GOVERNMENT PROGRAMS AND OVERSIGHT OF THE SMALL BUSINESS COMMITTEE AND THE SUBCOMMITTEE ON BENEFITS OF THE COMMITTEE ON VETERANS' AFFAIRS

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT

OF THE

COMMITTEE ON SMALL BUSINESS

AND THE

SUBCOMMITTEE ON BENEFITS

OF THE

COMMITTEE ON VETERANS' AFFAIRS

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GOVERNMENT PROGRAMS AND OVERSIGHT OF THE SMALL BUSINESS COMMITTEE AND THE SUBCOMMITTEE ON BENEFITS OF THE COMMITTEE ON VETERANS' AFFAIRS

Wednesday, May 20, 1998

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:05 a.m., in room 311, Cannon Building, Hon. Roscoe Bartlett (Chairman of the Subcommittee) presiding.

Chairman BARTLETT. [presiding] Good morning. We're here today to look at the performance of the Small Business Administration in response to legislation requiring Small Business Administration to focus on veterans' problems.

Good morning, and welcome to this joint hearing of the Subcommittee on Government Programs of the Small Business Committee and the Subcommittee on Benefits of the Veterans' Affairs Committee. Today we'll examine issues that are not only vital to those who have served this Nation in the Armed Forces of the United States both during war and peacetime, but to those who are presently in uniform and to those who will serve this country in the future.

The subject of the hearing is the performance of the Small Business Administration, the SBA, in providing financial and entrepreneurial assistance to veterans. A number of important issues will be raised: Fundamental to this hearing is remembering our veterans and the sacrifices they have made for this Nation. Further, we must keep the promises we made to those who served this country faithfully and bravely. I can assure you that we in Congress will not forget you the veterans. We know that the American veterans have served our country and won the peace and freedom that we enjoy. We recognize a solemn duty to our veterans that we must fulfill. We as a Nation must keep those promises that we have made to those who served in our Armed Forces. If we don't keep our promises to our veterans we will suffer more than shame and dishonor. How this Nation treats our veterans directly impacts the lives and families of those who are former members of the Armed Services. It also directly impacts those who are currently on active duty. It affects our ability to recruit capable men and women to serve in the military.

With our all-volunteer force we cannot maintain an effective military unless we attract our best and brightest. Can we expect our young people to volunteer to join the military knowing that they might have to fight and die if they see us breaking our promises to our veterans who answered the call to serve? Of course not. That is why we must not forget. That is why we must keep our promises. This is why Congress must be vigilant in our oversight responsibilities.

SBA is required to provide special consideration to veterans in the administration of its programs. We are having this hearing today because of past complaints that SBA and other agencies are ignoring the needs of veterans who own or want to start a small business. Government Programs to assist veterans to start or to grow an existing business are not something new, but date back to the Service Men's Adjustment Act, better known as the GI bill which was passed in 1944. Congress should not have to remind the administration that veterans, especially those downsized out of the military, deserve special consideration.

The Small Business Reauthorization Act of 1997 directs that service disabled veterans be provided with improved services and greater outreach. This hearing provides the first opportunity for Congress to review SBA's plan for complying with these new requirements for improving services to those who have been disabled in the service of their country.

I look forward to a lively and informative discussion of the issues presented, and again welcome to this hearing. I'm very pleased today to be joined by my friend and classmate, Congressman Quinn, who represents veterans' interests on the Veterans Affairs' Committee.

I serve on the National Security Committee, and these two Subcommittees, National Security and Veterans Affairs, are focused on the need to assure that we keep our promises to our veterans, so that we can attract the best as volunteers to our military and so that we can retain them there.

I'm especially pleased to welcome Congressman Quinn here this morning for whatever remarks he cares to make.

Mr. QUINN. Thank you, Chairman Bartlett. I too am pleased to be with you this morning and have our two Subcommittees together to discuss this very important issue. I do want to note that the Ranking Member on our Subcommittee on Benefits, Bob Filner, will not be able to join us, but I'd ask unanimous consent that his statement be made part of the record this morning.

Chairman BARTLETT.

So ordered.

[Mr. Filner's statement may be found in the appendix.]

Mr. QUINN. Thank you. At the same time, in terms of our opening statement, I think that it's a great opportunity for us to work closely together, Mr. Chairman, to identify opportunities to improve Small Business Administration's services for veterans. I think that's what we're interested in doing, helping SBA improve on what they're trying to do already.

It's probably fair to say that SBA at best has been inattentive to veterans; some would say at worst downright negligent when it comes to improving veterans' situation, particularly disabled veter-

ans, in their opportunities to get into business. Unfortunately, disabled — all disabled people — face significant challenges in obtaining employment and for some the only alternative is to go into business for themselves. When that person is service-connected disabled as a veteran, it becomes our business to see to it that those injured in service to the Nation get access to small business programs at least equal to that given to other targeted groups. quite frankly, I hope that we can do better than that because our veterans are unique in that they've earned the help we're supposed to try to give them.

Some of the written testimony, Mr. Chairman, that we've had a chance to look over — both of us, both Subcommittees — distresses me, particularly information that comes from some of our veterans' groups, and we're going to hear from them this morning. I think it's fair to say from that written testimony — not my remarks or your remarks but from the written testimony — it's probably fair to say that all things aren't well at SBA when it comes to veterans. So I think we have the burden here on SBA; either they're going to step up to their mandated responsibilities of how they're going to help veterans or tell us they can't do the job. I guess it's ironic, particularly as the American Legion will say later this morning, SBA owes its existence to successful veterans' small business programs following World War II and the Korean War.

I am aware that the Veterans' Employment and Training Service and the SBA are working on a memorandum of understanding. That's absolutely a step in the right direction. I don't know the details of the proposed agreement, but I think as long as they are speaking to each other and communication is taking place following today's hearing, that is a step in the right direction and I hope it's a new beginning for a more cooperative approach when it comes to small business opportunities for our veterans.

Finally, I'd just like to note, Mr. Chairman, the absence of Mr. John Lopez whose written testimony will also be made part of the record this morning. Many of us know that John has been a tireless advocate for improved entrepreneurial opportunities for all disabled veterans. Unfortunately, John is ill and couldn't testify at today's hearing. I'm sure I speak for all of us both on our Subcommittee and yours in wishing him a speedy. As you noted, I look forward to hearing today's witnesses as both of us try to work with the Committees and members on our both Committees to make opportunities for American veterans the best they possibly can be. Thank you, Mr. Chairman.

[Mr. Lopez' statement may be found in the appendix.]

Chairman BARTLETT. Thank you. Our Subcommittee Ranking Member, Mr. Poshard, also cannot be here and, without objection, his opening statement will be placed in the record. Any others who have opening statements without objection, your opening statements will become a part of the record.

[Mr. Evans' statement may be found in the appendix.]

[Mr. Poshard's statement may be found in the appendix.]

Chairman BARTLETT. We now would like to have our first panel come to the table: Dr. Paul R. Camacho, Director of Special Projects, the University of Massachusetts; Bill Elmore, Veterans' Advocacy, Data Force Associates, and Paul Hanley, President, DC

Incorporated, accompanied by Jim Stephans, Chairman of Veterans' Business Associations.

Thank you very much for testifying before our Committees this morning. Your full statements will be placed in the record, without objection, and there is a timing light on the table. If feasible, we would hope that you could summarize your statements in about 5 minutes. There will be ample opportunity during the question-and-answer period to expand on your testimony. Thank you very much for joining us today, and we'll start with Dr. Paul Camacho.

STATEMENT OF PAUL R. CAMACHO, DIRECTOR OF SPECIAL PROJECTS, UNIVERSITY OF MASSACHUSETTS

Mr. CAMACHO. Yes, thank you, Mr. Chairman, for having this Committee hearing. There's been a lot said over the years and Mr. Quinn was correct; for me it's been a disappointing 20 years, really. I guess since we did this — the last time we held this kind of a hearing that I was involved with was under Mr. Torkelson, and we put it there, that the past of the SBA, it's been official neglect.

I think in the sociological literature you could track all of that stuff down and say, across the board in all the agencies, it's been a policy of official neglect toward the veterans. Now, we could put that in the past and say that a lot of cases, that was a result of a generation gap and a result of the turmoil of Vietnam. But be that as it may, that's been the history of the past. So the SBA's Office of Veterans' Affairs is really a reflection of that. I think I did the math — kidding around with the math — and they have a 5.1E to the minus 6 portion of the budget — of the SBA budget. Office of Veterans' Affairs gets 5.1E to the minus 6. That's it. So that tells you, if you say, well, where the money is where the interest is, then there's no question the veterans are off the — they went off the board a long time ago. Again, these are a variety of reasons; I'm hoping that's going to change as well.

But I was saying to Joe Cochran that we're looking for the booby trap.

So there's a number of things in the recommendations, and the first and foremost that I would make is that, if the SBA and if the Committee — if the Small Business Committee and the Veterans' Affairs Committee really don't watchdog this, on the one hand, help SBA's Office of Veterans' Affairs get the funding it needs and through appropriations, what you have, the whole road — and doesn't have really a foot to the throat until you know better — all right, you have a foot to the throat; nothing's going to move because the Chairman — Small Business Committee Chairman — has mandated the title VII and that was tough enough to get through, but nothing in title VII is going to move without the money funding. It's just not going to happen without constant pressure to look at that. Until you know you're working in good faith, you're going to need a kind of contract to make sure it all happens.

So they have to receive more funding and we've said commensurate with other groups. But there's veterans in those other groups — I think those other groups forget that they have a lot of veterans from their group in the military. I think there's going to be 13 percent women in the military down the road, minorities well-known to be represented, particularly in infantry units and other units. I

mean, that's all shifting around now with the volunteer Army but it's still a heavy representation. They don't get any breaks by being a veteran; they can't go in under veterans to the Small Business Administration. They go in under the other auspices. That's the way it is.

So we need that kind of maybe independent funding and the OVA really have a green light, so that it can implement the ideas and programs that had really been brought up years and years ago. I don't think the structure in SBA is alive in order to push the veterans' thing. There's no bureaucratic structure even in there that's got a viability to it. The studies of years ago have disappeared. They can't find them, the studies — about 12 were done in 1983 and 1984.

The other place that I talked about was a real private-public partnership development with a kind of a small business summit and the whole idea of developing that and how long that would take to develop and how to develop it well. I mean, I wouldn't want to volunteer bankers for my area, but when you talk about powered people that can do something, there's Marshall Carter; he's the CEO of State Street Bank; there's Bob Glassman; he's the CEO of Waignright Bank and Trust. Where do you get a kind of public-private development that you can really put a good strong entrepreneurial task force together? It can't be all come from the Government. We've got to have this private sector piece in it.

A venture capital institution is one of the things that might come out of that. A research and development arm has to be developed, whether out of some kind of a small business task force or out of the OVA, and in fact, the Office of Veterans' Affairs, probably the Office of the Benefits, they should have the R&D. All that R&D is in the middle area in the VA.

So those are the kinds of areas. I mean, there's tons of stuff. My colleague and I were talking about, if we looked at the — this is the thinned-down list of all the backdrop material, Up in Massachusetts I did a study in 1983; we did a study in 1988; we ran a program in 1986 onto some of the old GPMA money. I can give you the details of that kind of stuff and the entrepreneurs that are out there.

I guess I could close in a way and open up for questions that we really need a vertical link. I mean you've got the guys like Marshall Carter and you've got guys who run a Mr. Coffee. I mean, we've got to link all these people in between. Most of the veterans — there's a pool of middle-level managers that are probably going to be the hardest to identify. Interestingly enough, you wouldn't think it would be that way if you looked at literature studies, but they're out there.

In fact, there's still a negative — I don't know how much it's changed, but in 1986 a fellow did a study from the Harvard Business School. He interviewed secretly, quietly. He sent out 300 interviews and the bottom line was that every one of the guys who got back to him told him, "Don't ever tell anybody I was in Vietnam, much less Vietnam or even the military, because it's going to hurt me. I'll get canned."

So bottom line I guess, in conclusion, if we do this, Mr. Chairman, if we continue this, we're really hurting the Gulf War veter-

ans. I'm 52, the next step I'm going to be looking at the nursing home. Whenever I see guys that are out of the Gulf War now, in a sense, in my opinion, they've been betrayed. I understand what happened to us because of the nature of the war, but was what the problem with the Gulf War, and these guys have been very, very poorly treated. The GI Bill is not the GI Bill I had, and my GI Bill is not the GI Bill the World War II guys had.

So something really has to be done or we might as well just chalk it. I guess that's my rather bitter statement. Thank you.

[Mr. Camacho's statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much for your testimony.

STATEMENT OF BILL ELMORE, VETERANS' ADVOCACY, DATA FORCE ASSOCIATES

Mr. ELMORE. Chairman Bartlett, Chairman Quinn, and other Committee Members, thank you for asking me to present my views before you today regarding the performance of the Small Business Administration in providing financial and entrepreneurial assistance for veterans. I'm requesting permission to submit for the record, materials that I had already prepared and presented to Chairman Talent of the Small Business Committee, and also to Chairman Anthony Principi of the Congressional Commission on Service Members' and Veterans' Transition Assistance. I've given those materials to staff. The focus of those materials were this question: The performance of the SBA, as well as specific recommendations on steps we can take to remedy what has really been a horrific record.

I'm like Paul, from my perspective the problem is that all other groups at the SBA receive special consideration but veterans; that the whole thing has been turned on its ear through neglect and a lack of resources and I think a lack of oversight, bluntly, by Congress. So everyone we see has preference at SBA except veterans, and it's very clear all you have to do is look at the budget. Now in my view today would not be a real productive use of our time to focus only on the lack of attention to and this long history of lack of resources from the Federal Government and specifically the SBA.

Veterans have been left out for 25 years or more. It's arguable that it goes back to the expiration of the GI Bill for Korean veterans, that we've paid any attention to the entrepreneurial aspirations of veterans. Government, principally through the Small Business Administration, simply has not done its job of supporting and enabling veterans. The lack of policy has resulted in veterans being discriminated against in the allocation of entrepreneurial support and development programs, systems, services, and resources. The disparity in resources effectively penalizes America's patriots for having served our country. Clearly, there has been a lack of any systemic or enabling investment into America's veterans following their service to our Nation. Chairman Talent has demonstrated his interest in rectifying this disparity, and I believe the Commission on Service Members' and Veterans' Transition Assistance will make significant recommendations in this regard.

I hope today's hearings are significant as well. However, as others here today can tell you, hearings are not enough. Now is the

time for action. Specific action from you, from Congress, is a critical first step necessary to rectify this decades-long situation. I, for one, am tired of being told that there are no resources for veteran entrepreneurs. Congress must provide clear enabling legal authority with specific direction and appropriation of resources to all agencies of the Federal Government, especially to the SBA. Without your action, the recent changes in leadership at the Office of Veterans' Affairs at the SBA will be just another step in a long and frustrating blocking by the Federal Government of entrepreneurial opportunity for veterans.

The SBA's Fiscal Year 1999 performance plan shows that the agency has identified the need for increasing counseling and training the small businesses in general, and to the underserved in particular, that includes women, Native Americans, and veterans. That's from their plan. The plan, though, includes no new or ongoing initiatives planned for veterans. It anticipates allocating a total of $362,000 for the National Office of Veterans' Affairs, a total of $40,000 for outreach. The plan also allocates $13,633,000 for just three of the many initiatives specifically targeted to women entrepreneurs from the agency.

I've got a number of recommendations, but my time isn't going to allow. They're in the materials I've presented for the record. I think the bottom line is that if you don't enable and mandate that the Office of Veterans' Affairs inside the SBA have the resources, the authority, and I would suggest the direct link to the Administrator of the agency, at this point my perception is that the people who run that office are blocked in any initiative or any effort they take by the bureaucracy of the SBA. So you need to elevate that office within the agency; you need to give them the resources necessary to do their job to create and support special consideration, i.e., significant and real program activity for veterans from the Federal sector.

The bottom line in all of this — let me get to my last page because I see I'm on red light — the bottom line is that the men and women and their families who sacrificed, protect, and enable our society to exist should not now, and should never again be placed in a position where their national service to our country disadvantages them from equal opportunity for resources from any sector of our society. We should recognize that this sort of public policy is the ultimate folly for ours or for any free nation. I hope today's a step toward rectifying this situation for veterans with entrepreneurial aspirations, and I would welcome any questions.

I, like Paul, this is my small pile. It's hard to know what you guys really need to know, but anywhere you look it's very clear we're left out. If we're going to have special consideration, let's do it. If we're not, let's quit acting like we do. It's a disservice to our country and it's a disservice to the men and women who serve it. Thank you.

[Mr. Elmore's statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much for your testimony. Now, Mr. Hanley?

STATEMENT OF PAUL HANLEY, PRESIDENT, D.C. INCORPORATED

Mr. HANLEY. Mr. Chairman, it's an honor to be here today before these important Subcommittees. I'm Paul Hanley, Manager and Principal of DC Incorporated and Vice President of the Veterans' Small Business Association. Seated next to me is Mr. James Stephans, the Chairman of the VSPA who's been kind enough to join me to respond to any questions you may have.

Mr. Stephans and I are part of a group of a dozen individuals who began meeting informally about 5 years ago because we had two things in common: We were all veterans and we all had taken the dubious step of starting our own business. We felt we could benefit by sharing insights and experiences and by encouraging one another. As time went on, we became increasingly aware that, whereas each of us had unique experiences in the marketplace and some were more successful than others, there were some universal truths about people in our circumstances.

First, there are some built-in advantages and disadvantages to being a veteran entrepreneur. On the negative side, veterans seldom have much experience with business law, business jargon, or business practices. Of supreme importance, they have no marketplace network. On the positive side, they're usually very knowledgeable in their area of expertise; they have outstanding personal character and discipline, and they're used to living cheap.

Second, while there are several Government organizations chartered to help veterans in transition to the private sector, including programs like TAP to help people find jobs, there is none whose specific mission is geared to the veteran entrepreneur. The Veterans' Affairs section is an appendix of SBA's primary function, and the Small Business section is an appendix of VA's primary function.

Third, there are two categories of businessman with whom veterans come in contact when they start a company: There are those who have military experience themselves for whom military service is an asset and a recommendation; and there are those with no military experience for whom military is an asset and a recommendation. There are those with no military experience for whom military service often seems a confusing waste of time and not transferable into the commercial context.

I hasten to add that an important element in this equation is the veterans' service organizations which provide a number of excellent services, some of which are helpful to the veteran who wants to start his own business. Ultimately, however, the veteran entrepreneur is on his own. Whether or not he prospers depends on luck, the market, and his skill in adapting to a new arena with different language, different rules, different opportunities and different challenges.

All these considerations convinced our informal group of colleagues to found a Veterans' Small Business Organization, a nonprofit 501(c)(6). Our idea is that each business is unique with individual needs, but an association can leverage volume to provide a full range of services for the veteran entrepreneur at a reasonable price with some quality guarantees.

Veteran businessmen who are already established can provide mentoring assistance with first-hand insights into the unique transition requirements of the veterans' startup. The expertise is there and so is the inclination. My written testimony submitted for the record contains more detail as to what services are available.

What are the implications for Government assistance programs like the SBA, as we see them? Frankly, we believe there is a limit to what Government can do. The Government typically does best those things which lend themselves to generic and systematized solutions. But the very nature of small business is individuality, flexibility, and unique approach. What's more, it may be difficult for Government agencies to recruit and retain people with real hands-on experience with business startups. In short, it is always going to be difficult for the SBA or the VA to cater to veteran entrepreneurs past a certain level of support.

Our recommendation is let the private sector do it. The resources are there in the form of the millions of successful service men and women who have started their own companies; the instrument is there in the form of the VSBA; and the cost to the taxpayer is nil.

That said, there is one area where the Government could be of enormous assistance, and that is in the area of funding. At virtually no cost or risk, a veteran entrepreneur guaranteed loan fund could be established to facilitate the crucial generation of capital so important to startups. Proper private sector screening and monitoring would ensure that not only that the failure rate would be negligible, but also that the loan process itself could be turned into a tool of instruction for the would-be entrepreneur. There are various estimates as to what the leverage power of a guaranteed loan program would be. Of course, that would depend ultimately on the screening process and failure rates. A conservative figure of 20:1 would mean that $50 million setaside would guarantee $1 billion in loans to small business and the ultimate cost to the tax payer of nothing. The VSBA believes this is the route to take. We stand ready to assist. Thank you.

[Mr. Hanley's statement may be found in the appendix.]

Chairman BARTLETT. Thank you all very much for your testimony. There are three observations which indicate to me that we need an increased focus on the issues that we're talking about today: The first is the fact that a disproportionate number of our homeless are veterans.

Second, as we mentioned in the testimony — we still suffer from the general climate during Vietnam. Those young men and women who went to Vietnam put their lives on the line and some of them lost their lives in a war that they didn't understand and a war which our country didn't understand. To disadvantage our veterans because of this is just inexcusable.

Third, observation that indicates to me the need for an increased focus is that in today's military our country's minorities are represented at twice their percentage in the general population. So we have a very special obligation because of the high number of veterans who are homeless; because our veterans still suffer because of the Vietnam syndrome; and because relatively twice as many of our veterans are minorities as exist in the general population.

I would like now to yield to my colleague. I'll reserve my questions till the end of the question period. I'm going to yield to my colleague, the gentleman from New York.

Mr. QUINN. Thank you, Mr. Chairman. I'm sure you are aware that last night the House passed overwhelmingly a homeless transition bill for our veterans that had been at work for some weeks now in our Committee — Subcommittee and full Committee — and was discussed yesterday afternoon and then approved last night overwhelmingly.

Gentlemen, it's good to see you both again. We talked recently informally in another room here. Thank you for your help on that issue and thank you for being back here today. Thanks for bringing the small pile of studies over here today. Probably the last thing we need are some more studies in my opinion. The budget numbers speak for themselves, I agree. I also agree with your statement that we either do it correctly or don't waste everybody's time. Say, "we're not prepared to help veterans" and don't do it, but don't insult our intelligence and say where you're going to cosmetically approach this and pretend we're actually helping somebody. If it takes two Subcommittees here on the Hill to get ourselves together to get it right or three or four then we should do that in my opinion.

Mr. Elmore, your time ran out and you mentioned you had some suggestions that you might want to make. Why don't I allow you a few minutes of my time to share with the Committees this morning, maybe one or two quick suggestions on what we might be able to do in the short-term to make this situation a little better.

Mr. ELMORE I'm not sure where that page is but I can pretty much go from memory on those things.

In addition to elevating the Office of Veterans' Affairs so that it has a direct line to the administrator of the SBA and increasing the administrators responsibility for oversight of their activities, you need to provide them the resources obviously, to do the job. Included in those resources I think, are regional staff that would be hired by the Office of Veterans' Affairs whose predominant purpose would be to go out into this country and begin to create programs that focus on entrepreneurial support and development for veterans.

Mr. QUINN. Is that better hired by the VA than the SBA, in your opinion?

Mr. ELMORE. Hired by the SBA. At this point I have not given up hope that the SBA's the vehicle to use. I think if you look at the resources that the SBA has that focuses on entrepreneurial support, those resources could be very important to veterans, by and large. Everything from the small business development centers to the business information centers to the export centers, there's a whole range of resources that are there. There's just no focus for veterans. These gentlemen are right. There is no network, there's no synergy, because there's been such a lack of resource to veteran entrepreneurs in this country for the last two or three decades there's been no vehicle for these men and women to come together, support each other and ultimately enhance their ability to do for themselves and their families and for this country.

Mr. QUINN. Thank you. Quick question, if I might indulge the Chair, for Paul and Bill and for Jim: Just quickly, do you think — Paul, we'll start with you, Section 8(a) is the program that's designed to help businesses owned by women and minorities. Do you think that that should be included here or should they be separate? Paul?

Mr. CAMACHO. If it's a short-run answer you're looking for, a quick immediate fix, then you include them, but if it's all it is — if that's all we would get there, I'd rather hold out, keep them separate. Yes. It's just, there's too many things that need to be done. Too much has fallen by the wayside. The whole network development thing, we mentioned how it would develop; we really need some private sector big guys to come into the play here, real big guys that can link all the way down. Some of the services, you might want to contract out to the groups that are out there that do that. I'm out of a university and I am the research guy. That's what I sort of do.

But if you're asking me for the recommendations, 8(a) is only good — including us in 8(a) is only good as a one short, little piece there. That isn't the all——

Mr. QUINN. Thank you, Paul.

Mr. ELMORE. Yes, if I think about that question, I think that if that's the only answer, it's the wrong answer. I think if you look at the history of how we've been treated by the agency, and then to just turn around and plug veterans in on paper into a program that is focused on other groups with limited resources, with more businesses already enrolled than can in fact be served——

Mr. QUINN. Yes.

Mr. ELMORE [continuing]. It wouldn't make any sense, and it would only be another reason why we'd come back here in 2 years and say it's not working.

Mr. QUINN. Paul or Jim?

STATEMENT OF JIM STEPHANS, CHAIRMAN, VETERANS' BUSINESS ASSOCIATIONS

Mr. STEPHANS. Yes, Mr. Chairman, members of the Subcommittee, in our response I'd like to just state that the way we see an 8(a) Program is not in the same manner you're talking about right now. What we'd prefer to have is a level playing field.

Mr. QUINN. Yes.

Mr. STEPHANS. As you'd stated already, veterans already have more than twice the minorities and women represented in other groups. Therefore, we don't feel we have to concentrate specifically on those kinds of aspects for the 8(a) Program you're discussing right now.

Mr. QUINN. Good point, good point.

Mr. STEPHANS. Just having a veterans' group that we open to veterans with honorable discharge from the military service is enough for us.

Mr. QUINN. Thanks very much. Mr. Chairman, thank you.

Chairman BARTLETT. Thank you very much. We'll recognize the Members on the basis of seniority, if they were here at gavel fall; if they came after gavel fall, then the order of their appearance at the Committee. We'll yield now to Mr. Mascara.

Mr. MASCARA. Thank you very much, Mr. Chairman. Thank you for convening these hearings.

I represent a large portion of southwestern Pennsylvania that has many, many veterans, and I'm very embarrassed by the testimony these gentlemen have given. It appears the funding is not there and it's a case of put up or shut up. If I'm correct, this started with the Servicemen's Adjustment Act, the GI Bill in 1944; then 8 years later it was updated to include those who served in the Korean War, and then it just went straight downhill from there. So that's 1953. There's a hiatus of 45 years and we're still talking about what we are going to do to correct this intolerable situation. I'm embarrassed, and ultimately, this Congress has to accept the responsibility for the failure of these programs.

Mr. Elmore, some of your specific recommendations say that Congress should create and pass into law a National Veterans' Small Business Act that contains most, if not all, of the program components. Maybe we ought to go back to square one and start all over and see what the willingness of this Congress is to fund a completely new act. I just can't believe that I'm sitting here talking about something that is and I hate to deal in oversimplification, all about money. You can argue and point fingers at the SBA all day long, but if SBA doesn't have the money, the program is not going to work.

We have with us today, Clifton Toulson. I look forward to your testimony sir.

But, again, we can't blame them and we can't blame anybody but ourselves. This Congress has to put up or shut up, and I would be glad to work with Members from both sides of the aisle to facilitate a piece of legislation, if we really want to do it, and let's do it and get it over with.

Thank you, Mr. Chairman.

Chairman BARTLETT. Thank you very much. Mrs. McCarthy.

Mrs. MCCARTHY OF NEW YORK. Thank you, Mr. Chairman, Mr. Quinn.

We did pass a bill last night for the homeless, and as a nurse, I sat there as I voted and I'm going, at least we're addressing it. We're talking about the Vietnam War because that's mostly who our veterans are, and I certainly have gone through the Vietnam War and most of the veterans that I meet with are from the Vietnam War, and I'm going, wait a minute, where were we 20 years ago? So at least we started.

As for the small business, it comes down to that and I think that all of us — I'm certainly new here, but we should be ashamed of ourselves. Because I hear from my angry veterans all the time, and I believe they have every right to be angry because every promise that we basically have made we have failed upon. Coming from an unpolitical background, one of the things I had hoped over the years, that we see a healing for our veterans, and we're not seeing that and that's a shame.

I agree with you that we have to put up the money — and I'm tired of hearing, it's money, money, money. We're asking our veterans to give up their lives. A couple of weeks ago I welcomed home a reservist from Bosnia and even there they had problems. So I'm saying to myself, how can we ask our people to go overseas and

then come home and abandon them? That's what basically what we've been doing.

I think here everyone on the Committee will agree that we'll work harder. Certainly, I'll work with Mr. Talent to work with this Committee and get something done. We'll stand up for you.

Mr. ELMORE. All right. Thank you.

Chairman BARTLETT. Thank you very much. Now Ms. Christian-Green.

Ms. CHRISTIAN-GREEN. Thank you, Mr. Chairman.

I too am embarrassed and ashamed at the testimony we had to listen to this morning. I represent the Virgin Islands, and I have a large constituency of veterans, and I hear their problems and complaints all the time, but many of the Federal Programs are not available to them. They don't have access, including this one. I thought when I came here that my job would be to make sure that they got what everyone else was getting, but we hear this morning that veterans across the country are facing the same situation. The bottom line is whether we have a commitment and whether we value the sacrifices that have been made on our behalf, so that we could be here sitting to listen to this testimony and exercise the freedoms and the privileges that we have in this country. It is funding. Funding is where we demonstrate that commitment.

I had one question and it's been answered in part: That was whether it's better placed in SBA or under Veterans' Affairs. Mr. Elmore, I believe you answered. Does anyone else have a position on whether it's best to continue this program that we're discussing this morning in SBA or should it be moved to the Department of Veterans' Affairs?

Mr. CAMACHO. Let's give it a run. I mean put a time limit on it. If we can't get it done in 2 years, forget about it. I mean, I'm down to the short. I'm down to the short time period here. Besides money we're going to need innovative leadership, and we've been talking about that direct line to the Office of Veterans' Affairs, but they also got to have a green light from the Congress, from the Administration, to be innovative and go out there and try some new ideas for outreach for veterans and bring in the community.

I'm back to that summit business. We're not going to be able to do this without linking all the big guys through the middle guys through the small guys in private and public sectors stuff — a veterans' yellow pages. I mean all tons of little ideas that collectively are going to add up to a structure and process that's going to accomplish the goal.

Mr. ELMORE. If I can answer just a little bit — in March I put together a veterans' business roundtable for the Service Members' Transition Commission. We had a meeting in St. Louis, and that question was asked and everybody in the room, all the entrepreneurs — black, white, women, men, advocates alike — we all said, no, at this point let's not move to VA because the SBA has the services structure to support small business. But I think we all agree that there are things that the VA can do in parallel with the SBA and I would like to see some increased cooperation.

The VA, obviously, serves lots of veterans, has enormous resources, so I think there's a significant role. We're so far behind the

curve on this stuff; I myself wouldn't mind a parallel program at both agencies, and let's let them compete a little bit.

Chairman BARTLETT. Thank you very much. Mr. Rodriguez.

Mr. RODRIGUEZ. Chairman, thank you very much and Chairman Quinn.

I gathered that, based on the testimony — I've been here, I guess, almost a year now, and it seems like the only services that we've gotten has been by accident. I was wondering, based on the data that's out there, is there any specific region of the country that might be doing better than other areas and maybe why, if that's the case. I don't know if that's even the case or not.

Mr. CAMACHO. From the studies of 1983, 1988, that I looked at — and the 1983 one was a Federal study under the SBA — they had about 12 studies they did then; the distribution of needs and capabilities and types of businesses mirror what's out there already in terms of the general population, but within the veterans' piece is a large portion of under — I think I could say safely 50 percent are under five employees and then there's 25 percent under 15 employees and then there's another margin. Of course, we haven't hit — there's a hidden sector of middle-level management, and so forth, and mid-sized businesses which just either didn't cooperate with studies or didn't want to identify themselves.

That's what I meant about that Harvard Business Review. That was done 10 years ago. They refused to identify themselves. There's some who did that possibly could be found but, as far as the recommendations go, I think a lot of the recommendations that have been made in the past 20 years are still valid and they could be updated perhaps, but basically are still valid. That's what the population looks like that might have changed. There's been an increase from the early 1980's to the late 1980's, about double. We had 7 percent involved in small business and now we have about 15.

Mr. ELMORE. If I might, I don't know that there are regions that are doing better than others, but there are areas in this country where because there's been community-based veterans' service programs that have focused on entrepreneurial issues; there's networks that have come together to support themselves; Atlanta, Georgia comes to mind; my own hometown of St. Louis, Missouri. My guess is there are a few others that maybe the staff from the SBA Office of Veterans' Affairs could share with you, but those two I know for sure have developed some level of network.

One of the pieces I provided as an addendum is from a gentleman who runs a small advocacy foundation for veterans in Missouri. Well, he also specializes in business plan development and loan applications to SBA. So he helps veterans develop their plan. He hand-carries them to SBA, where the District Director's a Korean War Veteran, so they're friendly there. As a result of him, some loan activity is targeted to veterans because that network exists.

The problem's been there's no resource to support that network and there's been no vehicle to build these networks around this country and to link them together, so we have a national voice like these gentlemen are trying to provide, so that the veteran business owners begin to speak for themselves.

Mr. CAMACHO. It's overcoming a gauntlet of — what was I going to say? — discouragement. To get through the SBA thing to get the loan is like running a gauntlet of discouragement. From the SCORE, as nice as those guys are, some of them, but they're retired, so that the businesses are too old; they're not viable business technology today, and that's what really changed, is the whole info piece. So many people trying to get into high-tech and any of those areas and do subcontracting and procurement, and that's all changed, and that would be an interesting picture to capture.

But SBA's been a gauntlet of discouragement. I mean the whole process is discouragement at every step of the way, and if you can survive that, then if you're lucky, maybe you'll get along, maybe.

Mr. HANLEY. I've got two little things I'd like to just add there. If we really believe that service people are exceptionally disciplined, trained, organized, et cetera, and if we really think that money is the big problem, why not try a guaranteed loan program, however small, however large, just try it. Just see if it works.

What I think you're going to do is you're going to unleash an enormous supply of funding with a direct connection between the mentor, whoever you know, does the screening process, and the entrepreneur which is going to make for the kind of success that you'd expect.

Second, there's an element of urgency here, chronological urgency. We right now have an enormous pool of Americans who are sympathetic and personally experienced in service experience. We've got all the World War II guys, most of them; we've got all those folks from the days when we used to have the draft; that's going to change fast probably in the next 10, 15, to 20 years. So demography is all going in the wrong direction. We're going to lose the 12 million people in uniform that served in World War II.

In 1972, we cutoff the draft and, since then, there's been a much, much smaller section of the population that's been in uniform to maintain the same level of service people. Then, of course, in the last 10 years we've cut our military down to the smallest levels in memory. What that's going to do is it's going to dramatically contract the number of people within the United States who have any kind of personal experience or exposure to matters military, and it is those people that reduce the ability of the military guy to network — people who have had military service think it's great when they run into a guy who's starting up and he's a former service guy; people who don't have any experience with it say, he's a military guy he can't do that. It's the networking thing; it's exactly having been in the Navy or the Air Force, or whatever, for 25 years, is what cost you the ability to set up a business network for yourself where the other folks who are your age you know, have had a chance to do that.

Mr. RODRIGUEZ. I'm sorry, go ahead. I was just wondering if I could ask another question, but——

Chairman BARTLETT. Yes, certainly.

Mr. RODRIGUEZ. I just wanted to make a quick followup point. Go ahead, sir.

Mr. STEPHANS. I just wanted to go back to the first comment about the VA and the SBA when it comes to the entrepreneurial aspect of the veteran. We didn't come here to talk about viability

of one organization over another. What we're here to do is offer new solutions, because you've already talked about the SBA and the VA being around 40 years and never having come up with a solution to assisting the veteran entrepreneur. So we came here today to offer new solutions, hopefully, ones that will solve the problem. Thank you.

Mr. RODRIGUEZ. I'd like to be able to ask another question, but let me just initially say that I definitely sense a frustration, and I know that a lot of times, especially after the number of years — I'll just give the analogy of, I know in San Antonio when I saw the first homeless people, it really bothered me, and now after 10 or 15 years, in all honesty, a lot of people become callous to that. It seems like this situation's very similar and we need to kind of keep bringing it up, and keep bringing it up, and keep bringing it up, because I know that there are a lot of frustrated individuals out there, and we haven't done enough and it's a responsibility that we all have.

Let me just share another question: I think that Dr. Camacho brought title VII. I'm real naive in terms of — does that have some specific guidelines that the agency's supposed to follow that benefits veterans or not? I'm asking that from the perspective that I know we have some veterans' preference as it comes to employment, but I know that administratively — because I'm experiencing that in San Antonio with the closure of Kelly Air Force Base — that when it comes to the implementation, it's another issue. I was wondering if you might want to comment on that at all.

Mr. CAMACHO. Two pieces, two of the big pieces were they wanted to know what the population looked at, so section 703 asked for this study, and then they talked about they want a lot of viable recommendations and then they wanted to implement them in terms of an extended, extensive, enhanced — I think is the word they used — enhanced outreach. But there's no money out there funding that title. I mean title VII is essentially a naked title. There is no funding, and my understanding is that they've looked for increased money from Appropriations, and Appropriations has said no. I mean somebody else here can answer this question as far as that is.

I thought they might break a budget fence and try to grab some direct loan money from somewhere to do, implement or initiate the title VII stuff, but they haven't. So we're back to, we need the innovative leadership, and things I mentioned.

Years ago a Ralph Cooper of the Veterans' Benefits Clearinghouse in Roxbury, Massachusetts, it serves the black veteran population basically in Roxbury, Massachusetts. We had a hearing in 1984, and, he brought up that idea that we had kicked around back then: Use the GI loan. The GI housing loan, if I said, give me the choice. All right, I'll use my GI housing loan for the small business piece. It's another way. There was a lot of little ways. I mean that just popped into my head when you said guaranteed loan.

So I can't afford to buy a house, and we brought it up because of the Massachusetts housing costs at that point far exceeded the maximum that the GI loan was going to guarantee anyway. So you never had the money, and the points for buying a house in the greater Washington area at that point was ludicrous, and if you

just had the GI Bill, you weren't going to make it. So people have said transfer that over.

Mr. ELMORE. Yes, Title VII — and I was involved to a degree because I'm from Missouri, where Congressman Talent's from. We ended up with a lot less than we hoped we were going to get and it essentially redirects the agency to do what it already has the authority to do, and I haven't seen any significant activity other than the replacement of the head of the Office of Veterans' Affairs at the SBA that indicates that they're doing anything beyond where they were.

Again, look at the budget; you look at the fact that they're looking for additional appropriations to implement, they're not looking to reprogram existing dollars and maybe the SBA representatives can demonstrate that.

Another point I wanted to make is the GI Bill of World War II guaranteed more than 280,000 small business and small farm loans for returning veterans in just 10 years after the war. I think the experience with that and the default rates and those kinds of things that this Congress has available to it reiterates the point that these gentlemen are making that if there was a direct loan program or guaranteed loan program, especially that it had some kind of revolving nature, and if it had tied to it the kind of technical support and development services that small entrepreneurs really need to enjoy success, that would be a significant thing that you all could do.

Mr. HANLEY. Can I just piggy-back on that, please, that there is a qualitative difference between a loan program which is run and generated through the market as it already exists, and a kind of an artificial program which is conducted on a sort of hourly basis in accordance with some kind of government paradigm, and I think the former is a good deal healthier. I think the 8(a) Program, if it's shown anything, has shown that.

Mr. STEPHANS. I'd like to support Paul on that. What we're essentially saying is we're asking, when it comes to a loan program, for less government not for more. The government has a tendency to not understand what a businessman needs in terms of a loan, nor do they really understand what a business plan is and how it's executed.

Chairman BARTLETT. Thank you very much. Now Mr. Boyd.

Mr. BOYD. Thank you very much, Chairman Bartlett, Chairman Quinn. Thanks to you folks for convening this meeting and to the gentlemen. I want to associate myself with remarks of Congressman Mascara, and I'll see if I can't quote him; it says, it's all about money.

I want to shift gears a minute. Who do we think that we're kidding? As we sit here today, we're not able as a Federal Government, to pay our active military soldiers and sailors enough money to keep them, some of them, off food stamps. We're not able to fulfill our promises that we made to our military career retirees on their health benefits. Even though that promise may have been verbal and not contractual, nevertheless, it was a promise.

As we sit here today, this body that you're sitting in, the House of Representatives, is looking at a highway bill that will require us to make cuts in discretionary funding somewhere between $30 and

$40 billion over the next 5 years. Who are we kidding? Those discretionary funding cuts, where are they going to come from? Defense budget's discretionary; veterans' programs are discretionary.

We're looking at also a budget that's going to require possibly an additional $100 billion in discretionary cuts to fund a tax cut. Who are we kidding? I mean. let's be real here, guys. We've got some major and serious problems and some promises that we made in the past and some commitments we made as a government to people who enabled us to be this great Nation that we're not fulfilling. So I'm just a little bit — as you can tell, I'm a little bit frustrated by the direction we're going with our veterans' programs and our national defense.

I would like to do something in the district that I represent that from time to time enables me to reach some people that I wouldn't ordinarily reach; I wouldn't ordinarily call into my office or go to a town meeting. So I have the practice of going to a *Wal-Mart* about once a month on a Saturday morning and just setting up shop and seeing what happens. You ought to try it sometimes. It's interesting. About 75 percent of the people that I've come and talked to, my staff and me, are veterans who come and talk about veterans' problems. Usually it's health care or maybe somebody in business is having some kind of problem. But it's very intriguing. We're not doing a good job.

My question is this — and I'm going to ask Mr. Camacho and Mr. Elmore: Mr. Hanley made the point that we really — that the private sector can do a good job of administration of — or do what we want to do. Really all that we need is a revolving fund, loan funding, I think is the way that you put it. You commented some about the revolving loan funding, but maybe if you guys would comment about the other part of it is that the private sector can do it, very briefly.

Mr. ELMORE. Yes, if I can answer a little bit. I was one of the principals in the mid-1980's who put together a veteran entrepreneur training program in St. Louis, and for the 200 participants that went through that program in 2 years, we had more than 70 private sector veterans who volunteered their time to private mentoring, to provide business counseling, to provide networking. I mean, these were $100- and $200-an-hour guys that stepped up and said, "I will help these other veterans." So I think there's a significant role that they can play. I can't tell you that I know how we should do all of that.

One of my recommendations is that we change the Community Reinvestment Act to begin rewarding lending institutions who provide market or below-market interest rate loans to veterans. Now that might fit in with the idea these gentlemen are talking about. I still think, though, it's important to try to utilize as best we can the resources that you do fund: The small business development centers; the World Trade Centers; the export centers; the business information centers; the SCORE chapters. There is a lot of expertise and a lot of resource out there.

Veterans should have their fair share, and I think if you follow the idea of a loan program with technical services, part of those services would be to link into those other existing pools of expertise to assist veterans. We just need to stimulate. However you do that,

the SBDC's, the Small Business Development Centers, and the others to begin to do their job. They're told to impact veterans. You go back and you read their mission statements and they say they're doing it but the reality is they're not.

So I don't think we should just leave all that aside. I think the idea of a partnership is what works and maybe the summit is the way to bring the private and the public sector together to formulate how we do all of this.

Mr. CAMACHO. Other ways there's a lot of veterans' community-based agencies that have been out there. I think of the group that put together in the 1980's the National Coalition for Homeless Veterans and the different community-based agencies — in fact, the one that he used to work for sometime ago is a member of that, and there was one in Pine Block, Arkansas, Falcowski operation up in Buffalo, is one of those. They really do a great outreach. They beat the VA on outreach because they're all from the community; they're of the community.

So with a lot of different innovative approaches can bring in this private sector staff and quasi-private public, if you want to call it that and the public into a good package. The package has to be developed. So it's not just money. We need the real leadership. When I say leadership, I mean we need the leadership from the business community; from the Congressional Members, and from the agencies. So everybody's got to be a partner in the thing and the veterans themselves. Then it would work. I'm convinced it would work that way, and that's why I've been hopping on the leadership.

I just love to see a good summit worked on and be put together where we really get one of the big boys. I mentioned two guys in Massachusetts, but every State has them. You got some big guys, big players in Buffalo. Get those guys. What does it take to get them to the table and how do we link up? That's the problem. That's an organizational development problem or operations research deal — to get the linkage all up there and get one of those big guys to step up to the plate and say, all right, I'll put $10 million of my corporation's money on the line and put 5 years or three to 5 years into it. What's the public sector going to do? I don't know how you — you guys know how to do that.

Mr. BOYD. Thank you, Mr. Chairman.

Chairman BARTLETT. Thank you very much. For those who question the Congress' interest in veterans' issues, please note the very large number of Members who have come to this Subcommittee.

Now, Mr. Hill, Montana.

Mr. HILL. Thank you, Mr. Chairman. I've had the pleasure of being a businessman; I've had the pleasure of working with literally hundreds of other people getting started in business. One of the things that I found, working with veterans who wanted to get into the business community, get started in a business, was, first, because of their service, most of them did not have the opportunity to build equity in a home or 401(k) or something like that, some little seed capital opportunity that they have.

Second, was that oftentimes the technical skills they had weren't easily transferable to the marketplace, and they had technical skills. What I also found is most of them had characteristics to very successful businessmen. They were disciplined; they had respect for

the work ethic, that sort of thing. Is the problem here that we don't have enough money available to help veterans or is the problem here that we need to do a better job of helping veterans transition? I'd ask any one of you to comment on that.

Mr. ELMORE. I'll start with that in a little bit. If you look at the micro-loan program veterans are not one of the groups that are designated in the language of that legislation. Plus, there's an impediment in the law that if you don't have a 1 or 2 years experience providing microloans you can't. Because there is no service structure for veteran entrepreneurs, there's nobody out there doing that. So I think a microloan program is one of the pieces that I would recommend.

Mr. HILL. Wouldn't we have to just legislatively add them to the list? There may be more money needed but at least the first step——

Mr. ELMORE. I think that's all it would take, but, again, I think you also need to staff up the Office of Veterans' Affairs, so there's somebody in there ensuring that the microloan program, in fact, begins to include veterans in at least a fair way if not a significant way.

Mr. HILL. How about the bond guarantee program for construction, the SGGA? Should that have some similar provision?

Mr. ELMORE. I can't speak with much expertise about the bond program. I can tell you my philosophy. I think that every system within the SBA and really all the entrepreneurial systems that the Federal Government has including Commerce, VA, and all the other agencies, there should be a veterans' component in every one of those. The Office of Women Business Ownership at SBA should have a woman business program for veterans, women veterans. The reason I think that is because, since we've been so segregated aside and everything's been put in this little office to be the answer to everything in the agency, we don't have the base of support in the agency that we need. There are women veterans; there are minority veterans; there are veterans in construction; there are veterans that need microloans; there are veterans that ought to be utilizing the Low Doc Program, et cetera, et cetera. So the more we can beef up systemwide, the better I think our veterans will receive the service they need and ultimately we've got the support we need to continue.

Mr. HILL. Let me just continue to pursue that. Is this a threshold problem? I mean it is a problem that, because there's some reason the veterans aren't getting across the threshold to qualify for a loan, because you mentioned earlier the obstacles are too high?

Mr. ELMORE. I'll give you my cynical view: Veterans are politically incorrect in this world, and if you look at what dominates, what comes out of the Federal sector at this point, it targets to women, minorities, and persons with disabilities, and veterans are left aside. We're generally a pretty proud group of men and women. We don't want to come up there and have to point that out very often, but after so many years I'm tired of seeing it and that's why I'm saying it. We're politically incorrect. That's bad policy. So there is no initiative, there's no interest, and when push comes to shove inside all these little offices and these agencies, veterans are the

last ones considered. If we're not written in, we're written out. That's what happens.

Mr. HILL. One of the things that I have a provision in the job training bill for people with disabilities. There's a pilot program at the University of Montana to help people with disabilities become entrepreneurs where it's a totally unresearched field and we're trying to promote the idea that people with disabilities have probably greater success being in business for themselves than trying to fit into employment situations somewhere else.

A lot of talk about the 8(a) Program. Is it your sense that veterans ought to be one of the qualified groups for the 8(a) Program? I mean, here's an area where there's technical expertise because the 8(a) Program obviously gives you preference for dealing with government contracts. Here's an area where more often than not veterans are going to have some technical skills that perhaps others wouldn't have. So is that a natural?

Mr. ELMORE. My limited knowledge with veterans who have attempted to navigate the 8(a) Program because they're African-American veterans is that they've been unsuccessful in doing so; they become frustrated with the process, and my understanding is that it's so competitive inside, and in that sense are sort of locked up for those who already get those resources to just plug veterans in there. We said this earlier; it would just be another reason to come back in 2 years and say it's not working.

Mr. QUINN. Would the gentleman yield just for a second?

Mr. HILL. Certainly.

Mr. QUINN. In light of that — and I asked that question a little earlier before you got here, Mr. Hill — but in light of what you just said a few minutes ago, Bill, that you think veterans are everywhere, why doesn't it make sense that they not plugged in data?

Mr. ELMORE. I guess my point as I said earlier is that if it's the only answer, it's not the answer. If it's a part of the answer, then, yes, I think it does make sense to have some veteran focus in there because there are minority and women veterans who at this point will utilize and could utilize the 8(a) Program.

Mr. QUINN. Would the gentleman yield further?

Mr. HILL. Certainly.

Mr. QUINN. Only to say that, if it's the only answer, then it's OK. What if it's the beginning of an answer? What if it's a start?

Mr. ELMORE. For myself, I think we'll take anything at this point because it's been so little.

Mr. QUINN. Thank you.

Mr. MASCARA. Would the gentleman yield?

Mr. HILL. Certainly. My time's gone——

Mr. MASCARA. Mr. Chairman, I just want to expand on the information about the microloan. In my former life I was a county commissioner and created an economic development agency in Washington County, Pennsylvania, where we administered SBA loans and one of them is the microloan. You're exactly right. There's no preference in there for veterans. I was just wondering, Mr. Toulson, you're coming up, and I just wanted to say, why can't every SBA Program include veterans? Why were veterans left out of the microloan?

So I thank the gentleman. I just wanted to bring up that I have some personal experience where veterans are ignored and not taken care of. I thank you.

Mr. REYES. Would the gentleman yield for just a moment regarding——

Chairman BARTLETT. Mr. Reyes, you are next in line of questioning. I'd be happy to yield to you for a full 5 minutes. Thank you very much.

Mr. REYES. Thank you, Mr. Chairman. I apologize——

Chairman BARTLETT. Would the gentleman yield?

Mr. REYES. I apologize for being late, but, ironically enough, I was doing a radio program, a couple of other members and I, dealing with Memorial Day, and it very quickly turned to the issues that veterans are very much concerned about and that's that they're getting the short end of the stick in terms of benefits, health care, government programs.

One thing that I will let you know right upfront is that, as a member of the Hispanic Caucus, we've talked to Secretary Cohen about the very dismal performance of Department of Defense in terms of the contracts that are going to minority businesses. I don't know if you know it or not, but less than 3 percent of the total contracts go to 8(a) contractors. Less than 3 percent.

So I have a little bit of a problem here saying that the answer is to dovetail the veterans into the contracts that are being awarded to 8(a) contractors. I think, certainly — and being a veteran myself — just having gone through an hour radio program where we took a lot of hits and a lot heat from veterans as a Congress, and the issue of Congress only being comprised of about 20 percent that have served in the military was repeated continuously.

But I think, more importantly than that, I'm intrigued by your statement that veterans are politically incorrect. It seems like veterans are put on the back burner until an emergency comes up, and part of what I think we need to be doing is getting a clearly understood message that veterans are not, cannot, and should not be politically incorrect at any time; that we should not be looking to cut into programs like 8(a) simply as a facilitation to the myth that the reason the veterans aren't getting their fair share is because minorities are in there taking part of that piece of the pie. I think we need to be on one level, careful about that on the other level, we need to be aggressive in pursuing the benefits that ought to go to our veterans.

When I see something like under the SBA — and I should first of all tell you that I have asked Administrator Alvarez to come to El Paso. I have about 60,000 veterans in El Paso, and I will set up a meeting for those veterans with her about these kinds of issues because I think that's very important. But when I see that the budget is $340,000 in comparison to $4.6 million for women's business ownership, I have to make a notation that, why are we comparing veterans to women? Why are we comparing veterans to the big overall budget? Part of what I think our obligation should be is to understand that we have first and foremost an obligation to the men and women that have fought for this country, that have earned the right to participate in programs like those administered by the SBA.

I don't think, from our perspective — and I hope it comes out crystal clear — that there is a lot of frustration from our level. I think we are all doing, on a bipartisan level, as much as we can to represent veterans and veterans' issues. But we are getting steamrolled by not only a system that considers veterans politically incorrect, but, more importantly, a lack of understanding simply because not enough of us are in Congress that actually wore the uniform and understand the sacrifice that men and women make for this country.

So I don't have a question. I just kind of wanted to kind of get that off my chest because having being throttled repeatedly for the last hour I wanted to come down here and let it flow downstream. So thank you, Mr. Chairman.

Mr. ELMORE. Could I make one point in response to I think a question that was almost there about why compare to women programs? The reason I put that in is because I think that the services and resources that we've targeted to women and minorities out of the agency, out of the SBA for the last 15 to 20 years, really provides a blueprint for how to, in a more contemporary way, provide resources, i.e. investment into Americans.

What's happened is that we haven't done those similar kinds of activities for the men and women who served. So my suggestion is look at what's happened there. I'm not begrudging women and minorities for their success because I think that's important for America. What I begrudge is that veterans haven't enjoyed equal access to that kind of opportunity and resource, and that's what I think is wrong.

So I applaud the women and I say here's our road map, let's follow it.

Mr. HANLEY. Can I just point out that there is one section of the population where being a veteran is not politically incorrect, and that's the veterans' section of the population which at least for the next few years is a very large and extremely successful one in the business world. I think as much as we would perhaps like to find a magic key whereby the government can suddenly push a button and make it all happen, that's much more difficult ultimately than enabling this section of the population, which is not only able to help with veteran entrepreneurs, but desires to.

I mean there's all kinds of anecdotal evidence, and I'm sure there's studies too, that veterans tend to want to help veterans. They tend to want to hire veterans. They tend to want to mentor veterans who are starting businesses.

The question that Mr. Hill raised, which is an interesting one, is: What is the sort of cultural barriers for the veteran entrepreneur who's looking for an SBA loan or whatever? I think that's the right question. The question is, who ought to be helping the veteran entrepreneur with this cultural transition? I suggest that it's probably, ultimately, that job is best done by veterans who have already done it themselves.

Mr. CAMACHO. You asked again that it's a societal structural problem. Twenty years ago it's a generation gap. But now, uniquely, it's really one of the down sides of the professional Army. You never thought about the professional military as having that many down sides because, if you look at the data, we've got better sol-

diers now than we did under a draft army. We actually do, but we've lost something. We've lost a big connection to civil service in the sense of building citizenship. Charlie Moskos has emphasized that in the call for universal civil service in his book, and he's probably the foremost military sociologist in the country, and I agree with him on this and a lot of people disagree with it, but I think there is a reason for universal civil service, not entirely all in the military, but in all kinds of places — at the nursing home level; at the health field; at the school level; across and throughout the country.

I actually think that we should have that, 18–20, phase it in however you do it, but that in the military we should not go back to a draft but that a section, a percentage should be draft people — a percentage. I don't know how you do it — lottery of some sort — but a percentage should be the draft because there's a growing gap.

I think Tom Ricks from the *Wall Street Journal*, his book on the Marine Corps and the article in *the Atlantic Monthly*, and a recent article only a couple of months back in the *Wall Street Journal* about this cultural gap from within the military, and their view of the civilian society and civilian society view of the military is really getting very wide. In another 12 years I'd say it's going to get dangerous and it's bad. It's bad. If you look at that, you'll see it's bad.

So there's the neglect came about from the war of Vietnam and it's become a bit of a generation gap and now it's a real structural problem and if you don't look at it you're going to be out of it.

Chairman BARTLETT. Thank you very much.

Mr. Poshard, thank you for joining us.

Mr. POSHARD. Thank you, Mr. Chairman. I would like unanimous consent to submit an opening statement for the record if that's OK and apologize for being late.

I was just sitting here listening, particularly to Mr. Elmore and some of the things he was saying. I'm a veteran and served 3 years in the United States Army, and I have found myself on different occasions in the seat where you sit, advocating for veterans. My cousin just retired not long ago as Director of Veterans' Affairs for the State of Illinois. It's peculiar because I've experienced an attitude, particularly from those who said in Congress and in State legislatures, and so on, that it's almost like a bother sometimes that veterans are showing up and, asking and demanding for these kinds of things.

I just want to make sure that you folks understand that I know, as a veteran, it's just enough to be an American. I don't want to feel like just, because of my service or your service, that we are deserving of something more. The fact is, because of the service and because of people giving up years of their life and getting behind in education and giving up family life and everything else, our Government promised us that they would give special consideration for those kinds of things. We didn't ask for it; we didn't beg for it.

The fact that veterans show up and say, we're being shortchanged here, and comparatively speaking to other places, we're really being shortchanged, is not in any way begging or demanding. Had the Government never made the promise or recognized something because of the service, you wouldn't be here to begin with,

neither would any veterans. But the fact is we did, and we ought to keep those promises once they're made, and it's OK for veterans to show up and demand that the Government keep their promise. That's where we are, and we're just not doing it.

I don't even know what special consideration means anymore, and I serve in the Congress, because it's not defined anywhere. I think as a matter of priority we owe the veterans some kind of solid definition of what that means, so we can actually formulate hard-and-fast guidelines for the SBA and the Veterans' Administration and everything else, health care, as to exactly what that means in the way of helping our people. Because right now, as long as it's nebulous, it's just out there; it gets us off the hook. We don't have to devote anything, and a lot of that language is simply ignored by our agencies, and so it doesn't benefit veterans because it's there.

I hope that we have some sort of national dialog on this and I hope that the two committees that are convened here will undertake that as a sort of a mission in the next couple of years because we need a dialog. Your statement about political correctness is absolutely true. I go to a convening of Vietnam vets every year. I was in Korea but I wasn't in Vietnam, but I go to a meeting every year, and I'm struck by how absolutely left out those people feel in the whole process of what's going on in this country. Yet, I hear people say all the time, oh, gosh, those guys, get on with things. "Suck it up and quit complaining and all this sort of thing."

It's a unique set of circumstances that still clouds the conscience of the kids that served over there and we can't ignore that, not at all. That's equally true of veterans that have served in other wars and other places. We just need to — we need a national dialog here. We truly do because I don't know where we go at this point in time unless we start a dialog on what we really mean by special consideration for the people that have borne, you know the responsibility of protecting this country and our freedoms.

I'm just talking about philosophical notions here but until we get that settled, we're not going to come up with guidelines that tell the people out there and the SBDC's, you pay this much attention every day to veterans, and this much or this percentage of the programs go to veterans. It's disheartening at times the way we sort of snuff off our responsibility because we haven't been exact enough in defining what our responsibilities are.

So I just want to share that with you. I mean, all of the suggestions that you folks have made for things that we ought to be doing, I hope that you will sit down together and prioritize those so that we have some sense of what you consider to be the highest priority needs that we are not addressing, and then let's start a dialog. Let's have five or six meetings around this country in major areas and get the people here out there meeting with your folks and see what we really can do to settle this thing. Thank you, Chairman.

Chairman Bartlett. Thank you very much. I really appreciate the remarks of the gentleman.

I serve on the National Security Committee and I have a strong commitment to make sure that we keep the promises that we made to our veterans for two very good reasons: One is we ought to be

as good as our word. Second, if we aren't, we are impacting recruitment and we're impacting retention. So from a very basic national security viewpoint, it's very important that we keep those promises and I don't want to hear how much it costs us to keep our promise for health care and military facilities because it's costing us a whole lot more not to keep that promise.

I read your testimony. Thank you all very much. You mentioned the fact that veterans were not politically correct, and one of you noted in your testimony that the women's programs — and everybody supports a focus on women because we have discriminated against women in the business world and it's very appropriate that we have a focus on women — but you mentioned in your testimony that the amount of money in women's programs is 11 times more than the amount of money in veterans' programs. Most recent legislation has made that discrepancy worse; it's now 33 times more money for women's programs than for veterans' programs.

There's a focus on minorities and if we recognize that we have increasing numbers of our veterans will be women and that our minorities are represented to twice the percentage in the military than there are in the private sector; that an appropriate focus on veterans' programs is automatically an increased focus on women's programs and particularly on minority programs.

You mentioned the public-private partnership. There are two parts of SBA that I'm particularly supportive of. One of those is SCORE. This is the Service Core of Retired Executives and the other is the Office of Advocacy. I wonder if it would be effective to have a SCORE contingency that was focused on veterans, have a veterans' SCORE. This is a volunteer organization, they get their mileage paid for and maybe a secretary and that's it, but these are people who have a lot of experience and who are there helping these aspiring entrepreneurs develop a business plan and giving them advice. I wonder if you think that we could increase our focus on veterans by having the SCORE chapters include a specific focus on veterans by having veterans, Veterans' Subcommittee as it were, of SCORE.

Mr. HANLEY. I think that's going to work "like a champ." In fact, it already does as a practical matter, but the section of the SCORE Program that does best for veteran entrepreneurs is the SCORE people who are veterans, and right now, there's a whole bunch, and unfortunately, that's going to change very quickly. The demographics are way against us because all the people who came out of World War II went into business, some with the help of the G.I. Bill and succeeded, and did well and retired and are in the SCORE Program now because of, as a way of giving back, I guess, among other things. Those people are in excellent position to help somebody coming out of the military.

What we have to worry about is when there are precious-few SCORE people left who know what the cultural transition is. I think it's this cultural transition that's really at the heart of the issue here. It's not that there is some kind of "political correctness discrimination." It's that a career in the military conduces to a certain core of experience and attitude which needs to be wickered a little bit to be successful in the commercial marketplace.

Mr. STEPHANS. In support of that, I'd like to go back to Mr. Hill's comments about a loan program. The SCORE's find that's a vice when you have a business and you've opened it an you're operating. It's getting to that point for veterans. It's an issue because most veterans do not qualify nor do they have the investments required to start a business when they leave the service, as stated previously, because they don't have equity in a home, they've never had one.

They can't go to a bank because they haven't been in business for 2 years, that's an automatic requirement for a business loan. So what we're asking for is to even the playing field again by providing that support that they need those first 2 years so that somebody from SCORE can help them out. Thank you.

Mr. ELMORE. Our best SCORE volunteer for veterans in St. Louis is the Former Veterans' Affairs Officer at the SBA District Office, and he does a bang-up job.

If you look at the Fiscal Year 1999 plan for SBA, there's a special initiative in SCORE to identify and bring into the SCORE process, I think it's 400 women and minority with experience. I might suggest that some initiative as well, to bring some more contemporary Veterans as the older veterans do retire, some veterans from our generation who have enjoyed success who are willing to give of themselves. So, maybe some special initiative.

You also mentioned the Office of Advocacy. If you'll look at the materials that, at least, I've seen from that office, veterans are again not included. So, I myself, wonder why isn't the Office of Advocacy inside the agency talking about these same issues that we are. So, maybe some focus in there toward veteran entrepreneurs and the programs of the agency would be appropriate.

Chairman BARTLETT. The Office of Advocacy focuses primarily on trying to keep the Federal bureaucracy from completely stifling small business. I would hope that with some encouragement the Office of Advocacy, I think Jerry Glover and his people do an absolutely fantastic job. When he talks about us, he's talking about small business. When he talks about them, he's talking about the Federal bureaucracy. If you listen to him speak, you'd never believe he was part of the bureaucracy. He's really on the other side.

I would hope that the Office of Advocacy, with appropriate encouragement and perhaps additional funding from the Congress, could have a focus on veterans' programs. Because all of you mentioned the fact that there is, in the legislation, a focus on veterans which is not realized by the Small Business Administration.

That's what the Office of the Advocacy is there for, to make sure that attention is paid to the laws that are passed by the Congress. So, I think that it is very appropriate for us that, at a minimum, in report language and perhaps, actual legislation to encourage and empower the Office of Advocacy to be more active here.

Mr. Elmore, you mentioned that OVA, which is an office within Small Business to focus on veterans, that it was blocked. Your recommendation is that it report directly to the administrator to give it some visibility.

Mr. ELMORE. Yes, sir. My experience, and I don't mean to speak for them, because I'm just an advocate and a small business owner myself, but my experience is that as they attempt to do anything,

they have to go through so many layers of bureaucracy that they quickly become frustrated to even try to create some sort of pilot initiative or pilot programs or any kind of activity that targets to veterans.

So, my thinking is since there's sparse consideration for veterans, elevate that office, make the administrator, whoever that person is responsible directly for the activities of the agency, and that the OVA reporting directly to the administrator creates that line.

Chairman BARTLETT. We clearly need more availability of venture capital for veterans.

Most of your recommendations wouldn't necessitate much new funding. They simply require a new focus, and with these tight budget constraints, that's an easier kind of thing than to find additional funding. Even the availability of venture capital. Venture capital is there. I think it's your contention that it's not appropriately available to veterans.

Mr. ELMORE. Yes. I really can't speak a lot to venture capital because most of my experience has just been from the sideline. But I think the point that most of what I would recommend be done, can be done for relatively low-expenditure of new dollars. I mean, all we need is our fair share. So, that's my suggestion, but I agree with these gentlemen over here as well. I think we need to go beyond what the Federal Government is willing or able to do. I think we also need to understand this huge resource that veterans in the private sector are, and somehow bring them into this mix, because they represent resource way beyond what we could ever appropriate up here.

Mr. HANLEY. Mr. Chairman, may I just point out that venture capital which is a wonderful engine, also has certain down-sides, particularly for the veteran who starting up. Venture capitalists tend to be very careful about the way they invest, and it tends to be a requirement for a great deal of giving up of control. That fries in the spirit of a lot of veteran entrepreneurs.

The beauty of the Guarantee Loan Program which we advocate is that it's costs nothing. It's a guaranteed loan program, but it's not a grant program.

Mr. STEPHANS. In terms of the loan program, what we're talking about is a budget line supporting a guaranteed loan, that's to be paid back over a period of time, therefore, there really is no dollars put out. This could be supported by your private banking industry, which is a whole different ball-game than what we're talking about in terms of low dollar or anything like that. It's a different kind of concept.

Mr. CAMACHO. There's a number of bankers who are Vietnam veterans or veterans who can give you the low-down. In fact, one of them comes from Chairman Quinn's district. His name is Bill Lyons and he helped us a couple years back get some legislation authorization passed which let the secondary market of the loans be designated as "veterans only." I mean, it's a unique little deal, but it never got marketed. Beyond that, it never got marketed so that people could invest in veteran-only small business loans.

It's a number of people out there. I just knew he was involved with that and I know he's in Mr. Quinn's district, that's how he popped into my head.

Chairman BARTLETT. I want to thank you all very much for your testimony. Most of you made recommendations. It would be very helpful to us and Mr. Poshard mentioned it, if you could prioritize your recommendations so that we could determine what the most important actions that we could take would be.

As you could hear from the bells and you can see on the clock with five lights, there is a series of votes on the floor, so it's an appropriate time for me to thank you very much for your testimony. Thank you for your commitment to our veterans and we will now recess the Subcommittee, and when we reconvene we will convene the second panel and begin there.

Thank you very much.

[Recess.]

Chairman BARTLETT. Let's reconvene our hearing. Hopefully, other Members of the Committees will join us.

We invite now our second panel. Emil Nachinski, is that correct? Who is the Assistant Director of the National Economic Commission, the American Legion; William Crandell, AMVETS, and Mr. Yancey, Executive Director of SCORE.

I suspect that many of the questions that you might have been asked have been asked the previous panel, and your full testimony will be made a part of the record. You may summarize your presentation, hopefully, in approximately in 5 minutes, then there will be ample opportunity to expand on that during a question-and-answer period.

Mr. Nachinski, have I pronounced that correctly?

Mr. NASCHINSKI. That's correct, sir.

Chairman BARTLETT. Thank you.

STATEMENT OF EMIL NASCHINSKI, ASSISTANT DIRECTOR, NATIONAL ECONOMIC COMMISSION, THE AMERICAN LEGION

Mr. NASCHINSKI. Chairman Bartlett, the American Legion certainly appreciates the invitation to appear here today to comment on the Small Business Administration and its assistance to our veteran-entrepreneurs.

Small business is the backbone of the Nation's economy. It has been one of the driving forces behind this country's past economic growth and will continue to be a major factor as we move into the 21st century. According to the SBA, small businesses are responsible for 75 percent of the new jobs in the economy and employ more than one-half of the work force. Currently, small business is our largest employer and over 30 percent of all small businesses are owned and operated by veterans.

Today, more than ever before, entrepreneurship is taking on new meaning. In view of the downsizing of the military, Federal Government and corporate America, Congress and the SBA must do everything they can to empower, encourage and assist this country's entrepreneurs including those men and women who served in the military for the purpose of protecting and preserving the American way of life and the free enterprise system.

Since our written statement details the American Legion's grievances with respect to the performance of the SBA in providing financial and entrepreneurial assistance to veterans, and because our time is limited this morning we will not comment further on

those grievances. We would, however, like to take a moment to comment on our recommendations for making the Office of Veterans' Affairs a viable part of that agency and for improving this country's assistance to its veteran entrepreneurs.

While these recommendations may seem overly simple, the American Legion believes that they are the key to improving SBA's veterans' programs and for reestablishing veterans as one of that agency's constituency groups.

First, Congress must take full responsibility for holding SBA's "feet to the fire" with respect to its obligations to veterans. That agency cannot be allowed to continue treating veterans as second-class citizens.

The American Legion suggests, Mr. Chairman, that you and the Members of the Subcommittees work closely with your colleagues on the Appropriations Subcommittee. The American Legion has found that SBA has a history of responding to Congressional wishes regarding veterans only when there is concerted and closely coordinated pressure from the Appropriations and authorizing Subcommittees.

Second, the veterans' community must establish an ongoing dialog with SBA's top management officials. They must be aware of our concerns and their responsibilities with respect to the law and the empowerment of the Office of Veterans' Affairs.

On that point, Mr. Chairman, I do have some good news. Recently, the American Legion approached the Office of Veterans' Affairs and asked whether or not the administrator would meet with the veterans' community to listen to our concerns and our recommendations. Mr. Toulson reported to me this morning that he took that recommendation to the administrator and that she agreed to meet with us. So, we're very pleased about that.

Our third recommendation is that Congress and the administrator need to evaluate the resources that the Office of Veterans' Affairs realistically needs to fulfill its mission. When shortfalls are identified, Congress and SBA must be willing to provide those resources even if that requires an appropriation.

An example is the SBA's Direct Loan Program for Vietnam Era and Disabled Veterans. While the agency has the authority to make such loans, the reality is that the program has not been funded and has not been a part of SBA's funding request since the program was established in 1994.

Once these goals are accomplished, Congress, SBA, and the veteran's community can begin to fashion an entrepreneurial program for veterans that is truly meaningful.

Mr. Chairman, again, thank you for inviting us to testify. We look forward to working with you and the Members of both Subcommittees on resolving the problems discussed today.

[Mr. Nachinski' statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much.

Now, Mr. Crandell.

STATEMENT OF WILLIAM CRANDELL, AMVETS

Mr. CRANDELL. Thank you, Mr. Chairman.

AMVETS also appreciates this opportunity to discuss the Small Business Administration and its Office of Veterans' Affairs.

Frankly, we're not impressed by SBA's commitment to veterans, despite the congressional mandate to give special consideration to veterans of the Armed Forces and their survivors. There are no special programs for veterans at SBA now. Last week, I received my monthly copy of the SBA newsletter small business advocate. Normally, I look in vain for mention of veterans. But the word appears in the May issue. SBA has given its Veteran Advocate-of-the-Year award to an employee of the VA, without mention of any SBA Program in the description of his accomplishments.

If there is a prohibition against naming a SBA field staff person as Veteran Advocate-of-the-Year, it seems unnecessary.

There are no loans earmarked for veterans. There are no programs designed to turn years of training and experience gained at government expense into business skills. SBA has no ability to provide credentials or references. Worst of all, SBA has nobody outside Washington whose job depends on helping veteran-entrepreneurs.

Inside Washington, a staff of four without a budget line has to tell the 25.5 million men and women who have served this country in uniform that there are no special programs for them at SBA. When something is important to SBA, it asks Congress for money. We need your help, the members of this Committee to get us invited to testify before the Appropriations hearings relevant to the Small Business Administration.

Americaa needs a solid program that will help veterans start businesses. Mind you, they will do it anyway. Entrepreneurs, and especially entrepreneurs that we have trained and honed through military service, will go into business because something in their blood demands it.

AMVETS believes veterans are a vital resource of this country that has not really been tapped since the 1960's. Veterans are men and women who understand setting objectives and meeting them. A veteran has a master's degree in organization and a doctorate in hard work. If you want a self-starter, find a veteran.

Mr. Chairman, this concludes our testimony. Thank you very much.

[Mr. Crandell's statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much.

Now, Mr. Yancey.

STATEMENT OF W. KENNETH YANCEY, JR., EXECUTIVE DIRECTOR, SCORE.

Mr. YANCEY. Mr. Chairman, my name is Ken Yancey, and I am the Executive Director of the Service Corps of Retired Executives Association, also known as SCORE.

I am pleased to have this opportunity to appear before you representing the 12,400 volunteers in the SCORE Association who are located in 389 chapters covering the entire country. I'd personally like to thank you and the Members of the Small Business Committee, but particularly you, Mr. Chairman, for your support of the SCORE Association in the past and into the future.

The focus of SCORE's efforts to help veterans is at the local level. Our chapters in their efforts to respond to the needs of their own communities provide one-on-one counseling and group workshops for separating military personnel at military installations

across the country including the Arsenal at Quad Cities, Iowa, Ft. Riley, Kansas, McConnell Air Force Base, Ft. Leavenworth, Ft. Leonard Wood in Kansas, the Great Lakes Naval Training Center in Illinois, Offutt Air Force Base in Lincoln, Nebraska, the Navy Yard here in Washington, DC, Fort Carson, Colorado, Peterson Air Force Base in Colorado, Fort Bliss in Texas, Kirkland Air Force Base in Texas, Ft. Sam Houston, The Naval Base at Little Creek in Virginia, The Air Force Academy, Ft. Jackson, South Carolina, and recently at the now closed, Charlotte Naval Base in South Carolina.

A workshop typically advises a veteran on what it takes to become an entrepreneur and start a small business and whether he or she should consider going into business as a career alternative. SCORE volunteers tell these men and women how to take a business idea from the conceptual stage through actual startup. Counselors discuss the many benefits and challenges of small business ownership and focus heavily on the business planning process which is necessary for success and most times necessary for acquiring financing.

Often a counselor, when he or she determines that a veteran is not yet ready to make the commitment to a startup, will give advice, advice based on the counselor's own hard-won experience on further training and preparation that is needed before the veteran should commit his or her own time and money to a new enterprise.

The counselor also calls attention to what other valuable resources are available to the veteran, including SBA technical support and loan programs. Attendees are also invited to take advantage of other SCORE counseling services available at that local chapter in another of SCORES' 389 chapters across the country or on the internet.

Our chapters are constantly seeking to meet the needs of the communities in which they operate, and they welcome a request from local veterans' groups or the commander at a local military installation to provide assistance in the form of workshops or one-on-one counseling.

Let me now comment briefly on SCORE's operations on the internet and what SCORE provides through its own website, WWW.SCORE.ORG. The site has been up-and-running for the past year and features an abundance of information on the SCORE Program. In addition to general information about SCORE, a find SCORE feature is offered where visitors to the site can locate the chapter nearest them by using their zip codes. One of the most important features on the site is get E-mail counseling. This feature actually allows a client to receive SCORE counselling services through the website via E-mail.

The SCORE website is receiving over 700,000 hits a month. We're providing over 2,500 counseling cases a month. That represents almost 10 percent of our total business on a monthly basis. Through the use of this leading-edge technology, we're providing an outstanding new service to veterans, separating military personnel, and other existing and potential small business owners that we might not have otherwise reached.

Mr. Chairman, I'd like to thank you again for the opportunity to testify. I'd be happy to take any questions.

[Mr. Yancey's statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much.

Let me start by asking our representatives from the American Legion and the AMVET's, as you listened to the prior panel, Dr. Camacho, Mr. Elmore, Mr. Hanley, and Mr. Stephans, I thought that they were very effective supporters of your needs, that they articulated very well the problems. As you remember their testimony, what we'd like to do is to make sure that if there are additional emphasis that needs to be made that you have an opportunity to do that now.

As I mentioned previously, we had a very good turn-out of Members until we were called to vote. You saw by the large number of members and by the extensive questioning, that there is a genuine commitment on the part of these two Subcommittees to do something about this problem.

In addition to your testimony, are there other comments that you would like to be a part of the record that would complement the views of the prior panel and your testimony?

Mr. CRANDELL. Mr. Chairman, I'd like to commend the prior panel for the depth and breadth of their knowledge on this. It coincides, I think, with everything that I've experienced in this field.

I'd like to add just a couple of notes to it. I think we have a difficulty in government, in advocacy groups, and particularly in bureaucracy with understanding entrepreneurs. It's as if most of us are in the bleachers watching a tight-rope act and we don't have a clue why somebody would do that. The risks are in a different ball park from what we do with our daily lives.

We need to support them. A great deal of the emphasis that veterans' community, I think, puts into small business programs for veterans is less that we're owed something, or even that a promise has been to us, than that this is a good investment. We need all the entrepreneurs we can get. I don't care what their background. Here is a group that we've already invested a good deal of government money and training in.

The second thing is with regard to something like an 8(a) Program where there are specific groups targeted for emphasis. It's useful, but our experience in watching some of the others in Washington is that when you staff such a program you tend to hire people representative of the groups you're trying to help. That's appropriate, but as bureaucrats they tend to come with a feeling of "I represent this group and it's my job to see that this group gets whatever it's supposed to get."

We've found, for instance at the Department of Labor's Office of Federal Contract Plans Programs, hardly any veterans on the staff there, and hardly any interest in seeing that veterans are among the groups served by that program. If we put veterans into 8(a), we need to have both Congress and the administrator make certain that the people working there includes — first of all, some veterans on the appropriate staff, but also that the people working there see themselves not just as representatives of their parochial interests, but veteran' as well.

Chairman BARTLETT. Thank you.

Mr. Naschinski.

Mr. NASCHINSKI. Mr. Chairman, I certainly would second what you said about the first panel today. Speaking from my own personal experience, I'd like to thank Bill Elmore and Rick Weidman, in particular, for their ongoing support. They have been a tremendous resource for the veterans' community in helping to get a better handle on the issue and they've got a lot of good, innovative ideas, and I thank them.

One issue that was discussed at length this morning was whether or not veterans should be made a part of the 8(a) Program. Frankly, while the American Legion has discussed that issue at length, we do not have a position.

Other than that, I think the first panel did an outstanding job summing up the issues.

Chairman BARTLETT. I think it's very important that both the American Legion and the AMVETS were represented here to validate the testimony of the first panel which was extensive and which was extensively explored with the question and answer period. Thank you very much for your contribution.

Mr. Yancey, what kind of a problem would it be if we were to ask the SCORE chapters to see if they could recruit enough veterans to have a specific group of SCORE volunteers who will focus exclusively on veterans? It's my feeling that SCORE could focus on this. I'm very supportive of SCORE. I think that we get more mileage for the dollars we spend in SBA with SCORE than any other part of the agency. But there are programs there. There is money there, but what the veterans need is guidance. If we could have a subset of the SCORE chapters that would focus exclusively on veterans, that might go a long way to making sure that veterans have access to these programs.

The additional thing I would recommend is that we empower the Office of Advocacy to make sure that their agency is complying with the law, which apparently, there is a general feeling they have not been doing, in any expeditious way.

What kind of problems would we have in recruiting enough veterans to have a SCORE panel which was focused directly on veterans?

Mr. YANCEY. Mr. Chairman, I don't think that the problems would be overly significant. As someone has already pointed out in the previous panel, a significant number of our present membership are veterans. It's an interest that they do have and I believe we could rally that type of support. We would be very interested in working with those organizations that are testifying now, that have previously testified to help us identify veterans that would be interested in being involved in the program as new volunteers, as well as, in an outreach effort to those veterans that might be interested in entrepreneurship as a career alternative.

We'd be happy to consider that and report back to you.

Chairman BARTLETT. Thank you. Might we ask you to join the members of the previous panel, who I think, made a commitment to prioritize? Each one of them had some recommendations. What we would like as Committees is to have prioritization of those recommendations so that we know where to start. What is the most important efficacious thing that we could do to help correct this problem?

We're joined by Ms. Christian-Green. Thank you very much for rejoining the hearing.

Ms. CHRISTIAN-GREEN. Thank you very much, Mr. Chairman. I don't have any other questions, and I may have to be in and out because my other Committee's meeting at the same time.

Chairman BARTLETT. Thank you very much for rejoining us.

We will thank this panel for their contribution and thank you very much and we hope that you can give us, along with the first panel, a prioritized list of your recommendations, so that we'll have something specific to act on. Thank you very much.

Now, we'll ask Mr. Toulson, who is a lone member of our third panel to come to the table? I read his testimony, along with all of the other testimony. I noted how fortunate he is that he has just acquired this new job, and so, he would like us to consider him not as a part of the problem, but potentially, as a part of the solution.

I hope that it's not SBA's policy to frequently rotate that Chair so that there's never anyone there who is a part of the problem, but we'll begin today's hearing with the understanding that you hope to be a part of the solution, rather than a part of the problem. Thank you very much, and welcome to the Committee.

STATEMENT OF CLIFTON TOULSON, JR., ASSISTANT ADMINISTRATOR FOR VETERANS' AFFAIRS, SMALL BUSINESS ADMINISTRATION

Mr. TOULSON. Mr. Chairman, thank you so much for those kind remarks. To you and the distinguished Members of the Committee, I want to say good afternoon, and say again, for the record that my name is Clifton Toulson, Jr., and I am the newly appointed Assistant Administrator for the Office of Veterans' Affairs at the Small Business Administration.

Administrator Alvarez has designated me to testify before your Committees today and the following represents a summary of my comments submitted for the record.

I began my government career in 1976 with SBA after serving in the Army for 3 years, including a tour-of-duty in Vietnam. Prior to assuming my present position, I was District Director of SBA's Philadelphia office which included managing SBA's Programs and operations in eastern Pennsylvania and Delaware.

Administrator Alvarez is committed to making all of SBA's resources available to everyone and she believes that veteran-entrepreneurs is a group that has not fully utilized SBA's Programs. She is committed to finding ways to increase veterans' use of SBA's Programs and to actively promote the formation and growth of veteran-owned small businesses.

Administrator Alvarez understands and appreciates the enormous contributions that veteran-owned small businesses make to the American economy. She recognizes that small businesses create jobs and wealth while empowering their communities. For example, small businesses are responsible for 75 percent of the new jobs in the economy and employ more than half of the work force.

Administrator Alvarez believes that SBA has good programs but we need to find better ways to deliver them to veterans. The best way to determine these answers on the delivery of services is to ask the veterans themselves. Administrator Alvarez has committed

to holding a summit with the leaders of the veterans' service organizations in late June to solicit their ideas and recommendations on the best way SBA can use its resources to reach veteran entrepreneurs.

This Administrator will be the first to meet with these groups in many years. She is committed to by-passing the rhetoric and getting action. The Administrator has already set specific veteran lending goals for each field office and will hold managers accountable for meeting them. Reaching out to veteran communities is crucial to our success.

While the arrangements for the summit are underway, SBA is also working in other ways to ensure that all of its programs are available to veterans. Just prior to my appointment, Betsy Myers, Associate Deputy Administrator for Entrepreneurial Development at SBA met with Secretary Togo West of the Department of Veterans' Affairs to discuss ways in which our two agency's can partner to maximize efforts in assisting veterans.

I have continued such discussions with officials at the Department of Veterans' Affairs and the Department of Labor and went with many of the veteran advocate organizations myself. As a result of my preliminary discussions with veteran service organizations, I have compiled the following list of initiatives to increase awareness of and access to SBA's Programs for veteran-entrepreneurs. These initiatives will be further defined and expanded upon at the summit in June.

First, the formation of a partnership with SBA, the Department of Veterans' Affairs, and the Department of Labor to assist disabled veterans become entrepreneurs by providing them with the necessary business development and financial assistance to start a small business.

Second, development of an outreach initiative between SBA and other appropriate agencies to inform veterans of SBA's financial and entrepreneurial development programs.

Third, development of a Veterans' Business Advisory Committee to provide advice and counsel on the entrepreneurial needs of veterans.

Fourth, development of a home-page for SBA's Office of Veterans' Affairs to serve as a one-stop source for veterans.

In short, I bring a lot of energy and enthusiasm to working with veteran organizations and the various departments to help SBA to deliver a high-quality program for veteran entrepreneurs.

I thank you for the invitation to share with you these remarks and I'll be glad to answer any questions that you and the members of the Subcommittees may have.

[Mr. Toulson's statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much. Mr. Toulson, you were here and sat through the two previous panels with the six witnesses, and I think, to a person they all indicated that they felt that the Small Business Administration in the office that you now head, was not being adequately responsive to the needs of veterans. As a matter of fact, they felt that the Administration was not compliant with current law. Is it your feeling that the Administration is now sufficiently focused? That, as a result of your communication with the veteran's groups and the summit that you are holding in

June, I understand, that the agency will now be responsive to the law and that we will not have a repeat of this kind of testimony at a similar hearing next year?

Mr. TOULSON. Mr. Chairman, in short, I'm hopeful. I think the fact that Administrator Alvarez has agreed to meet with these groups, certainly establishes a new, firm commitment. This meeting will serve as a foundation upon which two to organizations can certainly agree and go forward.

Chairman BARTLETT. What finally got the attention of the Administration?

Mr. TOULSON. I think the commitment was there all along. I simply bought some things to her attention that she was not aware of. She was most agreeable to working with the veterans' community.

Chairman BARTLETT. We will watch the process of your summit and we would like for you to indicate to us what legislative action would be appropriate so that your job will be easier? If there is legislative action that we should take, please let us know what would be helpful to you.

Mr. TOULSON. I certainly appreciate the offer, and without your Committee, we cannot be successful. But I would like to respectfully request that I defer in responding to that until after we have had an opportunity as an agency to sit down with all of the veteran service groups to discuss their needs and their expectations. The agency can then determine how it respond to those concerns. Then, collectively, we can share with you what will be needed to go forward.

Chairman BARTLETT. That's fine. Thank you very much.

I appreciate the fact that you were here for the full hearing and sat and listened to the testimony of the two prior panels. Are you now prepared to go back and tell the Administrator that the problem was even bigger than you thought it was when you came here?

Mr. TOULSON. Short answer is, yes, sir.

Chairman BARTLETT. If that's true, then perhaps, our meeting has been very effective. Thank you very much for your testimony and I want to thank the previous panels.

Ms. Christian-Green, do you have any comments or questions to end our panel?

Ms. CHRISTIAN-GREEN. Just to say, Mr. Chairman, that I'm encouraged by your testimony, in light of the many problems that we've heard discussed earlier today. I hope that you'll share with both Committees the events that are coming up so that we'll be aware and can let our constituents know, for instance, when the summit is coming up.

I'm sure veterans have heard many promises before, so both Committees will really be watching and see how thing progress from here on in.

Mr. TOULSON. Thank you.

Chairman BARTLETT. I want to thank all the witnesses. We will leave the record open for an appropriate time for Committee Members that want to ask additional questions. We hope that the members of the three panels will respond by answering those questions.

[Mr. Heavey's statement may be found in the appendix.]

[Mr. Hackett's statement may be found in the appendix.]

Chairman BARTLETT. Thank you very much, and I hope we don't need to have a similar hearing a year from now. Thank you.

Our meeting is adjourned.

[Whereupon, at 1:05 p.m., the Subcommittees adjourned, subject to the call of the Chair.]

APPENDIX

ROSCOE BARTLETT, MARYLAND
CHAIRMAN

GLENN POSHARD, ILLINOIS
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
105th Congress
Committee on Small Business
Subcommittee on Government Programs and Oversight
B-363 Rayburn House Office Building
Washington, DC 20515-6315

OPENING STATEMENT

CHAIRMAN ROSCOE G. BARTLETT
SUBCOMMITTEE ON GOVERNMENT PROGRAMS
AND OVERSIGHT
HOUSE COMMITTEE ON SMALL BUSINESS

Good morning and welcome to this joint hearing of the Subcommittee on Government Programs of the Small Business Committee and the Subcommittee on Benefits of the Veterans Affairs Committee.

Today we will examine issues that are not only vital to those who have served this nation in the Armed Forces of the United States - both during war and peacetime - but to those who are presently in uniform and to those who will serve this country in the future.

The subject of the hearing is the performance of the Small Business Administration - the SBA - in providing financial and entrepreneurial assistance to veterans. A number of important issues will be raised.

Fundamental to this hearing is remembering our veterans and the sacrifices that they have made for this nation. Further, we must keep the promises made to those who have served this country faithfully and bravely.

I can assure you that we in Congress will not forget you. We know that the American veterans have served our country and won the peace and freedom that we enjoy. We recognize the solemn duty to our veterans that we must fulfill.

We as a nation must keep those promises that we have made to those who served in our Armed Forces. If we don't keep our promises to our veterans, we will suffer more than shame and dishonor. How this nation treats our veterans directly impacts the lives and families of those who are former members of the Armed Services. It also directly impacts those who are currently on active duty. It affects our ability to recruit capable men and women to serve in the future.

With our all-volunteer force, we can't maintain an effective military unless we attract our best and brightest. Can we expect our young people to volunteer to join the military knowing that they might have to fight and die if they see us breaking our promises to our veterans who answered the call to serve? Of course not. That is why we must not forget. That is why we must keep our promises. That is why Congress must be vigilant in our oversight responsibilities.

SBA is required to provide special consideration to veterans in the administration of its programs. We are having this hearing today because of past complaints that SBA and other agencies are ignoring the needs of veterans who own or want to start a small business.

Government programs to assist veterans to start or to grow an existing business are not something new, but date back to the Servicemen's Adjustment Act, better known as the "GI Bill," which was passed in 1944. Congress should not have to remind the administration that veterans, especially those downsized out of the military, deserve special consideration.

The Small Business Reauthorization Act of 1997 directs that service disabled veterans be provided with improved services and greater outreach. This hearing provides the first opportunity for Congress to review SBA's plan for complying with these new requirements for improving services to those who have been disabled in the service of their country.

I look forward to a lively and informative discussion of the issues presented. Again, welcome to this hearing.

Opening Statement
Delegate Donna M. Christian-Green
for Joint Hearing of
Subcommittee on Government Programs and Oversight,
House Committee on Small Business
and Subcommittee on Benefits,
House Committee on Veterans
5/20/98

Good morning, Chairman Roscoe Bartlett, Chairman Jack Quinn, Ranking Member Glenn Poshard, and my fellow Colleagues assembled here today...

Thank you for the opportunity to comment this morning at this Joint Hearing. I take great interest in this topic today, because it brings together two areas of concern to me and to my constituents, that of Small Business and that of Veterans Affairs.

My district, the U.S. Virgin Islands includes a large constituency of veterans who struggle to access federal programs available to others in this country. When I first came to Congress I believed that my fight would be to ensure that all the veterans of my district would have full access to available federal programs. Since I have been here however, I realize that the struggle for access is nationwide and I join the efforts of all veterans to

partake more fully, in this instance, in SBA programs. I believe that it all boils down to whether or not we in Congress have a commitment. That commitment is best demonstrated through the level of funding we afford to programs such as targeted Small Business programs for our Veterans.

At a time when economic access for disadvantaged groups is not only a catch phrase but a major component of development into the 21st century, it is important that our veterans, some of whom are disabled, some of whom have a difficult time accessing services across the board in this country, are able to be full participants in any and all programs that the Small Business Administration has to offer.

I look forward to hearing from the various veterans groups expected to testify here today to understand where their needs in this area might be and I look forward to the testimony of the Small Business Administration to understand how they have been of service to this group of deserving Americans in the past and how they can assist them in the future.

It is my hope that as a result of this hearing, and subsequent actions of these Subcommittees that both parties can reach common ground that will result in more access for veterans and more business and job creation in

the communities which they live, which I know is a goal of the Small Business Administration. Thank-you.

Honorable Lane Evans

Joint Hearing on Small Business Programs for Veterans

Veterans Affairs Subcommittee on Benefits

Small Business Committee

May 20, 1998

Mr. Chairman, I congratulate you for scheduling today's hearing. Small businesses are the original building blocks of our American economy – and these individual enterprises continue to generate 75% of the new jobs available each year in America and employ over half of the people in the American workforce, and veterans' efforts to be participants in this area of our national economy should be supported and enhanced.

I am disturbed that, for too many years, veterans have not been a high priority at the Small Business Administration – the government agency created to assist and support the development of small businesses. In fact, it appears from testimony we will hear later that the SBA was

conceived of and established because of the success of business loan programs administered for veterans of World War II and Korea.

I hope that today's hearing will make it clear to the SBA that Congress is serious in its commitment to veterans – and that we in Congress expect the SBA to fully meet its Congressionally-made responsibilities to veterans.

Again, Mr. Chairman, thank you for holding this hearing. These are important issues that need to be closely examined.

The Honorable Bob Filner

Joint Hearing -- Veterans Affairs Subcommittee on Benefits

and

Small Business Subcommittee on Government Programs

May 20, 1998

Thank you, Mr. Chairman. I am grateful to you for scheduling today's hearing. The Veterans Affairs Committee has a long history of interest in and commitment to the issues we are reviewing this morning. As you know, I introduced H.R. 4080 in the 104th Congress and H.R. 168, the Veterans Entrepreneurship Promotion Act of 1997, on the first day of this Congress. These measures, which were referred to both the SBA Committee and the Veterans Affairs Committee, would significantly expand entrepreneurial opportunities for veterans. I was very pleased that you included several provisions of H.R. 168 in Public Law 105-135, the Small Business

Reauthorization Act of 1997. For far too long veteran-owned small businesses have not been a priority at the Small Business Administration, and I hope our efforts will change that.

I hope you will also consider and support the provisions of H.R. 168 that would ensure that veteran-owned businesses would receive a fair share of purchases made by the federal government. My home state of California adopted a policy, in no small part due to the efforts of one of our witnesses, Mr. John Lopez, which enables small businesses owned by service-disabled veterans to compete for State contracts on a level playing field with other designated groups. The federal government should do no less.

I will be very interested in the report from the Small Business Administration that is due in October. The information you have requested will be very helpful and will undoubtedly support what many of us have

been saying for a long time – that veterans' access to SBA programs and assistance must be significantly improved and that veterans who are small business owners should have equal access to federal contracting opportunities.

Thank you, Mr. Chairman.

COMMITTEE ON SMALL BUSINESS
Subcommittee on Government Programs and Oversight

Hearing on the Concerns' of Veteran Businesses

Opening statement of Congressman Glenn Poshard of the 19th District, Illinois

May 20, 1998

Thank you Mr. Chairman. I appreciate participating in this important hearing concerning the Veterans' initiatives in the Small Business Administration. I would like to thank the panel of witnesses and my colleagues for their time on this issue.

As the senior ranking member on this committee and as a veteran myself, I am very concerned regarding the SBA placing enough attention on veteran businessmen and women. Although the SBA has appointed Mr. Toulson Assistant Administrator for Veterans Affairs - and I know that Mr. Toulson is very capable of providing the best service possible, I feel that there should be additional initiatives for our distinguished veterans.

They have fought and survived wars and battles for our country, and the very least we can do for them - as entrepreneurs, is assist them in every way possible to make sure their businesses start up effectively. They often face an up hill battle with federal and local agency requirements, and competition from others in the private sector.

I believe having the General Accounting Office assessing the needs of these veterans is essential. Studying various ideas in building a stronger relationship between the SBA and veterans should be a focus for the future. By September, we as a committee will know what may and may not work. As senior ranking member on this subcommittee, I will plan to play a role in providing more services and programs for these veterans. Please be assured that I am equally concerned with providing assistance and recognizing the important work our veterans placed on the battlefields, and in their businesses.

In the past, I know that there were more federal programs available. And as the GAO continues studying various proposals, I hope that incentives, such as the Veterans Advisory Committee, setting up set-aside programs, and increasing loan guarantees under the 7 (a) program to 100% for veterans will be considered.

I thank the chairman and the members of the committee for holding this hearing.

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May 13, 1998

The Honorable Jack Quinn, Chairman
Subcommittee on Benefits
Committee on Veterans' Affairs
Room 335 Cannon House Office Building
Washington, D.C. 20515

The Honorable Roscoe Bartlett, Chairman
Subcommittee on Government Programs and Oversight
Committee on Small Business
Room B-363 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Quinn and Chairman Bartlett:

Thank you for providing for this joint hearing on the SBA's performance in providing veterans with financial and entrepreneurial assistance. For the record, and in accordance with Section II of the Submission Requirements for Hearing Statements and Exhibits, (1) I have enclosed my curriculum vitae; (2) I care to note that presently The William Joiner Center at the University of Massachusetts is not receiving any Federal grant or contract relevant to the subject matter at hand, nor has it received any such Federal funding relevant to the testimony at hand during the last two fiscal years. Finally, though the provisions do not require me to do so, I would like to point out that I have submitted an unsolicited proposal to the SBA in connection with the mandate of Title VII, Section 703 of the Small Business Reauthorization Act of 1997, which, as you are all aware, mandates a study be completed and that a report and recommendations be provided to Congress and the executive agencies.

I had the privilege of assisting former Chairman Peter Torkildsen of the Subcommittee on Government Programs in the development of the joint hearing held on July 31, 1996, by that committee and the Subcommittee on Education, Training, Employment and Housing. I was also privileged to provide testimony at that hearing. My opinion, with respect to the past performance of the SBA towards veterans has not changed. It is still my opinion that since the 1960's veterans have been passed over as constituents by the SBA, that the direct loan

monies were pitifully small at best, and, in particular, that the office of veterans affairs has been bureaucratically choked in terms of funding and initiative. Funding for that office and a very enhanced and innovative outreach program for veterans is very much needed. Hopefully, under the leadership of Ms. Aida Alvarez, veterans will receive the consideration currently afforded minorities and women.

Some of my recommendations and comments expressed at earlier hearings or in other contexts are still appropriate today and I include them here. Perhaps the best way to continue in light of the time constraints is to bullet these below.

(1) The Committee on Small Business and the Committee on Veterans' Affairs Committees must make entrepreneurial development opportunities for veterans a high priority and continuously communicate that fact to the SBA and all the relevant agencies. Without continuous follow-through by the Committees and their staff, the agencies will simply pay lip service to these mandates and ignore their actual implementation.

(2) The Office of Veterans Affairs in the SBA has to receive more funding commensurate with that provided for other SBA constituencies. To the best of my knowledge under HR 5050 in the late 1980's provided a line item which has been critical for the Women in Business Office. If full scale development of entrepreneurial programs for veterans is to take place, the Office of Veterans' Affairs will need a similar line item appropriation.

(3) Perhaps what is needed is a direct line of authority to the Administrator. The OVA's present position in the SBA structure has resulted in ideas and efforts being dismissed and/or choked. They will need these tools to provide and/or contract for innovative outreach and assistance to veterans. The OVA should have regional offices which have grant-making authorities and funding, and are responsible to the OVA.

(4) The Members of both full Committees and the Department of Veterans' Affairs and OVA of the SBA should support the development of a small business summit or perhaps a series of regional summits culminating with a national one which will include a healthy effort from the private sector. The "bottom line" is that veterans need a major corporate leader with veterans status to step-up and commit some modestly sizable resources ($5 - $10 million) for the development of a permanent (private/public) veterans' national small business council which would do some very basic research exploring and implementing the following kinds of ideas:

The development of a truly accessible veterans' entrepreneurial network, complete with web sight, veterans' "yellow pages", etc. that will:

develop linkage which can cut both vertically down through the economic structure and laterally across types of business endeavors to facilitate market exchange of goods, services, and experience.

work to provide veterans with a level playing field with other small business constituencies at the SBA and in equivalent state entities.

develop subcontracting and procurement opportunities for open competition among veteran owned businesses.

provide avenues for managerial assistance, whether through private/public sector cooperation or some other means such as veteran specific SBDCs. A particular focus should be concentrated on those start-ups and micro-businesses which form the majority of individual veteran entrepreneurial ventures.

(5) Explore the possibility of developing a large venture capital institution which would focus on providing veterans access to capital.

(6) Assist capable small business concerns owned and operated by veterans to "leapfrog" into the global marketplace.

(7) Construct a research and development arm or network which can provide the kind of small business research and forecasting capabilities.

(8) A more general idea is to have the Office of Veterans Benefits of the Department of Veterans' Affairs develop a social research and development component which can capture a better picture of needs of, and opportunities for a demographically diverse veterans' population. This, coupled with knowledge management techniques, will be necessary to provide timely and effective services in an ever changing socio-economic environment.

In conclusion, I would reiterate that no recommendations are worth anything without the leadership and support of the relevant House and Senate committees and the Administrator of the SBA. Veterans are a vast untapped potential resource for economic growth in our nation, but one which has been officially neglected for decades. There are a variety of hypotheses which we all could put forward to explain this phenomenon, but this is not the arena for that. I mention it only because as a former Marine (infantry) sergeant who served with the 9th Marines in RVN (1968-1969) and was wounded in action, I am angered and very discouraged by the prospect that the new veterans of the Gulf War and other engagements we have been involved in, and will be involved in, will suffer and the same neglect we have endured all these years. I certainly hope this is not going to be the case.

Sincerely,

Dr. Paul R. Camacho
Director of Special Projects
camacho@umbsky.cc.umb.edu

SERVING
WITH
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Testimony

of

William Crandell

Before the

House Veterans Affairs Committee,
Subcommittee on Benefits
and the
House Small Business Committee,
Subcommittee on Government Programs and Oversight

On the Office of Veterans Affairs,
Small Business Administration

Wednesday, May 20, 1998
311 Cannon House Office Building
10:00 AM

A M V E T S

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Chairmen Quinn and Bartlett, members of the House Veterans Affairs Committee's, Subcommittee on Benefits and the House Small Business Committee's Subcommittee on Government Programs and Oversight, AMVETS appreciates this opportunity to contribute to the discussion of whether the Small Business Administration (SBA) can reinvigorate its sleepy Office of Veterans Affairs (OVA.) Frankly, we do not think it can because it clearly does not want to, despite a congressional mandate nearly a quarter of a century ago in P.L. 93-237 to "give special consideration to veterans of the Armed Forces of the United States and their survivors."

AMVETS has not received any federal grants or contracts during the fiscal year 1998 or in the previous two fiscal years.

An Uninspiring History

Over the years, AMVETS has pressed for more effective SBA programs to assist veteran entrepreneurs. Our efforts have resulted in some small gains, reversed by succeeding SBA administrators or by policy changes initiated by the executive branch. In the early 1980s, for example, significant progress was being made in the development of SBA programs for veterans, but these were essentially sandbagged in 1985 when the arm of the executive branch was to eliminate SBA altogether. Other examples of thwarting progress made at SBA include executive branch policies to remove the federal government from the nation's credit markets, essentially reducing the SBA's authority to make or guarantee small business loans.

The 1974 law (P.L. 93-237) requiring "special consideration" for veterans has never been defined by the agency. Absent that definition, no "special consideration" that could be measured in any definitive fashion has ever appeared. While SBA can provide statistics on the numbers of loans that have gone inadvertently to self-identified veterans, the agency has no evidence that anything it does by way of veterans programs has had any effect whatsoever on outcomes.

The task force set up in 1981, when there was still time to help Vietnam veterans, gave SBA the input of the Department of Labor (DOL), the Veterans Administration (VA) and veterans service organizations (VSOs) such as ours. It resulted in the creation of OVA and in $6,409,000 in loan funding being set aside for veterans. These loans in increasing amounts, justified by the demand for them – existed from 1983 to 1989, and again in 1993-1994. Then they were quietly folded into the overall 7(a) financial assistance program.

Nothing Left to Defend at SBA

There are no special programs for veterans at SBA now. Period. There are no loans earmarked for veterans. There are no programs designed to turn years of training and experience gained at government expense into business skills. SBA has no ability to provide credentials or references. Worst of all, SBA has nobody outside Washington whose job depends on helping veterans who are entrepreneurs. *Inside* Washington, a staff of four without a budget line is tasked to tell the 25.5 million men and women who have served this country in uniform that there are no special programs for them at SBA. There are, nonetheless, some things SBA does to help everybody, including veterans.

We think highly of OVA's new director, Cliff Toulson, and we applaud his eagerness to create new initiatives that do not depend on money. It is shocking to us that despite congressional mandates and an obvious intent to give the appearance of giving "special consideration" to veterans -- and especially to disabled veterans -- SBA has created no budget line item for OVA.

But it isn't just the money, though in Washington money is what demonstrates genuine interest. SBA has been a hostile home for its Office of Veterans Affairs. It has other priorities. The Women in Business Office, for example, was founded on the principle of a serious need to aid female entrepreneurs, as opposed to an obligation based on gratitude and responsibility toward those who have defended this nation at risk to their safety and at peril to their careers.

AMVETS has no quarrel with there being a Woman in Business Office. Some of our best veterans are women, but women entrepreneurs are hardly an endangered species. What we see, however, is a wild disparity between the two SBA offices. In 1996, the appropriation for the Office of Veterans Affairs was $347,000 and the Women in Business Office received $3,890,000 more than eleven times as much. The request for 1999 shows the difference even more: OVA will get a small increase ($362,000) to cover its four salaries, and the administrator has asked that the Women in Business Office receive $12,033,000 – a priority of 33 to 1! SBA has only one interest in veterans, and that is to make us think they matter to the agency, when in fact they do not.

Abandon SBA and Look for Hope Elsewhere

Three years ago, the House Veterans Affairs Committee's Subcommittee on Education, Training, Employment and Housing asked the veterans organizations to consider a proposal that would have set up a home for OVA at the Department of Veterans Affairs (VA) by merging OVA and VA's Office of Small and Disadvantaged Business Utilization (OSDBU). For the most part, the VSOs liked the draft bill. AMVETS said, "We were unable to identify any real substantive argument as to why this merge should not take place."

The need for such a merger is clearer now. It isn't that SBA doesn't offer useful services, which are available to veterans. It does, but the agency does not seem to care whether veterans use them or not. Our 1995 testimony predicted a substantive cut in the OVA budget, and the actual appropriation was slashed by more than half. Mr. Toulson brings to the effort valuable experience from the field, but he seems to be swimming against the tide at SBA.

Our suggestion is to move OVA to an agency that cares about veterans. VA is the prime candidate, though VETS might work, too. Either way, the OVA appropriation must go with it.

Congress must take a number of steps to make such a transfer succeed. The requisite initiatives to accomplish a legitimate small business program for veterans are as follows:

1. Don't clear SBA of responsibility to provide "special consideration" for veterans. Set up memoranda of understanding, as the 1995 draft suggested, that link VA – and especially its vocational rehabilitation service – with the Veterans Entrepreneurial Business Service (or whatever it would be called), as well as with SBA and DOL's Veterans Employment and Training Service (VETS). The clear responsibility must lie with the secretary of veterans affairs, but it must be clear to the heads of DOL and SBA that they have contributions to make.

2. The discussion draft circulated in 1995 provided that the "secretary shall give priority in providing services under this section" to service-disabled veterans, and then to all other veterans.

3. AMVETS believes cooperation among veterans service organizations (VSOs) and business groups to effect public and private sector partnership programs to assist veterans interested in small business is essential. Community Veterans Business Resource Councils around the nation need to be reconstituted to offer guidance and counseling to veterans who either already are or are about to become small businesspersons.

4. Veterans must be offered assistance through outreach to veteran entrepreneurs, regional seminars for veterans on government procurement practices, and guidance to small businesses owned by veterans. Men and women leaving the military must learn in the Transition Assistance Program (TAP) that SBA can help them.Emphasis from both VA and SBA on small business guidance, planning and training are keys to success.

5. The direct and guaranteed loans that veterans were supposed to have obtained through SBA disappeared in 1993, and are a thing of the past. But 60 percent of all SBA loans today are easy-to-obtain "low-docs," low documentation loans of $50,000 or less, a realistic figure for veterans coming out of the service or starting a business later in life. Keep these loans at SBA, and do not earmark them for veterans, but make sure through VA-SBA cooperation that veteran entrepreneurs find out about them.

Why Bother With a Special Entrepreneurial Program for Veterans?
America really needs a solid program that will help veterans start small businesses. Mind you, they will do it anyway. Entrepreneurs – especially those entrepreneurs we have trained and honed through military service – will go into business because something in their blood demands it of them. We need them to succeed. In the past 10 years, all the new net job growth came from the drive and the genius of small businessmen and women.

We do not base our support for veteran-run small businesses on the thanks of a grateful nation. Investment dollars – which is what small business programs are – cannot be doled out as rewards for courageous service. We must make shrewd investments, and we believe veterans in small business are just that.

CONCLUSION

AMVETS believes veterans are a vital resource that this country has not really tapped since the 1960s. Yet the military teaches far more than combat or technical skills. Veterans are men and women who understand setting objectives and meeting them. They are seasoned at operating under pressure, often without much support. A veteran has a master's degree in organization, and a doctorate in hard work. If you want to find a self-starter, find a veteran.

Mr. Chairman, this concludes our testimony.

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CHIEF COUNSEL AND STAFF DIRECTOR

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BOB STUMP
CHAIRMAN

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

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Washington, DC 20515

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CIRO D. RODRIGUEZ, TEXAS

May 5, 1998

Mr. Dennis Cullinan
Veterans of Foreign Wars
200 Maryland Avenue, NE
Washington, DC 20002

Dear Mr. Cullinan:

On Wednesday, May 20, 1998, the Subcommittee on Benefits will conduct a joint hearing with the Subcommittee on Government Programs and Oversight of the Committee on Small Business. The hearing will be held in room 311 Cannon House Office Building at 10:00 a.m.

The joint hearing will examine the performance of the Small Business Administration (SBA) in providing financial and entrepreneurial assistance to veterans. SBA is required by statute to provide special consideration to veterans. In addition, the Small Business Reauthorization Act of 1997 (PL 105-119) provides requirements designed to improve SBA's service to disabled veterans and to provide enhanced outreach. Congress believes strongly that disabled veterans deserve better consideration than they are currently receiving.

In the past, many veterans have expressed concern that SBA and other Federal agencies were ignoring the financial and entrepreneurial needs of veterans who own small businesses. The hearing will provide oversight of the SBA programs and a forum for recommendations that may be offered to improve SBA's performance in aiding veterans.

The Subcommittees invite you to present your views, and confirmation of your appearance would be appreciated. Each witness is requested to furnish 75 copies of their written testimony to Sally Elliott at 337 Cannon House Office Building by Monday, May 18. Committee rules provide for the timely receipt of testimony, and witnesses failing to submit testimony by the deadline may not be called to testify. To reduce costs and facilitate the inclusion of the written testimony in the printed record of the hearing, please provide at least one copy of the testimony prepared in accordance with the enclosed formatting requirements. I would ask that oral testimony be limited to five minutes.

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CIRO D. RODRIGUEZ, TEXAS

May 5, 1998

Mr. Ronald Drach
Disabled American Veterans
807 Maine Avenue, SW
Washington, DC 20024-2410

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May 20, 1998

TESTIMONY BY WILLIAM D. ELMORE TO:

THE SUBCOMMITTEE ON BENEFITS OF THE COMMITTEE ON VETERANS AFFAIRS

&

THE SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT OF THE COMMITTEE ON SMALL BUSINESS OF THE U.S. HOUSE OF REPRESENTATIVES

DATA FORCE ASSOCIATES
A VETERAN OWNED AND OPERATED SMALL BUSINESS

Chairmen Quinn, and other Committee members;

Thank you for this opportunity to present my views regarding the performance of the U.S. Small Business Administration in providing financial and entrepreneurial assistance to veterans

I would like to submit for the record, materials I have previously prepared and presented during the past few months to Congressman James Talent, Chairman of the Committee on Small Business of the U.S. House of Representatives. I have also attached materials I, and others have presented to the Congressional Commission on Service Members and Veterans Transition Assistance relative to this question. Further, In April of this year, the Commission on Service Members and Veterans Transition Assistance requested that I prepare for them my specific recommendations for Legislative and programmatic initiatives regarding veterans small business issues.

I direct your attention to those recommendations (dated April 24, 1998). They represent many of my recommendation for a specific and comprehensive approach from the Federal sector for supporting veteran entrepreneurs.

MY BACKGROUND: After my discharge in 1972 from the U.S. Air Force. I began work in a Veterans Readjustment Appointment (VRA) position as a janitor at the National Personnel (Military) Records Center (NPRC) in St. Louis. In 1974, after my resignation from the NPRC, I began work as a VA work study student and volunteer at the newly created "One Stop St. Louis Area Veterans Service Center" (VSC). The VSC was established by returning Vietnam Era veterans as a voluntary community based veterans self help program that continues today. In 1996, I left the VSC to work full time in my own small business.

Between 1974 and 1996, approximately 15,000 veterans and family members received free assistance from the VSC. Adequate employment opportunity, including self employment was always at the core of our services. In 1978, we wrote our first proposal (not funded) to establish a Veterans Business Development Center. In 1980, our office wrote one of the chapters of the Pechin Report (Design on an Outreach and Delivery System of SBA Programs for Veterans) for the SBA. In 1982/83, I helped create the voluntary Veterans Business Resource Council of Greater St. Louis, in 1986/87, I was a principal in the development and operation of the acknowledged (by the SBA) National Model Veterans Entrepreneur Training (VET) program for the SBA. And in 1988, our office created the Veterans Business Development Program with private funds from Southwestern Bell Telephone Company. Further, I have attached a copy of my resume for your information.

In 1983, I created my own small business, designed to assist veterans secure their military records from the National Archives. Now, in addition to assisting veterans, their families and their service representatives with military records acquisition services. My business also provides consulting services to the public and private sector regarding veteran services, programs and initiatives.

In response to your requirement in your invitation to present testimony today, I do not now, and I have not received any federal grant or contract from any federal agency or program during the previous two fiscal years relative to the subject matter of this testimony.

The performance of the Small Business Administration (since its creation in 1953) in providing financial and entrepreneurial assistance to veterans can best be described as minimal. The performance of the SBA since the passage of Title 7 of the Small Business Reauthorization Act of 1997 (PL 105-119) has been largely bureaucratic, and proceeding at a pace similar to the adjudication process at the DVA.

From my perspective, the SBA is yet to grasp the opportunity that veteran entrepreneurs are for the agency, for the veterans themselves, and ultimately for our nation and economy. I can only assume that the turmoil, and political reordering's brought on by our national experience during the Vietnam War continues inside the SBA today. I do however believe, that with the proper direction and resources from Congress, the SBA can, and will embrace its responsibility for veterans and their families. I only hope that today is a significant step in that direction

I would now like to address some of the challenges we face as we begin to enable and support veterans as entrepreneurs in Federal policy.

My experience has taught me that there are at least three major impediments that veterans presently face in establishing and maintaining their own small business:

(1) At the Federal, State and local government level (and in the philanthropic community), there is a broad based, institutionalized attitude that veterans are a federal responsibility, and somehow only the province of the U.S. Department of Veterans Affairs (VA). This leads to, and directly undercuts most efforts to assist, or advocate for resources for veterans services, especially in the communities where the veterans live and work. This institutionalized attitude causes and enables all levels of government, (and government funded service providers) to ignore, or not respond to the aspirations of veterans with programs targeted specifically to veterans. This includes veterans with entrepreneurial aspirations.

(2) Many veterans harbor an attitude of distrust toward government in general, and more specifically toward the Federal government. This attitude has been hardened for many veterans by their interactions with a large and bureaucratic VA. Veteran entrepreneurs have also come to learn that there is (has been) little, if any real assistance from the SBA based on their status as veterans. They know that the SBA targets their business support programs towards other specific groups of Americans, while largely ignoring veterans.

(3) There is now, and has been for decades a CRITICAL LACK OF ANY veterans small business creation, development or support infrastructure from the Federal government. This includes the Small Business Administration, and the Department of Veterans Affairs. With no programs available for veteran entrepreneurs from federal, state or local government, there has been no corresponding synergy, or networking opportunity to enable or support veteran entrepreneurs.

I know of only two ongoing programs for veteran small business owners in the entire nation. They are in the States of California and Maine, and both are the direct result of state legislation, not federal initiative. Other than these two specific state programs, If/when a veteran presents them self for entrepreneurial assistance to the Federal government, they are told there are no programs specifically for them. If they have even heard of the "Special Consideration" at SBA for veterans, they have come to learn that it is just another hollow phrase for veterans. Presently, the groups that receive real special consideration from the SBA are those that never served our nation.

The decades long lack of targeted entrepreneurial resources for veterans, coupled with a federal (& State & Local) government small business support delivery system that focuses ALL of its creative attention and programs towards other specific groups of Americans, to the exclusion of veterans. Presently puts veteran entrepreneurs at a competitive disadvantage with these other groups. Veterans are effectively being penalized for their status as American veterans.

There are no present, specific programs for veteran entrepreneurs from the Federal government The only programs that are available, are the broader SBA programs that are generic to all Americans. If a veteran is a specific minority, or a women, they can choose to attempt to navigate the programs available specifically for women and minorities from the government. But this attempt will be based on their status as a woman or a minority. Women and minority veterans are being forced to choose between their gender or race based background, and their status as an American veteran. For all veterans, this is an affront, and for many minority and/or women veterans, this is offensive choice, that negates their service to their and our country.

For the four Fiscal Years 1996 through 1999, the TOTAL CUMULATIVE outreach budget for the SBA National Office of Veterans Affairs (the only national program for veteran entrepreneurs from the Federal sector) has been $96,000 for the entire nation.

It is only recently (literally in the last 2 to 3 months), and only, I believe as a direct result of the attention of Congressman Talent, and the efforts of a few veteran advocates, myself included. That the SBA has even begun to respond to its responsibility to veteran entrepreneurs.

A review of the existing SBA's Fiscal Year 1999 Performance Plan reveals, for example that the SBA now considers veterans as an "underserved" business population. The SBA also considers women as an "underserved" business population in this same plan.

This SBA plan indicates that the Agency will "Increase Opportunities for Small Business Success", and will "Increase counseling and training to small businesses in general, and to the underserved in particular (women, Native Americans, Veterans)". But in this same plan, the SBA's consideration for veterans continues to be little more than rhetoric. The reality is the 1999 plan neither suggests or creates any specific, special, new or targeted programs for veteran entrepreneurs. **Of an expected 1999 SBA budget of $724+ million dollars. A total of $362,000 is budgeted for all programs (including staff) of the national Office of Veteran Affairs.**

This in comparison to just three (of the many) initiatives the SBA targets specifically to women entrepreneurs.

In this same plan, the SBA has budgeted a total of **$12,033,000 for the national Office of Womens Business Ownership, an "increase (in) funding for the Women's Business Council" to $600,000, and an allocation of $1,000,000 for a Women Owned Business Enterprise (WOBE) Census.** Clearly, despite its rhetoric, the SBA intends in its planning, that veterans will continue to be an "underserved" business population in FY 1999.

I believe strongly that the Federal government has a responsibility to establish and support a comprehensive program to assist veteran entrepreneurs. I also believe that the major focus of this delivery system should be within the Small Business Administration, all the programs it manages, and all the programs it funds, contracts for and supports. Much of my rational is presented in the materials that follow. Quickly, and simply. It has been, and remains misguided and ultimately dangerous public policy to exclude veterans from the initiatives and resources that are made available to, and invested into America's citizens from the Federal small business support sector. .

I believe that the policy of our Federal government should be reordered to enable and support veteran entrepreneurs first and foremost before any other groups of American citizens. Equal access to opportunity and resources is a basic, historic tenant of America. At a minimum, and until recently, this equal access has always been afforded to Americas veterans. Presently however, veteran entrepreneurs are discriminated against in the allocation of programs, and in the allocation of resources from our Federal government. It is my belief that this discrimination is based on their status as veterans.

I will not tell you that this discrimination is intentional, but it is real, AND it is clearly the result of present Federal public policy.

In this, the age of political correctness, especially in the Federal sector. Having served our country, thereby earning your special status as a veteran has become a burden and a barrior to the access of, and the allocation of federal small business resources, initiatives and opportunity. This is simply wrong.

I support a prioritization of access to all Federal entrepreneurial resources based on veterans status. I also believe that service connected disabled veterans, and former prisoner of war veterans should receive first priority among all veterans. ALL veterans should be provided specific small business opportunity and support programs from the Federal sector, BEFORE any other Americans.

Present Federal policy enables and supports minority and women entrepreneurs with numerous, specific and timely initiatives and resources, to the exclusion of veterans. Veteran entrepreneurs are being left out and ignored, and have been for at least 25 years.

This is counterproductive public policy that ignores our history, penalizes veterans, and hampers and impeeds our national and international competativeness.

I do not begrudge women and minority entrepreneurs for their initiatives and success. I do believe their economic success is good for America. However, I do begrudge the fact that veteran entrepreneurs are penalized and excluded from consideration for special assistance from the Federal government. **Veterans should not now, and should never again be placed at a competitive disadvantage for resources from our Federal government.**

A review of the specific programs, initiatives and activities from Federal, state, & local government and the private sector, presently targeted to women and minority entrepreneurs provides us a with a timely and contemporary blueprint for how we can support our veteran entrepreneurs.

As we move to create equal opportunity from the Federal sector for veteran entrepreneurs, I ask you to keep in mind the following questions.

-WHY HAVE WE BEEN WITHHOLDING OPPORTUNITIES AND RESOURCES FROM THE VERY MEN AND WOMEN, AND THEIR FAMILIES WHO'S SERVICE TO OUR COUNTRY GARANTEES OUR FREEDOM, AND OUR ECONOMIC WAY OF LIFE?

-HAS THIS WITHHOLDING OF RESOURCES AND OPPORTUNITY PENALIZED VETERANS IN EXCHANGE FOR HAVING SERVED OUR NATION?

-HAS, DOES, OR WILL THIS WITHHOLDING (OR DISCRIMINATION AGINST AMERICAS VETERANS) EFFECT OUR ABILITY TO RAISE AND MAINTAIN AN ARMY OF CITIZEN SOLDIERS NECESSARY FOR OUR OWN COMMON DEFENSE?

A little history at this time, might be helpful.

In 1787, twenty three of the thirty eight framers and signers of our Constitution had served in uniform during the Revolutionary War. These 23 signers volunteered to fight for indepndence, sacrificed in and suffered to win the war. Then, with their fellow Patriots, they shed their uniforms to resume civilian careers.

During our Revolutionary War, grants of land (the 1700s equivelent of self employment opportunity) were used as recruiting bounties for those who served.

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In 1944, the Servicemen's Readjustment Act (PL 346, 78th Congress) or "G.I. Bill of Rights" of World War 11; title III, created a group of loan programs designed to assist veterans in their readjustment to civilian patterns of living.

Between June 22, 1944, and June 25, 1954, two hundred and fourteen thousand five hundred small business loans were guaranteed or made directly to veterans by the Federal government.

Additionally, sixty six thousand three hundred farm loans were guaranteed, or made directly to veterans by our Federal government. This totaled 280,800 loans in just 10 years. The termination date for these loan guarantee benefits for World War 11 veterans was July 25, 1957.

On July 16, 1952, the Veterans Readjustment Assistance Act of 1952 (PL550, 82 Congress) became law. With this law, all persons in active military or naval service at any time on or after June 27, 1950 and prior to the end of Korean hostilities were elligible for ALL of the loan guarantee benefits on the same basis of World War 2 veterans. Their entitlement continued for 10 years after the rights of persons entering service to such benefits were terminated.

Today, none argue the wisdom or effectiveness of this national investment focused Federal public policy that created specific small business loan programs only for Americas veterans. The (then available) federal guaranteed and direct loan programs built the American middle class in the 1940's, 50's and 60's by investing specifically in veterans.

But no more. Today, the lack of attention to veteran entrepreneurs that began in the 1960's continues. Recently, and soon to be discharged veterans are treated the same as those discharged 25 years ago. If, as a veteran you aspire to self employment there is little real help for you from your government.

WHAT FOLLOWS ARE SOME OF MY SPECIFIC RECOMMENDATIONS FOR HOW TO PROCEED:

-This Congress should create and pass into law, a National Veterans Small Business Act that contains most, if not all of the program components and initiatives contained in my April 24, 1998 recommendation to the Congressional Commission on Service Members and Veterans Transition Assistance. (Attached)

At a minimum, and immediately. I suggest the following specific initiatives;

-Establish an independent Federal initiative to create and support not for profit community based Veterans Service Centers (VSCs) to be established and operated by veterans, and their family members in the communities where they live (please see my attached 2/23/98 paper titled REVISIT OF THE GI BILL). These VCSs would have a small business development and support component as a part of their service base.

-Immediately establish, with specific staff and funding, a National Veterans Business Council whos purpose would be to review existing SBA and other federal agency programs for small business and specifically design a comprehensive approach for Federal support of veteran business owners from all sectors of government and from the private sector. This Council could report their work to the National Office of Veterans Affairs at the SBA, and to Congress.

-Elevate through statute, the National Office of Veterans Affairs within the SBA so that it reports directly to, and is the direct responsibility of the Administrator of the SBA.

The Office should be provided adequate staffing, funding and other resources necessary to develop, implement, operate and oversee a comprehensive, agency wide program that ensures that veterans, and their families receive Special Consideration in all of the programs of the SBA, and in all other agencies of the Federal Government.

-Further, Congress should define explicitly for the SBA and for the other agencies, what Congress means by Special Consideration for veterans.

-The Adminsitrator of the SBA should be required to report to Congress and to the Administration each year on all program activity designed specifically for entrepreneurial veterans from the Federal government. This report should contain recommendations and plans for improving services and resources for veteran entrepreneurs, and should address any disparity in opportunity for veterans compaired to any other American citizens. It should also contain specific plans to address any disparities identified.

-Regional Veterans Small Business Services Coordinators should be established within the SBA. They should be hired by, and their activities managed and controlled by the SBA National Office of Veterans Affairs. They should be provided Grant making and program development authority and the resources necessary to establish and/or fund specific initiatives for veterans in each state in the Union.

-Each states Small Business Development Center (SBDC) network should be required to establish a full time Veterans Program Manager, and each SBDC network should be required to develop a Veterans Entrepreneur Training and Support (VETS) program. These programs would work in consort with VET programs developed and created to assist soon to be discharged service members, and established on military bases.

-We should establish a Rule-Of-One procurement and contracting program specifically for veteran owned businesses in every Federal agency. We should also establish a price preferencing program for veteran owned businesses in every Federal agency.

-Amendments should be made to the Community Reinvestment Act designed to reward below market rate lending programs from financial institutions for veteran owned and start up small businesses.

-Establish a program at the Department of Defense to specifically transfer DOD technology to veteran owned small businesses.

-Support and help sponsor a National Summit of Veteran Owned Businesses to help build a national focus on veteran owned business. This Summit can assist in the development of policy recommendations for Congress and for the administration regarding veteran business owners.

-Establish a specific national program (at the SBA, and/or the Department of Commerce) to support and enable veteran small business owners with international export and import opportunities,

especially is areas of the world where they have lived and served.

-Establish a program specifically for Vietnam Veterans to promote and create commerce, trade and to increase economic opportunity in South East Asia.

-Create a national program at the SBA that funds and supports the creation of state and local government initiatives and programs targeted to veteran entrepreneurs.

-SBA, with the support and assistance of the VA, and other Federal agencies should undertake a national initiative to identify and network veteran owned businesses.

-SBA should create a national electronic Veteran Small Business Development and Support Center designed to promote procurement opportunity, financial resources, and technical start up and support services specifically for the creation, start up and operation of veteran owned small businesses.

-The SBA should create a specific and targeted micro loan program for veteran entrepreneurs.

-Establish a national program within the US Department of Veterans Affairs to promote small business creation as an option for veterans participating in Vocational Rehabilitation.

-Establish a national and international networking and procurement organization specifically promoting veteran owned small businesses and opportunity in the public and private sector.

-A comprehensive study should be commissioned to assess the impact and value of the small business and farm loan portions of the GI Bill on WW2 and Korean veterans, and on our nation.

-SBA should establish a pilot program to assist in the transfer/aquisition of ownership of existing businesses owned by veterans as they near their retriement age to other veterans entrepreneurs.

-Require that any funding provided to the International Monitary Fund, or any other such international economic development or monitary funds that are used to promote international commerce or economic opportunity, include specific provisions for veterans preference in programing and allocation of those resources.

-Require the DVA to prioritize all contracting opportunities to veteran owned small businesses, and to 501-C3 not for profit veterans community based service delivery organizations.

-Congress should require that specific veteran small business owners or advocates be appointed to all advisory committees and boards, etc. of the SBA and to other entrepreneurial focused programs and agencies of the Federal government.

Implementation of these recommendations by Congress, along with those attached in my April 24 recommendations to the previously mentioned Congressional Commission would represent a giant step toward leveling the entrepreneurial playing field for veterans from the Federal sector.

Despite the recent positive change in the leadership in the National Office of Veterans Affairs at the SBA. If you, Congress do not provide the clear legal authority, resources and direction to our Federal government, veteran entrepreneurs and their families will continue to be ignored and largely left out of entrepreneurial activity at all levels of government and in the private sector.

Yours is the critical first responsibility, while at the same time, the taking of this responsibility represents a huge opportunity for Congress and our nation.

I urge your specific and immediate action in support of our American veteran entrepreneurs.

Thank you again, for this opportunity to present my views.

I will attempt to answer any questions you may have.

William D. Elmore
Data Force Associates

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March 23, 1998

PRESENTATION BY WILLIAM D. ELMORE TO:

THE COMMISSION ON SERVICE MEMBERS AND VETERANS TRANSITION ASSISTANCE

&

CONGRESSMAN JAMES M. TALENT, CHAIRMAN UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS

Chairmen Principi and Talent:

Thank you for this opportunity to present my views regarding the adequacy and effectiveness of Federal small business programs for Americas Citizen Soldiers.

In response to your March 16, 1998 letter, the following is provided.

(1) MY BACKGROUND: After my discharge in 1972 from the U.S. Air Force. I began work in a Veterans Readjustment Appointment (VRA) position as a janitor at the National Personnel (Military) Records Center (NPRC) here in St. Louis. In 1974, after my resignation from the NPRC, I began work as a VA work study student and volunteer at the newly created "One Stop St. Louis Area Veterans Service Center" (VSC). The VSC was established by returning Vietnam Era veterans as a voluntary community based veterans self help program that continues today. In 1996, I left the VSC to work full time in my own small business.

Between 1974 and 1996, approximately 15,000 veterans and family members received free assistance from the VSC. Adequate employment opportunity, including self employment was always at the core of our services. During the decade of the 1980's much of our work focused on self employment opportunity, training, networking, advocacy and small business support services for veteran entrepreneurs. The lack of resources to continue our efforts, along with the dramatic increase in the problems of homelessness among veterans changed our focus in the late 1980's.

In 1983, I created my own part time small business, assisting veterans secure their military records from the NPRC. I now work full time in my small business providing and assisting veterans, their families and their service representatives with military records acquisition. I also provide consulting services to the public and private sector regarding veteran services, programs and advocacy. Through these many years, and still today. I volunteer my time locally and nationally providing advocacy for veterans and other citizens.

(2) IMPEDIMENTS VETERANS FACE: My experience has taught me that there are at least three major impediments that veterans face in establishing and maintaining their own small business:

(A) At the Federal, State and local government level, there is a broad based, institutionalized attitude that veterans are a federal responsibility, and somehow only the province of the U.S. Department of Veterans Affairs (VA). This leads to, and directly undercuts almost any effort to assist, or advocate for resources for veterans services outside of the VA. Despite the fact that the VA has no programs for veteran entrepreneurs, and freely admits its inability to service veterans in a wide variety of other service areas. This institutionalized attitude causes and enables all levels of government, (and government funded service providers) to ignore, or not respond to the needs and the aspirations of veterans with programs targeted specifically to veterans. This includes veterans with entrepreneurial aspirations.

(B) Many veterans harbor an attitude of distrust toward government in general, and more specifically toward the Federal government. This attitude has been hardened for many veterans by their interactions with a large and bureaucratic VA. Veteran entrepreneurs have also come to learn that there is little, if any real assistance from the SBA based on their status as veterans. They know that the SBA, the SBDC's etc. target their business support programs towards other Americans, while largely ignoring veterans.

(C) There is now, and has been for decades a CRITICAL LACK OF ANY veterans small business creation, development or support infrastructure from the Federal government. With no programs available for veteran entrepreneurs from federal, state or local government, there has been no corresponding synergy, or networking opportunity to enable or support veteran entrepreneurs. I know of only two ongoing programs for veteran small business owners in the entire nation, and they are in the States of California and Maine. Both are the direct result of state legislation, not federal initiative. Other than these two specific state programs, If/when a veteran presents them self for entrepreneurial assistance to the Federal government, they are told there are no programs specifically for them.

(3) UNIQUE TO VETERAN IMPEDIMENTS: The decades long lack of targeted resources, coupled with a federal (& State & Local) government small business support delivery system that focuses ALL of its creative attention and programs towards other specific groups of Americans, to the exclusion of veterans. Puts veteran entrepreneurs at a competitive disadvantage with these other groups. Veterans are effectively penalized for their status as American veterans.

(4) PROGRAMS FOR VETERANS: I am aware of the limited number (or lack) of programs available to assist veterans in entrepreneurship. There are no programs for veteran entrepreneurs other than the broader SBA programs that are generic to all Americans. The only local activities that have targeted veteran entrepreneurs here in St. Louis are those that the persons in this room have helped create. Nationally, there have been NO Federal programs for veteran entrepreneurs for the past two years. For the four Fiscal Years 1996 through 1999, the TOTAL CUMULATIVE outreach budget for the SBA National Office of Veterans Affairs has been $96,000 for the entire nation.

It is only recently (literally in the last few weeks), and only, I believe as a direct result of the attention of Congressman Talent, the work of this Commission, and the efforts of a few veteran advocates, myself included. That the SBA has even begun to respond to its responsibility to veterans.

A review of the SBA's Fiscal Year 1999 Performance Plan reveals, for example that the SBA now considers veterans as an "underserved" business population. The SBA also considers women as an "underserved" business population in this same plan. The plan indicates that the Agency will "Increase Opportunities for Small Business Success", and will "Increase counseling and training to small businesses in general, and to the underserved in particular (women, Native Americans, Veterans)" But in this same plan, SBA's consideration for veterans continues to be little more than rhetoric. The reality behind this rhetoric is that the 1999 plan neither suggests or creates any specific, special, new or targeted programs for veteran entrepreneurs. Of the expected 1999 SBA budget of $724 million dollars. A total of $362,000 is budgeted for all programs (including staff) of the national Office of Veteran Affairs for the entire agency. This in direct comparison to just one of the initiatives of the SBA specifically for women. The SBA has budgeted a total of $12,033,000 for the national Office of Womens Business Ownership. Clearly, despite its rhetoric, the SBA intends in its planning for veterans to continue to be an "underserved" business population.

(5) PROGRAMS & EFFECTIVENESS: I have not used any programs of federal, state or local government in support of my own small business. I did learn much from my involvement in the creation and operation of the Veterans Entrepreneur Training (VET) program for the SBA here in St. Louis in 1986-87. I also increased my personal business knowledge based on my participation with the St. Louis Veterans Business Resource Council in the 1980's, and with the privately funded Veteran Business Development Program operated by the VSC in 1988. In the context of my small business, the only initiative I have taken with the federal government has been to inquire, by letter to the SBA requesting that my business be afforded the opportunity to bid for the provision of military records background checking for the agency. I received no response to my inquiry.

(6) SHOULD FEDERAL GOVERNMENT: I believe strongly that the federal government has a responsibility to support, and should establish a comprehensive program to assist veteran entrepreneurs. Much of my rational is presented in the materials that follow. Quickly, and simply. It has been, and remains misguided and ultimately dangerous public policy to exclude veterans from the initiatives and resources that are made available to, and invested into America's citizens from the Federal small business support sector.

(7) WHAT SHOULD IT ADDRESS: I have attached copy of materials I have previously provided to Chairman Talent and to other members of Congress, as well as other information and ideas. Some of these ideas are new, and some are not. However, they presents many of my answers to this question. Most recently, my February 23, 1998 papers describe my broadest views for specific program activities that should be created from our Federal government. I also provide the following additional information for your consideration.

I believe we are now at a critical point as we review opportunity for, and investment in America's veterans. The convergence of Chairman Talents interest, in consort with the interest and role of this Commission allows us to begin to address this decades long disparity of resources for veteran entrepreneurs. We can and must turn our nations economic opportunity policy toward Americas veterans and their families.

I further believe that the policy of our Federal Government should enable and support veteran entrepreneurs first and foremost before any other groups of American citizens. Equal access to opportunity and resources is a basic, historic tenant of America. At a minimum, and until recently, this equal access has always been afforded to Americas veterans. Presently however, veteran entrepreneurs are discriminated against in the allocation of programs, and in the allocation of resources from our Federal government. It is my belief that this discrimination is based on their status as veterans.

I cannot tell you that this discrimination is intentional, but it is real, AND it is clearly the result of present public policy. In this, the age of political correctness in the Federal sector. Having served our country, thereby earning your special status as a veteran has become a burden and a barrior to the access of, and the allocation of federal small business resource, initiatives and opportunity.

I support a prioritization of access to all Federal entrepreneurial resources based on veterans status. Service connected disabled veterans, and former prisioneers of war veterans should receive first priority. I also believe that ALL veterans should be provided specific small business opportunity and support programs BEFORE any other Americans.

The Vietnam War changed our nations approach to empowering citizens. Present Federal policy enables and supports minority and women entrepreneurs with numerous, specific and timely initiatives and resources. At the same time, veteran entrepreneurs have been and are now being left out and ignored. This ignorance of veteran entrepreneurs has gone unchecked for 25+ years.

This is counterproductive public policy that ignores our history, penalizes veterans, and hampers and impeeds our national and international competativeness. I do not begrudge women and minority entrepreneurs for their initiatives and success. I believe their economic success is good for America. However, I do begrudge the fact that veteran entrepreneurs are penalized and excluded from consideration for special assistance from the Federal government. Veterans should not now, and should never again be placed at a disadvantage for resources from our government. I do suggest that a review of the specific programs, initiatives and activities from federal, state, & local government and from the private sectors presently directed towards women and minority entrepreneurs provides us a timely and useful blueprint for what we should be doing in support of veteran entrepreneurs.

When I think of this exclusion of veterans from Federal resources, I end up asking myself the following questions.

-WHY ARE WE WITHHOLDING OPPORTUNITIES AND RESOURCES FROM THE VERY MEN AND WOMEN, AND THEIR FAMILIES WHO'S SERVICE TO OUR COUNTRY GARANTEES OUR FREEDOM, AND OUR ECONOMIC WAY OF LIFE?

-DOES THIS WITHHOLDING OF RESOURCES AND OPPORTUNITY PENALIZE VETERANS IN EXCHANGE FOR HAVING SERVED OUR NATION?

-DOES, OR WILL THIS WITHHOLDING OR DESCRIMINATION AGINST AMERICAS VETERANS EFFECT OUR ABILITY TO RAISE AND MAINTAIN AN ARMY OF CITIZEN SOLDIERS NECESSARY FOR OUR OWN COMMON DEFENSE?

The answers I come up with trouble me. I hope today is a step toward alleviating my concerns.

In 1787, twenty three of the thirty eight framers and signers of our Constitution had served in uniform during the Revolutionary War. These 23 signers volunteered to fight for indepndence, sacrificed in and suffered to win the war. Then, with their fellow Patriots, they shed their uniforms to resume civilian careers. During this Revolutionary War, grants of land (the equivelent of self employment opportunity in those days) were used as recruiting bounties.

In 1944, the Servicemen's Readjustment Act (PL 346, 78th Congress) or "G.I. Bill of Rights" of World War 11; title III, created a group of loan programs designed to assist veterans in their readjustment to civilian patterns of living.

Between June 22, 1944, and June 25, 1954, two hundred and fourteen thousand five hundred small business loans were guaranteed or made directly to veterans by the Federal government. Additionally, sixty six thousand three hundred farm loans were guaranteed, or made directly to veterans by our Federal government. This totaled 280,800 loans in 10 years. The termination date for these loan guarantee benefits for World War 11 veterans was July 25, 1957.

On July 16, 1952, the Veterans Readjustment Assistance Act of 1952 (PL550, 82 Congress) became law. With this law, all persons in active military or naval service at any time on or after June 27, 1950 and prior to the end of Korean hostilities were elligible for ALL of the loan guarantee benefits on the same basis of World War 11 veterans. Their entitlement continued for 10 years after the rights of persons entering service to such benefits were terminated.

Today, none argue the wisdom or effectiveness of this national federal public policy that created specific small business loan programs for Americas veterans. The (at that time available) federal guaranteed and direct loan programs built the American middle class in the 1940's, 50's and 60's by investing specifically in veterans.

But no more. Today, the lack of attention to veteran entrepreneurs that began in the 1960's continues. Recently, and soon to be discharged discharged veterans are treated the same as those discharged 25 years ago. If, as a veteran you aspire to self employment there is no help for you from your government.

THE FOLLOWING ARE SPECIFIC RECOMMENDATIONS:

-Create and pass into law, a National Veterans Small Business Act that contains the program components and initiatives contained in my February 23, 1998 papers. Additionally, I also suggest the following specific initiatives;

-Immediately establish, with specific staff and funding, a National Veterans Business Council whos purpose would be to review existing SBA and other federal agency programs for small business and specifically design a comprehensive approach for Federal support of veteran business owners from all sectors of government and from the private sector. This Council should work through the National Office of Veterans Affairs at the SBA.

-Elevate the National Office of Veterans Affairs within the SBA so that it reports directly to, and is the direct responsibility of the Administrator of the SBA. The Office should be provided adequate staffing, funding and the resources necessary to develop, implement, operate and oversee a comprehensive, agency wide program that ensures that veterans have no less than equal access to specific opportunity IN ALL of the programs offered or funded by the SBA.

-The Adminsitrator of the SBA should be required to report to Congress and to the Administration each year on all program activity specifically for veterans from the federal government. This report should contain recommendations and plans for improving services and resources for veteran entrepreneurs, and should address any disparity in opportunity for veterans compaired to any other Americans. It should also contain specific plans to address any disparities.

-Regional and State Veterans Small business Services Coordinators should be established within the SBA. Their activities should be managed and controlled by the SBA National Office of Veterans Affairs. They should be provided Grant making and program development authority and the resources necessary to establish and/or fund specific initiatives for veterans in each state.

-Each states Small Business Development Center (SBDC) network should be required to establish a full time Veterans Program Manager. Each SBDC network should develop a Veterans Entrepreneur Training and Support (VETS) program. These programs would work in consort with VET programs developed and created to assist soon to be discharged service members on military bases.

-Increase procurement opportunities for veteran owned small businesses, by establishing a Rule-Of-One program specifically for veterans in every Federal agency. Also establish a price preferencing program for veteran owned businesses in every Federal agency.

-Ammend the Community Reinvestment Act to reward lending to veteran owned and start up businesses.

-Establish a program at the Department of Defense to specifically transfer DOD technology to veteran owned small businesses.

-Support and help sponsor a National Summit of Veteran Owned Businesses this year to help build a national focus on veteran owned business, and to specifically help create policy recommendations for Congress and for the administration.

-Establish a specific national program to support and enable veteran small business owners with international export and import opportunities.

-Create a special program specifically for Vietnam Veterans to promote and create commerce and economic opportunity in South East Asia.

-Create a national program at the SBA that begins to fund and support the creation of state and local government programs targeted to veteran entrepreneurs.

-Undertake a national initiative to identify and network veteran owned businesses.

-Create a national electronic Veteran Small Business Support Center at the SBA designed to promote procurement opportunity, financial resources, and technical services specifically for the creation and operation of veteran owned small businesses.

-Establish a national program within the US Department of Veterans Affairs to promote small business creation as an option for veterans participating in Vocational Rehabilitation.

-Establish a national and international networking and procurement organization specifically promoting veteran owned small businesses and opportunity to the public and private sector.

-Conduct a comprehensive study to assess the impact and value of the small business and farm loan portions of the GI Bill for WW2 and Korean veterans, and for our nation.

-Establish a pilot program to assist in the transfer/aquisition of ownership of existing businesses owned by veterans as they near their retriement age to other veterans entrepreneurs.

-Require that any funding provided to the International Monitary Fund, or any other such international ecomomic development or monitary funds, that are used to promote international commerce or economic opportunity include specific provisions for veterans preference in programing and allocation of resources.

-Require the DVA to prioritize all contracting opportunities to veteran owned small businesses, and to 501-C3 not for profit veterans community service delivery organizations.

-Require that specific veteran small business owners or advocates be appointed to all advisory committees, boards etc. of the SBA.

William D. Elmore
Data Force Associates

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April 24, 1998

Chairman Anthony Principi
Commission on Service Members and Veterans Transition Assistance
1401 Wilson Boulevard, 4th Floor
Arlington, VA 22209

VIA FAX & Mail:

Per the request of your staff, the following recommendations of specific Legislative and programmatic initiatives regarding veterans small business issues have been prepared for the Commission's consideration.

These are prepared and presented in the spirit of the stated Purpose, Scope, Vision and Principals of the Commission. Some are bold. and some say what needs to be said. They all take the view that veterans and service members are a unique and important national resource. They are focused on how best to take advantage of this human resource, with an eye towards how to invest in veterans and their families in ways that provide no less than equal access to opportunity and resources from the federal sector.

These recommendations are provided by William D. Elmore, of DATA FORCE ASSOCIATES; A veteran owned small business that provides Veterans Advocacy and Program Development, and Military Records Research and Acquisition Assistance.

The recommendations are provided in three Tiers.

The First Tier contains my recommendations for immediate action by the Small Business Administration, the Department of Veterans Affairs, Congress and the Commission. It is anticipated that many of these actions will have occurred, or will be occurring prior to the issuance of the Commission's final report and recommendations to Congress.

The Second Tier contains items for administrative action, and legislative initiative coinciding approximately with the issuance of the Commission's Report to Congress. Action on these items is suggested and anticipated during F.Y. 1999 and F.Y. 2000.

The Third Tier is a broader 21st Century target that represents the Plan of the Commission to meet the full spectrum of today's needs and the foreseeable needs of the next century.

All three of these Tiers envision America capitalizing on its already significant investment in the unique national resource of its former, present and future military personnel.

My only regret is the narrow time frame available in which these recommendations are being prepared and presented to the Commission.

TIER ONE- *IMMEDIATE ACTION*

Based on information available, and presented to the Commission, in consort with views expressed by Congressman Talent, Chairman of the House Committee on Small Business at the March 23, 1998 roundtable held in St. Louis Missouri. I recommend the following Immediate actions be taken to begin the process of building a national veterans business owners service delivery structure from the Federal Government. These recommendations include:

-Support administrative action, or if necessary. Establish in Law the elevation of the Small Business Administrations (SBA) National Office of Veterans Affairs (NOVA) to a direct line of program and reporting authority directly to the Administrator of the SBA. With this action, provide adequate funding ($10 Million dollars) and authority for additional staffing (15 full time equivalent) to the NOVA so it can successfully carry out its responsibilities to ensure that veterans receive no less than "special consideration in all of the programs of the SBA". This action should occur no later than the first day of FY 1999.

-Support administrative action, or if necessary establish in law the requirement that the NOVA hire a minimum of 7 Regional Veterans Business Development Officers. These RVBDOs would be directly responsible to the NOVA for the development, creation and oversight of the program activity that follows in these recommendations. These RVBDOs should be provided administrative support, grant making authority and grant dollars to identify, develop and assist in the development of State or local veterans business development and support initiatives and programs.

-By law, establish a pilot program of between 9 and 15 Veteran Business Development Centers (VBDC) with statutory authority similar to, or the same as the authority of the SBA's Women Business Development Centers. Each VBDC should be adequately funded at up to $500,000 each year for five continuous years. Initial fiscal matching requirements should be minimalized during the first three years of operation. These centers should develop ongoing Veteran Entrepreneur Training (VET) and support programs, and other initiatives necessary to meet the needs and aspirations of existing and prospective veteran small business owners.

-The NOVA, through their RVBDOs should make Special grants available to additional locations for the creation of specific, or stand alone VET programs, Veterans Business Resource Councils, Veterans Business Outreach Programs, business development programs in consort with DVA Vocational Rehabilitation staff, business related seminars, tax credit marketing initiatives, veterans business development efforts with SBA District Offices, Score Chapters, Veterans Service Organizations, Small Business Development Centers and other entities. In addition to assisting existing and prospective veteran entrepreneurs, the goal of these specific grants will be to develop additional potential locations for the creation of VBDCs in the future, as the VBDC program moves beyond the Pilot Program status.

-The NOVA, and the Commission should actively support the creation of a National Summit on Veteran Owned Business. The first Summit would be held this Fall/Winter. The purpose will be

to bring together veteran business owners, entrepreneurs, advocates and experts to create a national public/private partnership to bring a national focus to veterans as business owners and entrepreneurs. The Summit would also be a vehicle to create a National Veterans Business Council, and could be the genesis for the development of a national organization of veteran business owners to represent the interests, resources, skills, abilities and aspirations of Americas veteran entrepreneurs.

-The National Veterans Business Council should be provided funding ($100,000 each) from the Small Business Administration, the Department of Veterans Affairs, the Commerce Department, the Department of Defense, and the Department of Labor. It should also seek funding from the private (veteran owned businesses and other) sector. Part of its function would be to establish long term policy recommendations for International, Federal, State and local governments, and for the private sector regarding specific program initiatives for veteran entrepreneurs and veteran business owners.

-A corresponding National Federal Veterans Business Coordinating Council should be established by Executive Order of the President. The purpose would be to link high level federal agency representatives from every Federal Agency to review, make recommendations, and to take action maximizing small businesses opportunity for veteran entrepreneurs from all sectors of the Federal Government.

-The Congress should establish a special Federal Procurement program targeted specifically to former Prisoner Of War and all Service Disabled Veteran business owners. Participation should not be limited to only those veterans adjudicated at 50% of more disabled. The often contentious and uneven nature of the DVA's adjudication process, and the unwillingness of some veterans to even attempt to navigate adjudication at the DVA would indicate that not all disabled veteran business owners are adjudicated at 50% or more.

-The DVA, the Commerce Department and the Department of Defense should immediately begin an administrative review of their policies and programs and institute necessary changes to begin to target their procurement and other programs and resources specifically to veteran owned businesses.

-The DVA, the SBA, the DOL, the DoD, and the Commerce Department should establish and implement a joint initiative to Identify existing veteran owned businesses nationally and internationally. Their findings should be published annually as a National Directory of Veteran Owned Businesses. Capability statements for each business identified should be included, if requested by the veteran owned business.

Specific inducements should be created by the NOVA, and recommended to Congress for action regarding revisions of the Community Reinvestment Act. These revisions should be targeted toward rewarding financial and lending institutions for lending practices targeted to veteran entrepreneurs, especially those that create favorable rates and services specifically for veteran owned businesses.

TIER TWO- ***SPECIFIC RECOMMENDATIONS FOR FY 1999 AND FY 2000***

In addition to the Commission supporting the recommendations and initiatives contained in Tier One. The first priority of the Commission should be the development of a comprehensive legislative initiative with a goal of providing no less than equal access to all resources of the federal government in support of small business development, support services, and resources for veteran owned businesses, and for veteran entrepreneurs. This proposed act should contain specific program recommendations regarding the present and future needs of veteran entrepreneurs. I recommend that this proposed act contain at least, the following initiatives.

A Federal Government wide system that provides specific resources targeted to all American veteran entrepreneurs and their families first, above and before any other specific group of American citizens. This system should also be prioritized first, for former Prisoners of War, and Service Disabled Veteran business owners and entrepreneurs, before other veteran entrepreneurs.

(The following recommendations are presented in no particular order of priority)

-An ongoing Veterans Entrepreneur Training and preparation program at each military base for soon to be discharged service members and their families.

-An ongoing Veterans Entrepreneur Training and support program in each State's Small Business Development Center network for veterans and their family members.

-A veteran specific micro loan program within the SBA.

-A veteran specific guaranteed loan program from the SBA, with below market interest rates for veterans, and veteran eligibles.

-Specific matching grant program(s) from both the SBA and from the DVA for state and local government, and for Not-For-Profit organizations to develop and operate veteran business development and support programs.

-A Pilot SBA program to enable and support the mentoring and transference, sale or purchase of a veteran owned business from a retiring veteran business owner to another veteran entrepreneur.

-The establishment of specific procurement programs with goals or targets for veteran owned business with each Federal agency.

-A veteran specific program within the Office of Womens Business Ownership at the SBA.

-Veteran specific programing within minority business ownership initiatives at the SBA, and at the Commerce Department.

-Veteran specific programing within Native American business ownership initiatives at the SBA.

-Veteran specific development and support program(s) at the Department of Commerce.

-Support and creation of veteran specific Small Business Investment Corporations by the SBA.

-An initiative for development and support of veteran import and export efforts, with specific programs targeted to former locations for the participants in hostilities such as Southeast Asia, the Persian Gulf, and future locations of hostilities.

-A system of veterans preference with any International Monetary Fund commitments, or other such commitments made by our Federal Government.

-Each Federal agency should be required to report to Congress each year their efforts to increase and support veteran owned businesses, including recommendations for, and remedial actions taken or contemplated.

-Require that veteran business owners be appointed to every advisory board or committee of the federal government that is involved with small business opportunity, resources or initiatives.

-Create a program of Technical Assistance grants from the SBA, and from the Commerce Department for the development and support of veteran business ownership.

-Create a national clearinghouse of successful veterans entrepreneurial support programs, funded by the SBA, the Commerce Department, the Department of Veterans Affairs, and the Department of Defense. This clearinghouse should also fund and conduct research on veteran entrepreneurs.

-Create a specific veteran initiative in the US Treasurery Departments Community Development Financial Institutions Fund.

-Create a specific veterans pre qualification loan program at the SBA.

-Establish a Rule of One program, and a system of price preferencing in each Federal agency specifically for veteran owned businesses.

-Create an international business development, support and networking program specifically for veteran owned businesses.

-Each SBA District Office, and each DVA Regional Office should have a full time veterans business development officer.

-Each State SBDC network should be required to establish a full time Veteran Business Development Coordinator.

-Each State SBDC network should be required to report to Congress their specific activity for veteran entrepreneurs and business owners each year.

-Veteran specific procurement centers should be created to enhance the opportunities for veteran business owners to secure contracting opportunities from Federal, State and local government, and from the private sector.

-Federal contractors should be required to seek and sub-contract with veteran owned businesses.

-The Department of Defense should be required to establish a technology transfer program specifically targeting veteran owned businesses, and soon to be discharged veteran entrepreneurs.

-A National Electronic Veteran Business Development Center should be created and jointly funded by the SBA, the Commerce Department, the DOD, the DVA, and DOL. This Center could be administered by the National Veterans Business Council.

-Establish a National Program within the DVA to enable and support disabled veteran entrepreneurs through the DVA Vocational Rehabilitation program.

-Require the DVA to prioritize all contracting and service delivery opportunities specifically for veteran owned businesses, and for 501-C3 and 501-C19 veteran service organizations.

-Conduct a comprehensive study to determine the impact of the GI Bill(s) of World War Two and Korea, on business ownership by veterans, on their families, and on our nations economic success and systems.

-The SBA's research on veteran entrepreneurs should be updated, at a minimum every 10 years.

-Require the DVA to conduct independent research to determine the impact of self employment, and self employment resources for veterans and their families on the veterans need and necessity for long term use of DVA medical and compensation programs.

-Ensure that veteran business owners participate in, and are involved in the White House Conference on Small Business.

-Create a specific Tax Credit for business owners to hire, and to retain veterans as employees. This tax credit should be available for the hiring of any veteran, or dependent of a veteran who is below the poverty line.

-Direct the Bureau of the Census to maintain, and update (each 5 years) accurate and current data on veteran owned small businesses.

-The SBA should establish equity capitol targets of performance for veteran owned businesses.

-The SBA should set goals for SBDC's to increase counseling and training for veterans.

-The SBA should include in any international agreements with counterparts, veteran specific and targeted activities.

TIER THREE- ***21ST CENTURY INITIATIVES FOR VETERAN ENTREPRENEURS***

These recommendations are presented in the broadest possible context. They represent ideas for ensuring that veterans, and specifically veteran entrepreneurs are provided the level of access to resources in the next Century that they have earned and deserve. They are also based in the systemic neglect of veterans as entrepreneurs in federal policy that has occurred for the past 25 years. The assumption being that the recommendations contained in Tier One and Tier Two have been, or will be acted upon successfully by Congress, the Administration and by federal agencies.

-The most cost effective, the most service effective, and the best way to ensure that veterans and their families are provided the tools and opportunity they need to transition their talent and ability as (former) service members into America's economy, while meeting their needs that result from the special conditions of military service, while, ultimately supporting the nation's ability to raise and maintain effective forces (of Citizen Soldiers) Congress should establish a permanent and ongoing federal fund for the creation and support of autonomous, locally (veteran) controlled community based Transition Assistance Veteran Service Centers. These Centers would be located in the communities the veterans and their families return home to. (Please see my attached 2/23/98 paper titled REVISIT OF THE G.I. BILL). The present, most glaring gap in the present transition assistance system for former service members is the critical lack of any comprehensive, coordinated or ongoing community based reintegration system for veterans, following their discharge. The best and most effective way to honor and enable returning service members as productive and valued citizens is to place the resources they earned most directly into their own hands, in the communities where they live. Community based services and resources managed and maintained by the veterans themselves have proven to be the most effective way to do this. I urge the Commission's support for a new federal initiative that would create these systems across the Nation for now and for in the future.

-For entrepreneurial veterans specifically the critical lack of any focused assistance for 25 years has penalized them, and placed them at a disadvantage compared to other groups of America's citizens. Federal policy, and the updating of that policy excluded veterans, this should not be allowed to continue, and it should never be allowed to happen again. Assuming some, most or all of the recommendations contained in this paper are acted upon and implemented over the next one to three years. I urge the creation of some periodic process, required by law that revisits, or continually reviews and updates federal activities and programs targeted to veteran entrepreneurs. Part of this review should be some comparisons to resources and programs targeted to other Americans. If, we find in the future, as we do now that status as a veteran disadvantages a citizen. Remedial actions should be required. If for no other reason than national security, America's veterans should never again be allowed to be discriminated against intentionally or un-intentionally by Federal policy. This periodic review could be established by Federal Law, or possibly by Executive Order of the President. This Commission should make a specific recommendation for this periodic review or update.

REVISIT OF THE GI BILL

This legislative initiative involves updating of the GI Bill of WW2. The predominant focus of this update would be to exercise and implement the lessons of the original historic federal initiative IE, the G.I. Bill of World War 2. At a minimum, this Bill would establish a permanent and ongoing federal fund for the creation and support of locally community controlled Transition Assistance Programs in the Communities for veterans and their families when they return home.

This approach would build on the models created and publicly funded at the end of WW2, and at that time called the Veterans Information Centers.

While there was no funding specifically available at the end of the Vietnam or Desert Storm conflicts for community veterans information centers, nonetheless. Veteran Information Centers were re-created by returning service members in the form of voluntary community based Veteran Service Centers or VSCs. These voluntary initiatives occurred In East St. Louis, Alton & Granite City Illinois in 1969-70, and in St. Louis County/City Missouri in 1973. Numerous other self help centers were created by returning service members around the country at approximately the same time.

The need for and effectiveness of these community based Veteran Information and Service Centers is undisputed, but their importance and value presently are largely ignored by policy makers for veterans at the Federal, State and local level. The centers that do exist, are predominately the product of veterans and their families that have, through perseverance created their own self help initiative. The problem has been, and continues to be the lack of a specific funding source to support their creation and operation.

In 1945, these Veteran Information and Service Centers were described by the Public Administration Service in the following way; "The serviceman has little knowledge of events and developments that have occured while he was away, of the rights and benefits accruing to him, and of current economic and social problems. This situation coupled with the fact that the serviceman may, in his haste to return to normal civilian life, attempt to make decisions which in normal times are made over a period of years, has created new problems for public officials".

The services delivered in 1945 were further described as "the centers, for example aid the veteran at the center in preparing and filing with the federal, state and local governments the papers, claims and applications by which he obtains pensions, allotments, rights and benefits, etc. Some centers do job placement work, or employment and business counseling at the center; explain the GI Bill of Rights and advise on educational benefits due; give legal aid or help solve personal or family welfare problems." In 1945, the most requested services in assending order were; Claims (disability, pensions, other), Employment, Education, Loans (business, home, farms), Insurance, GI Bill, Housing, Vocational, Financial Aid, and other services.

The voluntary Veterans Service Centers of the Vietnam and Desert Storm conflicts, responded to the needs presented by returning service members with the same basic mix of services as with WW2. But they further expanded their basic core services to include responding to military toxic exposure questions, information and assistance, emergency and other family needs and assistance, traumatic and group counseling, services for the special needs children of veterans, homeless veterans services, housing and advocacy, entrepreneurial training, support and networking, public and private educational based presentations, POW/MIA advocacy, military records

acquisition review and corrections, response to media mis-representation regarding military service, advocacy and claims preparation for presentation to the VA and SSA, human service delivery system advocacy and networking for veterans/families. All of this, because the needs and aspirations of returning veterans have been largely ignored by the broader human service delivery systems at federal, state and local government levels, and in the public sector (the United Way etc.) since the Vietnam War.

The basic components of updated GI Bill would be as follows;

-To provide an ongoing and independent source of core operational funding for operation, management and delivery of core services at community based Veterans Service (or transition) Centers.
-These community based not for profit organizations would be established, operated and managed by veterans and their family members in their communities.
-State and local government would not have flow through, sign off or operational governance over these organizations (they would neither take a portion of, or control the flow of operational dollars to these VSCs).
-A national operations standard would be established to ensure cost, service and administratively effective and accountable management and operations.
-The source of core funding should not come from the US Department of Veterans Affairs (the core operational funding cannot come from the same Federal Agency that requires advocacy by veterans to be responsive).
-The services provided would be as comprehensive as requested and required by returning and existing veterans/families in the community.
-The core operational funding would be in multi year commitments (three to five years each cycle), and would be predominantly for basic operation and services, core administration and for grant writing and other resources acquisition needed to establish the more concentrated and comprehensive services based on local veterans needs and available resources.
-Basic or core services would include community networking and resource coordination, hands on expert assistance, specific expert referral, liaison and services follow up, and advocacy with the human services delivery system of local, State and Federal government and with the public and private sectors .
-Core operational funding would be allocated from federal government to each community based on a formula of veterans and their family members population in proportion to the general population in each area.

This veteran community based and controlled approach would ensure the efficient and effective access by veterans to resources as they need it, where they need it, and when they need it. This should lesson the need for ongoing and sometimes, decades long access to services or resources from the US Department of Veterans Affairs by significant numbers of veterans following their military service. The aftermath of the Vietnam War has demonstrated that difficulty in resolving lingering or un addressed issues relating to a soldiers military service leads to ongoing problems for some veterans and their families that can continue for decades or generations.

This model would capitalize on the predominant lesson provided by our nations experience with the GI Bill of WW2. IE, the best way to honor and enable returning service members as productive and valued citizens, is to place the resources they earned most directly into their own hands. By this means, they more quickly become valued assets in our communities, all the while lessening their long term dependence on huge federal bureaucracy who's effectiveness is questionable.

Americas veterans have demonstrated since the Revolutionary War that they, better than any one else, know what best to do for themselves, for their families and for their communities. This proposed network of veteran controlled community Veteran Service Centers would enable that to happen.

This suggested new GI Bill would also address the most glaring gap in the present transition assistance system available for former service members, IE., their lack of any comprehensive or coordinated community based reintegration following their discharge.

This should be the minimum we can do for the only distinct group of American citizens, who through their service to our nation, have earned their access to adequate and effective transitional resources and opportunity from our nation.

I welcome your reaction and response to these this initiative.

Thank you for your consideration of these suggestions.

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3-10-98 PAPER DISCUSSING THE DISPARITY OF RESOURCES AVAILABLE FROM THE FEDERAL SECTOR REGARDING VETERANS WHO ARE HOMELESS & VETERANS WHO ARE ENTREPRENEURIAL AND ASPIRE TO BE SELF EMPLOYED, OR SMALL BUSINESS OWNERS.

VHY ARE WE WITHHOLDING OPPORTUNITIES AND RESOURCES FROM THE MEN AND WOMEN, AND THEIR FAMILIES WHO'S SERVICE TO COUNTRY GUARANTEES OUR FREEDOM? THIS WITHHOLDING PENALIZES MANY VETERANS TO POVERTY, AND ULTIMATELY FOR TOO MANY, HOMELESSNESS. THIS PUBLIC POLICY IN EXCHANGE FOR HAVING SERVED OUR COUNTRY IS COUNTER PRODUCTIVE & ULTIMATELY IS DANGEROUS FEDERAL PUBLIC POLICY.

VETERANS WHO ARE HOMELESS IN AMERICA

-It is recognized, acknowledged and accepted by the Federal Government that Americas veterans are approximately 30% of our nations homeless, but veterans comprise only 10 1/2% of the general population.

-In 1987, Congress passed the McKinney Homeless Assistance Act "to provide funds for programs to assist the homeless, with special emphasis on identification of and assistance to the elderly, families with children, Native Americans and veterans."

-Between 1987 and 1998, the Federal Government allocated approximately $10,094,000,000 for McKinney programs. Of this allocation, the DVA received $391,200,000 or 3.875% of the total. The DOLs Homeless Veterans Reintegration Program (HVRP) received $17,700,000 or .0175 % of the total. These are the only veterans initiatives in the entire McKinney continuum of care.

-This 10 year history of response from the Federal Government has resulted in NO demonstratable change in .he percentage or numbers of homeless veterans on the streets of America.

-The DVA generally opposes any initiative to increase or create specific programs outside of the VA. They propose no legislation to address the problem, & their Strategic Plan calls for an increase to 3,500 community based beds for homeless veterans by the year 2002, FOR THE ENTIRE NATION. This plan represents the entire federal response, & will impact approximately 1% of the homeless veterans in America.

-The Administration proposes a $400,000,000 increase in homeless assistance programs for FY 1999, BUT PROPOSES NO PROGRAMS OR INITIATIVES FOR HOMELESS VETERANS in this increase.

SOLUTIONS INCLUDE

-Explicitly target $100,000,000 of the asked for $400,000,000 increase expressly and only for community based (non VA) homeless veterans programing.

-Fully fund the Dept. Of Labors Homeless Veterans Reintegration Program (HVRP) at the authorized level of $10,000,000.

-Line item, and increase the funding level for the DVA's Homeless Veterans Grant & Per Diem program to $80,000,000 (to a level equal to the States Old Soldiers program on which Grant & Per Diem is modeled).

-Create the community based veterans service center model I proposed in my paper titled REVISIT OF THE GI BILL, as a quasi federal initiative or corporation. This would by pass the established bureaucracy and enable veterans directly.

SMALL BUSINESS AND SELF EMPLOYMENT OPPORTUNITIES AND RESOURCES FOR VETERANS.

-The G.I. Bill of World War Two is recognized as the most important legislative initiative of this Century.

-Little discussed and acknowledged were the provisions that enabled and supported small business loans, and farm loan guarantees for former Service members.

-More than 280,000 small business and farm loans were guaranteed by the VA between 1944 and 1954. (I believe these were the first, president setting small business loans for american citizens ever from the Federal Government)

-The G.I. Bill loans were extended to Korean veterans for 10 years following the end of hostilities. These GI Bill loan guaratees ended in the 1960's, during the unpopular Vietnam war.

-The Small Business Administration was created in 1953. Responsibility was then given to the SBA to provide technical services for veteran small business owners.

-In 1974, Congress directed the SBA to provide "Special Consideration to veterans, their dependents and survivors in all its programs" (PL 93-237 (section 4(b)(1)).

-In FY 1996, the total allocation for veterans programs at the SBA was $347,000. For the Women in Business Office it was $3,890,000.

-In FY 1997, the total allocation for veterans programs at the SBA was $337,000. For the Women in Business Office it was $5,433,000.

-In FY 1998, the total allocation for veterans programs at the SBA is $313,000. For the Women in Business Office it is $5,416,000.

-In the FY 1999 Budget request from the Administration, the total request for veterans programs is $362,000. For the Women in Business Office, the request is $12,033,000.

-For veteran entrepreneurs, their percentage of resources when compared to women entrepreneurs is;

-FY 96: 8.92% for veterans programing compared to women's programing.
-FY 97: 6.2 % for veterans programing compared to women's programing.
-FY 98: 5.78% for veterans programing compared to women's programing.
-FY 99: 3 % for veterans programing compared to women's programing .

-The Administration proposes $1,000,000 in FY 1999 to fund the Survey of Women-Owned Business, to be conducted by the Census Bureau. This alone, is approximately three times the amount of the TOTAL OF ALL VETERANS PROGRAMS IN THE ENTIRE SBA, FOR THE ENTIRE NATION.

-Of the total Administration proposed SBA Budget for 1999, veterans programs comprise only .0000171%.

PROPOSED SOLUTION FOR THIS INEQUITY OF RESOURCES FOR VETERAN ENTREPRENEURS.

-Create or fully support Federal legislation that establishes EQUAL OPPORTUNITY and EQUAL RESOURCES for veteran entrepreneurs commensurate with those opportunities and resources available for ANY other group of Americans from the Federal and government sector.

-Cooperatively support and co-sponsor any legislation to address this disparity of resources for veteran entrepreneurs coming forth from the House Committee on Small Business.

-Create the community based veterans service center model I proposed in my 2-23-98 paper titled REVISIT OF THE GI BILL, as a quasi federal initiative, or corporation. This would by pass the established bureaucracy and enable veterans directly.

These are but two of the areas in which veterans and their families are significantly under served by the Federal Government. I have limited this paper to these two areas, because I am presently most familiar with them, and because I have relevant and timely information to document my views.

I believe that the functions of politics have overridden the function of Government when it comes to veterans & the Federal sector. I am fully aware that we presently invest 41.5 + billion dollars each year into veterans programs. The point is, that with this investment. We still have over 1/4 million American veterans who are so disenfranchised that they are without homes in their homeland. And, at the same time, there is no Federal assistance for veterans who aspire to self employment and small business ownership. Clearly, with these results something is terribly wrong with our Federal response.

Most veterans who are most directly affected by this Federal policy, or lack there of. Are not represented in the memberships of the veterans service organizations and, by and large these same veterans are not engaged in the political advocacy process. This results from their previous experience (at a young age) with the Federal Government and its policies, which was generally not a constructive or enabling experience.

This attitude from and towards the one group of American citizens who served our country should not be an excuse to continue to ignore their issues, needs and aspirations. It is incumbent on the part of the Federal Government, and on the political parties that dominate our nations political process to see to their duty, and respond in constructive and proactive ways to veterans and our nation. Unfortunately, just the opposite has been the case for the past 25+ years.

I welcome your response to this paper.

Cordially,

William D. Elmore
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Eureka, MO 63025
Phone/Fax 314-938-4407
VetInBis@swbell.net

ATTACHMENT (A)

These notes were prepared by William Elmore as attachment (A) to my suggested legislation for submission to Urban Ideas and St. Louis 2004.

This information regards the systematic lack of attention to veterans and their entrepreneurial needs, interests and aspirations by the U.S. Small Business Administration. This in turn translates into no specific services or resources for veteran entrepreneurs by local City, County or State governments.

This lack of attention is in direct contradiction to the express intent of Congress as reflected in Public Law 93-237 (Section 4(b)(1). In this law, since 1974, Congress has mandated that the SBA give "Special Consideration to veterans, their dependents and survivors in all its programs".

In 1981, Congress enacted the Veterans' Small Business Loan Act of 1981 (PL97-72) which created a business loan program at the VA. This program was never funded, and subsequently the SBA was asked to develop a direct loan program consistent with the act.

When Congress first passed legislation that created the SBA in 1953. It provided for the transfer of the veterans' loan program to the new agency (SBA) from the VA. Congress also enabled the SBA to provide loans to veterans, as well as management and technical support services.

What does this Special Consideration, and other requirements of law now equate to for veterans?

-In "THE STATE OF SMALL BUSINESS A REPORT OF THE PRESIDENT 1995".
This 409 page report contains only one specific mention or reference to veterans. Page 3 reads as follows. "The number of 7(a) guaranteed loans has increased dramatically, up 52 percent from fiscal year 1994 to fiscal year 1995"--"during that same period, the number of 7(a) guaranteed loans to women-owned businesses grew by 86%; loans to minority-owned businesses increased by 53%; and loans to businesses owned by U.S. veterans grew by 43%." (For veterans only, this represents a drop of approximately 22% comparatively.)

-The percent of small business loan approvals by the SBA from 1993 to 1997 (through May 31, 1997) is as follows (this excludes loans made through the SBIC & and Micro Loan programs).

FOR	VETERANS		WOMEN		MINORITIES		TOTAL
	%	#	%	#	%	#	(100%)
FY93	14%	4129	14%	4118	15%	4488	29363
FY94	15%	6044	19%	7695	18%	7228	40353
FY95	14%	8586	23%	14020	18%	11028	60106
FY96	14%	7159	22%	11461	19%	10140	52729
FY97	14%	4332	21%	6567	21%	6708	31954
MICRO LOANS as of 12/93	13%		47%		37%		

-Total Outreach Funds for Veterans by Fiscal Year nationally, for the entire SBA were as follows;

FY 1992	$374,000
FY 1993	$303,000
FY 1994	$393,000
FY 1995	$221,000
FY 1996	$ 60,000
FY 1997	$ 87,605

-Counseling & Training provided for veterans at Small Business Development Centers nation wide were as follows;

	COUNSELING	TRAINING
FY93	25,809	29,586
FY94	22,708	29,329
FY95	22,887	27,761
FY96	21,542	25,221
FY97 (thru March)	14,361	12,379

-Counseling & Training (combined) provided from SCORE for veterans nation wide;

FY93	19,222
FY94	16,905
FY95	12,951
FY96	7,329

-Surety Bonds for veterans nationally by the SBA;

FY93	2,004
FY94	1,801
FY95	1,811
FY96	808

-Under the SBA's specialized 7(A) loan programs, there is no direct loan program for veterans;

-The SBA's newest (1997) national outreach brochure for veterans contains the following ;

"This brochure describes SBA business programs and services designed specifically for veterans"
(Including the following)

"Periodically workshops are conducted especially for veterans." The reality is that there will be a total of only two workshop/town hall meetings for the entire nation this fiscal year for veterans by the SBA. (One in Florida & one in East St. Louis IL.)

The "VETERANS ENTREPRENEUR TRAINING" (VET) program is described. The reality is there as been no money for the VET program nationally or locally from the SBA for the past two years.

The Transition Assistance Program (TAP) in described for military personnel who are about to be discharged. The reality is that this program has been cut back, and there is no money for it this year from the SBA.

The brochure describes the "Federal Procurement Opportunities" program with the following. "This program provides opportunities to veteran-owned businesses." However, this program has had no money allocated to it for veterans by the SBA for the past two years.

The brochure describes the "Technology Transfer" program. However, this program has not been allocated any money for veterans for the past two years by the SBA.

The Defense Loan and Technical Assistance Program (DELTA) in described. And in fact, veterans have received between 25% and 33% of all the loans made. However, this small program is managed by the Office of Finance, not the Office of Veteran Affairs (OVA) in the SBA, and it is not specifically designed or targeted to veterans, or to women or to minorities. Veterans percent of participation in this program demonstrates that veterans will participate in an SBA program, when given an equal opportunity to do so.

The brochure describes the "Veterans' Prequalification Loan Program", and states the following. "The newest addition to SBA programs is the Veterans Prequalification Loan Program. This pilot program provides specialized support and assistance to veterans". However, once again this program has never been implemented for veterans by the SBA.

-Veterans are not listed as an eligible category for the SBA Micro Loan program, women and minorities are.

-The national Advisory Committee of Veterans Business Affairs for the SBA has just recently been re-formed (after it was eliminated). It has no budget, and has not yet met.

-Veterans comprise approximately 10 & ½ % of the general US population, but own approximately 20% of all small businesses in the nation according to the US Department of Commerce.

-The SBA PASS system (a procurement assistance program) presently has 54,000 veteran owned businesses registered, 37,000 minority owned businesses registered, and 52,000 women owned businesses registered nationally. This voluntary program demonstrates the interests of veterans in participating in SBA programs. This despite the fact that there are no programs of substance specifically for veterans' from the SBA, or from the States of Missouri or Illinois, or from any local county or city located in our metropolitan area.

-The SBA national Office of Veteran Affairs, with its national responsibilities, is slotted a total of three employees. To their credit, they have four employees. There are no employees of State or local government that focus on entrepreneurial veterans in Missouri or Illinois.

-There are no special or specific programs ("special consideration") for veterans at any Small Business Development Center office in the States of Missouri and Illinois.

-The Mission Statement of the SBA national Office of Veterans' Affairs contains the following language:

"Special Consideration may be defined as the attitude which motivates SBA employees to make every legal effort to assist clients who qualify for our programs. The Congressional mandate directs that this same motivation be extended to our nations veterans."

Using the SBA as the model, and as represented in the preceding information, Special Consideration for Veterans at the SBA is a hollow and cruel deception.

This lack of attention leads directly to the ignorance of, and to the specific lack of targeting of resources for veteran entrepreneurs at our state and local government level.

This disparity can and should be rectified. St. Louis 2004 is the vehicle to do this.

William Elmore

Notes prepared by William Elmore, for my meeting with Congressman Jim Talent, Chairman of the U.S. House of Representatives Small Business Committee.

Regarding the systematic lack of attention to veterans and their entrepreneurial needs, interests and aspirations by the U.S. Small Business Administration.

This lack of attention is in direct contradiction to the express intent of Congress as reflected in Public Law 93-237 (Section 4(b)(1) In this law, in 1974, Congress mandated that the SBA give "Special Consideration to veterans, their dependents and survivors in all its programs".

In 1981, Congress enacted the Veterans' Small Business Loan Act of 1981 (PL97-72) which created a business loan program at the VA. This program was never funded, and subsequently the SBA was asked to develop a direct loan program consistent with the act.

Between 1944 and 1952, the VA guaranteed more than 80,000 small business loans for veterans. In 1953, Congress passed legislation that created the SBA and provided for the transfer of the veterans' loan program to the new agency enabled to provide loans to veterans, as well as management and technical support services.

What does this Special Consideration, and other requirements of law now equate to for veterans?

-In THE STATE OF SMALL BUSINESS A REPORT OF THE PRESIDENT 1995.
This 409 page report mentions veterans ONCE, on page 3 as follows. "The number of 7(a) guaranteed loans has increased dramatically, up 52 percent from fiscal year 1994 to fiscal year 1995"--"during that same period, the number of 7(a) guaranteed loans to women-owned businesses grew by 86%; loans to minority-owned businesses increased by 53%; and loans to businesses owned by U.S. veterans grew by 43%." (For veterans only this is a drop of approximately 22%)

- The percent small business loan approvals by the SBA from 1993 to 1997 (through May 31, 1997) is as follows (this excludes loans made through the SBIC & and Micro Loan programs).

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-Surety Bonds for veterans nationally:

FY93	2,004
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FY95	1,811
FY96	808

-Under the SBA's specialized 7(A) programs, there is no direct loan program for veterans.

-The SBA's newest outreach brochure for veterans contains the following language:

"This brochure describes SBA business programs and services designed specifically for veterans"
(Including the following)

Under PRE BUSINESS WORKSHOPS, the brochure says "Periodically workshops are conducted especially for veterans. I have been told by the SBA, OVA that there will be two workshop/town hall meetings in the entire nation this year (in Florida & East St. Louis IL.)

Under the VETERANS ENTREPRENEUR TRAINING (VET) program it describes the VET program. There has been no money for the VET program for the last two years.

Under the Transition Assistance Program (TAP) for military personnel who are about to be discharged, this program has been cut back, there is no money for it.

Under the Federal Procurement Opportunities program, it states that "This program provides opportunities to veteran-owned businesses." This program has had no money for the past two years.

Under the Technology Transfer program, this program has not had any money for the past two years.

Under the Defense Loan and Technical Assistance Program (DELTA), veterans have received between 25 and 33% of the loans made, however this small program is managed by the Office of Finance, not the Office of Veteran Affairs (OVA), & is not specifically targeted to veterans.

Under the Veterans' Prequalification Loan Program, the brochure states "The newest addition to SBA programs is the Veterans Prequalification Loan Program. This pilot program provides specialized support and assistance to veterans". This program has never been implemented.

-Veterans are not listed as an eligible category for the SBA Micro Loan program, women and minorities are.

-The Advisory Committee of Veterans Business Affairs has just recently been re formed. It has no budget, and has not yet met.

-Veterans comprise approximately 10 & ½ % of the general population, but own approximately 20% of all small businesses in the nation.

-The SBA PASS system has 54,000 veteran owned businesses registered, 37,000 minority owned businesses registered, and 52,000 women owned businesses registered. This voluntary program demonstrates the interest of veterans in participating in SBA programs, despite the fact that there is nothing of substance specifically for veterans' at SBA.

-The SBA national Office of Veteran Affairs, despite all of its national responsibilities, is slotted to have three employees for the entire nation. To their credit, they have four employees.

-I am not aware of any special programs (special consideration) for veterans at any Small Business Development Centers in the entire nation, with the exception of California. The California effort is based on California State Law targeting procurement to service disabled veterans.

-The Mission Statement of the SBA Office of Veterans' Affairs contains the following language:

"Special Consideration may be defined as the attitude which motivates SBA employees to make every legal effort to assist clients who qualify for our programs. The Congressional mandate directs that this same motivation be extended to our nations veterans."

As represented in the preceding information, Special Consideration for Veterans at the SBA is a hollow and cruel deception. This is nothing new. It is my hope that with your Chairmanship, we can rectify this situation, and veterans can once again take their rightful place among the self employed, with real and meaningful resources available to assist in that effort from a grateful nation, for the only group that earned it.

July 31, 1997

Congressman James M. Talent
Chairman, House Committee on Small Business
1022 Long worth Building
Washington, D.C. 20515

ATTN: Lindsey R. Neas

Dear Chairman Talent;

The following is provided as a follow up to our recent meeting in St. Louis regarding the Small Business Administration (SBA), and what I believe is a systematic lack of attention to veterans' and their entrepreneurial needs, interests and aspirations.

The following suggestions and ideas have been developed by me, following direct input from, and discussions with the following persons:

Dr. Paul Camacho, from the University of Massachusetts at Boston;
Mr Steve White, from New York City;
Mr. Rick Weidman, from Washington, D.C.;
Mr. Patrick Heavey, from the Veterans Advocacy Foundation in St. Louis;

While there are other knowledgeable veterans' small business advocates that we know, in New York, Georgia, Utah, Washington DC, Denver, Massachusetts, Rhode Island, California, New Jersey and Ohio. For purposes of this initial paper, and because of limited time frames, I thought it best to ask the preceding named individuals to assist in the development of this paper. I have also asked them to send information and communicate directly to you, through your Washington office, through Lindsey Neas.

I have attached to this letter a copy of a July 16, 1997 memo that I provided to the above mentioned individuals representing my initial thoughts following our meeting in St. Louis. I believe we all agree that the following are significant initial suggestions for your consideration and possible action.

A) Service Connected Disabled Veterans should receive priority in <u>any & all</u> of the services, resources and programs offered by the SBA, now and in the future.

B) The SBA Office of Veterans Affairs (OVA) should be elevated within the agency, and provided adequate resources, staffing and authority to fully do its job. This would include a direct line of reporting to and direct responsibility to the Administrator of the SBA. It also includes adequate staffing to fully function for the targeting of specific services, programs and resources to veterans nationwide (approximately 20% of small business owners in the USA are veterans).

Adequate funding must be provided to create a national outreach and services program. This could require possibly three to five million dollars + administrative costs for the first year. There should be explicit passage into law, the requirement that the OVA develop and implement the full intent of Congress regarding Special Consideration for veterans in every SBA program. This would include providing the authority to, and requiring the OVA to define Special Consideration for veterans within the agency. Further, the OVA should immediately create a special committee to assist in the development of this definition. Persons such as myself, and others listed in this letter should participate fully in this effort. The OVA, or the Agency must have/allocate adequate research dollars to update SBA research regarding veteran entrepreneurs. The SBA has not studied Veteran entrepreneurs since FY 1983. They should identify and inventory existing veteran small business owners. Further, they must identify the needs of existing veteran small business owners, potential veteran entrepreneurs, and the potential entrepreneurial aspirations of the men and women presently serving in the military. The SBA should be required to report to the Small Business Committees of Congress annually at least the following; The effectiveness of all projects and programs of the SBA in assisting veterans, and veteran eligible persons, the number of individual veterans receiving assistance, the number of startup business concerns formed, the gross receipts of assisted concerns, the increases or decreases in profits of assisted concerns, & the employment increases or decreases of assisted concerns. Further, they should describe and report on all specific programs created or targeted toward veterans, as well as veterans participation levels in other SBA programs not specifically targeted to veterans. In all instances where program activity for veterans has fallen, been diminished, or has ceased to exist. An explanation should be provided, along with a specific description on actions taken, or to be taken to reverse this diminished level of activity.

C) Each State's Lead Small Business Development Center (SBDC) should be provided the resources to, and be required to create and implement the SBA model Veterans Entrepreneur Training (VET) program. Further, each State SBDC should be required to hire a dedicated full time Veterans Services Coordinator. Further, the SBA VET program should be modified, implemented and made available at each military base for soon to discharged members of the military. These military base centered programs could directly feed prepared new veteran entrepreneurs into the SBDC programs in the states they return home to following discharge. Approximately $7.5 million dollars would be required initially for the SBDC portion of this effort, or approximately $150,000 per each State SBDC system.

D) The SBA should be required to appoint veteran small business owners/advocates to <u>every</u> advisory and oversight committee at the SBA National, Regional and District level. This does not mean to simply identify already existing committee members who happen to be veterans', but means identify and appoint new, veteran specific members to each committee. I, and other advocates can assist in identifying potential members for this effort.

E) We (your staff and us/others) should revisit, and update the previously proposed Veterans Entrepreneurship Promotion Act of 1990, 1991, & 1992 (HR 5616 & HR 1404). This should occur in a timely fashion to prepare a comprehensive legislative initiative for introduction in the next Legislative year (1998). We would request that you consider being the original Author and Sponsor of this initiative.

F) The inclusive and diverse status of veterans (we are all races, genders, and levels of disability/non disabled), suggests that a veterans' liaison office should be established in the Womens, & Minorities services offices of the SBA, and in all programs of the SBA.

G) We can assist your staff with the following; Developing report language, planning and scheduling hearings, assisting in identify potential witnesses, and requesting/requiring a full accounting from the SBA of the services presently developed and available specifically for veterans', as well as those services and resources not targeted, but available to veteran entrepreneurs. A comparative analysis should be provided by the SBA of the services specifically for veterans compared to services specifically for women and minorities. This information should go back for at least the past five fiscal years. Trends and expenditures should be presented, along with an explanation as to why veterans services have disproportionally receded (if they have), or have not received adequate funding and attention when compared to other groups served by the agency. Specific remedial and implementation steps along with proposed expenditures should be detailed by the SBA to remedy any disparities identified for veterans. This report should be prepared and provided quickly (60 to 120 days) to your Committee.

If the report or remedies are not satisfactory to the Small Business Committees, specific follow up suggestions including penalties should be considered or enacted toward the agency.

H) A separate Micro Loan program for veterans should be created. One that provides better interest rates than for other groups. It should initiate a special outreach program, and provide specific technical and training services along with other resources for veteran entrepreneurs.

I) The disparity of services for veteran entrepreneurs extends beyond the SBA. While virtually every State Government and many County and local governments maintain and promote specific entrepreneurial services, resources, loan and procurement programs for other groups, virtually no State or Local governments have created, maintain or promote programs and opportunities for veterans. A National initiative should be created to promote the development of State and local efforts to assist veteran entrepreneurs. I am suggesting a new, National SBA State and Local government Veterans in Business program that would provide resources for, and support the creation of specific State and Local government programs targeting veterans with loans, support and training services and procurement opportunities.

J) A National Veterans Business Resource Council should be created, with corresponding local comparative groups modeled along the lines of the Veterans Business Resources Councils model created by the SBA in the early 1980s. Specific, adequate funding must be provided to develop and operate these Councils with full time staff. Their mandate would be to advocate for, and elevate the opportunities and resources available to assist and support veteran entrepreneurs.

K) Technical Assistance Grants should be made available from the SBA (possibly the 7(m) program?) specifically for veteran program development and support activities.

L) A National Clearinghouse on veteran program models, services and resources should be created.

This clearinghouse should have the capacity and resources necessary to provide technical assistance and seed money for the start up, and delivery of services specifically for veteran entrepreneurs.

This Clearinghouse should also identify, research and provide information regarding the impact on the national, on individual State and on local economies of veteran owned businesses and initiatives. This information should date back to at least 1940.

M) A specific target, with time frames for accomplishment, (including possible penalties for non attainment) should be considered for the SBA, and the SBDCs to allocate at least a fair share (20%?) of their services and resources for veterans programs and services.

N) A special export promotion program should be created specifically for veterans in Sec 503 (SMALL BUSINESS EXPORT PROMOTION) of the Small Business Act. This could be implemented through the Export Assistance Center program. This program would target veterans who have lived and served in virtually every export market of the USA.

O) A special procurement program should be created for veterans with the Departments of Defense and Veterans Affairs (or with all federal Departments). This should include specific percentage goals for veteran procurement. This program would not be intended to limit veteran owned businesses to a specific small percentage of procurement, but rather, would be an effort to develop procedures and systems designed to enhance procurement opportunities from the federal system for veterans.

. . . . . .

In closing, this represents a compilation of our thinking to this point. This may seem like a lot to take on. However, after decades of no real attention. There is no better time to begin than now.

We welcome your response and reaction to these suggestions, and remain at the ready to assist in any way that we can to increase small business opportunities and resources for veterans.

Should you require any additional information, please do not hesitate to contact me, or any of the other veterans listed in this letter.

Thank you for your interest and consideration of these ideas.

Sincerely,

William D. Elmore
15 Trails End Drive,
Eureka, MO. 63025
P/F 314-938-4407

April 17, 1997

Congressman Jim Talent
Chairman, House Small Business Committee
2361 Rayburn House Office Building
Washington, DC 20515
ATTN: Tee Rowe

Dear Congressman Talent;

Thank you for your vital leadership, and Co-Sponsorship on HR 168, the previously titled "Veterans Entrepreneurship Promotion Act of 1997".

Since the early 1970's, I have assisted veterans who aspire to self employment. My experience dictates that I send you this letter, and to urge your serious attention to the specific details of the (re)drafting of the language of this bill.

During my entire professional life, I have come to learn that unless the Small Business Administration is very specifically directed to assist and ensure full participation of self employed service connected disabled veteran (sdv) in all programs of the SBA, it will not occur. This agency (the SBA) has demonstrated a long and calloused disregard toward sdv's at the highest levels. They have never embraced their present minimal responsibilities and opportunities to assist the men & women who have been injured while serving our country. If the language in this bill is not direct enough, they will make every effort to circumvent, and recast the intent and purpose of this bill in their own shadow. A shadow that historically ignores and antagonizes us, the service connected veteran business owners.

Examples abound, and include the fact that it took the SBA 29 YEARS, to create its own veterans affairs office. In 1990, the "special consideration" that was shown to veterans by the SBA equated to less then 1/2 of 1% of the SBA's administrative budget being directed to veterans. In 1991, SBA Associate Deputy Administrator Catherine S. Marshall testified before Congress that despite the fact that "We (the SBA) want to do all we can to provide new opportunities which our veterans so richly deserve." "We do not support H.R. 1404." (H.R. 1404 was the then proposed "The Veterans Entrepreneurship Act of 1991".)

Further proof that the SBA presently ignores veterans is the fact that in FY 1990. 65,000 veteran owned businesses were registered in the SBA's PASS system. Today, there are 54,000 veteran owned businesses registered in the PASS system.

I urge you to consider doing two things in the re-drafting of HR 168. The first is to allow myself, and other knowledgeable persons from the veterans business service community (such as John Lopez of the Association for Service Disabled Veterans) to provide direct comment and input into the drafting of the language of this bill. Further, I encourage you to establish a requirement in the legislation that a Committee be established, with members named by you and Chairman Stump to review and recommend the implementation and operation of the results of the legislation.

We are not asking for another layer of bureaucracy to be established at the SBA. We simply know that if left to the SBA. The implementation of this legislation will not reflect the best interests of the community it is designed to assist.

Should you have any questions regarding this letter, please let me know.

Thank you for your consideration of this letter.

Sincerely,

William D. Elmore
15 Trails End Drive
Eureka, Missouri 63025
Phone/Fax 314-938-4407

cc: Mr. Lindsey Neas
cc: Mrs. Barbara Cooper

TESTIMONY TO THE COMMISSION ON SERVICE MEMBERS AND VETERANS TRANSITIONAL ASSISTANCE
1401 Wilson Boulevard, 4th Floor, Arlington, Virginia 22209

January 5, 1998

Q1. Please give us an overview of your organization's experience in small business development?

Since 1988, the VA Regional Office in Des Moines, Iowa, has provided small business assistance to over 100 disabled veterans. The businesses developed ranged from a production woodmill employing over ten people with $1,000,000.00 in sales, to small businesses that involve a single veteran working part-time in a craft or personal service business such as snow removal or yard care. The majority of our business tend to be sole proprietorships and rarely involve more than one or two employees. We recently followed up with 57 veterans who we identified in 1994 as individuals who we had helped or were planning to assist in small business. Of the 57 veterans, we were able to contact 38 individuals, of the 38 we were able to contact 19 are receiving their primary income from self-employment and 12 are receiving part-time income from self-employment. We were able to identify seven individuals whose businesses were not successful or who ultimately pursued other goals. Of those seven individuals, two are employed full-time in other jobs, four individuals experienced worsening of their service-connected disabilities which interfered with their ability to continue their businesses, and one individual is not working although that individual is primarily care taker for his family.

Throughout the course of our involvement with small business, our office has actively sought ways to improve the service we provide to disabled veterans. An important aspect of that improvement has been our ability to partner with other individuals and organizations that provide assistance to people in small business. These organizations include the State Department of Vocational Rehabilitation, Entrepreneurs with Disabilities Program, a program developed by the State Department of Vocational Rehabilitation and the State Department of Economic Development to provide assistance to clients of the State-Federal Vocational Rehabilitation program with self-employment goals. Another important partner has been the State Office of Economic Development which funds a network of small business development centers.

We use the services of small business development centers to assist our veterans in developing business plans. We use the Disabled Businesspersons Association for consultation and as a network resource for our veterans. We have also utilized the services of individuals with experience in small business development to assist our veterans in developing small business proposals and to follow our veterans during their first year of business. We have found that follow along services are very important in ensuring the success of our veterans.

We have also used the assistance of the Small Business Administration's Veteran's program and we have utilized the Institute for Social and Economic Development a micro-enterprise organization.

Q2. What are the primary impediments if any to starting and maintaining a successful small business?

Business rely on three M's. Money, Market, and Management. The businesses that we serve are usually new businesses in the initial stages of development. The typical veteran business person did not have a business background, has limited access to income for cash flow and has a limited knowledge of the market that exists for her/his business products. Additionally, many of our veterans have significant disabilities which must be accounted for in the development of the business.

Because we become involved with our veterans at the very beginning of a business endeavor, the money, market, and management aspects are developing as well. With each new business, we are facing the unknown and our involvement, because it tends to be at the very beginning stages of a business, also means that there is an appearance of high risk. At these beginning stages, the perspective veteran business person typically lack access to a support group that can assist and encourage him or her through the beginning stages.

Typically the person we assist is not in a comfortable financial position and consequently is quite subject to financial setbacks during the initial year of business. There is no provision for operating capital in the Chapter 31 program and this is an impediment to our veteran's success.

At least for disabled veterans in our vocational rehabilitation program, another impediment is the expectation that we will close the veteran's vocational rehabilitation file after a year of business experience. Considering the fact that we typically are serving people at the very beginnings of their business, continuing services through a period of through four years verses the one year to eighteen months that we are currently able to serve people would improve the veteran's chance for success. A final impediment for individuals who might access the VA Vocational Rehabilitation program, is the recent change in our law which restricted even further access to self-employment as a vocational goal.

Q3. Do veterans face additional or more extreme impediments in starting and maintaining successful small business?

Veteran status by itself does not constitute a limiting factor in starting or maintaining a successful small business. However, certain veteran groups may face special issues in establishing small business.

Transitioning veterans who locate to new communities may face difficulties establishing small business because they are new to their current communities. This could increase difficulties in securing loans and obviously being a new person in the community, a transitioning veteran would have a smaller network of friends and business acquaintances. This lack of a network could create more difficulties.

Veterans with disabilities face additional problems as a result of their disabilities and quite often additional financial problems as well.

Q4. Assess the effectiveness of the government's program to assist veterans establish or maintain successful small businesses.

Quite frankly, from the standpoint of government programs, we have done very little to encourage veteran-owned business. Small Business Administration does have some special programs for veterans and veterans' coordinators in their offices. Department of Veterans Affairs has the Office of Small and Disadvantaged Business, which has attempted to encourage use of veteran owned businesses and VA has the Chapter 31 program, which provides assistance in small business only to the most seriously disabled veterans. In addition to the lack of government programs, there is not an

organization other than Urban Miymares, Disabled Persons Association that is national in scope and targets the needs of veteran business persons.

Q5. What in your opinion are the most successful programs to help the veteran overcome these impairments?

The most successful programs to assist the veterans in becoming successful business persons offer comprehensive services, assist veterans in identifying and linking with local programs that offer assistance to businesses, such as Small Business Development Centers. The most successful programs offer a long-term follow-along assistance and technical support. They review business as a developmental process include feasibility studies, assess business persons needs in terms of money, market, and management and identify resources to address those needs. Further for people who have disability issues ensuring that those disabilities issues are considered in terms of their impact on the business.

Q6. What Improvements and Program Delivery for Veterans would you recommend?

1. For veterans with service-connected disabilities, I would recommend that the Chapter 31 program ease its restrictions on who can qualify for small business assistance. This past year, the program became more restrictive and now only veterans with the most serious disabilities qualify for small business assistance through Chapter 31. This makes little sense at a time when self-employment is becoming more prevalent in the country and when we know that for people who are disabled, if they are employed they are more likely to be self-employed.

2 I would encourage long-term follow-up and technical support for veterans receiving small business assistance through the Vocational Rehabilitation program.

3 Allow for the payment of subsistence allowance during the initial period of business start up. This could be the first six months or the first twelve months of a small business start up and I would encourage cooperative efforts between the Department of Veterans Affairs and their rehab services administration and finally I would provide for grant funding to identify those practices in small business development, communicate those

best practices to rehabilitation staff and to build networks of support among rehabilitation programs and other business resources.

28/359 JH:smj H\VRC\Jack\Testimony - Small Business

Veterans Small Business Association

Testimony to
Congress of the United States
House of Representatives
105th Congress
Committee on Veterans Affairs
Subcommittee on Benefits

Joint hearing of May 20th, 1998
With the Subcommittee on Governmental Programs and Oversights
Of the Committee on Small Business

Paul W. Hanley

Executive Summary

The Veterans Small Business Association is a non-profit 501C(6) organization incorporated two years ago, dedicated to the goal of helping veterans to start up and operate businesses through a mentoring process. All ten founders of the VSBA are veterans who have started their own business, who began meeting informally five years ago to share insights and experience. Our experience with both the Small Business Administration and the Veterans Administration has varied from individual to individual and from business to business. All of us came to the eventual conclusion, however, that there is no specific governmental agency whose primary mission is helping veteran entrepreneurs. Moreover, we believe it is much more difficult to provide significant, tailored, lasting support for veteran start-ups through a governmental bureaucracy than it is through the private sector. Exact figures vary, but there are clearly millions of successful veteran entrepreneurs in the economy, and these people have a special appreciation of the value of military service and its applicability to the marketplace. The VSBA was founded on the precept that this resource can be harnessed to assist veteran entrepreneurs and thereby provide a level of support which is simply not attainable through federal assistance. The most helpful step the Government can take is to establish a guaranteed loan program to facilitate veteran start-ups.

Veterans Small Business Association

VETERANS HELPING VETERANS IN BUSINESS

Background

There are various government programs to assist veterans with business education and loans, and many veterans organizations to help them find a job. However, there is no single organization dedicated to assisting the veteran to enter and compete in the commercial market place as an entrepreneur.

The VSBA was organized by a group of veteran business owners who met once a month to discuss business related issues. During the 1992-1995 period there were many veterans leaving the service. Some began their own businesses and received assistance from veterans who had been in business for a number of years. This assistance to veteran-owned new starts has matured into the VSBA.

Goals

* Assist veteran entrepreneurs
* Promote veteran to veteran business networking
* Support existing veterans groups, without duplication

Veteran Advantages in Business

* Personal discipline
  Integrity
* Teamwork orientation
* Training and organizational skills

Veteran Disadvantages in Business

* No experience in profit and loss
* Unaccustomed to business practices
* Unfamiliar with business law and regulations
* No Business network established

Veteran-to-veteran Networking

Veterans tend to seek the advice and counsel of other veterans. Veteran-to-veteran business networking provides a forum for the discussion of common business problems and issues and the interchange of new business opportunities via a trust level built upon shared experiences in the military. The VSBA will promote veteran-to-veteran business contact and partnering opportunities, as well as the hiring of veterans. The organization will promote the pooling of skills and exchange of ideas and personnel to complete business goals. Veteran business will be encouraged to join local chambers of commerce and other business organizations to establish sound references that promote the success of the veteran in business.

Support to Other Veteran Groups

VSBA understands the value of existing veteran groups and intends to support these groups and their purposes with regard to veteran affairs.

VSBA seeks to focus solely on the support of veteran business issues and needs.

VSBA will assist other veteran groups through cooperation and exchange of information.

Membership Services

* Support for Start-ups and Follow On
*Business Plan Development and Support
*Networking Opportunities
* Public Relations Services
* Financial/Loan Preparation Assistance
* Business Appraisals and Negotiations
* Business Consulting
* Lobbying
* Newsletters - National and Local
* Business Insurance
* Credit Cards
* Legal Services
* Telecommunications
* Accounting/Tax Preparation
* Franchise Evaluation and Negotiations
* Human Resources & Benefits Packages
* Catalogue of Veteran Businesses

Conclusion

There is a need to optimize veteran skills, experience, and leadership ability by promoting the entry of veterans into business enterprise and by supporting veterans who accept this challenge.

The VSBA is committed to: 1) creating a smoother transition for veteran entrepreneurs; 2) more successful small business ventures; and 3) greater economic growth and more jobs. VSBA estimates that every veteran entrepreneur will create at least one and perhaps dozens of new jobs thereby levering veteran's skills into the economy.

Objectives

1. Establish a national non-profit association of veterans and veteran owned and managed businesses.

2. Develop plans and procedures to establish an organization capable of assisting veterans in entering into business and competing in the commercial market place.

3. Find sources of funding to establish a national organization in 1996.

4. Establish an association to support political issues and actions that further the interests of members and veterans.

Mission

The veteran, by nature of previous employment, is not experienced in the processes of business startup and management. Though the veteran may have a formal education in business, each will lack the civilian experience of their counterparts. In the current business climate, veterans are at a disadvantage due to a perception that their training and experiences have little bearing in the market place. The VSBA provides a pool of experienced veteran business owners and managers who can help the veteran to start up a business.

The VSBA is open to all honorably discharged Armed Forces veterans without discrimination. It is also open to active duty personnel who are close to separating or retiring.

The Veterans Small Business Association is a non-profit organization dedicated to assisting veteran-owned or managed businesses to enter the commercial market place and compete successfully. The mission of the VSBA is to:

- Educate the veteran about business opportunities and about how to own, manage, and compete in business.

- Educate the public and government agencies about the plight of the veteran.

- Provide a public forum for veteran-related business issues.

- Provide an experienced board of directors as a resource for the veteran business owner.

- Research and develop business opportunities for veterans.

- Provide information about funding sources and other business related topics.

- Encourage and provide opportunities for veteran businesses to do business with other veteran businesses and encourage veteran businesses to hire qualified veterans.

- Research and disseminate information related to federal, state, and local government opportunities for veteran owned businesses, especially information related to government contracts for veterans.

Keys to Success

The keys to success for the VSBA are:

* Unique marketability of veterans.

* Veteran knowledge of government procures and contracting.

* Veteran facility for dealing with other veterans.

* Veteran leadership and management skills.

* Support from veteran organizations and other activities.

Start-up costs are approximately $6 million of which $3 million are for first year and $2 million for second year. The VSBA business plan anticipates that these costs will be repaid within seven years. This funding includes advertising, promotional and public relations work, initial key staff, temporary office space, and communications. It is the belief of the Board of Directors that we must be able to offer full membership services nationwide from the first day of operations.

Membership Services Provided by the VSBA

upport for Start Ups and Follow On

National Headquarters

1. Reference materials: books, brochures, audio and video tapes, and other materials on a broad range of subjects related to small business start-ups and operations needs. The material will be ordered through fulfillment services.

2. Personal Advisor Program - VSBA retains staff to answer member questions on business start-up and operation issues or to refer them to sources that can assist.

3. Business Seminars - The VSBA National Headquarters coordinates with regional and local chapters to arrange day long seminars on subjects of concern to small business start-up and operation needs.

ocal Chapters

1. Chapters provide morally meetings of volunteer executive councils, where members discuss issues and problems of mutual interest for start up and follow on business operations. The councils are comprised of both experienced and new-start business owners who share experiences and lessons learned.

The councils act as advisory boards of directors. Local executive councils set their own agendas comprised of general discussion periods and presentations offered by other members and local business leaders on topics relevant to local member's needs.

2. Local chapters, with national headquarters' support, maintain a local reference list of available resources to help small businesses - e.g. small business development centers, universities, local government resources, chambers of commerce, SCORE, local business consultants, etc.

Business Plan Support

National Headquarters

1. Provides reference material such as questionnaires, business plan outlines, software packages and primer reference material for preparing business plans.

2. In coordination with regional and local chapters, the VSBA will provide lists of local business consultants to assist members in developing or reviewing business plans.

Catalogue

National catalogue of VSBA businesses broken down by state, city, type of business. Catalogue to be distributed by the VSBA to members and through the VA, SBA, U.S. Chamber of Commerce, and other veteran organizations.

Networking Opportunities

Chapters put on equivalent of "Chamber Mixers" once a month. Local chapters accept calls from local businesses looking for partnering opportunities with VSBA members and put them in touch with qualified members.

Lobbying

National organization and local chapters provide experienced vet-owned businesses for testimonials in support of business concerns to federal, state, and local governments.

Newsletter to Members

Basic newsletter with national information of interest to members that can be sent to nationwide chapters via modem, allowing local chapters to quickly add local information of interest and produce/disseminate letter via broadcast fax. Can ask SBA, VA and vet organizations for monthly input. Newsletter will also be put on Internet.

Outsourced Products and Services

The following products and services are provided to VSBA members through endorsement by the VSBA Board of Directors. All products and services are carefully researched to ensure they are the best products and services available at competitive prices. These business products and services are rated by national or local endorsements, as some business services are not available in a standardized format nationwide. Wherever possible, the VSBA finds products that are available nationally. Where this is not possible, the regional or local chapters will endorse products and services for the veteran business owner.

National Products and Service

Commercial Insurance

VSBA provides business insurance information and guidelines critical to the selection of insurance coverage for businesses of all types. This information is essential for start up businesses as it provides key provisions of insurance policy, the nature of insurance, key terms and definitions, how to develop an insurance plan based on type of business, and how to prioritize insurance needs.

The VSBA provides a nationwide list of commercial insurance companies for the small business owner to obtain various commercial insurance packages at rates typically reserved for the larger corporations and trade unions. Included in this package is a10-page step-by-step checklist for prioritizing and selecting the most cost-effective insurance program. This package is updated periodically to ensure that the best and most competitively priced products in the industry are available to the VSBA members.

Credit Cards

VSBA-endorsed commercial credit cards for your business needs.

Human Resources and Benefits Packages

VSBA-endorsed human resources management and personnel service packages provide the following:

Management

* Organizational design and change
* Policy development
* Human resource program design
* Training
* Outplacement services
* Career planning

Personnel

* Compensation strategies and design
* Executive search
* Professional recruitment
* Temporary employees
* Benefit and insurance packages
* Resume services

Legal Assistance

SBA-endorsed legal services include prepaid legal assistance, incorporation, and a list of veteran law firms in the area that will provide VSBA group rates.

Business Plan and Business Consulting

VSBA provides business plan formulation and review for a set fee, as well as reports and proposals for contracts.

Public Relations/Communications

VSBA-endorsed public relations firms provide a full package of assistance to the veteran entrepreneur, including internal communications, strategic planning, market identification and research, corporate image shaping, product promotion, emergency response planning, media relations training, employee and customer surveys, and advertising consultation. This service will respond to a broad range of retirements, from large corporation to one-person start-up business at competitively priced VSBA group rates.

Telecommunications

√SBA provides a group rate for telecommunications products such as long distance, data lines, interact access, cellular, paging, broadcast fax, and international call back that provide guaranteed savings. VSBA-endorsed telecommunications companies will provide telecommunications planning and consulting to provide the most cost effective communications packages for small businesses.

Regional or Local Products Services

VSBA local and regional chapters will establish membership polling controls that allow the chapters to monitor the quality of the services provided to the membership. Those firms that do not provide quality services and competitive prices could lose VSBA endorsement through review by the Board of Directors. Each regional and local chapter shall maintain an updated list of VSBA endorsed firms that have the capability of addressing the veteran business owner's needs for the following products and services: Accounting/CPA, Tax Preparation and Assistance, Franchise Evaluation and Negotiations Assistance, Financial and Loan Preparation/Assistance, Business Appraisals and Negotiations Assistance.

THE VETERANS ADVOCACY FOUNDATION, INC.
5144 Goethe Avenue, Saint Louis, MO 63109-3203 Phone/Fax: 314-351-9404

March 23, 1998

PRESENTATION BY PATRICK T. HEAVEY, DIRECTOR

TO

THE COMMISSION ON SERVICE MEMBERS AND VETERANS TRANSITION ASSISTANCE
AND
CONGRESSMAN JAMES M. TALENT, CHAIRMAN
US HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS

Thank you for this opportunity to provide information to your Committee regarding the programs provided by Federal agencies in support of Veterans in Small Business.

BACKGROUND INFORMATION: Is attached and consists of the SBA's 1993 National Veterans Advocate biographical summary, supplemental information provided in the form of a letter to Gail Wegner of your Committee, and, a Fact Sheet describing the Mission and organization of the Veterans Advocacy Foundation.

IMPEDIMENTS (UNIQUE AND OTHERWISE) FACED BY VETERANS IN SMALL BUSINESS:

The simple fact is that there are NO Federal programs that provide substantial veteran-specific assistance to aspiring Veteran entrepreneurs. In fact, Veterans are often seen as the sole concern of the Department of Veterans Affairs and Federal, State, and Local agencies tend to defer to that mythical assumption.

The US Small Business Administration has minimal support available for Veterans aspiring to business ownership. While women, minorities and the disabled have numerous programs targeted specifically to assist their entry into the small business arena, Veterans efforts consist of four miniscule elements:

1. A national Office of Veterans Affairs within SBA. This office has minimal staff and facilities. The FY1999 budget request for outreach activities specific to veterans totaled $40,000, about five thousandths of one percent of the total request of $724, 424,000. Although it is likely that this amount may be modestly increased as a result of inquiries from the House Small Business Committee Chairman, it is clear that veteran-owned businesses are not a current priority for SBA.

2. "Special consideration" from SBA, defined as: "... the attitude which motivates SBA employees to make every legal effort to assist clients who qualify for our programs. The Congressional mandate directs that this same motivation be extended to our nations' veterans" (Mission Statement, SBA Office of Veterans' Affairs). In May, 1992, the SBA Administrator amplified this commitment in a policy statement, defining "special consideration" as follows: "Special consideration involves designing unique management training programs specifically targeting the needs of veterans,

processing veterans loan applications before non-veterans loan applications submitted that same day (emphasis added), and monitoring loan and procurement activities for veterans with other agency departments".

In practice, this "special consideration" is no consideration at all.

- The only effective "unique management training program" fielded was designed and implemented with SBA by our own, local veterans' community, including a number of persons in attendance here today: Mr. Elmore, Mr. Gravitt, Mr. Coe, Mrs. Snyder and myself. The VET Program (Veterans Entrepreneurial Training) Program was the product of a unique joint endeavor between community-based veterans' organization, the SBA, academia, and veterans in the private business sector. It attracted 1500 applicants, of whom 100 were selected for participation based upon questionnaires and personal interviews by panels of veteran business owners and managers. The communication and authority issues which developed from our lack of expertise in managing the disparate interests of these communities resulted in its' termination after the first year. However, the VET Program served as a direct model for the WET (Women's Entrepreneurial Training) program which was expanded throughout the United States and became the seed for the numerous programs now provided by SBA for women in business. The concept is clearly sound and deserves to be revisited.
- Processing of veterans loan applications before others received the same day. This is a meaningless provision, given the elongated submission, documentation and approval process common to all SBA loans. An application that is 1st on Monday may well be 20th by Tuesday, etc.
- The SBA Loan Application contains a single question regarding veteran status, as does the PASS application, the gateway to the procurement process. Counting the number of affirmative responses provides all of the information required under the monitoring provision. Hence, the results reflect only the number of veterans who have been able to negotiate the system without SBA assistance. Thanks to Bill Elmore and his work with Congressman Talent, SBA is now required to perform a study to determine the extent and effectiveness of their Veterans activities; this has yet to come to fruition, however, and may simply illustrate the reluctance of that Agency to open this topic to public discussion and Congressional scrutiny.

3. In theory, SBA has authority to make Direct Loans to Vietnam Era and Disabled Veterans. In practice, however, this program is unfunded and has not been a part of SBA's' funding requests since 1994, when it was first established, then withdrawn from the SBA budget. It has yet to reappear.

4. Each SBA District and Regional Office has an individual who is designated as the Veterans Affairs Officer. In practice, this is an additional duty assignment, to be pursued on a time-available basis. While we have had a number of outstanding Veterans Affairs Officers, (specifically including Mr. Gravitt, who was selected as the Missouri Veterans Advocate by the virtual acclaim of the veterans community following his retirement from SBA), it is extremely difficult for any individual tasked with this position to devote substantial time or effort, particularly in these times of decreased staff at the District level.

PROGRAMS AVAILABLE TO ASSIST VETERANS IN ENTREPRENEURSHIP:

There are no veteran-specific programs in our area. Programs available to Veterans are identical to those available to the public and somewhat less than those offered to other "underserved" populations.

We have been fortunate in St. Louis to have the cooperation and assistance of an informal network of veterans in obtaining funding and management assistance for some of our veteran entrepreneurs. This network is an outgrowth of the original VET program and has been sustained, in large measure, by former members of the VET Program Advisory Board, which was established to provide peer mentoring.

We have also been fortunate to have had consistent support from our local SBA District Office, in particular Bob Andrews (District Director) and Jeannie Nyberg (Assistant District Director), who have provided guidance and encouragement subject, of course, to the constraints imposed by SBA regulation and policy.

PROGRAMS USED AND ASSESSMENT OF EFFECTIVENESS:

As indicated in our previous topic, we have no veteran-specific programs except those that we have established and tried to maintain on a local and voluntary basis. I would not assess them as effective, simply because of the small numbers of Veterans we are able to reach and the sheer paucity of support services that can be rendered by a purely voluntary effort. We have done what we can do, but it is a drop in the bucket.

SHOULD THE FEDERAL GOVERNMENT ESTABLISH A COMPREHENSIVE PROGRAM TO ASSIST VETERANS?

I believe that this question might be more appropriately stated as: "Should the Federal Government Reestablish A Comprehensive Program to Assist Veterans?" We live in a society where we ask a minority of our citizens to defend the rights and liberties of the majority; in effect, to place their lives on the line for the common good. In return, we pay them poorly, require unlimited personal sacrifice and promise them that their society will recognize the importance and relevance of their service.

In fact, the last group of veterans so honored were our WWII veterans. They saved the world for democracy; clearly deserved help in catching up with those who did not serve and were provided that opportunity by the original GI Bill. The GI Bill empowered and educated veterans, put them in homes of their own, financed small business enterprises – and gave birth to an unprecedented expansion of the American middle class. Much of the success of the post-war economy can be credited to that single piece of legislation, which opened myriad doors and provided unprecedented opportunity.

Since that time, the national march toward political correctness has increasingly excluded veterans. We have dissembled at length over the wisdom of our military and political commitments in Korea, Vietnam, and other places too numerous to list here. We have confused the warrior with the war, the instrument with the result. Veterans have become politically incorrect – and have begun to vanish from the political radar.

DVA estimates that over 35% of veterans now living will be dead within the next 7-8 years, as the WWII cohort is depleted. The national Veterans Service Organizations currently represent

only about 26% of living veterans and, with the exception of Vietnam Veterans of America, the majority of their members are from the WWII era; thus, 70%+ of veterans are unrepresented at the national level and this percentage will likely grow with time. Further, the manpower requirements of modern warfare are much less than in previous periods of our history. With conscription is no more than a distant possibility fewer of our citizens will serve and military service will be perceived solely as a career choice, rather than as patriotic service to the nation.

In general, veterans from Vietnam forward have been, at best, skeptical of government. Downsizing of programs and agencies (including the military itself) has both reduced expectations and exacerbated need. While we have acknowledged the moral obligation to assist those who have stood at the "pointy end of the spear", I fear that our own lack of political acumen and involvement may very well handicap our ability to access the institutions and structures charged with that responsibility.

WHAT SHOULD THESE PROGRAMS ADDRESS?

We live in a democracy in which the only common measure of achievement is financial success. There are, of course, many other measures, but most are dependent upon a stable financial base from which to expand our talents. Many of us have achieved some measure of success, but, as a group, we continue to experience high homelessness, unemployment and societal disruption among many of our fellow vets. Money IS the issue, both as an expression of our national commitment to our veterans, as a measure of how well individual veterans have achieved their goals, and in the expansion of national prosperity from our investment in veterans.

Our nation currently enjoys nearly "full employment", yet those numbers exclude individuals who have abandoned their job search or refused to cooperate with yet another faceless agency. One third of all homeless persons in America are veterans.
The issue to be addressed is gainful employment, whether in our own business or that created by another. Mr. Elmore outlines a virtual potpourri of possibilities to address these central economic issues. I applaud his hard work and optimism. We would do well to implement even a handful of those well-researched and ingenious initiatives.

The simplest – and politically hazardous – change would be to simply insert the words "and veterans" after each occurrence of the words "women" and "minority" throughout Federal legislation dealing with economic preference issues. Veterans are, after all, a group comprised of all ethnicities, all religious, moral and political persuasions, both genders, and the full range of human achievement. Moreover, we alone have earned the right to special consideration, for it is we who have made this prosperity possible and safeguarded it for the benefit of all citizens.

One of my friends, a fellow vet, owns a large business employing about 260 people. When I talked with him about this meeting to gain his input, he reminded me that he would be out of business today if it were not for his security guard, who stymied a huge theft attempt at his warehouse. It was not his elaborate alarm system that saved the day – is was the individual effort and commitment of a single employee, entrusted with the duty of safeguarding that warehouse. Our Veterans have long been the ultimate security guards for our society and its' values. They deserve our gratitude and assistance because they have earned it.

Thank you for your kind attention.

THE VETERANS ADVOCACY FOUNDATION, INC.
5144 Goethe Avenue, Saint Louis, MO 63109-3203 Phone/Fax: 314-351-9404

March 16, 1998

VIA FAX TO: Gail Wegner

RE: Background Information for 3/23/98 Commission Meeting in St. Louis

Dear Gail:

It seemed likely that the Members of the panel would want to have some background on the individuals participating in the meeting. I am enclosing a (faded) copy of the SBA's write-up from 1993, when I was selected as the National Veterans Advocate. The following is intended to supplement that "piece" which, of course, recounts some of the higher points of my business career.

My involvement in veterans advocacy issues dates from about 1970, when I participated in the founding of the Veterans Service Centers of Southwest Illinois, serving as an officer and board member until the disbanding of that organization in 1982. In the years following, I continued my involvement to whatever degree I was able to manage -- the SBA article speaks to that period fairly well.

By June of 1994, in addition to PH&A, Inc. and The Private Business Group, my partners and I had added a mortgage company (Mortgageworks) to the mix. In July of 1995, I became quite ill and unable to continue my duties; my partners (both VN combat veterans) came to an amicable ownership transfer arrangement and I was enabled to pursue an extensive recovery effort, which has been successful.

In May of 1996, I established the Veterans Advocacy Foundation, Inc. (a nonprofit Missouri public service corporation) to provide a vehicle to continue advocacy activities on a more active basis. VAF has continued to pursue veterans issues on several fronts, most recently in examining the impact of DVA's restructuring of healthcare services and its' impact on our local community. We are also active in the annual Stand Down for homeless veterans and in a variety of other local issues impacting veterans. I'm enclosing a Fact Sheet, which, though a little outdated, describes our activities. VAF is an entirely volunteer operation, accepts no government funds, and runs primarily on the contributions of veterans who recognize the need for independent advocacy on the local level.

Gail, I hope this will help to give some texture to my testimony. I very much appreciate the opportunity to share my experience with the Commission and am grateful to Bill Elmore for suggesting I attend. It is my belief that veterans' issues have largely disappeared from the national radar, to the detriment of both veterans and our Nations' social fabric and national security interests. While I recognize the fiscal constraints which will continue apply to all of government, I sincerely hope that the Commission will be instrumental in ensuring continuing support and opportunity for that minority of our citizens who are required to stand at the pointy end of the spear for the benefit of the majority.

Sincerely,

/S

Pat Heavey

TESTIMONY OF

JOHN K. LOPEZ, CHAIRMAN
ASSOCIATION FOR SERVICE DISABLED VETERANS

TO

JOINT HEARING, U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON VETERANS AFFAIRS
COMMITTEE ON SMALL BUSINESS

MAY 20, 1998

CANNON 311
U.S. HOUSE OF REPRESENTATIVES OFFICE BUILDING
WASHINGTON, D.C.

ASDV ASSOCIATION FOR SERVICE DISABLED VETERANS
P.O. Box 2312 · Stanford, CA · 94305 · (415) 949-3751 · *Fax 949-0336*

"SERVICE DISABLED VETERANS IN BUSINESS"

BACKGROUND

Over 635,000 men and women have died in the wars of the United States of America, including 17,034 who died in prison camps and an estimated 89,414 persons that remain classified as Missing in Action. An additional 327,000 veterans have subsequently died from their service disabilities.

THE SURVIVING 28 MILLION VETERANS OF OUR NATION INCLUDES OVER 100,000 WHO WERE PRISONERS OF THE WARS AND 2,100,000 WHO WERE DISABLED IN SERVICE (SDV).

As the products of direct and deliberate actions of our government, these 2.2 million service disabled veterans are entitled to unique INDEMNIFICATION.

> "Veterans have been obligated to drop their own affairs and take up the burdens of the nation, subjecting themselves to the mental and physical hazards as well as the economic and family detriments which are peculiar to military service and which do not exist in normal civil life."
>
> Our country has a long-standing policy of compensating veterans for their past contributions by providing them with numerous advantages. This policy has always been deemed to be legitimate."
>
> (Supreme Court Justice William H. Rehnquist in a decision reaffirming the special rights of veterans, May 23, 1983)

In one area of opportunity, access to participation in the nation's economic system through small business ownership, the service disabled and prisoner of war veterans of the United States have been the victims of discrimination

ISSUE

> "Disabled workers were almost twice as likely to be self-employed as were members of the non-disabled population. Finding it difficult to secure gainful employment from others, persons with disabilities may elect to become self-employed. Disabled women were self-employed twice as often as were non-disabled women; 10.8% versus 5.3% among men, 16.8% of disabled persons as against 10.1% of non-disabled individuals were self-employed."
>
> (U.S. Bureau of the Census — President's Committee for the Employment of the Disabled)

New medical advances in prosthetics, medications and care techniques have not made it possible for service disabled and prisoner of war veterans (SDV) to pursue their rehabilitation by being owners and manager of small businesses.

The U.S. Congress has theoretically affected legislation to assist veterans in small business. That legislation has not assisted service disabled veterans.

The State of California has established service disabled veteran small business goals in state contracts and procurements that are available to "certified" small businesses in Article 6 Chapter 6 Division 4 of the Military and Veterans Code and Section 10108.5 of the Public Contracts Code effective January 1, 1990. Additionally, the legislation requires that businesses bidding for State of California contracts demonstrate that they are "responsive" to service disabled veteran business "participationN" in their contract bids. Bidders that fail to show a good faith effort will be bypassed for contract awards to be made to the next lowest "responsive" and responsible bidder.

FINDINGS

The U.S. Defense Department, the federal agency that "created" the service disabled and prisoner of war veteran has absolved itself of responsibility for the rehabilitation aspirations of these SDV. It has diverted action on their behalf to the U.S. Department of Veterans Affairs (DVA). The DVA has declined to support and implement legislation assisting SDV to pursue self-employment in a small business (Veterans Benefits Act 38 USC 1517). The DVA has instead further referred that responsibility to the U.S. Small Business Administration (SBA). That agency has totally neglected the SDV.

Although the Americans with Disabilities Act (ADA) codifies that the disabled, as a group, are to be considered socially, economically and vocationally disadvantaged, federal agencies chose to ignore that intent of Congress.

For example, at the federal level, of the 111,000 small business loans in the nationwide portfolio of the U.S. Small Business Administration (SBA) only 67 were to service disabled veterans, (1988). Also, SBA does not offer 8(a) contract procurement assistance and "exceptional" loan benefits to SDV as a group, although it does so for select ethnic and religious groups. Of 2,900 participants in the 8(a) program six (6) are service disabled veterans and are also members sof "eligible" ethnic groups.

Sadly, a 1996 survey of eight (8) federal agencies reveals that these organizations do not even record the inquiry incidence, or share of procurement awards to service disabled and prisoner of war veteran owned businesses (SDVB) thereby precluding specific tabulated evidence of the lack of assistance to SDVB.

A sample inquiry of 300 SDV who are starting or expanding a small business in California reports that over 250 had "negative" and "discouraging" experiences when attempting to solicit federal and local governments for equal consideration in bidding for procurements.

In program administration, the SBA has ignored advocacy for disabled veterans' programs while increasing other SBA programs and has requested that the U.S. Congress discontinue direct loans to the "handicapped" and "veterans." Given the established and legal right of private lenders to refuse loans to obvious and extraordinary risks, such as service disabled veterans, that discontinuance would remove the last source of reasonable financial assistance to the SDV.

ACTION NEEDED

It is imperative that the U.S. Congress and state and local governments establish that Service Disabled Veteran owned small businesses as a group, be included as equal beneficiaries in the definition "socially and economically disadvantaged population," when such definition is used to determine eligibility for benefits of federal, state and local government programs.

In a draft bill, November 10, 1993, Congresswoman Jan Meyers called for legislated direction to the U.S. Department of Veterans Affairs to establish and actively implement a small business development and assistance program for disabled in service and prisoner of war veterans. Those SDV that chose business ownership as a means of rehabilitation were to receive financial, procurement and technical assistance resources sufficient to initiate their subsequent success.

These resources were to be obtained from existing programs for the socially and economically disadvantaged and therefore were "Revenue and Appropriations neutral."

Attempts by several legislators, such as Chairman James Talent of the Small Business Committee, Congressman McDade (HR 1404), Filner (HR 168), Ramstad (HR 794), Solomon (HR 800 and 8002) and Congresswoman Meyer (HR Draft 111093 and HR 4263 Report) to protest and redress this discrimination have not been successful.

The Service Disabled and Prisoner of War Veteran Business persons (SDVB) of our nation are hopeful that the 105th U.S. Congress will legislate to **ENSURE EQUAL PARTICIPATION** in our nation's economy to those persons who sacrificed so much for a free world.

An often mentioned resolution to this controversy is the suggestion that the Congress add language to the Small Business Act that simply states: **"FOR PURPOSES OF THIS ACT, THE DEFINITION OF SOCIALLY AND ECONOMICALLY DISADVANTAGED PERSONS SHALL INCLUDE MILITARY VETERANS WITH SERVICE CONNECTED DISABILITIES OR DISCHARGED FOR SERVICE CONNECTED DISEASE OR INJURIES."**

However, there are other resolutions such as: **"SERVICE DISABLED AND PRISONER OF WAR VETERAN BUSINESS OWNERS (SDV) ASSISTANCE."**

A legislated measure to provide a bidding differential of 10% to bids for federal procurements, when such bids are submitted by certified SDV.

A legislated requirement that all federal agencies and their non-small business vendors implement programs that target and increase SDV participation in their actual contract awards.

A legislated requirement that the SBA establish an Office of SDV Affairs that conducts a comprehensive program of procurement, financial and technical assistance directed specifically at SDV and that program report its actions to the U.S. Congress and the Committees on Veteran Affairs and Small Business in the U.S. Senate and the U.S. House of Representatives.

SUMMARY

It is obvious that the governments of this nation cannot restore the maimed bodies of these service disabled veterans but it can assist them in their struggle to maintain their rehabilitation and to participate in that economic system for which they have so greatly sacrificed and in which the people of the United States consistently benefit.

If the government and the profiting institutions of the nation are unwilling to support participation in its economic system for those citizens that were maimed and tortured for its perpetuation, it is unlikely that the system will have the support of future citizens.

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May 5, 1998

Mr. John K. Lopez
Association for Service Disabled Veterans
PO Box 2312
Stanford, California 94035

Dear Mr. Lopez:

On Wednesday, May 20, 1998, the Subcommittee on Benefits will conduct a joint hearing with the Subcommittee on Government Programs and Oversight of the Committee on Small Business. The hearing will be held in room 311 Cannon House Office Building at 10:00 a.m.

The joint hearing will examine the performance of the Small Business Administration (SBA) in providing financial and entrepreneurial assistance to veterans. SBA is required by statute to provide special consideration to veterans. In addition, the Small Business Reauthorization Act of 1997 (PL 105-119) provides requirements designed to improve SBA's service to disabled veterans and to provide enhanced outreach. Congress believes strongly that disabled veterans deserve better consideration than they are currently receiving.

In the past, many veterans have expressed concern that SBA and other Federal agencies were ignoring the financial and entrepreneurial needs of veterans who own small businesses. The hearing will provide oversight of the SBA programs and a forum for recommendations that may be offered to improve SBA's performance in aiding veterans.

The Subcommittees invite you to present your views, and confirmation of your appearance would be appreciated. Each witness is requested to furnish 75 copies of their written testimony to Sally Elliott at 337 Cannon House Office Building by Monday, May 18. Committee rules provide for the timely receipt of testimony, and witnesses failing to submit testimony by the deadline may not be called to testify. To reduce costs and facilitate the inclusion of the written testimony in the printed record of the hearing, please provide at least one copy of the testimony prepared in accordance with the enclosed formatting requirements. I would ask that oral testimony be limited to five minutes.

The Committee has begun providing public access to its hearing statements on the Internet through the World Wide Web at the House of Representatives (http://www.house.gov/va) or the Library of Congress (http://thomas.loc.gov). Please provide your full statement on a 3 ½" diskette in Microsoft Word or text (ASCII) format, or you may send it electronically to eric.klos@mail.house.gov.

Recently adopted changes to the Rules of the House of Representatives establish new requirements for witnesses who appear before a committee in a nongovernmental capacity. Accordingly, witnesses are to include in their written testimony a curriculum vitae and a statement disclosing the amount and source (by agency and program) of any Federal grant or contract (relative to the subject matter of the testimony) received during the current or previous two fiscal years by the witness or by the organization the witness represents.

If you have any questions regarding the hearing, please contact Mike Brinck at 202/226-3666.

Yours very truly,

JACK QUINN
Chairman
Subcommittee on Benefits

Enclosure

STATEMENT

BY

EMIL NASCHINSKI, ASSISTANT DIRECTOR
NATIONAL ECONOMIC COMMISSION
THE AMERICAN LEGION

BEFORE THE

SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
AND THE
SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE SMALL BUSINESS ADMINISTRATION'S ASSISTANCE TO VETERANS

MAY 20, 1998

STATEMENT BY EMIL W. NASCHINSKI, ASSISTANT DIRECTOR
NATIONAL ECONOMIC COMMISSION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
AND THE
SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE SMALL BUSINESS ADMINISTRATION'S ASSISTANCE TO VETERANS

MAY 20, 1998

Chairman Quinn, Chairman Bartlett, and distinguished members of both subcommittees: The American Legion appreciates your invitation to provide comments on the Small Business Administration (SBA) and its assistance to America's veteran-entrepreneurs.

Small business is the backbone of this nation's economy. It has been one of the driving forces behind this country's past economic growth and will continue to be a major factor as we move into the 21st century. According to the SBA, "small businesses are responsible for 75 percent of the new jobs in the economy and employ more than one-half of the workforce." Currently, small business is our largest employer and over 30 percent of all small businesses are owned and operated by veterans.

Today, more than ever before, entrepreneurship is taking on new meaning. In view of the downsizing of the military, the federal government and corporate America, Congress and the SBA must do everything they can to empower, encourage and assist all of this country's entrepreneurs.

While The American Legion shares Congress' concern with respect to a balanced budget, we also believe that we must be willing to invest in the future economic well-being of the nation. In our opinion, the best way to achieve that growth will be through providing the resources this country's entrepreneurs need to ensure that they have the ability to successfully open and operate their small businesses.

Chairman Quinn, in your hearing invitation letter of May 5, 1998, you stated:

> *"The joint hearing will examine the performance of the Small Business Administration in providing financial and entrepreneurial assistance to veterans. SBA is required by statute to provide special consideration to veterans. In addition, the Small Business Reauthorization Act of 1997 (PL 105-119) provides requirements designed to improve SBA's service to disabled veterans and to provide enhanced outreach. Congress believes strongly that disabled vets deserve better consideration than they are currently receiving."*

Based on The American Legion's experience with the SBA since 1989, our responses to those issues are: 'What assistance?' What special consideration?' And, We concur fully with the provisions of PL 105-119 concerning services for disabled veterans."

Between 1989 and 1995, The American Legion became so frustrated by SBA's lack of interest in fulfilling its responsibility to veterans, its unwillingness to provide special consideration for veterans, and its refusal to meet with representatives of the veterans' community and discuss our concerns, that the Legion rescinded all of its long-standing policy resolutions mandating the organization to support the SBA and its programs. Before commenting on the services that SBA offers veterans, it is important to review the history of assistance to veteran-owned small businesses and past efforts to improve that assistance.

The first such program dates back to 1944. In that year, Congress passed the Servicemen's Readjustment Act of 1944. Among other things, that monumental piece of legislation established a small business loan program for World War II veterans that was to be administered by the Veterans Administration (VA). Congress later opened the program to Korean War veterans. Because these efforts were so successful, Congress passed legislation in 1953 that created the SBA and transferred the veteran's loan program to the new agency.

Despite the 1974 passage of PL 93-237, which mandated the SBA to provide "special consideration to veterans of the Armed Forces of the United States and their survivors and dependents," little, if anything, was done until 1980 to promote SBA's veterans' programs. Following enactment of that legislation, it was nearly two years before the regulations implementing "special consideration" were printed. Even then, nothing in the regulations established veterans as a special or priority agency concern.

During oversight hearings that were held in the House and Senate in 1980, the SBA was embarrassed into taking steps toward implementation of special consideration for veterans. Although SBA never fully implemented the law, it is interesting to compare how special consideration was defined in the 1982 and the 1997 editions of *Code of Federal Regulations (CFR)*. Both appear below.

1982 Edition

13 CFR, Chapter 1, Subsection 110.3

"(a) Special consideration as defined below, is available only to the veteran himself, or to one dependent or survivor. That is, it will apply first to the veteran himself or herself if not permanently disabled, and then to a dependent if the veteran does not choose to seek SBA assistance. In the case of a deceased or totally and permanently disabled veteran, the benefit would apply to the unremarried or supporting spouse, or child or dependent parent. This policy does not preclude the veteran or other dependents or survivors from later applying for SBA assistance under normal procedures and criteria.

(b) Special consideration will include the following:

(1) In depth management assistance counseling on first interviews. Action will be taken to insure that our management assistance people advise veterans of SBA's programs and the potential benefits to them.

(2) Emphasize to SBA personnel designated as Veterans Affairs Officers the need for close cooperation with the local VA offices and organizations having direct interest in veterans' affairs.

(3) Direct SBA procurement personnel designated as Veterans Procurement Affairs Advisers to emphasize how veterans can obtain procurement contracts from the Government.

(4) Local media campaigns to inform the veteran about SBA ability and desire to help.

(5) Special workshops and training.

(6) Prompt processing of loan applications of any type.

(7) Particular attention to giving maximum loan maturity to veterans.

(8) Loans will not be declined solely because of the lack of collateral, providing the veteran, dependent, or survivor will provide any worthwhile collateral.

(9) On all direct loans, place a liberal interpretation on present deferment policy.

(10) In the awarding of 8(a) contracts, veteran status may be contributing factor in establishing eligibility as "socially or economically disadvantaged."

(11) In all district offices there shall be one or more loan specialists designated as veterans loan officers."

1997 Edition

13 CFR, Chapter 1, Subsection 120.105

"SBA will give special consideration to a small business owned by a veteran or, if the veteran chooses not to apply, to a business owned or controlled by one of the veteran's dependents. If the veteran is deceased or permanently disabled, SBA will give special consideration to one survivor or dependent. SBA will process the application of the business owned or controlled by a veteran or dependent promptly, resolve close questions in the applicant's favor, and pay particular attention to maximum loan maturity. For SBA loans, a veteran is a person honorably discharged from active military service."

While The American Legion salutes Congress for enacting the legislation that created special consideration for veterans, we are appalled by the fact that it has allowed SBA to thumb its nose at the law by completely ignoring it. The American Legion, along with other veterans' advocates, has testified at numerous other hearings on this subject. Unfortunately, our concerns and recommendations fell on deaf ears as nothing was ever done to hold SBA accountable for its actions.

In 1981, Congress established a task force consisting of representatives of SBA, VA, the Veterans' Service Organizations (VSOs) and the Department of Labor. That task force was mandated to define SBA's responsibilities to veterans and make recommendations for future actions. In May of that year, the SBA's Administrator, James Saunders, issued a policy statement which detailed the agency's mission regarding veterans. It established the Office of Veterans' Affairs (OVA) which was given responsibility for, providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran-entrepreneurs. It also, required the office to perform advocacy duties as defined in PL 94-305 on behalf of veterans. In addition, it included a review of SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interest of veterans in business."

Over the next eight years the SBA demonstrated a sincere commitment to veterans. Unfortunately in 1989, when a new Administrator was appointed, SBA's support for its OVA and its commitment to veterans evaporated. Because of that Administrator's interest in promoting other programs within the SBA, veterans were all but forgotten by the agency.

The next Administrator not only continued the policies of her predecessor, but also went so far as to refuse to reconstitute SBA's Veterans' Advisory Committee. As a result, the representatives of this country's 27 million veterans have not had a formal voice at the agency since June of 1992. We must also point out, Messrs. Chairmen, that every SBA Administrator from 1989 refused to meet with representatives of the veterans' community to discuss our concerns.

The American Legion plans to take the lead in facilitating a meeting between the new Administrator Aida Alvarez and representatives of the various VSOs. It is The American Legion's understanding that Administrator Alvarez is a fair minded leader who has a sincere interest in making the OVA a viable part of the SBA.

The American Legion commends Administrator Alvarez for her support of Cliff Toulson's recent appointment as the new Director of OVA. Based on our meetings with Director Toulson, we have been very favorably impressed with his knowledge of small business issues and his ideas for improving entrepreneurial services to America's veterans.

As stated earlier, because Administrators of the SBA since 1989 have been interested in promoting other programs in the SBA, the resources allocated to OVA have dwindled. While The American Legion does not mean to single out SBA's Office of Women's Business Ownership, we believe it is interesting to compare its staffing and funding levels with that of OVA. These figures were obtained from 1979-1997 Congressional Budget Submissions and Federal Financial System Allotment Tables. These figures represent program funds as well as compensation and benefits amounts.

Office of Veterans Affairs

FY	FTE	Requested Funding	Approved Funding
1997	4.0	$ 340,000	$340,000
1996	4.0	724,000	347,000
1995	8.0	1,002,000	860,000
1994	12.3	1,211,000	756,000
1993	14.1	1,380,000	759,000
1992	14.4	1,322,000	744,000
1991	14.5	896,000	896,000
1990	12.7	1,175,000	1,169,000
1989	14.7	1,460,000	1,188,000
1988	13.8	1,433,000	1,437,000
1987	1.3	189,000	1,277,000
1986	1.4	534,000	526,000
1985	5.0	347,000	3.47,000
1984	5.0	289,000	1,838,000
1983	5.0	3,298,000	1,547,000
1982	1.0	63,620	63,620

Office of Women's Business Ownership

FY	FTE	Requested Funding	Approved Funding
1997	7.0	$4,959,000	4,637,000
1996	7.0	4,948,000	3,890,000
1995	9.3	977,000	4,918,000
1994	8.7	878,000	4,308,000
1993	8.0	3,002,000	3,006,000
1992	8.2	3,925,000	3,925,000
1991	9.1	2,951,000	2,951,000
1990	9.2	2,228,000	2,307,000
1989	9.9	2,825,000	2,291,000
1988	11.6	1,008,000	929,000
1987	10.6	489,000	937,000
1986	8.4	480,000	356,000
1985	10.0	1,187,000	1,167,000
1984	10.0	1,188,000	2,887,000
1983	14.2	1,243,000	1,219,000
1982	11.5	1,468,000	913,000
1981	22.0	13,600,000	13,600,000
1980	22.0	2,500,000	2,500,000
1979	12.0	487,000	487,000

Chairman Quinn, your letter of invitation also stated that you would like The American Legion's recommendations on how to improve entrepreneurial services to veterans, particularly to those who are disabled. We believe that the following steps must be taken.

- Congress must take responsibility for holding SBA's feet to the fire with respect to its obligations to veterans. That agency must treat all of its constituency groups as equals and not be allowed to continue treating veterans as second class citizens.

- In addition, the veterans' community must reestablish an ongoing dialog with SBA's top management officials. They must be made aware of our concerns and their responsibilities with respect to the law and the empowerment of the OVA. The American Legion recommends reconstituting the SBA's Veterans' Advisory Committee.

- Finally, Congress and the Administrator need to evaluate the resources that OVA realistically needs to meet its mission. When shortfalls are

identified, Congress and the SBA must be willing to provide those resources, even if an appropriation is required. For example, SBA has authority to make direct loans to Vietnam era and disabled veterans. In reality the program has not been funded and has not been a part of SBA's funding requests since that program was established in 1994.

Messrs. Chairmen, thank you for allowing The American Legion to comment on SBA's performance in providing entrepreneurial assistance to veterans. We look forward to working with both subcommittees on resolving the problems discussed today.

STATEMENT OF

CLIFTON TOULSON, JR.

ASSISTANT ADMINISTRATOR FOR VETERANS AFFAIRS

U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND OVERSIGHT

COMMITTEE ON SMALL BUSINESS

&

SUBCOMMITTEE ON BENEFITS

COMMITTEE ON VETERANS' AFFAIRS

U.S HOUSE OF REPRESENTATIVES

MAY 20, 1998

Mr. Chairman and distinguished Members of the Subcommittees, good morning. My name is Clifton Toulson, Jr., and I am the newly appointed Assistant Administrator for the Office of Veterans Affairs (OVA) at the U.S. Small Business Administration (SBA). Administrator Alvarez has designated me to testify before your subcommittees today. I respectfully request that my written comments be made a part of the record.

I began my government career in 1976 with SBA after serving in the Army for three years including a tour of duty in Vietnam. Prior to assuming my present position, I was the District Director (DD) of SBA's Philadelphia District Office which included managing SBA's programs and operations in Eastern Pennsylvania and Delaware. As DD, I supervised a staff of 55 employees in four offices. I managed a business loan portfolio of $300 million, 10 university-based Small Business Development Centers (SBDCs), 16 Service Corps of Retired Executives (SCORE) Chapters, two Business Information Centers (BICs), one One-Stop-Capital-Shop (OSCS), and one U.S. Export Assistance Center (USEAC). Throughout my SBA career, I have served in various positions in headquarters and in the Mid-Atlantic Region.

Administrator Alvarez is committed to the formation and growth of veteran-owned small businesses. The Administrator understands and appreciates the enormous contributions that veteran-owned small businesses make to the American economy. Small businesses create jobs and wealth while empowering their communities. For

example, small businesses are responsible for 75 percent of the new jobs in the economy and employ more than half of the workforce.

BACKGROUND ON VETERANS PROGRAM

In January 1974, the SBA created the Office of Veterans Affairs to serve as an advocate for veterans in the area of entrepreneurship. This action did not create any new programs for veterans, but it established a vehicle to ensure that veterans' needs and desires were addressed and satisfied through existing agency programs. SBA's management and technical assistance, lending, surety bond and procurement assistance programs have always been available to all existing and potential small business owners.

SBA EFFORTS TO ASSIST VETERANS

The SBA estimates that there are approximately 22 million small businesses in the United States. Approximately four million of these businesses are veteran-owned. During FY97, SBA made approximately 6,300 loans to veterans totaling a record $1.4 billion dollars. This represents 14% of the total number of loans made and 13% of the total dollars. Additionally, 74,500 veterans received training and counseling through SBA's resource partners (SBDCs, SCORE, Women's Business Centers, BICs, OSCSs, and USEACs).

In the government contracting area, SBA served 670 veteran-owned firms through its 8(a) business development program during FY97. We assisted them with obtaining 622 contracts worth $721 million.

We believe that an even greater number of veterans than we enumerated earlier in this testimony use our programs. Two of the reasons we believe this are (1) often the veteran status box on applications for SBA assistance are left unchecked and (2) in government programs such as government contracting, veteran status statistics are not maintained at all.

Our experience has taught us that veterans are challenged with the same problems of non-veterans in starting or operating small businesses. These problems include lack of access to capital and lack of management and technical assistance.

We have determined that SBA's pre-business training and the availability of ongoing counseling through SBA's network of field offices and its resource partners are essential to addressing the above difficulties and in assisting veterans in developing and maintaining the skills necessary for business success.

Administrator Alvarez is committed to continued efforts of identifying specific problems preventing the success of veteran-owned small businesses and to support policies and programs that will provide them with increased opportunities. Under her guidance, the SBA will improve upon its performance of assisting veterans interested in small business by working to increase access to capital, expand Federal procurement opportunities, and enhance entrepreneurial development. As part of this commitment Administrator Alvarez has asked me to set up a roundtable meeting with the heads of veterans service organizations to get their input and advice.

The SBA Reauthorization Act of 1997, P.L. 105-135, contained several important provisions regarding veterans. One provision mandates the SBA to conduct a comprehensive study to identify: the needs of small business concerns owned and operated by disabled veterans; the availability and utilization of administration programs by veterans; the percentage and dollar value of Federal contracts awarded to veteran-owned firms in the preceding five years; and methods to improve Agency programs to better serve the needs of small businesses. Another provision authorizes the agency to enter into grants and cooperative agreements with educational institutions; private businesses; veterans' non-profit community-based organizations; and federal, state and local departments and agencies for the establishment and implementation of outreach programs for disabled veterans.

I would like to note, Mr. Chairman, that the effective date of the above Act was not until December 2, 1997 and, therefore, no funds were requested in FY98. The Administrator is currently working with Congress to transfer funds to implement these provisions.

It is imperative that the SBA continues its work to ensure that all of its programs are available to veterans. Just prior to my appointment, Betsy Myers, Associate Deputy Administrator for Entrepreneurial Development, met with U.S. Department of Veterans Affairs (DVA) Secretary Togo West to discuss ways in which our two agencies can partner to maximize efforts in assisting veterans. I have continued such discussions with officials at DVA and the Department of Labor (DOL) and have held my own discussions with many veterans advocate organizations.

It is my primary goal as Assistant Administrator for OVA to take a leadership role in increasing veterans' access to SBA programs for the purpose of augmenting veteran entrepreneurship and availability of capital. I am pleased to share with you the following program initiatives designed to increase awareness of and access to SBA programs for veterans:

- Initiation of a comprehensive study designed to identify the needs of small businesses owned and controlled by disabled veterans (subject to funding appropriations).
- Implementation of the veterans outreach grant and cooperative agreement program to educational institutions, private businesses, veterans nonprofit community-based organizations, and Federal, State and local departments and agencies (subject to funding appropriations).
- Formulation of a partnership between SBA, DVA, and DOL to assist disabled veterans to become entrepreneurs by providing them with the necessary business development and financial assistance needed to start a small business.
- Development of an outreach initiative between SBA, DVA, Department of Defense (DOD), Department of Transportation (DOT), and DOL to inform veterans of SBA's financial and entrepreneurial development programs.
- Reactivation of the Veterans Business Advisory Committee to provide advice and counsel on the entrepreneurial needs and concerns of veterans.
- Development of a home page for the OVA to serve as a one-stop source for veterans. It will hyperlink to other areas within the Agency to provide

information on loans, entrepreneurial development; SBA resource partners, and other veteran-oriented Federal, State and local government home pages.

- Development of a database to increase information sharing with our internal and external customers thereby providing reliable and up-to-date data. The database will provide two types of information: (1) general veteran population data and business data, and (2) names of veterans, for a variety of customer oriented purposes.

I am very happy to report that response to the above initiatives to better serve veterans has been favorable from the aforementioned groups and Federal government agencies. I look forward to working with both Subcommittees to better assist veterans.

Thank you for the invitation and the opportunity to speak to you on the subject of small business issues as they relate to veterans. Mr. Chairman, this concludes my statement. I will be glad to answer any questions that you or the Subcommittee Members may have.

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Service Corps of Retired Executives Association

"Counselors to America's Small Business"

Statement

of

W. Kenneth Yancey, Jr.

Executive Director
Service Corps of Retired Executives
Association (SCORE)

to the

U.S. House of Representatives
Committee on Small Business
Subcommittee on Government Programs and Oversight

and the

Committee on Veterans Affairs
Subcommittee on Benefits

May 20, 1998

National SCORE Office. 409 3rd Street, S.W., Washington, DC 20024 • 202/205-6762 or 800/634-0245 • Fax 202/205-7636

Statement
To the
U.S. House of Representatives
Committee on Small Business
Subcommittee on Government Programs and Oversight
and the
Committee on Veterans Affairs
Subcommittee on Benefits
May 20, 1998

Mr. Chairman, my name is W. Kenneth Yancey, Jr. and I am the Executive Director of the Service Corps of Retired Executives Association (SCORE).

I appreciate this opportunity to appear before these Committees. I have been with SCORE for almost five years and I would again like to thank the Subcommittee on Government Programs and Oversight of the Committee on Small Business for its continued support of the association and its mission to assist small start-up and growing businesses. I also look forward to a relationship with the Subcommittee on Benefits of the Committee on Veterans Affairs.

As a brief overview, SCORE was established in 1964 and is a not-for-profit association. SCORE is now made up of more than12,400 mostly retired as well as working men and women who volunteer their time to assist small business owners and aspiring entrepreneurs. Many SCORE volunteers are veterans of America's armed services. SCORE now operates 389 chapters located across the country in every state, and in the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. SCORE volunteers represent over 500,000 years of business experience. They provided over one million hours of service to the small business community in fiscal year 1997. That free service is the approximate equivalent of a firm with 500 full-time employees.

SCORE counselors advise on how to:

- start a business
- operate a business
- grow a business
- buy a business
- sell a business

In fiscal year 1997, SCORE's services reached 293,000 different businesses and individuals in over 240,000 free counseling sessions and 4,700 workshops and seminars. Of these, twenty-eight percent were already in business; the balance were new to business. Forty-six percent of these clients were either women or businesses jointly owned by men and women. Of the total, twenty-six percent of our clients were minorities. One percent of the total reported that they were veterans. SCORE's total outreach in 1997 represents an increase in services of over sixteen percent compared to fiscal year 1996–an accomplishment that we are very proud of.

The following is a list of military installations where SCORE is providing workshops and/or counseling to separating military personnel. SCORE also participates in job fairs targeting separating personnel at these installations as well as several others. In some of these locations, we hold as many as 20 workshops each year.

The Arsenal, Quad Cities, Iowa
Ft. Riley, Kansas
McConnel Air Force Base, Kansas
Ft. Leavenworth, Kansas
Ft. Leonard Wood, Kansas
Great Lakes Naval Training Center, Michigan
Offutt Air Force Base, Lincoln, Nebraksa
Navy Yard, Washington, D.C.
Ft. Carson, Colorado
Peterson Air Force Base, Colorado
Naval Base at Little Creek, Virginia
Air Force Academy, Colorado
Ft. Jackson, South Carolina
Charleston Naval Base (now closed), South Carolina

SCORE's efforts to assist veteran entrepreneurs and separating military personnel are initiatives that is coordinated and managed at the chapter level. As a part of a local chapter's efforts to respond to the needs of their community, SCORE counselors provide both workshops and one-to-one counseling for separating military personnel at various installations across the country. Workshops typically focus on small business ownership as a career alternative. In the workshops, SCORE volunteers provide information on how to take a business idea from the conceptual stages through actual start up of the business. Counselors discuss the many benefits and challenges of small business ownership and focus heavily on the business planning process. The separating veteran interested in business ownership is also provided with information on other SBA related technical support and loan programs as well as other valuable resources. Attendees are invited to take advantage of additional SCORE counseling services available in the local chapter or in one of 388 other chapters across the country. SCORE chapters regularly respond to requests for assistance from various types of community groups and organizations. SCORE chapters would willingly respond to requests from local veteran groups or the Commander at a military installation that is part of a given community.

SCORE services and information are also available to veterans and other existing or aspiring entrepreneurs on the national SCORE web site www.score.org. The site was launched June 1997 and has grown steadily since. Currently, the site receives over 700,000 hits per month.

In addition to general information about the SCORE Association and the services that are provided, the site offers a "Find SCORE" function which allows visitors to locate their nearest SCORE chapter by using their zip code. The visitor is then provided with the address of the nearest chapter and a scaleable street map of the local area with the chapter pinpointed. Links are also provided to key information sources available on the Internet.

One of the most important services on the web site is "Get Email Counseling." This interactive feature allows the client to receive SCORE services through the web site via email. The client is prompted to ask his or her question and a counselor from anywhere in the United States, with the most appropriate skill, is automatically matched through our searchable database of more than 350 online counselors in our CyberChapter. In addition, SCORE now provides, through our CyberChapter and the National SCORE web site, the online counseling capability to the new Office of Women's Business Ownership web site.

Since October 1997, SCORE has handled over 10,000 email counseling cases. This service is an outstanding new outreach vehicle for the association, using leading-edge technology to serve veterans, separating military personnel and other clients that SCORE might not have reached through our traditional means of service.

I would like to take this opportunity to acquaint you with the following milestones in the SCORE Association of this past year:

For the first time, we added outside directors to the SCORE Board of Directors. We were fortunate to attract four outstanding women entrepreneurs. These included:

Flori Roberts, founder of Flori Roberts Cosmetics and Dermablend Corrective Cosmetics;

Jacke McCurdy, former Vice President-State & Industry Relations to Joseph E. Seagrams and Sons Company;

Sue Hartman, owner of the Hartman Group, a management consulting firm; and

Linda Novey, owner of Linda Novey Enterprises, an international consulting firm to the hospitality industry and the 1998 Winner of the Avon Women of Enterprise Award.

In addition, SCORE has added Martha Kuckleburg of the Holland and Knight law firm in Atlanta as General Counsel and Patty DeDominic, Past President of NAWBO and owner of PDQ Personnel Services, Inc. as Counsel to the Board on Women's Issues.

These extremely talented women have added a new and welcome perspective to the leadership of the SCORE Association–one that provides not only a woman's point of view, but also one that is not influenced by the existing SCORE culture. They have added significantly to the board's deliberations and their influence is having a very positive impact on the organization.

Besides providing counseling and workshops through local SCORE chapters and on the Internet, SCORE members are also the primary counseling resource in most of the SBA's Business Information Centers (BIC), and the U.S. Export Assistance Centers (USEAC), which are jointly operated by the SBA, Department of Commerce and Export-Import Bank. SCORE members are involved in many of the One Stop Capital Shops located in designated Empowerment Zones and Enterprise Communities across the country.

With guidance from Patty DeDominic, SCORE is continuing its outreach to women business owners. A recent survey of women SCORE members has provided additional insight into the process of recruiting more women SCORE members so we can achieve our goal of twenty-five percent women members by the year 2000. SCORE's partnership with the SBA Office of Women's Business Ownership (OWBO) to provide counselors in the Women's Demonstration Centers and work with the WNET Women's Networking Round Tables continues.

As we previously mentioned, forty-six percent of SCORE clients in fiscal year 1997 were women or partnerships that included women. SCORE recently established a partnership with the American Business Women's Association (ABWA). ABWA's membership is made up of over 80,000 business women from across the country. This newly formed alliance will assist SCORE in recruitment of both clients and counselors.

SCORE is prepared to form this type of alliance with organizations that represent veterans to benefit those that are interested in entrepreneurship or interested in volunteering.

SCORE is aggressively seeking strategic alliances with other organizations, both for-profit and not-for-profit, in an effort to effectively leverage the funding provided by the Congress through the Small Business Administration. Recent successes include a relationship with VISA U.S.A. VISA has become one of our most responsive and generous sponsors. It has provided assistance that includes the development and printing of two brochures written by Inc. Business Resources. The first is "*How to Secure Financing*." The second is "*How to Choose the Best Bank for Your Business*." VISA has given SCORE over 200,000 of these excellent resources to be used to assist potential and existing small businesses in both counseling and workshops. VISA has also provided outstanding co-branded public relations opportunities for SCORE.

Other new alliances include Micron Technology, which provided 12 free computer systems to SCORE chapters, as well as discounts on the purchase of 14 more machines. Micron introduced SCORE to Microsoft Corporation as a partner and together they hosted a seminar on the use of technology for over 50 SCORE members at an estimated cost of $100,000, including travel and lodging.

SCORE is now working with *U.S. News and World Report* on a series of four quarterly sections in the magazine that will focus on small business and SCORE. Each section is planned to be eight pages and will be supported by corporate advertisers. Syndicated columnist Jane Applegate is writing the sections and the first appeared in the April 27, 1998 issue. The estimated audience reach of the magazine is over 10.5 million people per issue, not including reprints. This will result in tremendous national exposure for SCORE.

Last year, the SCORE Board of Directors adopted very aggressive goals for the year 2000. Those goals focus on increasing new clients, follow-on or multiple client sessions, workshop attendees, membership (specifically women and minority members), knowledge and understanding of current technologies, and increased private sector support. We are pleased to provide the above report to the committee as evidence that SCORE has made significant progress.

The SCORE Association has a close working relationship with the SBA in both the headquarters office in Washington, DC and the District Offices. This close relationship includes a positive relationship with the SBA's Office of Veterans Affairs. We look forward to continuing the close working relationship with that office as they roll out new initiatives to improve our overall outreach to the veteran community.

The SBA continues to provide SCORE chapters with direct administrative funds based on their client volume. This support is intended to be annual and, hopefully, the total dollars available will increase as SCORE's volume of new clients increases. We are grateful for this relationship and for the funds that enable us to provide services to the small business sector of our economy.

1999 will mark SCORE's 35th anniversary of service to the nation's small business community. We appreciate the support provided by the SBA and the Committee on Small Business throughout that period.

Thank you again for the opportunity to testify on SCORE's behalf.

Question Posed by Rep. Bob Filner
Joint Subcommittee Hearing on the
Small Business Administration's Veterans Affairs Program
May 20, 1998

Beginning in 1980, pressure from Congress and veterans' organizations forced the Small Business Administration to comply with the law and provide "special consideration to veterans of the Armed Forces of the United States." For several years thereafter, SBA was an effective advocate for veteran-entrepreneurs. Then, in 1989, things changed and veterans as a group have not been a high priority for you since then.

The American Legion included in its statement a comparison of the 1982 and 1997 SBA regulations regarding "special consideration for veterans" — and the contrast is completely unacceptable. So, you have a big problem.

The SBA is clearly not complying with the intent of Congress regarding special consideration to veterans — and this must change. First, you must comply with the mandates in PL 105-135. Then, you must restructure your priorities so that veterans are on a level playing field with your other client groups. You're doing a great job on behalf of other groups, and I sincerely congratulate you for that. We insist, however, that you do the same good work on behalf of veterans.

I am greatly encouraged by your statement — particularly your commitment to reestablish the SBA's Veterans Advisory Committee. My experience has been that an Advisory Committee can be, and should be, a valuable asset for the head of a department or agency. It isn't enough, of course, to simply create the Committee. The SBA must also commit to working with and learning from the Advisory Committee members.

I am also pleased that you referred to expanding Federal procurement opportunities for veteran entrepreneurs. Are you recommending a change in the law governing Federal procurement? I'm not sure that anything less than that will significantly affect the ability of veteran-owned business to obtain federal contracts.

Mr. Toulson, you have an opportunity to actually make significant difference and "turn an agency around." I appreciate your obvious commitment, and I want you to keep me closely advised of the actions you are taking to improve the quality of services to veterans at the SBA.

The government contracting office of the U.S. Small Business Administration (SBA) monitors the compliance of Federal agencies with Federal procurement laws and policies in regard to small business. In the absence of legislation circumscribing the policy of the Federal government with respect to veteran business owners, the SBA can only advocate for veteran-specific procurement goals with other Federal agencies. Historically, minority and women-owned businesses were targeted for government contracting assistance only after Congress enacted legislation to include them as targeted groups.

Currently, veterans can obtain federal contracts through competitive bidding or through special programs targeted to women or minorities. While we encourage federal agencies to earmark their procurement budgets for veteran-owned businesses, there is no statutory authorization for other kinds of contracting assistance.

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