. Examples include very small or "micro" loans and an export revolving line of credit. On August 13, 1993, President Clinton signed into law the Small Business Guaranteed Credit Enhancement Act of 1993, which increased appropriations for SBA's 7(a) business guaranteed loan program to $7.155 billion for FY 1993 and to $8.458 billion for FY 1994.

Finance Companies

Business loans by finance companies have increased little over the past three years. For the first nine months of 1993, total business receivables outstanding for finance companies amounted to $287.2 billion, a decrease at an annual rate of 4.5 percent from December 1992 (Table B.10).

How important are finance companies as suppliers of funds to small firms? Statistics from the 1989 National Survey of Small Business Finances provided the first glimpse. Finance company lending to small businesses accounted for about one-fourth of total business credit outstanding of finance companies in 1987.[23] Finance companies were very active in the vehicle and equipment loan markets, somewhat active in leasing and extending other loans to larger small businesses, and less active in lines of credit and mortgage lending (Table B.11 and Charts B.8 and B.9).[24] While most very small firms obtained little financing from finance companies, larger small firms (with 100 to 499 employees) obtained 14 percent of total financing from finance companies (Table B.12 and Chart B.10).

Borrowing in the Public Issue Markets

Stimulated by very low money market and deposit rates from banks, markets for stocks and bonds continued to be very active in 1993. Continued declines in corporate bond rates encouraged further borrowing by corporate America. Net issues of corporate bonds averaged $65 billion (annual value) during the first three quarters of 1993, compared with $79 billion and $67 billion in 1992 and 1991, respectively.[25] Low interest rates on time and savings deposits

[23] Total business loans outstanding (including leases, lines of credit, mortgages, and vehicle, equipment, and other loans) by finance companies to 3.5 million small businesses amounted to about $50 billion at the end of 1987 (the reference date of data collection), according to estimates from the National Survey of Small Business Finances. The small business population used in the survey was Dun and Bradstreet's Dun's Market Identifier (DMI) file.

[24] The Federal Reserve Board and the U.S. Small Business Administration will be conducting another survey on small business finances in 1994 with results expected to be available in 1995.

[25] The gross issuance of corporate bonds surpassed the record high reached in 1992. See Board of Governors of the Federal Reserve System, *Flow of Funds Accounts, Third Quarter 1993: Accounts, Flows, and Outstandings* (December 1993) and *Federal Reserve Bulletin* (various issues).

Table B.9 *Share of Loans by Loan Size and by Bank's Asset Size (Percent)*

Bank's Asset Size (Millions of Dollars)	Share by Loan Sizes									
	Under $100,000		$100,000–$250,000		$250,000–$1 Million		Under $1 Million		Over $1 Million (Dollar Amount)	Total (Dollar Amount)
	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount		
Commercial and Industrial Loans										
0–$100	25.5	24.4	12.3	12.6	8.3	6.8	24.4	17.0	0.4	6.8
$100–$250	16.8	27.1	23.7	24.7	18.5	20.8	17.1	24.7	3.2	11.5
$250–$1,000	4.3	6.2	8.5	8.9	8.7	8.8	4.6	7.4	3.0	4.7
Over $1,000	53.4	42.2	55.5	53.8	64.6	63.6	53.9	50.8	93.5	77.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nonfarm, Nonresidential Real Estate Loans										
0–$100	42.6	29.4	16.0	15.0	12.9	9.9	34.4	18.3	1.1	10.4
$100–$250	30.0	36.9	27.7	28.6	24.0	26.4	28.8	30.8	8.7	20.6
$250–$1,000	5.0	7.2	8.1	8.6	7.6	9.0	5.8	8.2	6.0	7.2
Over $1,000	22.5	26.5	48.2	47.8	55.6	54.7	31.0	42.7	84.3	61.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Business Loans										
0–$100	28.0	26.3	13.9	13.8	10.4	8.5	26.2	17.6	0.6	8.2
$100–$250	18.7	30.8	25.5	26.6	21.1	23.8	19.3	27.5	4.9	14.9
$250–$1,000	4.4	6.6	8.3	8.7	8.1	8.9	4.8	7.8	3.9	5.6
Over $1,000	48.9	36.3	52.2	50.9	60.3	58.8	49.7	47.1	90.6	71.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Loans under $1 million are a proxy for small business lending.

Source: Special tabulations of June 1993 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, Texas A&M University.

Lending for Real Estate

Under the real estate appraisal requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Federal Deposit Insurance Corporation Improvement Act (FDICIA), any loan that involves real estate valued in excess of $100,000 must have an appraisal completed by a licensed and certified real estate appraiser. Periodic appraisal is also required for existing loans, even other loans for which real estate was used as collateral. The added cost of the appraisals and the burden placed on small business borrowers has been substantial. Regulators have been examining options such as foregoing the certified appraisal requirement and raising the threshold for certified appraisals.

Appeals on Lending Decisions

One reason financial institutions have been reluctant to lend to small businesses is the aggressiveness of examiners in classifying small business loans as "problem loans." The result is that bankers do not make loans that have even the slightest possibility of being classified "problematic." Moreover, there was often an inadequate process for handling bankers' complaints or appeals about loans that had been negatively classified by the examiners. The regulators are reviewing the appeals process for bankers and designating within each of the banking regulatory agencies an office to respond to complaints from the general public.

Examination Procedures

Where the law permits it, new federal initiatives would require more coordination of federal examination processes and procedures with respect to financial institutions. Currently, some financial institutions are under the jurisdiction of more than one federal regulator, as well as state banking agencies, and must submit to costly multiple examinations. Most affected by these examinations are small institutions, which may have to halt almost all bank operations while an examination is in progress.

Paperwork and Regulatory Burdens

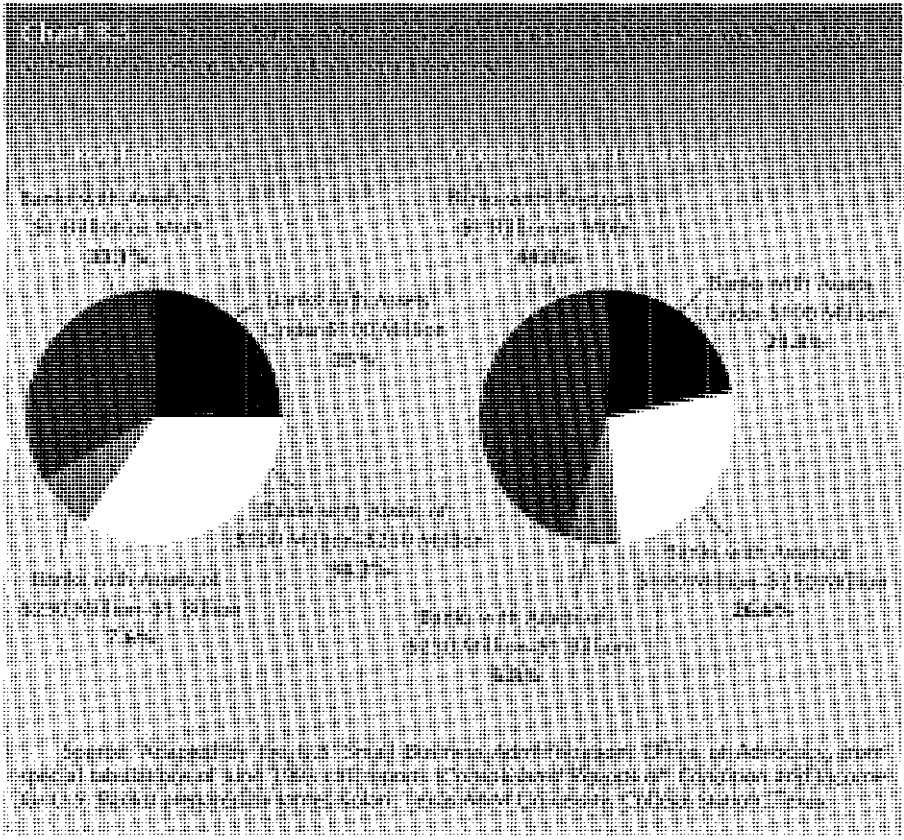
With the enactment of FDICIA and FIRREA and expanded enforcement of the Community Reinvestment Act (CRA), the paperwork burden on financial institutions has increased significantly. A study by the Federal Financial Institutions Examination Council estimated the cost of compliance to be as high as $14 billion annually.[18] Policymakers are reviewing the findings of that study

[18] Federal Financial Institutions Examination Council, "Study on Regulatory Burden," December 1992. According to Alan Greenspan, chairman of the Board of Governors of the Federal Reserve System, and the banking trade associations, it is not any single paperwork requirement or regulatory burden that is the problem, but the cumulative effect of all laws and regulations. The banking trade associations point to the Community Reinvestment Act, the Truth in Lending Act, and the Bank Secrecy Act as especially burdensome.

Table B.11 *Sources of Business Loans by Type and by Size of Borrower, 1987 (Percent)*

Type of Credit by Business Size	All Institutions	Banks	Finance Companies	Other Institutions
Firms With 1–19 Employees				
Lease	100.0	35.3	6.4	58.2
Line of Credit	100.0	81.7	9.2	9.1
Mortgage Loan	100.0	50.2	1.8	48.1
Vehicle Loan	100.0	61.5	28.4	10.1
Equipment Loan	100.0	62.4	18.2	19.4
Other	100.0	48.8	1.8	49.4
Total	100.0	55.9	6.1	38.0
Firms With 20–99 Employees				
Lease	100.0	14.1	20.4	65.6
Line of Credit	100.0	83.7	11.6	4.7
Mortgage Loan	100.0	42.2	2.9	54.9
Vehicle Loan	100.0	51.2	42.2	6.6
Equipment Loan	100.0	53.6	20.3	26.1
Other	100.0	58.3	19.1	22.7
Total	100.0	60.0	11.2	28.8
Firms With 100–499 Employees				
Lease	100.0	23.1	21.0	55.9
Line of Credit	100.0	78.6	8.5	12.9
Mortgage Loan	100.0	84.0	0.1	15.9
Vehicle Loan	100.0	26.5	63.3	10.2
Equipment Loan	100.0	63.1	22.5	14.4
Other	100.0	36.4	9.7	53.9
Total	100.0	66.8	14.0	19.2
All Small Firms				
Lease	100.0	23.9	15.7	60.5
Line of Credit	100.0	81.2	9.9	8.9
Mortgage Loan	100.0	54.4	1.8	43.8
Vehicle Loan	100.0	43.1	47.4	9.5
Equipment Loan	100.0	60.3	20.6	19.1
Other	100.0	47.5	7.8	44.6
Total	100.0	60.8	10.4	28.8

Source: U.S. Small Business Administration, Office of Advocacy, and Board of Governors of the Federal Reserve System, National Survey of Small Business Finances, 1989.



sized businesses, real estate lending and appraisals, appeals of examination decisions and complaint handling, examination processes and procedures, and paperwork and regulatory burdens.

Lending to Small Businesses

On March 30, 1993, the four banking regulators—the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, and the Office of Thrift Supervision—issued a joint policy statement that would permit financial institutions to make character loans (loans made on the basis of "character" evaluations) to small businesses. Specifically, a financial institution that is adequately capitalized and well managed (with a 1 or 2 CAMEL rating),[16] would be allowed, with minimal documentation, to make small business loans of up to 20 percent of the institution's total capital.

[16] Federal financial supervisory agencies conduct annual audits and rate individual institutions' financial conditions, that is, their capital adequacy, asset quality, management, earnings, and liquidity (CAMEL). CAMEL ratings "1" and "2" are the top two quality ratings an institution can receive.

Table B.13 *Common Stock Initial Public Offerings by All and Small Issuers, 1988–1993 (Millions of Dollars)*[1]

	Common Stock	
	Number	Amount
Offerings by All Issuers		
1993	709	41,509.9
1992	516	24,024.2
1991	365	16,344.7
1990	172	4,519.0
1989	210	6,082.3
1988	228	5,940.1
Offerings by Issuers with Assets of $10 Million or Less		
1993	200	2,924.3
1992	170	2,223.0
1991	108	1,216.4
1990	65	411.9
1989	89	583.8
1988	83	655.5
Offerings by Nonfinancial Issuers with Assets of $10 Million or Less		
1993	184	1,991.2
1992	163	1,900.6
1991	102	1,171.1
1990	59	361.5
1989	84	562.3
1988	71	365.6

[1] 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 Securities Data Company, Inc., 1994.

Sources of Financing Available to Small Business

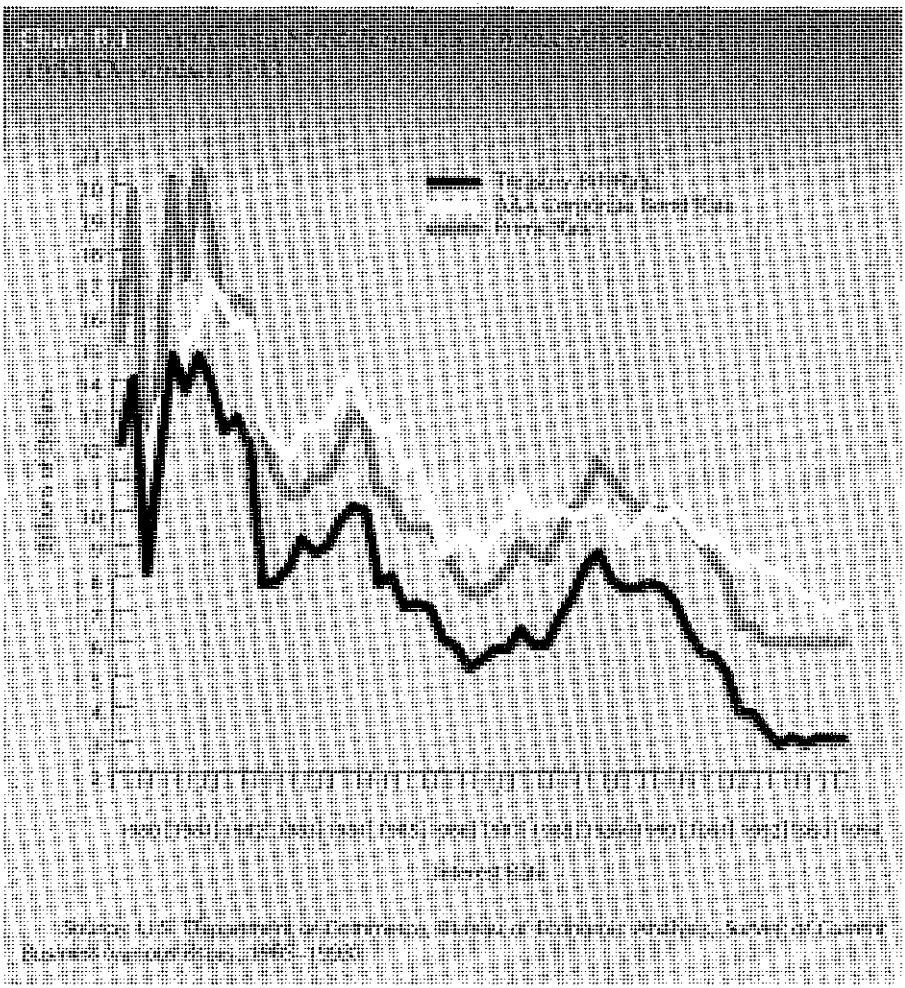
Type	Debt Capital	Equity Capital
Internal Sources	Loans from shareholders/owners	[illegible]
		[illegible]
Informal External Sources	Loans from friends, relatives, and other individuals	[illegible]
	Trade credit from suppliers and customers	
Financial Intermediaries	Direct and indirect lending by banks, savings institutions, and financial companies	[illegible]
	Secured or unsecured debt with or without personal guarantee	
	Short-term or long-term debt	
Public Markets	Bond issues	[illegible]

Source: "Financing Patterns of Small Firms," The State of Small Business: A Report of the President Transmitted to the Congress, 1987, 42.

Table B.15 Sources of Capital Committed to Independent Venture Funds, 1983–1992 (Percent)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Total (Billions of Dollars)	**3.4**	**3.2**	**2.3**	**3.3**	**4.2**	**2.8**	**2.4**	**1.8**	**1.3**	**2.5**
Share Contributed by:										
Pension Funds	31	34	33	50	39	46	36	53	42	42
Foreign Sources	16	18	23	11	13	14	13	7	12	11
Corporations	12	14	12	11	11	11	20	7	4	3
Endowments	8	6	8	6	10	12	12	13	24	19
Individuals	21	15	13	12	12	8	6	11	12	11
Banks/Insurance Companies	12	13	11	10	15	9	13	9	6	15
Total	100	100	100	100	100	100	100	100	100	100

Note: Data may not add to 100 percent because of rounding.
Source: Capital Publishing Corporation, *Venture Capital Journal* (various issues).



business sector remained very weak.[4] A continued vibrant stock market did enable many dynamic small businesses to obtain financing through the initial public offering market and from venture capital companies.

Sources of Financing Used by Small Businesses

Major categories of financing available to small businesses include internal sources, such as owners' savings, business retained earnings, and depreciation; informal external sources, such as friends and business associates; financial in-

[4] New corporate bond issues by domestic nonfinancial corporations reached an annual rate of $159.8 billion in the first nine months of 1993 compared to $104.9 billion in 1992, while common stock public offerings totaled $82.3 billion compared with $57.1 billion in 1992. See *Federal Reserve Bulletin* (January 1994), A34, Table 1.46.

Table B.17 *Financial Services Used by Small Firms, by Type of Financial Institution,[1] 1987 (Percentage of Small Firms)*

Service	Any Financial Institution	Local	Nonlocal	Primary	Nonprimary	Commercial Bank	Nonbank
Checking	97.0	95.7	4.0	96.9	12.5	92.0	7.8
Savings	25.0	23.5	2.5	19.3	9.4	20.4	6.8
Credit	59.0	54.0	14.3	43.8	32.3	47.9	24.5
Leasing	7.4	4.6	3.5	1.6	6.0	2.3	5.6
Line of Credit	24.1	22.8	1.7	22.0	4.0	22.2	2.6
Mortgage	15.0	13.8	1.8	10.4	5.5	11.8	3.6
Motor Vehicle Loan	25.1	20.2	6.4	10.2	16.8	15.3	11.6
Equipment Loan	12.4	10.6	2.3	7.8	5.5	9.3	3.8
Other Loan	8.9	8.1	1.1	6.3	3.1	7.1	2.1
Other[2]	59.3	57.8	4.2	55.3	13.2	55.7	8.1
Transaction	47.3	46.6	2.4	45.4	6.9	45.2	3.6
Cash Management	15.0	14.3	.8	13.5	2.4	14.0	1.1
Credit-related	7.4	6.7	.8	6.3	1.6	6.6	1.0
Brokerage	3.3	2.7	.6	.6	2.8	.4	2.9
Trust	3.8	3.5	.3	2.2	1.7	3.1	.8

[1] Small firms are firms with 1 to 499 employees. Borrowing from nonfinancial institutions is excluded. Local institutions are 30 miles or less from the principal.

[2] Transaction services include currency and coin, credit card processing, and night depository; cash management services include cash management, lockbox, and wire transfer; credit-related services include bankers' acceptances, sales finance, letters of credit, and factoring; trust services include pensions, trusts, and safekeeping.

Source: Gregory Elliehausen and John Wolken, "Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses," Staff Studies 160 (Washington, D.C.: Board of Governors of the Federal Reserve System, 1990), 16, Table 7.

Appendix B

Small Business Financing

Synopsis

Debt borrowing by most small businesses remained flat during 1993. While banks seemed to have eased their credit terms, there was no indication that they had appreciably lowered the strict standards adopted in earlier years. The prime rate, the base rate for most floating-rate loans, remained unusually high despite the fact that money market rates were at historic lows.

Commercial and industrial loans outstanding from U.S. banks declined for the third year in a row. Business loans by the U.S. Small Business Administration, however, showed significant increases over the previous year.

Financing conditions for small dynamic firms remained very favorable. A continued strong stock market provided a strong stimulus to the initial public offering and venture capital markets. Funding for these markets was at historic highs in 1993.

Introduction

After slow growth during the first quarter of 1993, the U.S. economy moved forward and the pace of recovery accelerated. The economy, as measured by real GDP, grew at annual rates of 2.9 percent and 3.1 percent respectively during the third and fourth quarters of 1993. With inflation low and showing no sign of rising and with long-term interest rates remaining very low, prospects for further growth seemed assured.

Overall borrowing paralleled developments in the economy. After a significant fall-off in borrowing during the first quarter of 1993, borrowing increased in most sectors during the second and third quarters, averaging $623 billion annually (Table B.2). The largest increase in borrowing occurred in the household sector. With record low interest rates for mortgage loans, home equity lines, and other consumer loans, borrowing by the household sector increased to an annual rate of $225.2 billion; in fact, household borrowing during the second and third quarters averaged $269 billion at annual rates, compared to an annual rate of $197 billion in 1990 through 1992 (Table B.2).

Federal government borrowing declined significantly during 1993 as the federal budget deficit abated, falling from $304 billion in 1992 to an average annual rate of $252 billion during the first three quarters of 1993. Borrowing by state and local governments remained at about the same level as in the previous two years.

Table B.19 *Mean Amounts of Debt Outstanding for Small Businesses, by Debt Type and Firm Size, 1987 (Thousands of Dollars)*

Employment Size of Firm	Total Debt	Financial Leases	Credit Lines	Mortgages	Vehicle Loans	Equipment Loans	Loans from Owners	Other Loans
1–4	58.82	14.27	35.13	95.98	12.29	22.27	98.91	53.33
5–9	126.22	31.40	64.47	269.35	15.45	30.74	71.17	77.38
10–19	158.18	42.03	99.90	214.12	17.63	56.82	162.03	138.94
20–29	474.89	83.93	326.36	594.99	26.79	94.04	138.83	242.99
50–998	54.14	145.52	520.75	670.27	152.49	317.45	182.25	559.98
100–499	3,652.94	397.28	2,188.25	1,710.81	1,029.61	975.00	604.49	2,410.30
All firms	**232.38**	**57.90**	**241.01**	**289.30**	**37.43**	**86.95**	**125.00**	**150.54**

Source: U.S. Small Business Administration, Office of Advocacy, and Board of Governors of the Federal Reserve System, preliminary tabulations of the National Survey of Small Business Finances, 1989.

Table A.30 *Nonfarm Sole Proprietorships by Gender of Ownership and Industry Group, 1980 and 1991*

Industry	1980			1991			Percent Change (1980–1991)	
	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses
Total, All Industries	**9,730,019**	**2,535,240**	**26.1**	**16,957,636**	**5,548,513**	**32.7**	**74.28**	**118.86**
Agriculture, Forestry, and Fishing	307,720	30,811	10.0	465,258	83,776	18.0	51.20	171.90
Mining, Construction, and Manufacturing	1,409,280	84,221	6.0	2,437,812	228,454	9.4	72.98	171.26
Transportation, Communications, and Public Utilities	438,795	27,696	6.3	722,602	122,827	17.0	64.68	343.48
Wholesale and Retail Trade	2,527,084	824,771	32.6	3,051,122	1,200,839	39.4	20.74	45.60
Finance, Insurance, and Real Estate	1,048,966	354,801	33.8	1,544,798	536,131	34.7	47.27	51.11
Services	3,918,166	1,212,940	3.0	8,736,044	3,376,486	38.7	122.96	178.37

Note: Detail may not add to totals because of disclosure rules regarding the release of information for specific taxpayers. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; Region VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by the U.S. Department of the Treasury, Internal Revenue Service, 1994.

Appendix C

Procurement

Synopsis

The small business share of goods and services purchased by the federal government increased to 30.8 percent in fiscal year 1992 from 29.9 percent the previous year. Small businesses were awarded $61.6 billion (30.8 percent) of a total of $199.8 billion in contracts for goods and services. Of the overall total, 19.6 percent ($39.3 billion) was awarded directly to small firms and at least $22.3 billion (11.2 percent) was awarded to small businesses as subcontractors.

The level of procurement activity in the federal government, as reflected in contract actions over $25,000, declined by 6.2 percent ($11.8 billion) in FY 1992, after increasing during the previous two years. While the small business sector registered a loss of $617.6 million (2.1 percent)—down from $28.8 billion in FY 1991 to $28.2 billion in FY 1992—minority- and women-owned businesses experienced gains of 20.2 percent ($1.3 billion) and 12.9 percent ($227.4 million), respectively, over their award levels of the previous year.

Procurement data for the past 10 years indicate that women- and minority-owned businesses have been successful in obtaining awards during a period when overall federal expenditures—and federal procurement award dollars—were being reduced. While total federal and small-business-sector procurement dollars decreased each year from FY 1986 to FY 1989 and again in FY 1992, the value of awards has increased each year since 1982 for women-owned firms and since 1986 for minority-owned firms.

Despite a continuing decline in Department of Defense acquisitions, the DOD continues to be the largest single source of contract awards from the federal government overall and for small business in particular, accounting for 68 percent of all federal contract dollars over $25,000 and for nearly 63 percent of small business award dollars. Next in importance as procurement award centers for small business are the General Services Administration ($2.0 billion), the Department of Transportation ($1.3 billion), the Department of Agriculture ($1.1 billion), and the National Aeronautics and Space Administration ($872.1 million), which, taken together, awarded nearly 19 percent of the FY 1992 total dollar awards to small businesses.

In 1980, half of all awards to small firms were for supplies and equipment. Since then, awards for supplies and equipment and construction have declined, while opportunities for providing services and research and development assistance to the federal government have increased. As pressure con-

Table A.28 *Nonfarm Sole Proprietorships by Gender of Ownership and SBA Region, 1980 and 1991*

Industry	1980			1991			Percent Change (1980–1991)	
	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses	Women's Share of Total	All Nonfarm Businesses	Women-Owned Businesses
U.S. Total	**9,730,019**	**2,535,240**	**26.1**	**16,957,638**	**5,548,513**	**32.7**	**74.28**	**118.86**
Region I	512,401	120,273	23.5	929,680	318,397	34.2	81.44	164.73
Region II	807,319	195,756	24.2	1,458,560	489,029	33.5	80.67	149.82
Region III	866,848	231,216	26.7	1,527,619	528,437	34.6	76.23	128.55
Region IV	1,480,801	370,354	25.0	2,904,751	872,026	30.0	96.16	135.46
Region V	1,774,893	481,945	27.2	2,767,606	916,389	33.1	55.93	90.14
Region VI	1,237,802	277,022	22.4	2,107,895	587,657	27.9	70.29	112.13
Region VII	602,859	166,643	27.6	926,672	346,346	37.4	53.71	107.84
Region VIII	431,948	115,755	26.8	652,902	220,755	33.8	51.15	90.71
Region IX	1,513,668	446,169	29.5	2,924,232	1,002,820	34.3	93.19	124.76
Region X	484,626	123,924	25.6	757,721	266,657	35.2	56.35	115.18

Note: Detail may not add to totals because of disclosure rules regarding the release of information for specific taxpayers. SBA regions are defined as follows: Region I: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont; Region II: New Jersey, New York; Region III: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia; Region IV: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee; Region V: Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin; Region VI: Arkansas, Louisiana, New Mexico, Oklahoma, Texas; Region VII: Iowa, Kansas, Missouri, Nebraska; Region VIII: Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming; Region IX: Arizona, California, Hawaii, Nevada; and Region X: Alaska, Idaho, Oregon, Washington.

Source: Special tabulations prepared for the U.S. Small Business Administration, Office of Advocacy, by the U.S. Department of the Treasury, Internal Revenue Service, 1994.

subcontracting awards from prime contractors under contract to the federal government (See Table).[5]

Table *Dollars Awarded to Small Firms in Federal Contracts, FY 1992*

	Thousands of Dollars		Small Business Share (Percent)
	Total	Small Business	
Total	199,806,499	61,584,618	30.8
Total Prime Contract Actions	199,806,499	39,259,718	19.6
Under $25,000	22,020,118	11,029,969	50.1
Over $25,000	177,786,381	28,229,749	15.9
Subcontracts to Small Firms	NA	22,324,900	NA

NA = Not applicable.

Note: Actions under $25,000 are reported in summary; actions over $25,000 are reported individually. Subcontracting data are available only for individual prime contracts exceeding $500,000 ($1 million for construction awards) from federal agencies that project agency procurement of $10 million or more.

Source: Federal Procurement Data System, Federal Procurement Report (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Size of Federal Contract Actions

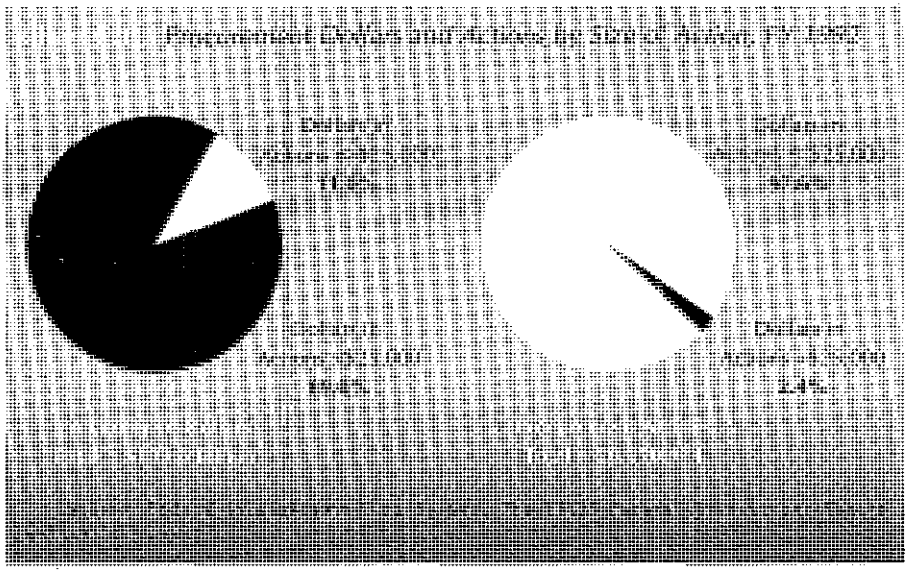
It is estimated that some 50,000 individual firms compete for a relatively small number of very large purchases and numerous smaller awards.[6] In FY

[5] Procurement data (other than subcontract awards) cited here are compiled and reported annually by the Federal Procurement Data Center in the *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993). Data on subcontracting awards are based on federal agency reports required by Public Law 95–507, Section 221(h). Reports and data from the SBA's Office of Procurement Assistance (OPA) published at the end of this report and titled "The Annual Report on Procurement Preference Goals and Accomplishments," are also based on federal agency reports provided directly to OPA as required by Public Law 95–507. There are three basic differences between the two sets of data: (1) the OPA data include contract actions over and under $25,000, while the FPDC data used here reflect primarily awards over $25,000 (except where noted otherwise); (2) the OPA statistics encompass a business population only, while the FPDC data include educational institutions, nonprofit groups, sheltered workshops, state and local governments, and contractors (domestic and foreign) performing contract work outside the United States; and (3) the release dates of the data differ—OPA receives reports from individual agencies immediately after the fiscal year ends, while the FPDC annual fiscal report data are issued several months later.

[6] Depending on the date and period covered, estimates of the number of individual companies competing for federal contracting awards vary between 42,000 and 50,000. See, for example, Ann Maust, *Analysis of Smaller Firm Participation in Federal Contracting,* report no. PB84–214022, prepared by Research Dimensions, Inc., for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1984); and Richard Fullenbaum and Mariana McNeill, *Impact of Federal Procurement on Small Business Development,* report no. PB93–144590, prepared for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1992).

Table A.27 *Wage-and-Salary and Nonfarm Proprietors' Income by SBA Region and State, 1992 and 1993*—Continued

	1992	1993	Percent Change	Rank
Nebraska				
Wages and Salaries	16,559	17,278	4.3	26
Nonfarm Proprietors' Income	2,237	2,403	7.4	24
Total Earned Income	18,796	19,681	4.7	28
Region VIII				
Wages and Salaries	82,880	88,439	6.7	
Nonfarm Proprietors' Income	11,125	12,098	8.7	
Total Earned Income	94,005	100,536	6.9	
Colorado				
Wages and Salaries	42,660	45,618	6.9	6
Nonfarm Proprietors' Income	5,518	6,072	10.0	9
Total Earned Income	48,178	51,690	7.3	6
Montana				
Wages and Salaries	6,581	7,007	6.5	8
Nonfarm Proprietors' Income	1,174	1,241	5.8	48
Total Earned Income	7,754	8,248	6.4	10
North Dakota				
Wages and Salaries	5,537	5,834	5.4	16
Nonfarm Proprietors' Income	745	790	6.0	43
Total Earned Income	6,283	6,623	5.4	16
South Dakota				
Wages and Salaries	5,778	6,212	7.5	3
Nonfarm Proprietors' Income	1,075	1,144	6.4	40
Total Earned Income	6,853	7,356	7.3	5
Utah				
Wages and Salaries	17,685	18,880	6.8	7
Nonfarm Proprietors' Income	1,882	2,075	10.3	8
Total Earned Income	19,568	20,955	7.1	7
Wyoming				
Wages and Salaries	4,639	4,888	5.4	15
Nonfarm Proprietors' Income	732	776	6.0	42
Total Earned Income	5,370	5,664	5.5	15
Region IX				
Wages and Salaries	455,538	463,077	1.7	
Nonfarm Proprietors' Income	66,278	71,120	7.3	
Total Earned Income	521,816	534,197	2.4	
Arizona				
Wages and Salaries	37,728	40,105	6.3	10
Nonfarm Proprietors' Income	3,873	4,219	8.9	10
Total Earned Income	41,601	44,324	6.5	9
California				
Wages and Salaries	384,132	387,273	0.8	51
Nonfarm Proprietors' Income	57,607	61,497	6.8	31
Total Earned Income	441,739	448,770	1.6	50



Major Procurement Centers

The defense share of gross domestic product (GDP) has been gradually shrinking for the past three decades. Military outlays currently constitute less than 5.0 percent of GDP, compared with 8.8 percent in 1960.[9]

Nevertheless, the DOD remains the single most important center of federal acquisition activity in the federal government. In FY 1992, DOD accounted for 67.7 percent of dollars in contracts over $25,000, down from 71.1 percent in the preceding year and from DOD's peak share of 80.1 percent in FY 1985 (Table C.3 and Chart C.3).

The Department of Energy (DOE) and the National Aeronautics and Space Administration (NASA) also are important sources of federal contracting activity, accounting for 10.4 percent and 6.8 percent, respectively, of all dollars in federal contract actions over $25,000 in FY 1992. Over the years, the procurement activities of DOD, DOE, and NASA have formed the bulwark of all federal contracting activity, comprising from 84 to more than 90 percent of the dollar value of major federal contract awards, while all other agencies and departments combined accounted for about 10 to 15 percent.

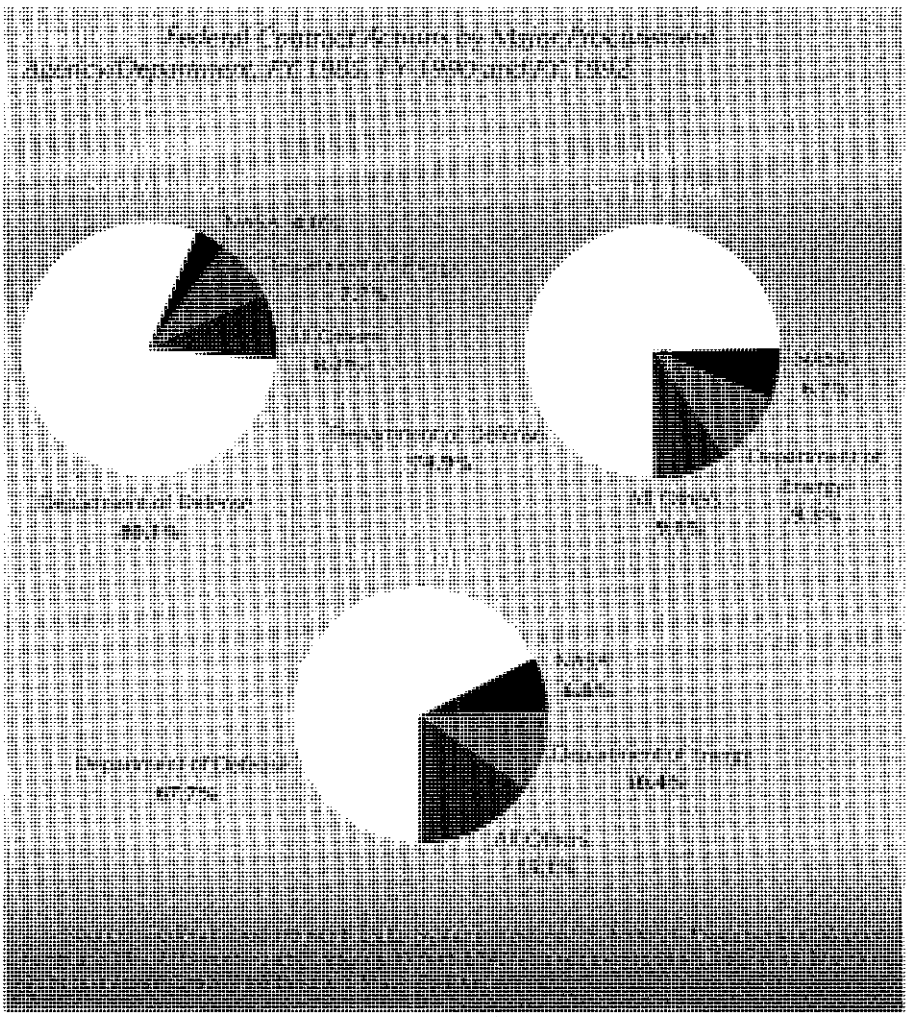
Sources of Small Business Awards by Agency/Department

The agencies' order of importance as procurement centers shifts slightly when only small business awards are considered. The DOD remains the most important single source of contracting dollars, awarding nearly two-thirds ($17.7 billion) of the total $28.3 billion in contract dollars awarded to small firms in FY 1992 (Table C.4).

[9] Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business* (various issues, 1992–1994), (Washington, D.C.: U.S. Government Printing Office, February 1994).

Table A.27 *Wage-and-Salary and Nonfarm Proprietors' Income by SBA Region and State, 1992 and 1993*—Continued

	1992	1993	Percent Change	Rank
Kentucky				
Wages and Salaries	34,460	35,951	4.3	27
Nonfarm Proprietors' Income	3,944	4,237	7.4	23
Total Earned Income	38,404	40,188	4.6	29
Mississippi				
Wages and Salaries	19,441	20,834	7.2	5
Nonfarm Proprietors' Income	2,721	2,958	8.7	12
Total Earned Income	22,162	23,792	7.4	4
North Carolina				
Wages and Salaries	74,576	78,940	5.9	12
Nonfarm Proprietors' Income	7,629	8,277	8.5	14
Total Earned Income	82,205	87,217	6.1	12
South Carolina				
Wages and Salaries	34,877	36,469	4.6	24
Nonfarm Proprietors' Income	3,556	3,927	10.4	6
Total Earned Income	38,433	40,395	5.1	19
Tennessee				
Wages and Salaries	52,649	55,562	5.5	14
Nonfarm Proprietors' Income	7,448	8,100	8.8	11
Total Earned Income	60,097	63,662	5.9	14
Region V				
Wages and Salaries	557,059	580,320	4.2	
Nonfarm Proprietors' Income	56,076	59,731	6.5	
Total Earned Income	613,135	640,051	4.4	
Illinois				
Wages and Salaries	150,534	156,064	3.7	35
Nonfarm Proprietors' Income	16,928	17,919	5.9	45
Total Earned Income	167,462	173,983	3.9	36
Indiana				
Wages and Salaries	61,471	64,396	4.8	21
Nonfarm Proprietors' Income	6,117	6,530	6.8	30
Total Earned Income	67,587	70,926	4.9	23
Michigan				
Wages and Salaries	110,141	115,287	4.7	22
Nonfarm Proprietors' Income	8,561	9,109	6.4	39
Total Earned Income	118,701	124,396	4.8	26
Minnesota				
Wages and Salaries	56,566	59,269	4.8	20
Nonfarm Proprietors' Income	5,859	6,302	7.6	22
Total Earned Income	62,425	65,571	5.0	21
Ohio				
Wages and Salaries	123,097	127,305	3.4	42
Nonfarm Proprietors' Income	13,352	14,272	6.9	29
Total Earned Income	136,449	141,577	3.8	42

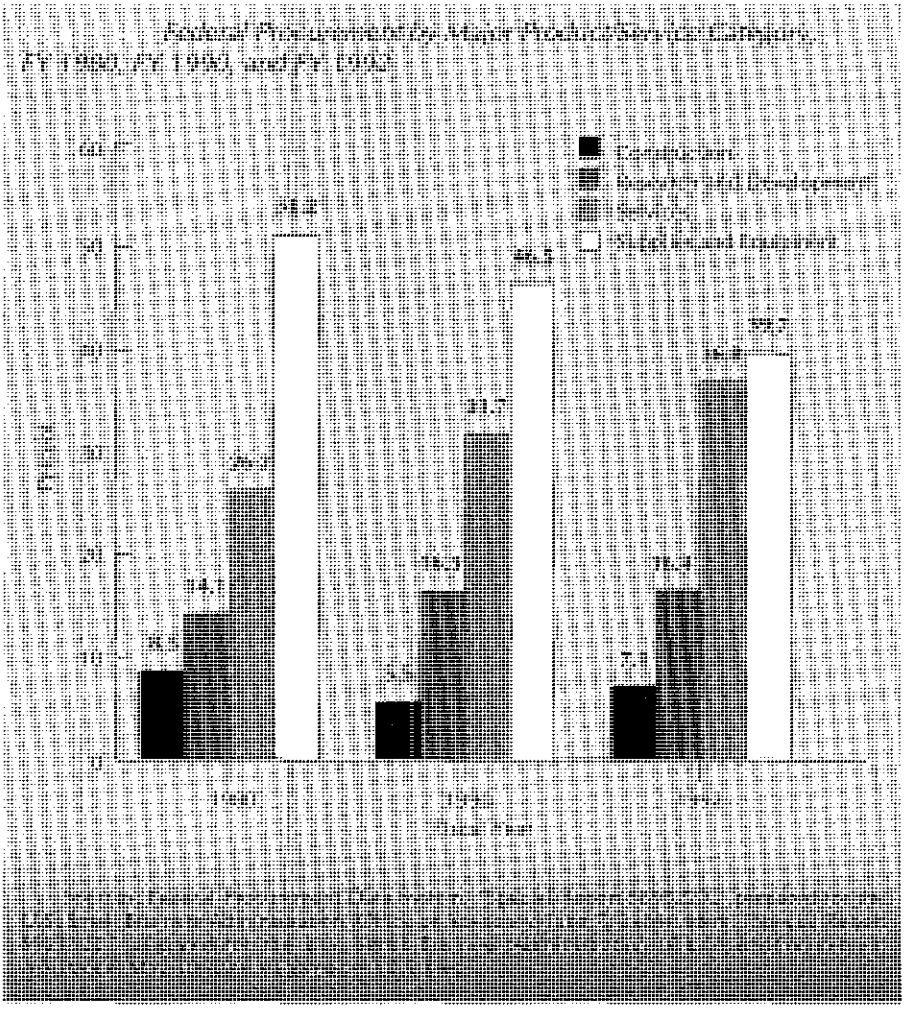


As discretionary programs continue to be trimmed or frozen to meet deficit reduction goals, it is likely that the DOD will continue to lose ground as the primary source of federal contract awards to small firms. Because a significant portion of small firm performance is directly attuned to military procurement cycles, there may be an adverse impact on many small businesses. Moreover, alternate sources, such as the DOE and NASA, have historically allocated substantial portions of their budgets to large-scale programs with high levels of technical sophistication, requiring initial investments beyond the capabilities of most smaller firms.

Some experts believe that small firms, with their inherent flexibility, fit into the niches of marginal spending more effectively than their larger counterparts, and so will perform better than large firms during a downswing in military procurement. With continued military downsizing, there are likely to be new opportunities to test this notion.

Table A.27 *Wage-and-Salary and Nonfarm Proprietors' Income by SBA Region and State, 1992 and 1993*

	1992	1993	Percent Change	Rank
U.S. Total				
Wages and Salaries	2,964,238	3,073,067	3.7	
Nonfarm Proprietors' Income	370,578	397,271	7.2	
Total Earned Income	3,390,954	3,521,312	3.8	
Region I				
Wages and Salaries	177,088	182,529	3.1	
Nonfarm Proprietors' Income	21,709	23,283	7.3	
Total Earned Income	198,797	205,812	3.5	
Connecticut				
Wages and Salaries	51,177	51,970	1.6	50
Nonfarm Proprietors' Income	5,985	6,369	6.4	38
Total Earned Income	57,161	58,339	2.1	49
Maine				
Wages and Salaries	11,736	12,090	3.0	46
Nonfarm Proprietors' Income	2,046	2,157	5.5	50
Total Earned Income	13,781	14,247	3.4	46
Massachusetts				
Wages and Salaries	85,168	88,372	3.8	33
Nonfarm Proprietors' Income	9,435	10,222	8.3	15
Total Earned Income	94,603	98,594	4.2	31
New Hampshire				
Wages and Salaries	12,344	12,804	3.7	34
Nonfarm Proprietors' Income	2,044	2,178	6.6	35
Total Earned Income	14,388	14,982	4.1	32
Rhode Island				
Wages and Salaries	10,881	11,265	3.5	38
Nonfarm Proprietors' Income	1,200	1,275	6.2	41
Total Earned Income	12,082	12,539	3.8	40
Vermont				
Wages and Salaries	5,783	6,030	4.3	28
Nonfarm Proprietors' Income	1,000	1,082	8.2	17
Total Earned Income	6,783	7,112	4.8	24
Region II				
Wages and Salaries	372,263	378,298	1.6	
Nonfarm Proprietors' Income	45,705	48,501	6.1	
Total Earned Income	417,969	426,800	2.1	
New Jersey				
Wages and Salaries	113,075	117,066	3.5	37
Nonfarm Proprietors' Income	12,526	13,352	6.6	34
Total Earned Income	125,601	130,418	3.8	37
New York				
Wages and Salaries	259,188	261,233	0.8	52
Nonfarm Proprietors' Income	33,179	35,150	5.9	44
Total Earned Income	292,368	296,382	1.4	51



rewarding for many small firms. Of the $65.7 billion in contract actions awarded by the federal government for services in FY 1992, 17.0 percent ($11.2 billion) was awarded to small firms, up from 15.9 percent ($8.8 billion) two years earlier (Table C.7). The dollar value of service awards to small firms has increased almost every year since 1979 (Table C.8).

As pressure mounts on federal procuring agencies and departments to lower their overall acquisition levels, it is likely that many will postpone the replacement of hardware and other supplies and equipment and opt instead for maintenance and repair awards in the service categories. This shift should provide growth and expansion opportunities for small service firms with procurement experience, as well as encouraging the first-time entry of other small businesses into federal procurement markets.

Table A.25 *Change in Employment in Small-Business-Dominated, Large-Business-Dominated, and Indeterminate Industries, December 1992 and December 1993 (Thousands)*

Industry	Industry Totals		Small-Business-Dominated Industries		Large-Business-Dominated Industries		Indeterminate Industries	
	Absolute Change	Percent	Absolute Change	Percent	Absolute Change	Percent	Absolute Change	Percent
Total, All Industries	**1,874.9**	**2.1**	**1,330.6**	**3.2**	**167.6**	**0.5**	**376.7**	**2.3**
Mining	−5.9	−1.0	0.0	0.0	−19.7	−5.5	13.8	6.1
Construction	195.6	4.5	195.6	4.5	NA	NA	NA	NA
Manufacturing	−131.2	−0.7	−1.3	0.0	−151.4	−1.4	21.5	0.5
Transportation	−7.5	−0.1	8.0	0.8	−33.0	−1.1	17.5	1.0
Wholesale Trade	69.4	1.1	63.1	1.7	−29.3	−3.9	35.6	2.3
Retail Trade	464.4	2.3	484.4	4.1	−22.3	−0.3	2.3	0.2
Finance, Insurance, Real Estate	85.4	1.3	16.3	0.7	29.8	1.0	39.3	3.0
Services	1,204.7	4.1	564.5	3.6	393.5	5.1	246.7	4.1

NA = Indicates lack of industry representation within that size category.

Note: Detail may not add to total due to rounding. Data exclude self-employed workers. Small-business-dominated industries are industries in which 60 percent or more of employment is in firms with fewer than 500 employees. Large-business-dominated industries are industries that have 60 percent or more of employment in firms with more than 500 employees. A third set of industries, in which 40.1 to 59.9 percent of employment is in firms with fewer than 500 employees, constitutes an indeterminate group, where dominance is unclear. While 99.9 percent of BLS employment could be allocated overall, only 98 percent could be allocated in the manufacturing and services sectors because of inconsistencies in the Standard Industrial Classification codes.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (February 1994), Table B.2.

The small business share increased in about half of the states between FY 1991 and FY 1992 and declined in the other half. The largest share gain for small firms was in West Virginia, where the small business share more than doubled, from 18.0 to 41.4 percent; the largest loss was in Georgia, where the small business share declined from 23.3 to 11.2 percent.

Subcontracting by Major Purchasing Agency

Data on subcontracts to small businesses are available only from federal agencies that project agency procurement of $10 million or more and only for individual prime contracts exceeding $500,000 (except for construction awards, for which the data include only awards in excess of $1 million). Subcontracting dollars represent a very substantial source of revenue to small firms, especially those specialized firms equipped to perform only part of a large or complex project. The inclusion of subcontracts to small firms raises the small business share of procurement from just under 20 percent of the total value of federal contract actions to over 30 percent in FY 1992.

Although the dollar value of subcontracts varies considerably from year to year, the trend has been generally upward in recent years for most of the major federal procurement centers. Of the 23 major federal agencies and departments reporting for both FY 1992 and FY 1991, 15 show an increase in dollars subcontracted to small businesses over FY 1991 levels (Table C.10).

Paralleling federal prime contracting patterns, subcontracting awards to small firms emanate primarily from the prime contractors to the DOD ($18.2 billion), the National Aeronautics and Space Administration ($1.6 billion), and the General Services Administration ($873.6 million) (Table C.10).

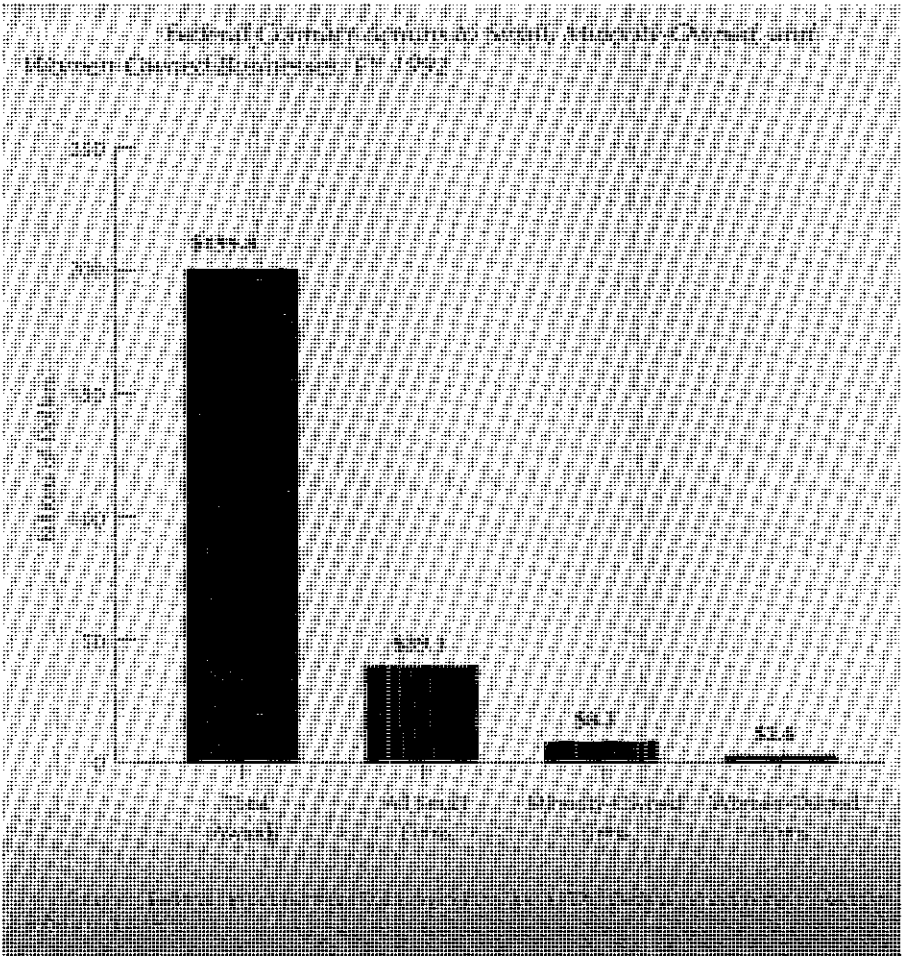
In FY 1992, small businesses also obtained significant subcontract awards working with prime contractors to the Departments of Veterans Affairs ($610.4 million), Energy ($233.7 million), and the Treasury ($155.1 million), the Environmental Protection Agency ($143.4 million), and the Department of Health and Human Resources ($108.1 million).

Federal Contract Awards to Minority- and Women-Owned Businesses

Women- and minority-owned businesses are the most rapidly growing segments of federal contracting markets. From FY 1991 to FY 1992, women- and minority-owned businesses increased their share of the value of awards over $25,000 by 12.9 percent and 20.2 percent, respectively, in the face of declining dollar amounts to small businesses overall and decreasing procurement programs of the federal government (Table C.11). Seventy-seven percent of the FY 1992 dollar awards to women-owned firms and 94 percent of the awards to minority-owned firms were in contract actions over $25,000 (Table C.12).

Table A.24 *Employment in Selected Indeterminate Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
449	Services Incidental to Water Transportation	104.1	103.1	−1.0	−1.0
	Wholesale Trade	**1,558.9**	**1,594.5**	**35.6**	**2.3**
504	Professional and Commercial Equipment	321.4	319.9	−1.5	−0.5
5047	Medical, Dental, and Hospital Equipment	152.4	160.9	8.5	5.6
5065	Electronic Parts and Equipment	220.5	228.0	7.5	3.4
511	Paper and Paper Products	239.6	248.7	9.1	3.8
514	Groceries and Related Products	432.1	446.8	14.7	3.4
516	Chemicals and Allied Products	140.2	137.6	−2.6	−1.9
5182	Wine and Distilled Alcoholic Beverages	52.7	52.6	−0.1	−0.2
	Retail Trade	**1,396.8**	**1,399.1**	**2.3**	**0.2**
54	Food Stores	124.8	142.0	17.2	13.8
573	Radio, TV and Music Stores	109.7	113.9	4.2	3.8
5731	Radio, Television, and Consumer Electronics Stores	129.8	142.7	12.9	9.9
591	Drug Stores and Proprietary Stores	617.7	621.0	3.3	0.5
5942	Book Stores	99.0	98.6	−0.4	−0.4
5949	Sewing, Needlework, and Piece Goods	66.9	63.0	−3.9	−5.8
596	Nonstore Retailers	51.3	48.1	−3.2	−6.2
S961	Catalog and Mail-Order Houses	197.6	169.8	−27.8	−14.1
	Finance, Insurance, and Real Estate	**1,324.2**	**1,363.5**	**39.3**	**3.0**
6022	State Commercial Banks	603.6	619.3	15.7	2.6
6035	Savings Institutions, Federally Chartered	193.5	191.8	−1.7	−0.9
61	Nondepository Credit Institutions	16.9	17.2	0.3	1.8
614	Personal Credit Institutions	126.4	123.7	−2.7	−2.1
616	Mortgage Bankers and Brokers	178.9	204.1	25.2	14.1
623	Security and Commodity Exchanges	22.6	22.9	0.3	1.3
628	Services Allied with Exchange of Securities or Commodities	82.7	86.2	3.5	4.2
671	Holding Offices	99.6	98.3	−1.3	−1.3
	Services	**6,024.8**	**6,271.5**	**246.7**	**4.1**
701	Hotels, Motels, and Tourist Courts	1,474.1	1,492.8	18.7	1.3



Legislative debates in 1994 resulted in the passage of the Federal Acquisition Streamlining Act (FASA). The most significant reform measures included in the law were as follows:

- The small purchase threshold is increased from $25,000 to $100,000.
- Federal agencies are encouraged to purchase commercial items and exemptions are provided from certain socioeconomic statutes.
- A governmentwide electronic data interchange (EDI) system will be established to notify potential contractors of procurement opportunities.
- Waivers of certain laws are authorized for certain agency procurements.
- The instances in which agency managers are required to buy from GSA's Multiple Award Schedule are reduced.
- A new 5-percent governmentwide procurement goal is established for women-owned businesses.

Table A.24 *Employment in Selected Indeterminate Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
253	Public Building and Related Furniture	34.8	35.7	0.9	2.6
2657	Folding Paperboard Boxes	49.5	48.3	−1.2	−2.4
2673	Plastics, Foil, and Coated Paper Bags	36.1	35.9	−0.2	−0.6
272	Periodicals: Publishing, or Publishing and Printing	124.0	125.7	1.7	1.4
274	Miscellaneous Publishing	80.7	80.4	−0.3	−0.4
276	Manifold Business Forms	47.7	47.2	−0.5	−1.0
278	Blankbooks, Looseleaf Binders, and Bookbinding and Related Work	67.9	65.9	−2.0	−2.9
2842	Specialty Cleaning, Polishing, and Sanitation Preparations	42.7	42.5	−0.2	−0.5
285	Paints, Varnishes, Lacquers, Enamel	58.3	57.4	−0.9	−1.5
289	Miscellaneous Chemical Products	92.4	88.6	−3.8	−4.1
295	Asphalt Paving and Roofing Material	25.1	25.5	0.4	1.6
306	Fabricated Rubber Products, n.e.c.	100.9	101.1	0.2	0.2
308	Miscellaneous Plastics Products	622.0	637.0	15.0	2.4
3111	Leather Tanning and Finishing	23.2	23.5	0.3	1.3
323	Products of Purchased Glass	58.9	57.7	−1.2	−2.0
325	Structural Clay Products	30.6	30.6	0.0	0.0
326	Pottery and Related Products	37.6	38.4	0.8	2.1
3291	Abrasive Products	19.4	19.3	−0.1	−0.5
3325	Steel Foundries, n.e.c.	24.0	24.5	0.5	2.1
342	Cutlery, Handtools, and General Hardware	11.4	11.8	0.4	3.5
3423	Hand and Edge Tools, except Machine Tools and Handsaws	40.9	41.8	0.9	2.2
343	Heating Equipment, except Electric and Warm Air; and Plumbing Fixtures	57.0	59.2	2.2	3.9
3442	Metal Doors, Sash, Frames, Molding, and Trim	69.4	70.5	1.1	1.6
3443	Fabricated Plate Work (Boiler Shops)	97.3	94.3	−3.0	−3.1
3452	Bolts, Nuts, Screws, Rivets, and Washers	44.5	44.1	−0.4	−0.9
3462	Iron and Steel Forgings	28.5	29.1	0.6	2.1
3494	Valves and Pipe Fittings, n.e.c.	23.8	23.6	−0.2	−0.8

Table C.2 *Distribution of Dollars in Contract Actions Over $25,000 by Major Recipient Category for Selected Years (Percent)*

Recipient Category	FY 1980	FY 1990	FY 1992
Total	100.0	100.0	100.0
Large Business	74.0	71.4	70.1
Small Business	15.2	14.8	15.9
Educational Institutions and Nonprofit Groups	6.0	4.1	4.5
State and Local Governments	(*)	1.8	2.2
Domestic Firms Working Outside the U.S.	—	0.8	1.0
Foreign Firms	—	2.7	2.3
Unclassified	4.8	4.4	4.0

*Data for state and local governments for FY 1980 are included in the figures for "Educational Institutions and Nonprofit Groups."

Note: Starting in FY 1983, the dollar threshold for reporting detailed information on DOD procurement actions increased from $10,000 to $25,000. For civilian agencies, a similar change was made starting in FY 1986.

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993); idem, *Federal Procurement Data System Standard Report* (Washington, D.C.: U.S. Government Printing Office, March 15, 1986); and idem, "Special Report 85462S" (prepared for the U.S. Small Business Administration, Office of Advocacy, February 28, 1986).

Table A.23 *Employment in Selected Large-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
7374	Computer Processing and Data Preparation	211.9	220.7	8.8	4.2
7375	Information Retrieval Services	47.1	51.7	4.6	8.8
7378	Computer Maintenance and Repair	42.5	39.9	−2.6	−6.1
7514	Passenger Car Rental	87.3	110.7	13.4	13.8
781	Motion Picture Production	174.4	180.6	6.2	3.6
783	Motion Picture Theaters	107.3	106.6	−0.7	−0.7
80	Health Services	302.5	317.5	15.0	5.0
8062	Hospitals	3,494.3	3,513.1	18.8	0.5
8063	Psychiatric Hospitals	102.6	88.3	−4.3	−4.2
8069	Specialty Hospitals, except Psychiatric	202.8	206.2	3.4	1.7
822	Colleges and Universities	1,122.8	1,157.6	34.8	3.1
8731	Physical and Biological Research	231.7	231.2	−0.5	−0.2

[1] Represents sum of three-digit components, which are also shown separately.

[2] Represents two-digit industries with three-digit industry breakout. However, due to the inability to distribute all industry employment, industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

[3] Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by the Bureau of Labor Statistics.

Note: Excludes self-employed workers. Large-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with more than 500 employees. While 89.9 percent of industry employment was allocated to small, large, or indeterminate industries, about 2 percent of employment in the manufacturing and service sectors could not be allocated because of SIC code inconsistencies.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (February 1994), Table B.2.

Table C.4 *Distribution of Small Business Share of Dollars in Contract Actions Over $25,000 by Procuring Agency Source, FY 1992*

	Thousands of Dollars		Small Business Distribution (Percent)
	Total	Small Business	
Total, All Agencies	**177,786,381**	**28,229,749**	**100.0**
Department of Defense	120,389,083	17,673,518	62.6
General Services Administration	5,174,962	2,039,507	7.2
Department of Transportation	2,832,389	1,260,027	4.5
Department of Agriculture	2,774,109	1,102,547	3.9
National Aeronautics and Space Administration	12,172,176	872,069	3.1
Department of Veterans Affairs	2,301,889	858,243	3.0
Department of the Interior	1,481,560	675,033	2.4
Department of Energy	18,543,995	556,601	2.0
Department of Health and Human Services	2,317,072	550,054	1.9
Department of Justice	1,421,175	514,671	1.8
Department of the Treasury	1,533,527	416,873	1.5
Tennessee Valley Authority	1,322,927	408,201	1.4
Environmental Protection Agency	1,243,767	257,110	0.9
Department of State	719,625	204,249	0.7
Department of Commerce	642,279	198,466	0.7
Agency for International Development	955,586	176,839	0.6
Department of Labor	754,801	158,638	0.6
Federal Emergency Management Agency	199,887	73,224	0.3
Department of Education	284,458	40,231	0.1
Department of Housing and Urban Development	198,958	38,834	0.1
Small Business Administration	38,411	33,781	0.1
Nuclear Regulatory Commission	42,847	22,564	0.1
Office of Personnel Management	55,028	22,210	0.1
United States Information Agency	61,196	12,438	(*)
National Science Foundation	162,920	11,471	(*)
Smithsonian Institution	22,915	11,096	(*)
National Archives and Records Administration	11,554	7,860	(*)
Executive Office of the President	15,048	5,999	(*)
Securities and Exchange Commission	22,938	5,571	(*)
National Labor Relations Board	4,309	3,270	(*)
Federal Trade Commission	4,061	2,721	(*)
Railroad Retirement Board	7,799	2,555	(*)
Equal Employment Opportunity Commission	29,829	2,446	(*)
National Gallery of Art	4,174	2,347	(*)
Peace Corps	11,038	2,033	(*)
Federal Energy Regulatory Commission	8,742	1,454	(*)
National Mediation Board	1,240	1,224	(*)
Consumer Product Safety Commission	2,123	1,198	(*)
International Trade Commission	1,735	1,150	(*)
All Others	13,871	1,426	(*)

*Less than 0.05 percent.

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Table A.23 *Employment in Selected Large-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
3641	Electric Lamp Bulbs and Tubes	21.2	20.7	−0.5	−2.4
3643	Current Carrying Wiring Devices	63.9	64.4	0.5	0.8
3644	Noncurrent Carrying Wiring Devices	19.1	19.3	0.2	1.0
365	Household Audio and Video Equipment	83.0	84.7	1.7	2.0
366	Communications Equipment	234.5	229.3	−5.2	−2.2
367	Electronic Components and Accessories	281.0	277.3	−3.7	−1.3
3671	Electron Tubes	25.2	23.4	−1.8	−7.1
3674	Semiconductors and Related Devices	215.0	216.5	1.5	0.7
369	Miscellaneous Electrical Machinery	150.0	152.1	2.1	1.4
371	Motor Vehicles and Equipment	79.0	83.0	4.0	5.1
3711	Motor Vehicles and Passenger Car Bodies	321.8	330.3	8.5	2.6
3714	Motor Vehicle Parts and Accessories	421.6	434.2	12.6	3.0
3721	Aircraft	319.4	286.4	−33.0	−10.3
3724	Aircraft Engines and Engine Parts	120.2	105.0	−15.2	−12.6
3728	Aircraft Parts and Auxiliary Equipment	143.6	117.6	−26.0	−18.1
3731	Ship Building and Repairing	119.5	108.4	−11.1	−9.3
374	Railroad Equipment	28.1	28.0	−0.1	−0.4
376	Guided Missiles and Space Vehicles	133.3	111.1	−22.2	−16.7
381	Search, Detention, Navigation Equipment	215.6	191.1	−24.5	−11.4
382	Laboratory Apparatus	283.8	271.7	−12.1	−4.3
384	Surgical, Medical, and Dental Instruments	265.0	263.4	−1.6	−0.6
385	Ophthalmic Goods	37.7	37.7	0.0	0.0
386	Photographic Equipment and Supplies	84.0	89.4	−4.6	−4.9
	Transportation and Public Utilities	**3,098.0**	**3,065.0**	**−33.0**	**−1.1**
40	Railroad Transportation	32.7	32.5	−0.2	−0.6
4011	Railroads, Line-Haul Operating	218.8	214.5	−4.3	−2.0
45	Transportation by Air	28.8	28.5	−0.3	−1.0
451	Air Transportation	601.0	611.5	10.5	1.7
458	Air Transportation Services	89.7	87.5	−2.2	−2.2
46	Pipelines, except Natural Gas	18.4	17.2	−1.2	−6.5
48	Communications	25.4	24.8	−0.6	−2.4
481	Telephone Communication	884.1	859.6	−24.5	−2.8
4833	Television Broadcasting Stations	114.2	115.0	0.8	0.7
484	Cable and Other Pay Television Services	129.2	131.4	2.2	1.7

National Aeronautics and Space Administration	12,172,176	872,069	7.0	7.5	7.0	7.1	7.2
National Science Foundation	162,920	11,471	1.9	3.3	10.6	6.9	7.0
Nuclear Regulatory Commission	42,847	22,564	36.2	36.2	34.0	22.6	52.7
Office of Personnel Management	55,028	22,210	1.9	17.6	18.3	49.2	40.4
Securities and Exchange Commission	22,938	5,571	51.8	5.8	12.9	26.9	24.3
Small Business Administration	38,411	36,781	46.8	56.5	NA	72.4	87.9
Smithsonian Institution	22,915	11,096	66.6	56.1	63.3	47.0	48.4
Tennessee Valley Authority[2]	1,322,927	408,201	48.8	−9.0	62.0	26.4	30.9
United States Information Agency	61,196	12,438	22.3	33.7	54.1	31.0	20.3

[1] A total of 62 agencies are represented in the total dollars for FY 1992; the 29 organizations listed are those agencies that awarded at least $15 million in contract actions over $25,000 in FY 1992. In the aggregate, these organizations accounted for more than 99 percent of the dollar volume of awards over $25,000 in FY 1992.

[2] The negative small business figures for the Tennessee Valley Authority in FY 1985 were due to deobligations in multiyear contracts for the purchase of coal that had fallen in price.

NA = Not available.

Note: Starting in FY 1983, the dollar threshold for reporting detailed information on DOD procurement actions increased from $10,000 to $25,000. For civilian agencies, a similar change was made starting in FY 1986.

Source: Federal Procurement Data Center, "Special Report S89522C" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 12, 1989); and idem, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Table A.23 *Employment in Selected Large-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
2341	Women's, Misses', Children's, and Infants' Underwear and Nightwear	44.6	42.4	−2.2	−4.9
2436	Softwood Veneer and Plywood	27.3	26.9	−0.4	−1.5
2451	Mobile Homes	43.6	49.8	6.2	14.2
252	Office Furniture	62.5	63.5	1.0	1.6
262	Paper Mills	171.7	165.8	−5.9	−3.4
263	Paperboard Mills	51.7	51.0	−0.7	−1.4
265	Paperboard Containers and Boxes	74.0	71.7	−2.3	−3.1
2653	Corrugated and Solid Fiber Boxes	122.8	123.4	0.6	0.5
2656	Sanitary Food Containers, except Folding	15.7	15.9	0.2	1.3
267	Converted Paper and Paperboard Products, except Containers and Boxes	168.5	167.9	−0.6	−0.4
2672	Coated and Laminated Paper	44.4	44.2	−0.2	−0.5
2677	Envelopes	23.6	23.7	0.1	0.4
271	Newspapers: Publishing, or Publishing and Printing	454.9	454.8	−0.1	−0.0
273	Books	117.6	120.1	2.5	2.1
281	Industrial Inorganic Chemicals	136.6	133.7	−2.9	−2.1
282	Plastic Materials	170.6	164.7	−5.9	−3.5
283	Drugs	259.0	262.9	3.9	1.5
2841	Soap and Other Detergents	42.4	42.0	−0.4	−0.9
2844	Perfumes, Cosmetics, and Other Toilet Preparations	68.6	68.7	0.1	0.1
2865	Cyclic Organic Crudes and Intermediates, and Organic Dyes and Pigments	25.2	25.2	0.0	0.0
2869	Industrial Organic Chemicals, n.e.c.	124.1	119.0	−5.1	−4.1
287	Agricultural Chemicals	56.4	55.9	−0.5	−0.9
291	Petroleum Refining	117.1	115.0	−2.1	−1.8
301	Tires and Inner Tubes	83.6	83.1	−0.5	−0.6
302	Rubber and Plastics Footwear	10.3	10.3	0.0	0.0
305	Gaskets, Packing, and Sealing Devices	59.3	60.9	1.6	2.7
314	Footwear, except Rubber	61.9	61.7	−0.2	−0.3
321	Flat Glass	14.3	14.2	−0.1	−0.7
322	Glass and Glassware, Pressed or Blown	78.9	76.6	−2.3	−2.9
324	Cement, Hydraulic	17.0	16.8	−0.2	−1.2

Table C.7 *Small Business Share of Dollars in Contract Actions Over $25,000 by Major Product or Service Category, FY 1980, FY 1990, and FY 1992*

Product/Service Category	FY 1980 Thousands of Dollars	FY 1980 Small Business Share (Percent)	FY 1990 Thousands of Dollars	FY 1990 Small Business Share (Percent)	FY 1992 Thousands of Dollars	FY 1992 Small Business Share (Percent)
Research and Development						
Total	14,195,369		28,423,371		29,337,686	
Small Business	958,063	6.7	2,184,656	7.7	2,489,248	8.5
Construction						
Total	8,592,397		9,577,817		12,696,014	
Small Business	3,627,308	42.2	4,691,269	49.0	6,110,759	48.1
Services						
Total	26,383,173		55,109,161		65,718,011	
Small Business	3,492,741	13.2	8,758,243	15.9	11,160,019	17.0
Supplies and Equipment						
Total	51,668,061		80,873,206		70,894,709	
Small Business	7,210,216	14.0	10,405,320	12.9	8,572,545	12.1

Source: Federal Procurement Data System, "Special Report S89522A" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 7, 1989); and "Special Report S92132E" (prepared for the U.S. Small Business Administration, Office of Procurement Assistance, by Federal Procurement Data System, Washington, D.C., May 30, 1991); and report prepared for the U.S. Small Business Administration, Office of Procurement Assistance, by Eagle Eye Publishers, Inc., June 2, 1993.

Table A.22 *Employment in Selected Small-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
836	Residential Care	551.9	587.5	35.6	6.5
839	Social Services, n.e.c.	176.8	184.2	7.4	4.2
84	Museums, Botanical and Zoological Gardens	71.9	76.7	4.8	6.7
86	Membership Organizations	[1] 231.6	1,233.6	2.0	0.2
861	Business Associations	102.4	104.3	1.9	1.9
862	Professional Organizations	52.9	53.8	0.9	1.7
863	Labor Organizations	135.5	134.9	−0.6	−0.4
864	Civic and Social Associations	417.4	429.0	11.6	2.8
8712	Architectural Services	112.6	115.1	2.5	2.2
8713	Surveying Services	46.7	50.5	3.8	8.1
87	Engineering, Accounting, Research	939.5	976.9	37.4	4.0
872	Accounting, Auditing, and Bookkeeping	502.0	498.7	−3.3	−0.7
8732	Commercial Economic, Sociological, and Educational Research	105.5	107.0	1.5	1.4
8743	Public Relations Services	30.7	31.0	0.3	1.0
89	Services, n.e.c.	41.3	41.2	−0.1	−0.2

[1] Represents sum of three-digit components, which are also shown separately.

[2] Represents two-digit industries with three-digit industry breakout. However, due to the inability to distribute all industry employment, industry components do not equal the specified two-digit total. If the industry was clearly large-business-dominated or small-business-dominated, the two-digit industry was listed to represent the overall two-digit industry total.

[3] Each two-digit subcomponent industry reflects both the sum of the separately enumerated three-digit components and a residual component representing industries not covered by the Bureau of Labor Statistics.

n.e.c. = Not elsewhere classified.

Note: Excludes self-employed workers. Small-business-dominated industries are industries in which a minimum of 60 percent of employment is in firms with fewer than 500 employees. While 99.9 percent of industry employment was allocated to small, large, or indeterminate industries, about 2 percent of employment in the manufacturing and service sectors could not be allocated because of SIC code inconsistencies.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (February 1994), Table B.2.

Table C.9 *Small Business Share of Prime Contract Dollars by State, FY 1992*

	FY 1992 (Thousands of Dollars)		FY 1992 Small Business Share	FY 1991 Small Business Share	FY 1992 Ranking of Dollars to Small Firms
	Total	Small Business			
Total Federal	**177,786,381**	**28,229,749**	**15.9**	**15.2**	
Alabama	3,626,940	932,042	25.7	20.4	9
Alaska	709,470	224,067	31.6	40.3	32
Arizona	2,438,363	429,046	17.6	10.5	21
Arkansas	412,178	136,603	33.1	40.4	37
California	31,481,258	3,449,889	11.0	10.6	1
Colorado	4,126,193	533,800	12.9	10.4	13
Connecticut	3,315,806	319,468	9.6	5.5	28
Delaware	184,662	39,107	21.2	32.4	50
District of Columbia	4,134,663	1,276,075	30.9	32.1	5
Florida	7,137,955	1,091,987	15.3	16.4	6
Georgia	4,268,572	478,288	11.2	23.3	18
Hawaii	669,623	257,490	38.5	37.5	30
Idaho	1,068,895	122,822	11.5	10.9	41
Illinois	2,680,919	516,048	19.2	21.9	14
Indiana	1,692,290	189,513	11.2	8.5	35
Iowa	631,805	101,463	16.1	17.2	44
Kansas	1,067,421	165,028	15.5	18.3	36
Kentucky	900,172	339,404	37.7	35.9	24
Louisiana	2,119,494	506,825	23.9	23.4	15
Maine	1,360,107	73,299	5.4	7.4	49
Maryland	7,716,196	2,021,563	26.2	23.4	3
Massachusetts	6,617,671	887,368	13.4	10.5	11
Michigan	2,934,051	336,669	11.5	17.9	25
Minnesota	1,747,491	134,865	7.7	7.4	38
Mississippi	3,025,267	303,283	10.0	15.5	29
Missouri	4,497,514	457,804	10.2	6.5	19
Montana	207,696	123,592	59.5	77.8	40
Nebraska	534,070	193,896	36.3	33.2	34
Nevada	996,820	109,255	11.0	9.3	42
New Hampshire	460,865	78,463	17.0	13.4	48
New Jersey	4,064,822	958,758	23.6	22.0	8
New Mexico	3,773,062	445,437	11.9	10.0	20
New York	7,521,604	1,045,876	13.9	12.8	7
North Carolina	2,027,394	371,893	18.3	27.0	23
North Dakota	197,744	124,481	63.0	59.6	39
Ohio	4,644,858	791,362	17.0	15.5	12
Oklahoma	1,094,850	391,527	35.8	37.3	22

Table A.22 *Employment in Selected Small-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
526	Retail Nurseries, Lawn and Garden Supply Stores	82.6	83.8	1.2	1.5
542	Meat Markets and Freezer Provisioners	55.2	60.6	5.4	9.8
545	Dairy Products Stores	20.6	18.6	−2.0	−9.7
546	Retail Bakeries	169.8	175.5	5.7	3.4
55[2]	Automotive Dealers and Gasoline Service Stations	138.5	155.6	17.1	12.3
551	New and Used Car Dealers	885.3	923.8	38.5	4.3
553	Auto and Home Supply Stores	340.7	358.5	17.8	5.2
554	Gasoline Service Stations	612.8	617.4	4.6	0.8
559	Automotive Dealers, n.e.c.	7.1	6.0	−1.1	−15.5
561	Men's and Boys' Clothing and Furnishings	95.7	95.5	−0.2	−0.2
571	Furniture and Home Furnishings Stores	456.5	485.3	28.8	6.3
572	Household Appliance Stores	76.7	73.0	−3.7	−4.8
58	Eating and Drinking Places	6,654.7	6,936.1	281.4	4.2
592	Liquor Stores	117.4	118.4	1.0	0.9
593	Used Merchandise Stores	81.7	84.6	2.9	3.5
594	Miscellaneous Shopping Goods Stores	197.5	194.6	−2.9	−1.5
5941	Sporting Goods and Bicycles	170.1	183.4	13.3	7.8
5943	Stationery Stores	73.2	74.7	1.5	2.0
5944	Jewelry Stores	151.1	150.9	−0.2	−0.1
5947	Gift, Novelty, and Souvenir Shops	193.5	194.9	1.4	0.7
5962	Automatic Merchandising Machine Operators	76.4	77.5	1.1	1.4
598	Fuel Dealers	102.9	103.1	0.2	0.2
599	Retail Stores, n.e.c.	438.0	478.3	40.3	9.2
	Finance, Insurance and Real Estate	**2,180.7**	**2,197.0**	**16.3**	**0.7**
606	Credit Unions	141.2	147.4	6.2	4.4
64	Insurance Agents, Brokers, and Service	647.6	645.3	−2.3	−0.4
65[2]	Real Estate	31.9	36.3	4.4	13.8
651	Real Estate Operators and Lessors	561.2	558.9	−2.3	−0.4
653	Real Estate Agents and Managers	569.9	574.9	5.0	0.9
655	Subdividers and Developers	106.0	103.9	−2.1	−2.0
67	Holding and Investment Services	122.9	130.3	7.4	6.0

Table C.10 *Subcontractors to Small Business by Agency, FY 1982–FY 1992 (Millions of Dollars)*

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Department of Agriculture	72.4	105.6	196.6	97.0	41.9	63.7	40.1	38.2	59.0	195.5	40.2
Department of Commerce	5.4	13.8	10.6	14.0	17.9	13.3	20.1	26.7	22.2	51.9	82.8
Department of Defense	13,380.0	15,597.8	17,957.0	20,100.0	20,362.0	21,600.0	22,300.0	22,000.0	21,499.0	19,413.1	18,165.0
Department of Education	4.0	NA	4.1	NA	4.3	6.9	4.1	18.3	NA	3.1	7.4
Department of Energy	1,626.5	1,860.0	1,941.2	2,272.0	2,325.7	2,437.0	2,544.4	2,307.5	2,561.1	315.9	233.7
Department of Health and Human Services	77.5	89.2	69.0	80.0	123.7	79.4	65.9	83.8	126.4	108.7	108.1
Department of Housing and Urban Development	3.9	1.2	0.6	1.7	.4	0.5	5.9	0.4	1.0	14.1	19.8
Department of the Interior	28.8	63.2	52.6	54.6	77.7	70.4	38.2	42.4	40.4	74.5	50.3
Department of Justice	0.1	0.1	0.7	4.0	6.5	1.5	67.8	1.6	132.2	256.8	22.3
Department of Labor	36.9	38.1	45.7	46.2	45.9	54.1	56.8	51.4	60.5	62.2	65.3
Department of State	3.4	10.4	3.3	1.9	1.6	4.1	3.0	3.3	2.2	14.8	16.8
Department of Transportation	146.0	111.6	127.3	98.2	99.1	113.1	95.8	224.4	124.7	162.9	83.4
Department of the Treasury	1.5	2.7	1.9	7.2	19.9	34.5	44.4	64.5	84.8	40.3	155.1
Department of Veterans Affairs	133.9	169.7	140.1	87.6	83.6	223.9	227.8	382.8	252.3	349.6	610.4
Environmental Protection Agency	24.7	12.1	31.2	46.7	39	50.0	55.0	105.0	57.0	64.0	143.4
Federal Emergency Management Agency	0.6	0.5	0.7	2.8	3	0.5	1.4	8.1	2.1	1.7	NA
General Services Administration	384.9	977.7	610.9	209.8	276.1	331.1	355.4	679.2	746.3	691.1	873.6
International Development Cooperation Agency	0.6	0.9	2.6	1.2	2.5	1.9	0.9	2.9	12.8	3.8	4.0
National Aeronautics and Space Administration	532.4	664.9	835.2	821.6	781	814.3	1,101.2	1,096.0	1,427.0	1,380.0	1,600.0
National Science Foundation	12.1	13.9	12.2	15.1	18	14.4	11.5	15.1	2.8	15.9	22.6
Nuclear Regulatory Commission	2.2	1.3	1.3	2.0	1.2	1.1	1.9	2.2	2.8	2.9	3.0
Office of Personnel Management	NA	NA	NA	NA	NA	NA	1.0	1.7	36.4	4.6	5.6
Tennessee Valley Authority	6.9	9.5	11.1	19.3	20	29.9	12.8	23.5	0.3	32.9	10.0
United States Information Agency	NA	NA	NA	NA	NA	NA	0.5	11.7	0.2	0.4	1.0

NA = Not Available.

Source: U.S. Small Business Administration, Office of Procurement Assistance, *Annual Report to the Congress on Fiscal Year Procurement Preference Program Goals and Accomplishments* (Washington, D.C.: U.S. Government Printing Office, various years).

Table A.22 *Employment in Selected Small-Business-Dominated Industries, December 1992 and December 1993 (Thousands)*—Continued

SIC Code 1987	Industry	December 1992	December 1993	Absolute Change 1992–1993	Percent Change 1992–1993
275	Commercial Printing	532.6	535.1	2.5	0.5
279	Printing Trade Services	60.0	57.7	−2.3	−3.8
316	Luggage	10.3	9.8	−0.5	−4.9
317	Handbags and Personal Leather Goods	11.8	11.3	−0.5	−4.2
327	Concrete, Gypsum, and Plaster Products	182.9	189.1	6.2	3.4
3441	Fabricated Structural Metal	66.4	66.3	−0.1	−0.2
3444	Sheet Metal Work	91.0	94.3	3.3	3.6
3446	Architectural and Ornamental Metal Work	25.9	25.4	−0.5	−1.9
3451	Screw Machine Products	44.8	46.2	1.4	3.1
3469	Metal Stampings, n.e.c.	78.4	79.5	1.1	1.4
347	Coating, Engraving, and Allied Services	114.8	115.2	0.4	0.3
3496	Miscellaneous Fabricated Wire Products	51.4	52.1	0.7	1.4
3535	Conveyors and Conveying Equipment	34.0	35.5	1.5	4.4
354	Metalworking Machinery and Equipment	116.2	115.5	−0.7	−0.6
3544	Special Dies and Tools, Die Sets, Jigs, Molds	140.7	143.6	2.9	2.1
3545	Cutting Tools, Machine Tool Accessories, Measuring	48.8	48.4	−0.4	−0.8
3552	Textile Machinery	15.4	15.8	0.4	2.6
3556	Food Products Machinery	22.9	22.7	−0.2	−0.9
359	Miscellaneous Industrial Machinery	63.7	63.1	−0.6	−0.9
3596	Scales and Balances, except Laboratory	225.4	226.0	0.6	0.3
3633	Household Laundry Equipment	17.8	18.5	0.7	3.9
3645	Residential Electric Lighting Fixtures	20.5	20.5	0.0	0.0
391	Jewelry, Silverware, and Plated Ware	13.2	12.8	−0.4	−3.0
3911	Jewelry, Precious Metal	37.6	37.7	0.1	0.3
393	Musical Instruments	13.0	13.2	0.2	1.5
396	Costume Jewelry	29.5	28.8	−0.7	−2.4
399	Miscellaneous Manufacturing Industries	130.9	132.3	1.4	1.1
	Transportation and Public Utilities	**960.2**	**968.2**	**8.0**	**0.8**
41[3]	Local and Interurban Passenger Transportation	49.6	48.3	−1.3	−2.6

Table C.12 *Total Federal Contract Actions to Small, Women-Owned, and Minority-Owned Businesses, FY 1992 (Thousands of Dollars)*

	Total	Actions Over $25,000	Actions of $25,000 Or Less
Total	**199,806,499**	**177,786,381**	**22,020,118**
Small Business	39,259,718	28,229,749	11,029,969
Percent of Total	19.6	15.9	50.1
Women-Owned Business	2,593,653	1,992,565	601,088
Percent of Total	1.3	1.1	2.7
Minority-Owned Business	8,287,873	7,796,107	491,766
Percent of Total	4.1	4.4	2.2

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Table A.21 *Business Dissolution Rates by Firm Size and Number of Jobs Created (Percent)*

Age of Business (Minimum Years)	All Firms	Firms Creating No Jobs	Firms Creating 1–4 Jobs	Firms Creating 5+ Jobs
2	23.7	29.9	8.3	6.0
4	52.7	64.8	19.6	13.1
6	62.2	74.0	23.5	21.1
8	70.9	81.5	46.5	30.0
10*	79.0	90.5	59.1	37.6

*Estimated using log linear regression models.

Note: Firms were traced beginning in 1976 and observed, if available, every other year beginning in 1978 and ending in 1990. Business dissolution includes businesses that disappear for any reason at all, including failure, bankruptcy, owner retirement, owner health, or the desire to enter a more profitable endeavor. It has been estimated that about 15 percent of business dissolutions represent actual failures.

Source: U.S. Small Business Administration, Office of Advocacy, Small Business Data Base, 1978–1990 USEEM file.

THE ANNUAL REPORT ON FEDERAL PROCUREMENT PREFERENCE GOALS

THE U.S. SMALL BUSINESS ADMINISTRATION

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Percent of Total	4.1	4.4	2.2

Source: Federal Procurement Data System, *Federal Procurement Report* (Washington, D.C.: U.S. Government Printing Office, February 11, 1993).

Letter of Transmittal

Mr. President:

In accordance with Public Law 100-656, Section 503, we are pleased to present, for your consideration, the fiscal year 1992 report on participation in federal procurement by small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals.

An analysis of the FY 1992 procurement preference goals and achievements against these goals indicates the Executive Branch exceeded the overall small business prime contract goal of 21.1 percent of the total dollars awarded, with the agencies achieving 22.9 percent. The small business subcontracting goal was 38.4 percent of total subcontract dollars awarded, with the agencies achieving 38.1 percent. The prime contract goal for women-owned small businesses was 1.4 percent of total dollars awarded, with the agencies achieving 1.6 percent; and, the subcontract goal for women-owned small businesses was 0.2 percent of total subcontract dollars awarded, with the agencies achieving 1.8 percent. The 8(a) program's prime contract goal was 2.7 percent, with the agencies achieving 2.7 percent; the small disadvantaged business prime contract goal was 2.3 percent, with the agencies achieving 2.1 percent; and, the small disadvantaged business subcontracting goal was 5.1 percent of all subcontract dollars awarded, with the agencies achieving 4.3 percent.

Please note that we have restricted our analysis and comments to the 18 federal agencies with the largest contracting budgets. These 18 agencies represent approximately 99 percent of federal procurement contract awards reported to the Small Business Administration.

Sincerely,



PHILIP LADER
Administrator

Table C.10 *Subcontractors to Small Business by Agency, FY 1982–FY 1992 (Millions of Dollars)*

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Department of Agriculture	72.4	105.6	196.6	97.0	41.9	63.7	40.1	38.2	59.0	195.5	40.2
Department of Commerce	5.4	13.8	10.6	14.0	17.9	13.3	20.1	26.7	22.2	51.9	82.8
Department of Defense	13,380.0	15,597.8	17,957.0	20,100.0	20,362.0	21,600.0	22,300.0	22,000.0	21,499.0	19,413.1	18,165.0
Department of Education	4.0	NA	4.1	NA	4.3	6.9	4.1	18.3	NA	3.1	7.4
Department of Energy	1,626.5	1,860.0	1,941.2	2,272.0	2,325.7	2,437.0	2,544.4	2,307.5	2,561.1	315.9	233.7
Department of Health and Human Services	77.5	89.2	69.0	80.0	123.7	79.4	65.9	83.8	126.4	108.7	108.1
Department of Housing and Urban Development	3.9	1.2	0.6	1.7	4	0.5	5.9	0.4	1.0	14.1	19.8
Department of the Interior	28.8	63.2	52.6	54.6	77.7	70.4	38.2	42.4	40.4	74.5	50.3
Department of Justice	0.1	0.1	0.7	4.0	6.5	1.5	67.8	1.6	132.2	256.8	22.3
Department of Labor	36.9	38.1	45.7	46.2	45.9	54.1	56.8	51.4	60.5	62.2	65.3
Department of State	3.4	10.4	3.3	1.9	1.6	4.1	3.0	3.3	2.2	14.8	16.8
Department of Transportation	146.0	111.6	127.3	98.2	99.1	113.1	95.8	224.4	124.7	162.9	83.4
Department of the Treasury	1.5	2.7	1.9	7.2	19.9	34.5	44.4	64.5	84.8	40.3	155.1
Department of Veterans Affairs	133.9	169.7	140.1	87.6	83.6	223.9	227.8	382.8	252.3	349.6	610.4
Environmental Protection Agency	24.7	12.1	31.2	46.7	39	50.0	55.0	105.0	57.0	64.0	143.4
Federal Emergency Management Agency	0.6	0.5	0.7	2.8	3	0.5	1.4	8.1	2.1	1.7	NA
General Services Administration	384.9	977.7	610.9	209.8	276.1	331.1	355.4	679.2	746.3	691.1	873.6
International Development Cooperation Agency	0.6	0.9	2.6	1.2	2.5	1.9	0.9	2.9	12.8	3.8	4.0
National Aeronautics and Space Administration	532.4	664.9	835.2	821.6	781	814.3	1,101.2	1,096.0	1,427.0	1,380.0	1,600.0
National Science Foundation	12.1	13.9	12.2	15.1	18	14.4	11.5	15.1	2.8	15.9	22.6
Nuclear Regulatory Commission	2.2	1.3	1.3	2.0	1.2	1.1	1.9	2.2	2.8	2.9	3.0
Office of Personnel Management	NA	NA	NA	NA	NA	NA	1.0	1.7	36.4	4.6	5.6
Tennessee Valley Authority	6.9	9.5	11.1	19.3	20	29.9	12.8	23.5	0.3	32.9	10.0
United States Information Agency	NA	NA	NA	NA	NA	NA	0.5	11.7	0.2	0.4	1.0

NA = Not Available.

Source: U.S. Small Business Administration, Office of Procurement Assistance, *Annual Report to the Congress on Fiscal Year Procurement Preference Program Goals and Accomplishments* (Washington, D.C.: U.S. Government Printing Office, various years).

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Table C.9 *Small Business Share of Prime Contract Dollars by State, FY 1992*

	FY 1992 (Thousands of Dollars)		FY 1992 Small Business Share	FY 1991 Small Business Share	FY 1992 Ranking of Dollars to Small Firms
	Total	Small Business			
Total Federal	**177,786,381**	**28,229,749**	**15.9**	**15.2**	
Alabama	3,626,940	932,042	25.7	20.4	9
Alaska	709,470	224,067	31.6	40.3	32
Arizona	2,438,363	429,046	17.6	10.5	21
Arkansas	412,178	136,603	33.1	40.4	37
California	31,481,258	3,449,889	11.0	10.6	1
Colorado	4,126,193	533,800	12.9	10.4	13
Connecticut	3,315,806	319,468	9.6	5.5	28
Delaware	184,662	39,107	21.2	32.4	50
District of Columbia	4,134,663	1,276,075	30.9	32.1	5
Florida	7,137,955	1,091,987	15.3	16.4	6
Georgia	4,268,572	478,288	11.2	23.3	18
Hawaii	669,623	257,490	38.5	37.5	30
Idaho	1,068,895	122,822	11.5	10.9	41
Illinois	2,680,919	516,048	19.2	21.9	14
Indiana	1,692,290	189,513	11.2	8.5	35
Iowa	631,805	101,463	16.1	17.2	44
Kansas	1,067,421	165,028	15.5	18.3	36
Kentucky	900,172	339,404	37.7	35.9	24
Louisiana	2,119,494	506,825	23.9	23.4	15
Maine	1,360,107	73,299	5.4	7.4	49
Maryland	7,716,196	2,021,563	26.2	23.4	3
Massachusetts	6,617,671	887,368	13.4	10.5	11
Michigan	2,934,051	336,669	11.5	17.9	25
Minnesota	1,747,491	134,865	7.7	7.4	38
Mississippi	3,025,267	303,283	10.0	15.5	29
Missouri	4,497,514	457,804	10.2	6.5	19
Montana	207,696	123,592	59.5	77.8	40
Nebraska	534,070	193,896	36.3	33.2	34
Nevada	996,820	109,255	11.0	9.3	42
New Hampshire	460,865	78,463	17.0	13.4	48
New Jersey	4,064,822	958,758	23.6	22.0	8
New Mexico	3,773,062	445,437	11.9	10.0	20
New York	7,521,604	1,045,876	13.9	12.8	7
North Carolina	2,027,394	371,893	18.3	27.0	23
North Dakota	197,744	124,481	63.0	59.6	39
Ohio	4,644,858	791,362	17.0	15.5	12
Oklahoma	1,094,850	391,527	35.8	37.3	22

The Annual Report on Federal Procurement Preference Goals

Synopsis

By law, federal agencies are required to give small and small disadvantaged businesses the "maximum practicable opportunity" to participate in federal contracts for goods and services. To this end, agencies consult annually with the U.S. Small Business Administration (SBA) and set goals for the percentage of dollars to be awarded through prime contracts or subcontracts to small firms, small disadvantaged firms (including those participating in the 8(a) program), women-owned firms, and firms in designated "labor surplus areas." At the end of the year, agencies report to the SBA on their success in meeting the goals.

In fiscal year 1992, the executive branch of the federal government exceeded its overall small business prime contract goal of 21.1 percent by awarding 22.9 percent ($41.3 billion) of a total of $180.4 billion in federal prime contracts to small business. Federal agency prime contractors also exceeded the 1.4-percent goal for the women-owned business share of prime contracts to small business, awarding small women-owned firms 1.6 percent ($2.9 billion) of a total of $180.4 billion in federal prime contracts to small business, and exceeded the 0.2-percent goal for the women-owned small business share of subcontract dollars, awarding small firms 1.8 percent ($1.1 billion) of a total of $58.7 billion in subcontracting dollars. Federal agencies met the 2.7-percent goal for the 8(a) small business share of prime contracts, awarding 8(a) firms 2.7 percent ($4.9 billion) of a total $180.4 billion in federal prime contract dollars (Chart 1). These achievements were possible because of the outstanding efforts of many individual agencies.

In several categories, however, the overall federal effort fell short of established goals. Agencies awarded 2.1 percent of prime contract dollars to small disadvantaged businesses—less than the 2.3-percent goal. The goal for subcontracting dollars to small firms was 38.4 percent; agencies achieved 38.1 percent. The goal for small disadvantaged businesses was 5.1 percent; agencies achieved 4.3 percent (Chart 2).

In this report, the SBA summarizes federal agency performance in meeting their goals and provides detailed comments on the 18 federal agencies with the largest contracting budgets. In the goal-setting process, agencies are encouraged to set aggressive goals and make strong efforts to meet them; many were able to do that in several categories.

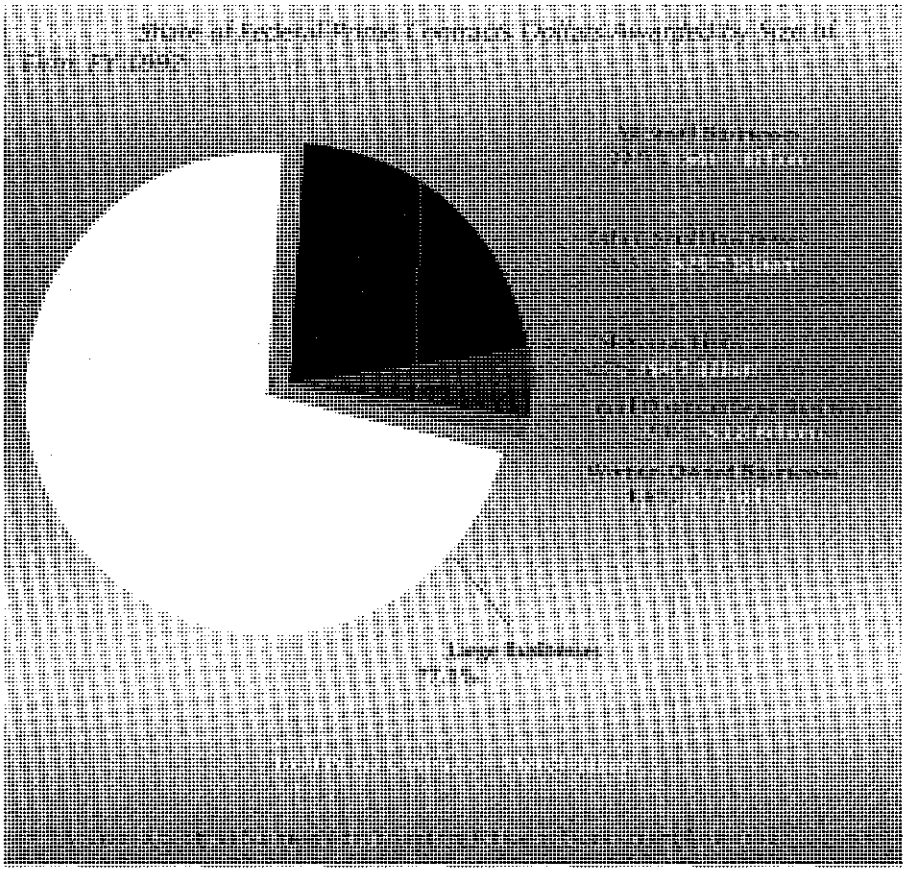
Introduction

The policy of the United States, as stated in the Small Business Act, is that small businesses and small businesses owned and controlled by socially and economically disadvantaged individuals are to have the maximum practi-

Table C.7 *Small Business Share of Dollars in Contract Actions Over $25,000 by Major Product or Service Category, FY 1980, FY 1990, and FY 1992*

Product/Service Category	FY 1980		FY 1990		FY 1992	
	Thousands of Dollars	Small Business Share (Percent)	Thousands of Dollars	Small Business Share (Percent)	Thousands of Dollars	Small Business Share (Percent)
Research and Development						
Total	14,195,369		28,423,371		29,337,686	
Small Business	958,063	6.7	2,184,656	7.7	2,489,248	8.5
Construction						
Total	8,592,397		9,577,817		12,696,014	
Small Business	3,627,308	42.2	4,691,269	49.0	6,110,759	48.1
Services						
Total	26,383,173		55,109,161		65,718,011	
Small Business	3,492,741	13.2	8,758,243	15.9	11,160,019	17.0
Supplies and Equipment						
Total	51,668,061		80,873,206		70,894,709	
Small Business	7,210,216	14.0	10,405,320	12.9	8,572,545	12.1

Source: Federal Procurement Data System, "Special Report S89522A" (prepared for the U.S. Small Business Administration, Office of Advocacy, June 7, 1989); and "Special Report S92132E" (prepared for the U.S. Small Business Administration, Office of Procurement Assistance, by Federal Procurement Data System, Washington, D.C., May 30, 1991); and report prepared for the U.S. Small Business Administration, Office of Procurement Assistance, by Eagle Eye Publishers, Inc., June 2, 1993.



If the SBA and an agency fail to agree on a goal, the Office of Federal Procurement Policy (OFPP) shall make the final determination.

At the end of each fiscal year, the head of each agency is to report to the SBA administrator on the agency's achievement of goals for the year, with appropriate justifications for failure to meet specific goals.[2]

Agencies must also consult with the administrator of the General Services Administration and set goals for prime contract awards to business concerns in labor surplus areas, as authorized in Public Law 96–302.

Section 503 of Public Law 100–656 requires that the report to the President include the number and dollar value of contracts awarded to business concerns owned and controlled by economically disadvantaged individuals through noncompetitive negotiation, competition restricted to small disadvantaged concerns, competition restricted to small business concerns, and unrestricted competition. The SBA requested that agencies provide this information in FY 1992.

[2] Public Law 100–656 requires that the President include the information required from the agencies in each annual report to Congress on the state of small business.ppendix for detailed instructions provided to agencies.