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SMALL BUSINESS DEVELOPMENT IN NATIVE AMERICAN COMMUNITIES: IS THE FEDERAL GOVERNMENT MEETING ITS OBLIGATIONS?

JOINT HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

AND THE

COMMITTEE ON INDIAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

APRIL 30, 2002

Printed for the Committee on Small Business and Entrepreneurship

Available via the World Wide Web: http://www.access.gpo.gov/congress/senate

U.S. GOVERNMENT PRINTING OFFICE

81-288 PDF WASHINGTON : 2002

For sale by the Superintendent of Documents, U.S. Government Printing Office
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SMALL BUSINESS DEVELOPMENT IN NATIVE AMERICAN COMMUNITIES: IS THE FEDERAL GOVERNMENT MEETING ITS OBLIGATIONS?

TUESDAY, APRIL 30, 2002

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP,
WITH THE COMMITTEE ON INDIAN AFFAIRS,
Washington, D.C.

The committees met jointly, pursuant to notice, at 9:35 a.m., in room SR–428A, Russell Senate Office Building, the Honorable Daniel K. Inouye, Chairman of the Committee on Indian Affairs and the Honorable Paul Wellstone of the Committee on Small Business and Entrepreneurship presiding.

Present: Senators Wellstone, Cantwell, Inouye, Johnson, Bond, Enzi, Crapo, Campbell, and Thomas.

OPENING STATEMENT OF THE HONORABLE DANIEL K. INOUYE, CHAIRMAN, SENATE COMMITTEE ON INDIAN AFFAIRS, AND A UNITED STATES SENATOR FROM HAWAII

Chairman INOUYE. The Committee on Indian Affairs and the Committee on Small Business and Entrepreneurship meet today to receive testimony on the challenges confronting the formation, development, and growth of small businesses in Indian country.

The committees will also receive testimony on S. 2335, a bill introduced by Senators Johnson, Kerry, Cantwell, Wellstone, Daschle, Baucus, Bingaman, Stabenow, and Clinton. I am also pleased to serve as a cosponsor of this measure. S. 2335 provides statutory authority for the establishment of the Office of Native American Affairs within the Small Business Administration and further provides for the establishment of the Native American Small Business Development Program.

On behalf of both committees, I must advise the witnesses for today's hearing that we do have several committees meeting at the same time today, and so to enable Members who have to chair other hearings to do so, there may be several Senators chairing this hearing and we have to complete this hearing by 11 a.m.

Now, may I call upon Congressman Udall for this important hearing.

Mr. Udall.

Congressman UDALL. Thank you very much, Mr. Chairman and Vice Chairman Campbell.

Chairman INOUYE. Before we proceed, may I ask if the Vice Chairman has anything he wishes to say?

Senator CAMPBELL. If we have just a really short timeframe, Mr. Chairman, I will put my statement in the record and maybe make a little statement when I ask some questions.

[The prepared statement of Senator Campbell follows:]

Prepared Statement of Ben Nighthorse Campbell

Vice Chairman - Senate Committee on Indian Affairs

Joint Hearing: Indian Affairs and Small Business Committees

**"On Native Small Business Development:
Is the U.S. Meeting Its Obligations?"**

April 30, 2002

Thank you Mr. Chairman for scheduling today's hearing on Federal activities and involvement with Native American small business development.

I appreciate the aims of the legislation before us today to help spur small business and encourage the entrepreneurial spirit Native American communities in the United States.

Like any American community, small businesses in Native American communities are the backbone of the local economies. With due respect to large American firms and the jobs and tax revenues they generate, it is the small firms — the family construction companies, the small insurance agency, and the small software developer — that create the bulk of jobs in America and that is what economic development is all about.

I appreciate the intentions behind S.2335, but before I lend my support to this legislation, Mr. Chairman, I am interested in knowing how this legislation will interact with the existing programs and services at the Small Business Administration as well as the Commerce Department, and whether we will be aiding Indian entrepreneurs with the enactment of this kind of legislation.

With that, I thank you Mr. Chairman and look forward to hearing from our witnesses.

Chairman INOUYE. Senator Bond.

Senator BOND. Mr. Chairman, like you, I have many other things to do. I would be happy to hear the Congressman's testimony. I do want to say some things, because the Small Business Committee has been very active in this issue. I am not going to be as kind as my colleague from Colorado. I am going to say my statement when you get around to it.

Chairman INOUYE. That is great.

Senator Enzi.

Senator ENZI. Mr. Chairman, I would wait until after Mr. Udall's testimony, as well, but I do have a statement that I would like to make.

Chairman INOUYE. Mr. Udall.

STATEMENT OF THE HONORABLE TOM UDALL, A REPRESENTATIVE IN CONGRESS FROM NEW MEXICO

Congressman UDALL. Thank you, Mr. Chairman and Vice Chairman Campbell, Senator Bond, and Senator Enzi. Thank you for convening this hearing on this important topic. I appreciate the opportunity to be here.

One of our biggest challenges as a Nation is bringing economic development to Indian country. Despite the work that has gone into improving economic and small business development in Indian country, there is still a great deal that needs to be done to improve the economic standing of Native Americans throughout the United States.

The current economic situation on Native American lands is very grave, but does hold promise for the future. The average unemployment rate on these lands is almost 10 times the national average, while at the same time, Native Americans are creating small businesses at an unprecedented rate. Native American- and Native Alaskan-owned small businesses grew by 84 percent from 1992 to 1997, and their gross receipts grew by 179 percent in the same period. Clearly, these figures point to a desire and an ability to start small businesses.

For over 200 years, the Federal Government and the first Americans have been engaged in a trust relationship which has resulted in a great deal of work on economic development issues. However, the work has yet to usher in a new era of economic development in Indian country.

That is why I am so pleased today with the legislation before these committees. Senator Kerry and Senator Johnson have expanded upon my earlier introduced and House-passed Native American Small Business Development Act. This legislation moves forward with three programs which will provide excellent assistance to Native American entrepreneurs.

In addition, I applaud the Senators for including language to create a statutory Office of Native American Affairs under the U.S. Small Business Administration. This office would be headed by an assistant administrator who must be knowledgeable about Native cultures and have experience providing culturally tailored small business development assistance to Native Americans.

Those of us in the House and those of us in the Senate who represent tribes, we know firsthand the need to spur economic devel-

opment in Indian country. I represent parts of the Navajo Nation, numerous Indian pueblos, and the Hickory Apache Nation, and I can tell you firsthand that something dramatic needs to be done to alleviate the high levels of unemployment that exist.

The Federal Government can play an integral role in spurring further small business development while at the same time assisting the recently established businesses to gain a stronger foothold in the market. We have an excellent opportunity to help bring increased economic prosperity to these areas that have not been as fortunate in reaping the rewards of the recent U.S. economic expansion.

I look forward to working with you further and with my colleagues in the House to ensure that this legislation is passed as expeditiously as possible. I believe passing the Native American Small Business Development Act will provide the necessary tools and assistance to establish and build on their businesses and, in turn, their communities.

The House and Senate Small Business Committees have worked endlessly to ensure that programs exist to assist veterans, women, and minority business owners, but entrepreneurs like the ones I have mentioned rarely face the barriers of living in an area with little to no infrastructure, including lack of water, electricity, and facilities, which many Native Americans face. Our discussion today is the first big step, I believe, to tearing down those barriers and building up economic development for Native Americans.

Let me, in closing, just thank the staff of our committees and our personal staff for working very closely together and thank you for the opportunity, again, to testify. I am happy to answer any questions.

Chairman INOUYE. Thank you very much, Congressman

[The prepared statement of Congressman Udall follows:]

Congressman Tom Udall (NM-3rd)
Statement before the Senate Committees on
Small Business and Entrepreneurship
And Indian Affairs
4/30/00

Chairman Kerry, Ranking Member Bond, Chairman Inouye and Vice-Chairman Campbell:

It is truly an honor to come before you to testify today about Native American small business development. I would like to thank you personally, as well as on behalf of the Native Americans in New Mexico and throughout the country for all of your hard work and commitment to this issue. Clearly, despite all the hard work and dedication that has gone into improving small business and economic development in Indian Country, there is still a great deal that needs to be done to improve the economic standing of Native Americans throughout the United States.

The current economic situation on Native American lands is very grave, but does hold promise for the future. The average unemployment rate on these lands is over ten times the national average, but, at the same time, small business creation is at an all-time high. Native American and Native Alaskan-owned small businesses grew by 84% from 1992 to 1997, and their gross receipts grew by 179 percent in that same year period. Compare those figures to an overall small business growth rate of 7% and total gross receipt growth of 40%, and there is reason to be optimistic about the future of small business development on tribal lands.

It was with a desire to help Native American, Native Alaskan, and Native Hawaiian entrepreneurs capitalize on these positive developments that I introduced H.R. 2538, the Native American Small Business Development Act, during the first session of the 107th Congress. My legislation would have permitted state Small Business Development Centers to apply for federal grants to establish one or more Native American Small Business Development Centers, which would be required to deliver their services to the targeted populations located on tribal reservation lands.

I am pleased, however, that Senator Kerry and Senator Johnson have expanded upon my legislation to craft the updated version of the Native American Small Business Development Act. The three assistance programs in their legislation, two of which are pilot programs, will, I believe, provide excellent assistance to Native American entrepreneurs. In addition, I applaud Senators Kerry and Johnson for including language to create a statutory Office of Native American Affairs under the U.S. Small Business Administration (SBA) to be headed by an Assistant Administrator who must be knowledgeable about Native American cultures and have experience providing culturally tailored small business development assistance to Native Americans. I am confident that this legislation will help bring increased economic prosperity to these areas that have not been as fortunate in reaping the rewards of the recent United States economic expansion.

I look forward to working with my colleagues in the House to pass legislation to assist Native American entrepreneurs build their businesses and, in turn, help their communities. The persistent poverty that is prevalent on tribal lands must come to an end and I believe that passing the Native American Small Business Development Act is an important step toward achieving this goal.

Thank you for the opportunity and honor to testify before your committees today. I am proud of the work we have done so far and look forward to continuing our efforts on this legislation, as well as other initiatives to further benefit the Native American, Native Alaskan, and Native Hawaiian people.

With that, I will conclude my testimony and welcome any questions the committee has. Thank you.

Chairman INOUYE. Now, may I call upon Senator Wellstone, who is joining me this morning to chair this important hearing on behalf of the Committee on Small Business and Entrepreneurship.

OPENING STATEMENT OF THE HONORABLE PAUL D. WELLSTONE, A UNITED STATES SENATOR FROM MINNESOTA

Senator WELLSTONE. Thank you, Mr. Chairman. I wonder, I do not want to precede other colleagues if opening statements have been made. I gather we are also waiting for Senator Johnson, is that correct?

Let me ask, I do have an opening statement. Let me ask the Congressman, are you OK on time or do you want to—I would be willing to defer to questions to him and then make an opening statement.

Chairman INOUYE. Go ahead.

Senator WELLSTONE. All right. Then I will go forward with an opening statement. I want to thank my colleagues, both on Small Business and the Committee on Indian Affairs, for the joint hearing. It is real important. I want to thank you, Congressman Udall, for your excellent work and also your sole personal commitment. I want to thank Senator Johnson, as well, and I am proud to be a cosponsor of this legislation.

I want to point out that during the 1990's, when we saw this economic expansion in the country, we saw double-digit unemployment rates in Indian Country, in excess of 20 to 30 percent. In the State of Minnesota, that was the case, even though the State's overall unemployment rate was 3 percent or less.

So we are going to have a lot of success stories today, but I think this legislation is critically important and I think we ought to really be pushing entrepreneurship so that you can have more homegrown economies. We are going to hear from Derek Dorr, who will be here, and he is here with his father, Robert Dorr, and they are going to talk about their experiences with SBA and what sounds like a great success story, both on the 8(a) and on the HUBZone Program.

The Native American Small Business Development Act, which you have introduced, again, I think is critically important in getting more Federal resources out to reservations and in meeting our trust obligations to the tribes.

We are also going to hear from SBA on their work in Indian Country and I want to get some explanation, I say to my colleagues, especially on the Small Business Committee, and I hope a reversal of the SBA's decision to cutoff all funding for the Tribal Business Information Center, or the TBIC Program. I do not really quite understand this.

The Minnesota TBIC, which has been run by the Minnesota Chippewa Tribe, has done great work at the cost to the Federal Government of $33,000 a year. That is it. Their TBIC is basically used like a business library, where prospective small business people in Indian Country use computers, access the Internet, do research, and it is critically important, and I cannot for the life of me understand the Small Business Administration's decision here.

According to the director of the Minnesota Chippewa Tribe Native American Business Development Center, the loss of funding

for the TBIC means that they will literally have to lock the doors because they cannot afford to staff it. It just does not make any sense whatsoever.

I have got a full statement that I want to be included in the record, so I will just conclude this way. I hate to say it, but to colleagues on both Committees, the pattern I have seen with SBA, and I have been on this Committee since the very beginning and try never to even miss a committee hearing, but the pattern I have seen is nickel-and-diming small businesses. I do not understand it. To propose cutting $4.5 billion in loans, I mean, the cuts and the 50 percent reduction in 7(a) and 504 are very short-sighted. Small businesses will tell you that. The lenders will tell you that. All of them will say it.

The proposed cutting and then flat funding for the Microloan Technical Assistance Program, which has been extremely important, I do not understand, as well. Now we are wiping out the SBA program that targets or helps Native Americans to save $200,000 or less, which is 0.0003 percent of the SBA's annual budget. From a cost/benefit point of view, it is irrational.

So I am here to thank my colleagues for their legislation. I am here to also sharply question SBA about what in the world they are doing right now. I thank the Chair.

Chairman INOUYE. Thank you.

[The prepared statement of Senator Wellstone follows:]

STATEMENT OF SENATOR PAUL WELLSTONE
SENATE COMMITTEE ON SMALL BUSINESS HEARING
NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT
4/30/02

Thank you Chairman Inouye, I will be very brief and then go to other members who wish to speak before calling the first panel. Welcome to the witnesses, including Senator Tim Johnson of South Dakota and Congressman Tom Udall of New Mexico who are hear to testify on their legislation.

I believe that the health of our local communities including reservations depends on the health of the small and middle-sized businesses within those communities. And I believe that if you're interested in reducing poverty and promoting sustainable economies, the critical element is creation of jobs through promotion of business opportunities and entrepreneurship. This has been my experience whether you're talking about the Twin Cities or Indian Country in Minnesota..

On many of the reservations in Minnesota during the 1990s we saw double digit unemployment rates, in some cases in excess of 20-30%, while the rest of the state enjoyed an unemployment rate of 3% or less. The simple reality is that there are not enough jobs being created. Small business has been the engine of economic growth and job creation throughout our country. We need to make that engine work in Indian Country as well.

Today's hearing is about hearing success stories from Native American business owners – to learn what made them successful and how the Federal government can help promote more entrepreneurship. I pleased that Derek Dorr and his father Robert Dorr of the Mille Lacs Band in Minnesota are here to talk about their experiences with the SBA.

We will also hear testimony on the Native American Small Business Development Act introduced by Senator Tim Johnson and Congressman Tom Udall. I'm pleased to be a cosponsor of Senator Johnson's bill, I think it will critical in getting more federal resources out to reservations and will help begin the process of the federal government meeting it's trust obligations to Indian Tribes.

Today we will also hear from the SBA on their work in Indian Country. For my part, I hope we can get some explanation – and I hope a reversal – of SBA's decision to cut off all funding for the Tribal Business Information Center or TBIC program.

The TBIC run by the Minnesota Chippewa Tribe has done great work – and at a cost to the federal government of about $33,000 a year. Their TBIC is used basically like a business library where prospective small business owners use computers, access the internet, and do research. Access to these kinds of services and resources is thin in rural northern Minnesota generally, much less in Indian Country, so this TBIC is vital.

According to the Director of the Minnesota Chippewa Tribe Native American Business Development Center, the loss of funding for the TBIC means that they have had to literally lock the doors because they can't afford to staff it. When they get specific requests to use the TBIC, he has to go over personally to let that person in – meaning that it can't be available that often. The irony is that the TBIC is filled with brand new computers and other equipment, purchased with left over funds from last year, which is going to waste in a locked office.

The Native American Business Development Center used the TBIC to counsel and provide resources over 300 prospective Native American entrepreneurs. They helped about 100 of them to secure capital for their business, totaling over $6 million – 60-70% of which was raised through private lenders. The technical assistance that the Tribe made available through the TBIC was critical to these small business men and women being able to get this capital. With the help of a $160,000 grant from Minority Business Development program at the Department of Commerce, and their $33,000 TBIC grant from the SBA, they helped 100 entrepreneurs raise $6 million. That's real return on investment. The loss of the TBIC is a tremendous blow.

The part of the irony to me is that the $200,000 SBA is saving through the TBIC's elimination gets you almost nothing here in Washington, but that money goes pretty far out in Indian Country. But it works the other way too. By sucking a mere $200,000 out of Indian Country, you've dealt a significant blow to entrepreneurship among Native Americans, but you've hardly budged the fiscal position of the SBA.

I hate to say it, but this is simply part of a pattern recently at SBA of nickel and diming small businesses. You proposed cutting $4.5 billion in loans to save $85 million. You proposed cutting and then flat funding microloan technical assistance which saves SBA a few million dollars but makes the work of microloan intermediaries far, far more difficult and perhaps unsustainable. Now you've proposed wiping out the only SBA program that targets Native Americans, to save $200,000 or less than .0003% of SBA's annual budget.

From a cost benefit perspective this seems totally irrational. I hope we can get some explanation.

Chairman INOUYE. Senator Campbell.

OPENING STATEMENT OF THE HONORABLE BEN NIGHTHORSE CAMPBELL, A UNITED STATES SENATOR FROM COLORADO

Senator CAMPBELL. Mr. Chairman, since Senator Johnson is not here yet to speak on behalf of this bill, let me make maybe just a short opening statement.

I appreciate you and Senator Wellstone convening this hearing. I was on the Small Business Committee for 6 years on the House side and have been active in this Committee ever since I have been in the Senate. But I do have some questions about the bill, and that is why I am not an original cosponsor of it.

I understand the importance of creating jobs on Indian reservations. Small business is the backbone of most economies in America. Seventy percent of employment, or more, comes from small business. But one of the problems I have always had when we talk about creating new Federal programs for Indian reservations is I think there is confusion when we use the word "economic development."

I know many times in the past, in talking to people on reservation, the feeling among some is that what we need to do is get a grant from the Federal Government and that creates jobs and, therefore, somehow, that equals economic development. It is a kind of a flow from the Federal Government that creates the jobs, when, in fact, we all know that is not the basis for job creation in America. It is done by efforts to create a product or a service and sell that and that makes a profit and that, in fact, is what makes the free enterprise system work.

With reservation system now, an awful lot of small businesses are related to what we call home industries. In fact, Senator Udall represents the Navajo Tribe. The Navajos as well as many other tribes in the Southwest, they say that the home industry dealing with pottery, basketry, rugs, things of that nature, are almost $1 billion a year, a huge industry.

I would have some questions of this, although I support anything that would create more jobs on the reservations. But first of all, I am not sure what this bill would do that is not already being done, and as Senator Wellstone mentioned, we are already in the President's budget cutting some programs that I think are extremely important. To create another agency when we are not funding the ones that are already in place to the point where we should, I am not sure if that is productive or not. I also would be interested in knowing what the cost will be in implementing this new effort and what models we have looked at of those successful small businesses on reservations that we might help.

But I notice that Senator Johnson is here, so I will curtail the rest of my comments and ask some questions when I have the time.

Chairman INOUYE. Senator Bond.

OPENING STATEMENT OF THE HONORABLE CHRISTOPHER S. BOND, RANKING MEMBER ON THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP, AND A UNITED STATES SENATOR FROM MISSOURI

Senator BOND. Thank you very much, Mr. Chairman. I welcome the opportunity to be here with you and Ranking Member Campbell, as well as my colleagues on the Small Business Committee, to talk about solving some of the real problems and developing common sense solutions.

The question before us today is how to improve small business services in Indian Country, how to make sure that the free enterprise system, through small businesses, provides the jobs, the opportunity, the hope that really is lacking in too many Native American areas in the country today. We should be able to strengthen SBA's delivery of technical assistance to help entrepreneurs startup and develop small firms on various reservations. We have some thoughtful additions to existing programs. I look forward to reviewing them and to hearing from the SBA's Kaaren Johnson Street on the Bush Administration plans in this area.

No question about it, the needs are enormous. Far too often, Indian reservations have been a metaphor for economic despair and neglect. As has already been noted, unemployment levels are at a scandalous level that should shock our consciences.

We know that small business can be a vital part of changing that picture. Getting technical support to the reservation on a continuous basis rather than on one-shot, occasional training seminars should help translate entrepreneurs from their abstract business plans and visions into real jobs and opportunity.

A number of years ago, we developed, or I developed the HUBZone Program to get Federal contracts out of the Washington Beltway into the hands of small businesses in areas with high unemployment and high poverty, and one of the specific targets was the Native American reservations. One of our witnesses today, Pete Homer of the National Indian Business Association, was a very good friend and advisor to us in that. Thank you again, Pete, for your help there.

We wrote in that original HUBZone Act that Federal Indian reservations would automatically be considered HUBZones. Small businesses could agree to locate there and hire from those HUBZones, and could get special competitive advantages in winning Federal contracts. There is a set-aside, but then there are also specific price preferences that go with it to make sure that we make the Federal Government as a purchaser—a market for small businesses locating in these impoverished, high unemployment areas.

We ran into technical issues that got in the way of this vision, so we developed the HUBZones in Native America Act of 2000 to fix those problems. Again, Pete Homer was there for that. Ben Nighthorse Campbell was then chairman of the Indian Affairs Committee, and as chairman, we enjoyed working with you, and Senators Stevens and Murkowski worked constructively with us on the Alaska Native provisions. The effort was totally bipartisan. My now-chairman John Kerry, who was ranking member at the time, was part of the initiative. Senator Kerry and I have changed roles,

but the bipartisan approach and the concern and commitment to this live on. Keeping focused on the issues instead of the politics is key.

As with the original HUBZone Act of 1997 and the HUBZones in Native America Act of 2000, we can develop solutions that work. We look forward to reading the comments of witnesses and also hearing the Administration's views. Once we have all the cards face up on the table, I think we can see what the needs are, what our options are, and move from there.

Again, I apologize for not being able to stay for the entire hearing, but we look forward to a thorough briefing on what is going on this morning and we appreciate very much you calling this hearing. Thank you.

Chairman INOUYE. Thank you.

Senator Enzi.

OPENING STATEMENT OF THE HONORABLE MICHAEL ENZI, A UNITED STATES SENATOR FROM WYOMING

Senator ENZI. Thank you, Mr. Chairman and Ranking Members for holding this hearing. I am pleased to have this information regarding the importance of successful Native American small business and economic development nationwide. I appreciate the unique challenges facing the Native American community in creating and sustaining Indian small business and economic development opportunities. Therefore, I support and encourage discussing common Native American small business development barriers and approaches to overcoming these barriers.

Small business development on the Wind River Indian Reservation in Wyoming has and will continue to create a network of Native Americans that are excited and knowledgeable about entrepreneurship. Northern Arapaho and Eastern Shoshone small business entrepreneurs have planted the seeds of economic diversity in communities that really need it.

I know the SBA is dedicated to ensuring that all Native Americans who seek to create, develop, and expand small businesses have full access to the necessary business development and expansion tools available. I was pleased to see the creation of the Native American Small Business Outreach at $1 million in the President's fiscal year 2003 budget request. This outreach will greatly assist the new small businesses being created by the Northern Arapaho and Eastern Shoshone on the Wind River Indian reservation in Wyoming to sustain economic growth in my State.

Now, I have a person on my Wyoming staff who is a former State legislator. He lives on the Wind River Indian reservation and is a tribal member. I have worked with him for years and I appreciate the perspective that he gives me. His message: first fund the current program so that it can reach full effectiveness.

I got to participate in the change for the Native American HUBZone effort and I noted that Senator Wellstone mentioned the Tribal Information Systems. We do not have that in Wyoming yet. Those are current programs. I think there is a shortage of concentration and completion, not a shortage of programs.

I look forward to hearing from Ms. Street concerning SBA's Native American Small Business Outreach initiatives, with an open

dialog between all interested parties. I know we will be encouraged to focus more resources on increasing small business and economic development assistance to Native Americans.

In closing, the Senate Committee on Small Business and Entrepreneurship is committed to ensuring that the Small Business Administration stays on task in an efficient and effective manner when assisting small businesses nationwide, including Native American small businesses.

Again, I want to thank Senator Johnson, Congressman Udall, Ms. Street, and the other witnesses for being here today. I look forward to the information that you will share with us and discussing the Native American small business issues. Thank you, Mr. Chairman.

[The prepared statement of Senator Enzi follows:

STATEMENT OF SENATOR MICHAEL B. ENZI
JOINT COMMITTEE HEARING: COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP AND COMMITTEE ON INDIAN AFFAIRS
NATIVE AMERICAN SMALL BUSINESS INITIATIVES
APRIL 30, 2002

Thank you, Mr. Chairmen, for holding this hearing this morning. I am very pleased to have this information regarding the importance of successful Native American small business and economic development nationwide. I appreciate the unique challenges facing the Native American community in creating and sustaining Indian small business and economic development opportunities. Therefore, I support and encourage discussing common Native American small business development barriers and approaches to overcoming these barriers.

Small business development on the Wind River Indian Reservation in Wyoming has and will continue to create a network of Native Americans that are excited and knowledgeable about entrepreneurship. Northern Arapaho and Eastern Shoshone

small business entrepreneurs have planted the seeds of economic diversity in communities that really need it.

I know the SBA is dedicated to ensuring that all Native Americans who seek to create, develop, and expand small businesses have full access to the necessary business development and expansion tools available. I was pleased to see the creation of Native American small business outreach at $1 million in the President's FY 2003 budget request. This outreach will greatly assist the new small businesses being created by the Northern Arapaho and Eastern Shoshone on the Wind River Indian Reservation in Wyoming to sustain economic growth in my home State.

I have a person on my Wyoming staff who is a former legislator. He lives on the Wind River Indian Reservation and is a tribal member. I have worked with him for years and appreciate the perspectives he gives me. His message is to first fully fund the current programs so they can reach full effectiveness. I think

there is a shortage of concentration and completion, not a shortage of programs. For example, we do not have a Tribal Business Information Center (TBIC) in Wyoming.

I look forward to hearing from Ms. Street concerning SBA's Native American small business outreach initiatives. With an open dialogue between all interested parties, I know we will be encouraged today to focus more resources on increasing small business and economic development assistance to Native Americans.

In closing, the Senate Committee on Small Business and Entrepreneurship is committed to ensuring that the Small Business Administration stays on task in an efficient and effective manner when assisting small businesses nationwide, including Native American small businesses. Again, I want to thank Senator Johnson, Congressman Udall, Ms. Street and the other witnesses for being here today. I look forward to hearing from you today and look forward to further discussing Native American

small business issues with each of you and your staff in the months to come.

Chairman INOUYE. I thank you, sir.

Senator Crapo.

OPENING STATEMENT OF THE HONORABLE MICHAEL CRAPO, A UNITED STATES SENATOR FROM THE STATE OF IDAHO

Senator CRAPO. Thank you, Mr. Chairman. I appreciate the fact that we are having this hearing today because there is a tremendous amount of interest in Native American economic development issues in Idaho.

I come to this hearing with a sincere interest in finding out what it is that the Native American community believes we should do to address these issues. As is obvious from some of the comments that have already been made, issues have been raised as to whether we should begin moving into new programs or whether we should be focusing on strengthening and increasing support for and the effectiveness of existing programs, or whether a mix of the two needs to be achieved. I am open to considering all of these options. What I want to find are effective solutions.

I have also worked very closely with the HUBZone Program for the Native American tribes as well as other aspects of the HUBZone Program. We have seen some significant effects of that in Idaho. My opinion is that we need to find out what works, find out what needs to have additional support and strengthening, and then move ahead in these two committees to make sure that we support them the way that we should here in Washington, and frankly, that is what I am here to learn about today. Thank you very much.

Chairman INOUYE. Thank you.

Senator Thomas.

OPENING STATEMENT OF THE HONORABLE CRAIG THOMAS, A UNITED STATES SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman. I will submit a statement. I just know that we have worked on the Indian Affairs Committee, trying to find ways for a better economy for the tribes. I was on our tribe's reservation just a couple of weeks ago, met with the business council.

I, too, am concerned about how we do this. No one would argue with the fact that we want to improve small business and the economic opportunities on the reservation, certainly, but I think we have to take a look at how we can best do that. Some measure of success at what has been there and what needs to be changed to make it more successful, and some accountability in terms of moving toward our objectives is important.

So I am happy to be here and look forward to hearing from the witnesses.

Chairman INOUYE. Thank you very much, and your full statement is made part of the record.

Senator THOMAS. Thank you.

[The prepared statement of Senator Thomas follows:]

Statement of U.S. Senator Craig Thomas

Joint Hearing of the Senate Committee on Indian Affairs

and the Committee on Small Business and Entrepreneurship

Hearing on S. 2335 – Native American Small Business Development Act

April 30, 2002

Thank you, Mr. Chairman. Throughout my time in Congress, I've heard tribal leaders in my state describe their frustration with the economic conditions on the Wind River Reservation. I share in their frustration. Unemployment, poverty, and lack of infrastructure are serious problems throughout Indian country. It is important for our Committees to remain interested and committed to addressing these issues.

As a former small business owner, I well understand the importance of creating opportunities for business development in Wyoming, particularly on the Wind River Reservation. My state's economic health is dependent on this kind of entrepreneurship. Creating opportunities can go a long way towards helping small business entrepreneurs, especially those living in Native American communities.

I understand the bill we are discussing today would make the Office of Native American Affairs statutory within the Small Business Administration (SBA) and would create three assistance programs to provide aid to American

Indians. I think it is imperative that as we focus on the question, "Is the federal government meeting its obligations?" – that we must also look at the other side of the coin. Throughout Indian country, many of the same economic challenges remain, despite the SBA's efforts to promote economic growth. As we talk about poverty and unemployment on reservations, we need to look at the big picture. Eradicating these problems is not an easy task and I hope we can turn our frustrations into something constructive. I am very interested to see how this new office will improve the SBA's existing programs.

Yesterday, I read an article in USA Today about how the Mississippi Choctaw were able to build a vibrant, active economy amidst poverty and unemployment. I am sure many of my colleagues here today would agree -- it would be nice if some of our tribes made these kinds of headlines in the near future. Both the Northern Arapaho and Eastern Shoshone tribes in my home state are looking at a variety of business proposals to better the economic conditions of their communities by utilizing existing federal resources. The SBA has played an important role in providing assistance and I hope their initiatives continue to materialize.

Thank you Chairman Wellstone and Chariman Inouye. I look forward to hearing from our witnesses.

Chairman INOUYE. May I now call upon Senator Johnson, the author of the measure.

STATEMENT OF THE HONORABLE TIM JOHNSON, A UNITED STATES SENATOR FROM SOUTH DAKOTA

Senator JOHNSON. Thank you, Mr. Chairman. I want to thank Senator Wellstone and Senator Inouye for chairing today's hearing and for their support of S. 2235, the Native American Small Business Development Act.

I was pleased to introduce this important legislation last week, along with Senator Kerry, and I appreciate the opportunity to discuss its objectives as well as the serious economic problems facing Native American communities and families. I would like to thank Congressman Udall for his leadership in the U.S. House to bring these issues to the forefront and for his cooperation on this historic legislation.

I also want to express my appreciation to Monica Drapeaux, executive director of the Lakota Fund, for her participation in today's hearing. Monica will testify later this morning and brings with her years of experience, both as a business owner herself and in operating programs to promote Native American entrepreneurship.

Native American communities continue to struggle with the social, economic, and cultural repercussions derived from persistent and pervasive poverty and unemployment. A recent report released by the Census Bureau entitled, "Poverty in the United States: 2000," indicates that the 3-year average poverty rate for American Indians and Alaska Natives from 1998 to 2000 was 25.9 percent, higher than for any other race groups.

While most Americans can look forward to continued prosperity during 2002, the approximately 2.7 million Native American people living in the United States will not. It is essential that Native American concerns are provided adequate consideration.

The Native American Small Business Development Act is an effort to enhance the availability of technical assistance to support entrepreneurship in Indian Country. The communities served by this initiative represent some of the most traditionally isolated, disadvantaged, and underserved populations in our country.

In my home State of South Dakota, and I am sure it is very similar in your respective States, members of this panel, employment opportunities chiefly, to the extent they exist, are through the tribe, through tribally-owned enterprises, and through Federal employment. There is virtually no private sector that is in existence in very many of our tribal communities across my State and across the country.

Consider the following statistics. According to the Department of Commerce, unemployment rates on Indian lands in the continental U.S. range up to 80 percent compared to 5.6 percent in the United States as a whole. Census data also show that the poverty rate for Native Americans during the 1990's was 26 percent, compared to the national average of 12 percent. Overall, Native American household income is only three-fourths of the national average.

The disparity is particularly evident in my home State of South Dakota, where Native Americans represent over 8 percent of the State's population, and while the overall State economy is rel-

atively strong, with a low 3.1 percent unemployment rate, Native American populations continue to suffer. Our counties with Indian reservations are ranked by the Census Bureau as among the most impoverished anywhere in the United States.

This month, the Wall Street Journal ran an article that focuses in part on the toll of poverty for the Oglala Sioux living on the Pine Ridge Indian Reservation. The article noted that nearly half the tribe's population is destitute. The unemployment rate is about 75 percent. There is no bank, no motel, no movie theater. Restaurants open and close down before anyone even notices.

We cannot eliminate poverty until we combat unemployment, and we cannot address unemployment without promoting sustainable business practices to create jobs. Without adequate assistance for entrepreneurs, economic limitations facing Native American communities will persist and this panel and the rest of the committees in this Congress will continue to struggle to finance programs designed to address the symptoms of lack of unemployment. Health care, education, family dysfunction, crime, and child abuse will continue to persist so long as we fail to address the underlying problem of economic opportunity.

Due to the unique and persistent challenges to business development in these areas, the proposed legislation establishes a statutory Office of Native American Affairs at the SBA. The office will serve as an advocate in the SBA for the interests of Native Americans. In addition to administering the Native American Development Program, the assistant administrator will consult with tribal colleges, tribal governments, Alaska Native corporations, and Native Hawaiian organizations to enhance the development and implementation of culturally specific approaches to support the growth and prosperity of Native American small business.

Among the achievements included in the bill is the establishment of the Native American Development Program to provide necessary business development assistance. This program will work to establish and maintain Native American business centers to provide business planning marketing services, and management assistance to support entrepreneurship. These services are vital to establish and support small business.

The Federal Government currently invests to provide business services in communities throughout our nation. It is past time for these services to be integrated into our efforts to promote self-sufficiency and economic development in Indian Country.

In addition, we recognize that in order to remain competitive, businesses and entrepreneurs must be innovative and flexible to change. This legislation reflects the needs of businesses, tribes, and regional interests to pursue unique approaches that will complement local needs and improve the overall quality of services. Two pilot programs are integrated in this approach to promote new and creative solutions to assist American Indians to awaken economic opportunities in their communities.

We have got to strive to eliminate the impediments that restrain Native American entrepreneurs. By providing business planning services and technical assistance to potential and existing small businesses, we can unlock the capacity for individuals and families to pursue their dreams of business ownership.

The problems that face Native American communities are complex. This legislation is not a panacea which will, by itself, remedy all the economic hardships faced by tribal communities. It is, however, an integral component to foster opportunities for individuals, families, and entire communities to achieve success in their pursuit of economic growth.

To complement the initiatives brought forth in this legislation, we have also got to work to improve access to investment capital to support economic and community development for Native Americans. As the Chairman of the Senate Banking Financial Institutions Subcommittee, I am conducting hearings to identify opportunities and techniques that may foster greater access to capital markets for tribal and Native American entities.

The lack of access to investment capital in Native American communities significantly contributes to the inability to invest in businesses, services, and economic development, but providing investment capital alone, without the supportive services necessary to fully and successfully utilize those funds, may be inadequate and, ultimately, unsuccessful. The business planning and technical assistance included in the Native American Small Business Development Act is essential to provide the infrastructure and support necessary to maximize the impact and success of local ventures and investments. Together, these initiatives will help to turn an important corner as we endeavor to enhance the livelihood of the first Americans.

I greatly appreciate the consideration and cooperation of the committee chairmen and the Committee Members to examine these issues and to work to tackle the difficult and persistent economic challenges that face Native American communities. So long as private sector efforts struggle in Indian Country, the need to address the symptoms of that lack of economic activity will continue to overwhelm us, there is no question about that, and in the end, we have got to find ways to foster greater Indian entrepreneurship and private sector development in Indian Country. Otherwise, I am afraid there will never be enough money in our budget to address the problems that are consequent of that lack of that private sector involvement.

Thank you, Mr. Chairman. Thank you, Members of the Committees.

Chairman INOUYE. Thank you, Senator Johnson.

[The prepared statement of Senator Johnson follows:]

Small Business Development in Native American Communities:
Is the Federal government meeting its obligations?

U.S. Senate
Senate Committee on Small Business and Entrepreneurship and
Senate Committee on Indian Affairs

Written Statement

Senator Tim Johnson

April 30, 2002

I would like to thank Senator Wellstone and Senator Inouye for Chairing today's hearing and for their support of S. 2335; the Native American Small Business Development Act. I was pleased to introduce this important legislation last week, along with Senator Kerry, and appreciate the opportunity to discuss its objectives, as well as the serious economic problems facing Native American communities and families.

I would like to thank Congressman Udall for his leadership in the U.S. House of Representatives to bring these issues to the forefront and for his cooperation on this historic legislation.

Native American communities continue to struggle with the social, economic, and cultural repercussions derived from persistent and pervasive poverty and unemployment. A recent report released by the U.S. Census Bureau, entitled Poverty in the United States: 2000, indicates that the "three year average poverty rate for American Indians and Alaska Natives [from 1998-2000] was 25.9 percent. Higher than for any other race groups."

Too many Native American communities are plagued by feelings of hopelessness and helplessness. We must work to transform this disappointment and discouragement into a

sensible, workable, strategy for economic opportunity.

While most Americans can look forward to continued prosperity during 2002, the approximately 2.7 million Native American people living in the United States will not. It is essential that Native American concerns are provided adequate consideration.

The Native American Small Business Development Act is a deliberate effort to enhance the availability of technical assistance to support entrepreneurship in Indian Country. The communities served by this initiative represent some of the most traditionally isolated, disadvantaged, and underserved populations in our country.

Consider the following statistics. According to U.S. Department of Commerce census data, unemployment rates on Indian Lands in the continental United States range up to 80 percent compared to 5.6 percent for the U.S. as a whole. Census data also show that the poverty rate for Native Americans during the late 1990s was 26 percent, compared to the national average of 12 percent. In fact, overall, Native American household income is only three-quarters of the national average.

This disparity is particularly evident in my home state of South Dakota where Native Americans represent over 8 percent of the state's population. While the overall state economy is relatively strong with a low 3.1 percent unemployment rate, the Native American population continues to suffer. South Dakota counties with Indian Reservations are ranked by the U.S. Census Bureau as among the most impoverished in the United States.

This month, The Wall Street Journal ran an article that focuses, in part, on the toll of poverty for the Oglala Sioux living on the Pine Ridge Indian Reservation. The article notes that:

> Nearly half the tribe's population is destitute. The unemployment rate is about 75 percent. There is no bank, no motel, no movie theater. Restaurants open and close down before anyone notices. . . .

We can not eliminate poverty until we combat unemployment, and we can not address unemployment without promoting sustainable business practices to create jobs. Without adequate assistance for entrepreneurs, the economic limitations facing Native American communities will persist.

Due to the unique and persistent challenges to business development in these areas, the proposed legislation establishes a statutory Office of Native American Affairs (ONAA) at the Small Business Administration. The Office will serve as an advocate in the SBA for the interests of Native Americans. In addition to administering the Native American Development Program, the Assistant Administrator will consult with Tribal Colleges, Tribal Governments, Alaska Native Corporations and Native Hawaiian Organizations to enhance the development and implementation of culturally specific approaches to support the growth and prosperity of Native American small businesses.

Unique and specific approaches must be recognized and implemented in order to overcome the barriers which stifle small business ownership by Native Americans.

Among the achievements included in the bill is the establishment of the Native American Development Program to provide necessary business development assistance. The program will work to establish and maintain Native American Business Centers to provide business planning, marketing services, and management assistance to support entrepreneurship. These services are vital to establish and support small businesses. The federal government currently invests to provide business services in communities throughout the country. It is past time for these services to be integrated into our efforts to promote self-sufficiency and economic development in Indian Country.

In addition, we recognize that in order to remain competitive, businesses and entrepreneurs must be innovative and flexible to change. This legislation reflects the needs of businesses, tribes, and regional interests to pursue unique approaches that will complement local needs and improve the overall quality of services. Two pilot programs are integrated in this approach to promote new

and creative solutions to assist American Indians to awaken economic opportunities in their communities.

We must strive to eliminate the impediments that restrain Native American entrepreneurs. By providing business planning services and technical assistance to potential and existing small businesses, we can unlock the capacity for individuals and families to pursue their dreams of business ownership. Not only will these efforts combat poverty and unemployment, but they will bring new services and opportunities to communities that enhance the quality of life for local families.

The problems that face Native American communities are complex. This legislation is not a panacea, which will by itself remedy all the economic hardships faced by Tribal communities. It is, however, an integral component to foster opportunities for individuals, families, and entire communities to achieve success in their pursuit of economic growth.

To complement the initiatives brought forth in this legislation, we also must work to improve access to investment capital to support economic and community development for Native Americans. As the Chairman of the Senate Banking Financial Institutions Subcommittee, I am conducting hearings to identify opportunities and techniques which may foster greater access to capital markets for Tribal and Native American entities.

The lack of access to investment capital in Native American communities significantly contributes to the inability to invest in businesses, services, and economic development. However, providing investment capital alone, without the supportive services necessary to fully and successfully utilize those funds, may be inadequate and ultimately unsuccessful. The business planning and technical assistance included in the Native American Small Business Development Act is essential to provide the infrastructure and support necessary to maximize impact and success of local ventures and investments.

Together, these initiatives will help to turn an important corner as we endeavor to enhance the

livelihood of the First Americans.

I greatly appreciate the consideration and cooperation of the Committee Chairmen and the Committee Members to examine these issues and to work to tackle the difficult and persistent economic challenges that face Native American Communities. I am confident that, provided the adequate tools and necessary support, Native American entrepreneurs will succeed in creating new jobs, providing new services, and securing a higher quality of life for their families and communities.

Chairman INOUYE. Senator Wellstone, any questions?

Senator WELLSTONE. Mr. Chairman, I know we have other panels, so I will not ask questions. I just will, in 20 seconds, say to both Congressman Udall and Senator Johnson that I think that one really critical distinction is you are not really talking about the government being the engine of economic growth. You are talking about really some technical assistance which goes to the how to start a business. It is not the government businesses. It is the sort of missing piece of the technical assistance to enable people to themselves have the access to the capital to start the business. Is that not really the kind of basic premise of this? We do that a lot in SBA programs, but this is with the specific focus in Indian Country.

Senator JOHNSON. I think you are exactly right, Senator Wellstone. In many Indian communities, there is not a tradition of private entrepreneurship. There is not a lot of familiarity. There is not a lot of knowledge about business plans and capital formation and the like that the SBA has provided so ably across the country as a whole. We need a special energized focus, I think, to assist Indian entrepreneurs to have the know how and the business planning that, in fact, can lead to these efforts being successful.

Congressman UDALL. If I can just add to that, Senator Wellstone, if there is anything that I think we have failed in is not bringing those skills and programs right near or on the reservation, and I believe what this piece of legislation does is locate those kinds of operations on or near the reservation because of the long distances and the problems in terms of entrepreneurs leaving the reservation and going off-reservation to get access to those kinds of advice and technical assistance.

Senator WELLSTONE. Thank you.

Chairman INOUYE. Senator Campbell.

Senator CAMPBELL. Just maybe a couple of quick questions, Mr. Chairman. I certainly support any initiative that is going to create more jobs on reservations.

The figures I have from SBA and BIA both say that Native American and Native Alaskan-owned small businesses grew by 84 percent between 1992 and 1997, when the overall growth of non-native businesses grew by 40 percent in the same timeframe. So there is no question in my mind that that, plus the 179 percent increase of gross receipts during that same amount of time, tells me something is happening on the reservations that is good. It is not all totally depressed and not all totally bad. I live on a reservation and I see small business growing and I know it is growing all over.

I guess the real question for me is we have had some experience in the past with "638" programs and programs that have not been tailored to the tribes' needs at the Federal level, and what we have done with the IHS and the BIA is we have created self-governance and we have given the money directly to the tribes so that they administer their own programs, and I am wondering if it would not be more appropriate if they had or could contract to get the expertise to be able to do what this bill does without creating new bureaucracy, if it would not be better to try and fund the tribes directly.

Senator JOHNSON. I would only observe, Senator Campbell, who I know has as great an interest in the economic welfare of Native peoples as anyone, that the Office of Native American Affairs at the SBA already exists. This legislation makes it statutory and further requires the head of the office to have experience providing culturally tailored business development assistance to Native Americans. So we are formalizing an effort at the SBA that has been undertaken, but we want to put statutory language behind it and we want to expand what they are attempting to do.

The cost of the total bill is relatively modest, $7 million a year, $5 million for the statutory Office of Native American Business Center Grants that would have greater outreach than we have now, plus $1 million for development grant pilot projects for nonprofits, as well as the Small Business Development Council Centers.

So I do not think we are trying to duplicate anything or create new bureaucracies, but we are trying to refocus a small effort that has already been in place to try to, in the end, by creating a stronger private sector in Indian Country, reduce the reliance on government bureaucracies as a whole. As more Native Americans become self-sufficient through the private sector, in the end, it will lead to less dependence and less bureaucracy.

Senator CAMPBELL. That would be my hope, too, that it would lead to less, because we have got too much now, from my perspective. It would seem to me it might be simpler to fund the Tribal Business Information Centers that were established in 1992 rather than start another program that might duplicate efforts, but that is just my general observation. Go ahead, Congressman.

Congressman UDALL. Senator Campbell, I think the thrust of your question is why are we not getting things closer to Native Americans and to the——

Senator CAMPBELL. That is right.

Congressman UDALL [continuing]. To the reservations.

Senator CAMPBELL. In this program, so much of it is eaten up by salaries in Washington, D.C. That has always been one of the problems with Indian programs.

Congressman UDALL. Two of these programs in here are pilot programs that are grant programs and they specifically target. One is the Native American Development Grant Pilot Program. The other is the American Indian Tribal Assistance Center Grant Program, and both of these target the reservation. The eligible participants in the grant, it is open to any Small Business Development Center or nonprofit that has a board of directors with a majority consisting of tribal government members.

So I think the attempt here with the grant is to get as close as possible to the reservation, open up those opportunities for any individuals or nonprofits that are operating on the reservation to provide the kind of services we are talking about. So I think that this bill does that.

Senator CAMPBELL. Maybe one last comment, then. We have done a number of things through the Indian Affairs Committee where we have created pilot programs, and I think they are good, because usually when we do it, we have some kind of a measuring device. We create a pilot program and come back 2 years later or

3 years later and see how the thing worked, and if it did not work, there is no use expanding the thing, and if it did work, then we try and expand it with another bill.

What would you think of, if this bill moves forward, of establishing some kind of a provision where we do have a way of measuring the pilot's performance after a given period of time?

Congressman UDALL. It makes sense to me and there is also in here a sunset on this in 4 years. So at the end of 4 years, you can come back and take a look at it.

Senator CAMPBELL. Thank you. Thank you, Mr. Chairman.

Chairman INOUYE. Thank you.

Senator Thomas.

Senator THOMAS. I will hold my questions until the Small Business Administration comes.

Chairman INOUYE. May I thank Senator Johnson and Congressman Udall. You have been very helpful.

Congressman UDALL. Thank you.

Senator JOHNSON. Thank you very much.

Chairman INOUYE. Our next witness is the Associate Deputy Administrator for Entrepreneurial Development of the U.S. Small Business Administration, Ms. Kaaren Johnson Street.

Ms. Street, welcome to the committee. Please proceed.

STATEMENT OF KAAREN JOHNSON STREET, ASSOCIATE DEPUTY ADMINISTRATOR FOR ENTREPRENEURIAL DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.

Ms. STREET. Thank you. Good morning, Chairman Inouye, Senator Wellstone, Senator Campbell, and Senator Thomas, and Distinguished Members who will join us, hopefully later, of both committees. Thank you for convening this joint hearing to discuss the extremely important issue of Native American economic development.

Administrator Barreto apologizes for being unable to attend. He is attending the National Center for American Indian Enterprise Development's annual Economic Development Conference as their honored guest and featured speaker. In light of this, the Administrator asked that, as Associate Deputy Administrator for the Office of Entrepreneurial Development, I speak on behalf of the U.S. Small Business Administration.

I am honored and delighted to have this opportunity. I would also like to request that the committee include my full written testimony in the record.

Chairman INOUYE. Without objection, so ordered.

Ms. STREET. The SBA is dedicated to ensuring that all Native Americans who seek to create, develop, and expand small businesses have full access to the necessary business development tools available through all of our agency programs.

As you know, the President's fiscal year 2003 budget for the SBA contains a $1 million request for our expanded Native American Economic Development Outreach Program. This program is designed to recognize cultural needs and aid in small business job creation. Furthermore, it is intended to complement the existing economic development activity of Native American tribes and tribal

organizations seeking to improve the economic conditions of their communities by adding a critical small business component.

The 2003 initiative is an expansion of the current SBA Native American Outreach Program. The current SBA Technical Assistance Program activity, Tribal Business Information Centers, or TBICs, operates in only six States. It is an objective of the expanded program to increase the geographic diversity of SBA assistance. It will expand our scope nationally, thereby enabling us to have a greater impact on more Native American businesses.

Those eligible to participate in the program include Native American tribes and tribal organizations who presently have a multi-faced economic development program and can present a well-defined plan for increasing small business development in Native American communities. The current TBICs will be encouraged to participate in this program.

Today, I am also pleased to say that the SBA is in the final stages of selecting our National Director for Native American Outreach. The National Director will direct and coordinate an agency-wide program designed to promote, expand, and enhance small business opportunities and services for all Native Americans. We expect to fill this position as soon as possible.

The SBA currently provides technical assistance for the startup and growth of all small businesses. We recognize that successful businesses require three key ingredients. They are access to capital, access to business opportunities, and access to information, training, and technical assistance. These are currently provided through SBA programs which are available to everyone.

In fiscal year 2001, the Women's Business Centers counseled 2,200 Native American women-owned businesses. There were 634 Native Americans in our 8(a) program. Eight hundred and seventy-five Native Americans are certified in our SBD programs. Four hundred and twenty-eight Native American businesses are located in HUBZones. Five thousand and four-hundred Native Americans are registered on PRONet, and SCORE served over 5,700 Native Americans, and our SBDCs counseled over 7,500 Native Americans.

I am also pleased to inform you that the 2002 Entrepreneurial Success Award winner is a Native American, Adrian Lugo, President of Lugo Construction. Lugo Construction was an 8(a) company. He applied for minority status under the 8(a) program in 1984 and graduated in 1992. During Lugo's 8 years in the program, the company increased its sales to more than $15 million in 1993, a year after their graduation from the program. Today, Lugo is a $50 million construction company and a nationally recognized Washington State contractor. Mr. Lugo attributes the company's success to the knowledge and reputation earned through SBA's 8(a) program.

Through the SBA counseling and training programs, we have served over 1.4 million aspiring and existing small business owners. Nevertheless, we need to constantly strive to reach all segments of the 25 million American small businesses. Part of this effort is our objective to increase SBA services to Native American communities. This initiative will complement our existing programs and aid our outreach to this traditionally underserved population

so that we may help to create other success stories similar to Lugo Construction.

Again, thank you, Chairman Inouye and Distinguished Members of both committees for providing me the opportunity to share the SBA's vision for Native American economic development. The appointment of a national director for Native American Outreach, in conjunction with the 2003 Native American Economic Development Outreach Program, are the essential steps, we believe, for providing the appropriate tools to promote self-sufficiency and job creation in Native American business communities.

I look forward to working with each of you to achieve this goal, and at this time, I am prepared to answer any of your questions.

Chairman INOUYE. Thank you very much, Ms. Street.

[The prepared statement of Ms. Street follows:]

Testimony
Of
Kaaren Street, Associate Deputy Administrator
for Entrepreneurial Development,
U.S. Small Business Administration

Before the Senate Small Business & Entrepreneurship
and Indian Affairs Committees

Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?

Good morning Chairman Kerry and Chairman Inouye, Senators Bond and Campbell, and distinguished members of both committees. Thank you for convening this joint hearing to discuss the extremely important issue of Native American economic development. Administrator Barreto apologizes for being unable to attend. He is attending the annual conference for the National Center for American Indian Enterprise Development as the honored guest and featured speaker.

In light of this, the Administrator asked that I speak on his behalf and, on behalf of the U.S. Small Business Administration (SBA). I am honored and delighted to have this opportunity. I would also like to request that the Committee include my full written testimony in the record.

The SBA is dedicated to ensuring that all Native Americans who seek to create, develop, and expand small businesses have full access to the necessary business development and expansion tools available through all of our Agency programs. As you know, the President's Fiscal Year 2003 Budget for the SBA contains a $1 million request for our expanded Native American Economic Development Program. This

program is designed to recognize cultural needs and aid in small business job creation. Furthermore, it is intended to compliment the existing economic development activity of tribes and those tribal organizations seeking to improve the economic well being of their communities by adding a critical small business component.

The 2003 initiative is an expansion of the current SBA Native American program. The current SBA technical assistance program, Tribal Business Information Centers Program (or TBICs) operates in only six states. It is an objective of the expanded program to increase the geographic diversity of SBA assistance. It will expand our scope nationally, thereby enabling us to have a greater impact on more Native American businesses.

The intended grantees include tribes and tribal organizations that presently have multi-faceted economic development programs and, can present a well-defined plan for increasing small business development in Native American communities. Interested and qualified parties will apply for the grants. The current TBICs will, of course, be eligible and encouraged to apply for the grants as well.

In our continued efforts to create an essential foundation for economic growth and stability in the Native American community, the SBA is also in the final stages of selecting our National Director for Native American Outreach. The National Director will direct and coordinate an Agency-wide program designed to promote, expand, and enhance small business opportunities and services for all Native Americans. We expect to fill this position as soon as possible.

We have worked with Native American organizations in the search for the SBA's National Director of Native American Outreach. Through our communication with the TBICs and other Native American organizations, we have discovered that it is necessary to maintain a level of flexibility in the newly expanded program. The flexibility will enable the National Director, experienced in Native American issues, to customize the economic development program ensuring that both need and demand are met through many of our existing services.

The SBA currently provides technical assistance for the start up and growth of small businesses. We recognize that businesses need other key ingredients. They are access to capital, business opportunities and access to information, training and technical assistance. SBA delivers access to capital and opportunity through our Microloan Program, HUBZone Contracting Program, 8(a) Business Development Program, and the 7(a) and 504 Loan Programs. The counseling, training, and technical assistance programs include the Small Business Development Centers, SCORE, Women Business Centers and the Business Information Centers.

These programs are available to everyone, including Native Americans. Through these programs we have served over 1.4 million aspiring or existing small business owners annually. Nevertheless, we need to constantly strive to reach all segments of the 25 million American small businesses. Part of this effort is our objective to expand our services to all Native Americans. The newly expanded initiative will complement our existing programs and aid our outreach to this traditionally under served segment.

Again, thank you Chairman Kerry, Chairman Inouye and, distinguished members of the committees for providing me with the opportunity to share the Administrator's vision for SBA Native American Economic Development. I am certain that we all agree there is a definite need for additional economic development services within the Native American community. The appointment of a National Director for Native American Outreach and the Fiscal Year 2003 Native American Economic Development Program are essential steps for further economic development. I firmly believe that this SBA vision will succeed in providing the appropriate tools to promote self-sufficiency and job creation in our Native American community. I look forward to working with you to achieve this goal and I am happy to answer any of your questions.

Chairman INOUYE. In your statement, you said that your agency has done its best to set up programs to provide access to capital, one. Now, there are over 550 tribes and most of the members of those tribes live on reservations and these reservations are generally many, many miles away from urban centers, and these reservations very, very seldom have banks. Furthermore, I am certain you know that reservation lands are held in trust by the government of the United States and, therefore, not subject to alienation if one wants to use land as collateral. So does your program provide any access to capital for Native Americans?

Ms. STREET. Presently, our access to capital includes our microloan program, which Native Americans have participated in, that as well as our 7(a) program for loans out of our 7(a) program. So they are participating in our capital access programs.

Chairman INOUYE. Where do you go to apply?

Ms. STREET. Those would be to banks, and these are Native Americans, not necessarily tribal organizations, but Native American businesses. So I doubt if they are tribal organizations.

Chairman INOUYE. You spoke of establishing training programs. Where are they established, in urban areas or out in reservation areas?

Ms. STREET. These would be on tribal organizations through our expanded economic development outreach program.

Chairman INOUYE. You have training programs on these reservations?

Ms. STREET. No, we do not have them now, but they will be—currently, we propose that in the President's 2003 budget.

Chairman INOUYE. Where are they located?

Ms. STREET. They will be located—we are going to be outreaching with our director of Native American Affairs to solicit input from Native American tribal organizations.

Chairman INOUYE. So up until now, if a Native American wanted to get some training, he had to go to an urban area?

Ms. STREET. No. Up to this point, they have been able to at least get access through Tribal Business Information activity, which is a resource center, or they would have to go into the urban area, you are correct.

Chairman INOUYE. Where are the resource centers?

Ms. STREET. The resources centers are located on 16 different tribal organizations, on tribal land, at tribal colleges, the current——

Chairman INOUYE. Now, if you have difficulty accessing these training programs, then you have limits in terms of talented people, is that not true?

Ms. STREET. I am not sure I understand the question.

Chairman INOUYE. People with skills.

Ms. STREET. Skills to provide the training?

Chairman INOUYE. To do a job, whether it is carpentry or computer work.

Ms. STREET. That is why the training workshops would be important.

Chairman INOUYE. Now, where are the markets of the United States?

Ms. STREET. When you say markets——

Chairman INOUYE. Where people buy things?

Ms. STREET. I would say all over.

Chairman INOUYE. In the urban areas, are they not?

Ms. STREET. Well, rural markets exist, as well, and we do provide services to the rural communities, as well. Of course, there is a centralization. I think you are alluding to the centralization of our malls and our central commercial districts are, to a large extent, in urban areas, but more and more, it has expanded into rural and suburban areas. So opportunities are going to where people live.

Chairman INOUYE. I ask these strange questions because, as you are well aware, we entered into treaties with many tribes, actually, 800 treaties, and of those 800 treaties, 430 are in some filing cabinet in the United States Senate. Of the 370, the United States has violated provisions in every one of them. The most common violation was not to put the Indians where they were promised to be put, and as a matter of policy, we put Indians as far away from us population centers as possible. Very seldom do you find a reservation right next to a city. They are out in the remote rural areas of the country. You have to travel miles and miles to get out there, and that is not where the markets are.

My question is, what are we doing to help these people that we, as Americans, by policy, sent out to the remote rural areas?

Ms. STREET. Well, we hope with the expanded Native American Economic Development Program that we would encourage the applicants who would apply for funding would have a multi-faceted economic development program that would deal with issues such as geography, in terms of taking advantage of urban opportunities when they are located in these remote areas. I think that is a global economic development process. We want to bring the small business component to that.

There are lots of issues, as the previous testimonies have revealed, but we can only focus on the small business element of that and we are hoping, and that is one of the reasons we have a requirement in this program that it be part of a global economic development program, that it is not just a stand-alone, similar to what we currently have, stand-alone little small activity, but it be part of an entire economic development process.

Chairman INOUYE. I know that the Small Business Administration is trying its best, and I commend you for it, but in order to benefit from your programs, these Indians are put in a quandary. They have to leave their reservations to get into training programs in the metropolitan areas. At the same time, they want to remain on the reservations to maintain their culture and their traditional ways and stay with their people.

So there is a problem here, and in many ways, we are the ones who brought it about. I think if we can come up with programs that will provide greater access to capital, which most tribes do not have, greater access to training programs in their areas, then I think we are getting somewhere. The authors of this measure felt that maybe this may be the first step. Do you think it is a good first step?

Ms. STREET. I think the program that we have in place, that we are proposing in terms of our Native American Outreach Program

in the President's 2003 budget, would bring those training and technical assistance programs to the tribal organizations on tribal land, and I think that critical training component, technical assistance and information assistance, would help complement any economic development program to bridge that geographical difference and other economic issues, like digital divide is another issue that affects minorities and Native American communities, in particular, and use of computers or access to computers and that kind of thing.

So our program would be based, an element or a great portion of it would be based on tribal lands to provide that assistance, and hopefully be leveraged with State and local dollars and any other private sector commitments to further expand what we are engaged in to help foster a strong economic development process for Native Americans. So it is a start. It is not going to solve all of the issues, but at least I think it is a really great effort in terms of expanding upon the small activity that we currently have and moving forward to a more broader, comprehensive program.

Chairman INOUYE. Ms. Street, my final question, what is the total budget of the Small Business Administration, your agency?

Ms. STREET. Approximately about $700 million.

Chairman INOUYE. Seven hundred million?

Ms. STREET. Yes.

Chairman INOUYE. Your agency has recommended to the President that we set aside $1 million for Indian programs?

Ms. STREET. Yes, for this particular program.

Chairman INOUYE. So out of a $700 million budget, $1 million has been set aside for Native Americans?

Ms. STREET. Yes, specifically for this program——

Chairman INOUYE. Thank you very much.

Ms. STREET [continuing]. However, we do have a—I guess what I want to say pretty much is that this $1 million is for this specific program. It does not preclude Native Americans from participating in any of our other programs. In fact, they indeed are, and, in fact, we are going to encourage and beef that up so that we can enhance their engagement in those programs, because just as you said, Chairman Inouye, that isolating the program as well as a geographic location limits the whole economic development posture. So eventually, there comes a point where Native Americans would be able to participate in all of SBA's programs and advance into that, as they are currently doing in our other programs. So the $1 million coupled with the rest of our budget is inclusive for Native Americans as well as all other small businesses.

Chairman INOUYE. Thank you.

Ms. STREET. You are welcome.

Chairman INOUYE. Senator Wellstone.

Senator WELLSTONE. Mr. Chairman, first of all, before I forget, I want to say to the Dorrs that I am very proud that you are here, and I may have to go to another committee before I get to hear people from Indian Country in Minnesota testify because it deals with the NIH budget and I have a commitment to be there dealing with some research in certain diseases.

Ms. STREET, first of all, thank you, because my question is going to be not hostile, but it is going to be tough. You know, the Chairman said, out of this overall budget, $1 million, then you said but

there are other programs, but you are cutting. I mean, the people in Indian Country, they do not have access to the traditional education or capital. But we have the 7(a) and the—you are cutting that program. You are flat-lining the microloan, which is so important. You are flat-lining technical assistance. The job training, the workforce investment, the Administration has a proposed cut of, I do not know, 15 to 20 percent.

So to go to Senator Campbell's point, the irony of it is that the very programs that are really out there in the country helping people in Indian Country, you are actually cutting, and I want to come back to one of them, because I cannot for the life of me figure this out.

According to the director of the Minnesota Chippewa Tribe Native American Business Development Center, you are eliminating the TBIC, and he says, "Well, we are going to have to basically lock the doors." That is it. So we have got the computers, the access to the Internet, it is like a business library, Senator Campbell, out there in Indian Country. You are cutting it. Now, you have got the computers and other equipment and they go to waste.

Now, the Native American Business Development Center uses, out in Minnesota, uses the TBIC to counsel and provide resources to 300 prospective Native American entrepreneurs. They helped about 100 of them secure capital for their business. That was $6 million, 60 to 70 percent of which was raised through private lenders. The technical assistance that the tribe made available through the TBIC, which you are eliminating, was critical to those small businesses that these men and women were able to start.

With the help of a $160,000 grant from the Minority Business Development Program at the Department of Commerce and your $33,000 TBIC grant from SBA, they helped 100 entrepreneurs raise $6 million. That is a real return on investment. So the loss of the TBIC is a tremendous blow, and the irony to me is that the $200,000 that you save through TBIC's elimination gets you almost nothing here in Washington, but the money goes pretty far, Senator Campbell, out in Indian Country.

So you are sucking $200,000 of Indian Country. You have dealt a significant blow to entrepreneurship among Native Americans. You have hardly changed the fiscal position of SBA here at all. Why? Why are you cutting this program?

Ms. STREET. First of all, it is not a program, it is an activity. It is an activity——

Senator WELLSTONE. Well, that is better. I like activity better. Why are you cutting the activity action?

Ms. STREET. OK. We looked at it from the point of view that due to our very, very, very tight budget constraints this year, the nominal success of the program—the TBICs have been counseling or providing counseling to approximately 200 participants annually. As you know, the budget—we have not had a line item funded for this measure since 1995. We have been funding it—SBA has been funding it out of our salary and expense line item, and every year, we have to decide or look and try to find ways that we can fund this program.

Coupled with its nominal success and not part of a comprehensive economic development program and none of the other aspects

of technical assistance or training, workshops, in terms of technical assistance, it was not as effective as we would like to see it be and it prompted us to reevaluate that program——

Senator WELLSTONE. Well, listen——

Ms. STREET [continuing]. Design a program——

Senator WELLSTONE. Let me interrupt you, Ms. Street. First of all, as far as the savings, this is a savings of 0.0003 percent of SBA's annual budget. It is $200,000 or less. If you think the program is not working as well as it should, reform it. Do not eliminate it in the middle of the year. You just heard Senator Inouye's rather dramatic illustration of how little commitment we are making to Indian Country. If you want it to do better, then come here with some proposals about how to reform it and make it do better. Do not eliminate it in the middle of the year.

This is unacceptable. As a member of the Small Business Committee and also the Committee on Indian Affairs, and I am not posturing, I swear to you, this is just unacceptable. I do not think you make the case at all.

Ms. STREET. Senator——

Senator WELLSTONE. You say it is not effective. I gave you a report from the State of Minnesota. Do you have any quarrel with what the Minnesota Chippewa Tribe has reported to me about exactly how much money they have had, what they have been able to do with it, and how much capital they have leveraged? Do you have any basis for disagreeing?

Ms. STREET. No, I have no basis——

Senator WELLSTONE. Well, you should not be eliminating this program, then.

Ms. STREET. In all due respect, Senator Wellstone, we did not cut their funding off in midstream. March 31 was the end of the program year for this particular activity. So we did not just—every year at March, in March is when we review and look for, search for, and try to find moneys out of our salary and expense budget because there has been no line-item budget.

It is time, we believe, that a line-item appropriation be submitted and approved by Congress for Native American education and training and technical assistance, and this is an opportunity that we are delighted and excited about, this $1 million 2003 budget appropriation. It is a great start. It is a beginning. We believe it was nickel-and-diming it every year, because every year, we never knew what amount of funding we would be able to dedicate to it.

Senator WELLSTONE. Well, I will finish. This is why we need to do the Johnson bill. We need to have more than a line item. We need to have some statutory authority so we know exactly what you are doing and we give you a mandate about what you do in Indian Country. I do not want to leave it up to you in terms of your own discretion.

Chairman INOUYE. Senator Campbell.

Senator CAMPBELL. Thank you, Mr. Chairman.

I certainly want to associate myself with the comments of Senator Wellstone and Senator Inouye. I do not mean to put you on the spot, Ms. Street, but they are both absolutely right. I do not know how we do a better job when they are facing the fact that we are cutting the programs that are needed.

Senator Inouye is very right in one respect when he talks about the difficulty of getting to markets. Those tribes who are in the 72 metropolitan areas generally have done pretty well through casinos or whatever. Then there are some that are blessed with the abundance of natural resources and they are doing pretty well, too. But the ones that he is speaking about and the ones that I am really concerned about are the ones that have neither. They are a long way from markets and they are a long way from being able to develop their own resources, too.

We tried to get an amendment, into the energy bill to provide some opportunities for them to develop their own energy and met with so much resistance, we dropped it before introducing it in the Senate last week.

But to give you an example of how far they are from the markets, I mentioned home industry from particularly, say, like the Navajos that Congressman Udall mentioned. The mark-up of a home craft product, such as a rug or a piece of jewelry or something for Indian people who are actually making them out on the reservation is six times. That means they get for making the thing and providing their own tools, their own materials, their own everything, about one-sixth of what sells in a store downtown.

Everybody else is in the deal. The craftsman gets a small part, the jobber gets some, the wholesaler gets some, the retailer gets some. Everybody adds something on, but when you see a price in a store of something that was manufactured on a reservation with a hand product, the person that did that got about one-sixth of what that sales tag says because they are so far from the market.

You mentioned that there are "Distance Learning" programs available through the colleges, and I think that is terrific. I am active with the Indian colleges. But I guess that also just reinforces my view about this bill, that in my view, we are not doing a good job with the programs we have got. I am not sure that more laws will make better programs. It seems to me we ought to focus on doing a better job than we are doing now.

Believe me, it is not a savings at all if you think by putting less money into programs to help people help themselves, somehow that is a savings. If you do not put money into them helping themselves, you are going to end up with more and more dependency and pay a heck of a lot more in terms of social programs, dependency programs, truancy, drug abuse, all that other stuff that is all related to the lack of jobs on reservations. If we cannot create more jobs, we are going to end up just paying more and more to those "after-the-fact" programs than we do.

Let me just ask you a couple of simple questions that ought to be very easy to answer, and one is something we have not gotten to yet, and that is does the Administration support this bill or not?

Ms. STREET. We have not had an opportunity to actually review it in depth. We are more focusing on what we have proposed in our 2003 budget, which is $1 million, which is an increase over—so we are putting money into our 2003 budget for this effort.

Senator CAMPBELL. In 2000, we enacted the Native American Business Development Trade Promotion and Tourism Act. It was one that I sponsored. Senator Inouye worked very hard on that, too. It set up a coordinator for all economic programs at the Fed-

eral level, to try to coordinate them so we do not kind of have a shotgun approach to those programs. The office is supposed to be in the Commerce Department. Do you work with that office or other agencies to try to coordinate economic resources for tribes?

Ms. STREET. Yes, and when we begin, we hire our Director of the Office of Native American Affairs, that person would be clearly working very closely with their counterparts in other Federal agencies.

Senator CAMPBELL. The loans to Native Americans, can you tell us how many small business loans you make to Native Americans?

Ms. STREET. Sure. Let me see if I have that.

Senator CAMPBELL. Just in the last year would be fine. I would like you to tell me that number and tell me how you define Native American.

Ms. STREET. I am trying to just check and see.

Senator CAMPBELL. I mention that, and Senator Thomas is kind of smiling at this over here because I know he has faced the same thing. I will tell you what, 25 years ago, nobody wanted to be Indian, it seems like. But now that there seems to be some money in it, you would be surprised how many people suddenly remember they have a cousin that was Indian.

One of the problems that I continually have with some of the grants that go to Indian people is that we have found that some are very enterprising people who are not American Indian, who have found that if they develop a partnership with an Indian, with an enrolled American Indian, they can get in one some of the grants, when, in fact, it may help the Indian person a little bit, but it helps the non-Indian a hell of a lot more.

How do you define when you give a grant to a Native American, No. 1, and how many did you give last year?

Ms. STREET. Well, we had—our 7(a) loans, we had 537 loans——

Senator CAMPBELL. Five-thirty-seven?

Ms. STREET [continuing]. Five-thirty-seven were given last year, for a total of $90 million.

Senator CAMPBELL. Ninety million dollars? OK. And the second part, how did you define who was to get——

Ms. STREET. We have been following the Bureau of Indian Affairs, the definition of Native American, and that would include Native Americans, Alaskan Natives, and Hawaiian Natives, but we have been following those guidelines.

Senator CAMPBELL. Did most of those grants go to Native Americans that live on reservations or do they also go downtown to urban Indians?

Ms. STREET. Well, we have not broken them down in terms of reservation or outside, off the reservation. I could get that information for you at a later time.

Senator CAMPBELL. If you could provide that to the committee, I would appreciate it.

[The information of Ms. Street is located on page 121.]

Senator CAMPBELL. Certainly, they both the need the help.

Ms. STREET. Yes.

Senator CAMPBELL. But because of the proximity to markets, as Senator Inouye mentioned, the ones who live on reservations, in

my view, have it a lot tougher in trying to produce something for sale.

Ms. STREET. Our program is specifically for on reservations.

Senator CAMPBELL. It is designed——

Ms. STREET. Yes.

Senator CAMPBELL [continuing]. Primarily for on-reservation?

Ms. STREET. Yes.

Senator CAMPBELL. Mr. Chairman, thanks. I will go ahead and yield the floor.

Chairman INOUYE. Senator Thomas.

Senator THOMAS. Thank you, Mr. Chairman. Thank you, Ms. Street, for being here.

I was going to ask, what is the total expenditure, then, relating to tribes? That would be your loans, your programs. I guess you have already gone through that.

Ms. STREET. No, I do not specifically know what the total aggregate, if we added up all of our programs, because Native Americans are participating in different degrees in all of our programs.

Senator THOMAS. I guess that is kind of the point. I am sure there is some uniqueness, clearly, with the tribes, but on the other hand, they are eligible to participate in the things that everyone else is eligible to participate in.

Ms. STREET. Absolutely, and we outreach to them to do that and they are doing that. In my testimony, I cited certain statistics in terms of the numbers that are participating, and those numbers are growing in our general program.

Senator THOMAS. Home loans are sometimes more difficult because of the lack of ownership of the land to be able to have something to base the loan on.

Ms. STREET. Collateral rules.

Senator THOMAS. Collateral, so it is difficult. In Wyoming, the TBIC Program has worked through the State Small Business Development Centers——

Ms. STREET. Yes.

Senator THOMAS [continuing]. And worked on the reservation that way. I wonder, can we continue to do that, do you think, in the future, under the program that you talked about?

Ms. STREET. Even if we had no funding, the Small Business Development Centers as part of their mandate and our funding to them is to provide services to Native Americans and they are doing that, at the tune of 8,000 per year that they are actually providing services to. The program that we have in our 2003 budget is a complement, an addition to all the other services that are available to Native Americans.

In SCORE, our Small Business Development Centers, our Women's Business Centers, we have Native American women-owned businesses who are benefiting from our services in our Women's Business Centers, as well. Any of our programs are accessible to all Native Americans and we have evidence that they are participating in them.

Senator THOMAS. So the program that you are seeking to initiate here would be one that recognizes the uniqueness, then——

Ms. STREET. The culturally sensitive on tribal lands, with Native American tribes and tribal organizations——

Senator THOMAS. Well, I have to say——

Ms. STREET [continuing]. Who have the most difficulty, as has been mentioned here.

Senator THOMAS. I do appreciate the fact that you are looking at the effectiveness of these programs. I think too often we just think if we can put some more money in it, it is going to be successful. I do not agree with that. I think there has to be an evaluation, an appraisal, and some accountability for success.

You mentioned the number of tribal members you had dealt with in terms of training and involvement. Do you know how many of those, then, have actually been able to create some sort of business? Do you have any success rates——

Ms. STREET. We are beginning to compile that information. We do not have that data available to us. The current program is an activity where individuals can come in and use our computers, use the equipment there, take CD-ROMs, get manuals, reference materials. It is a kind of self-learning environment. It is certainly not sufficient, and that is why we evaluated that program and decided that we needed a much more comprehensive, dedicated source of funding, and a more comprehensive program that would focus on Indian reservations, businesses on reservations, who are having the most difficult time because of the geography and the long distances to it. The others, the more urban Native American businesses, are participating in greater proportions in our regular programs.

Senator THOMAS. I am sure that is true, and that is because you have a market. Particularly on the gambling, you have to be where there are some people to do the gambling, obviously. But that is not the case in Wyoming. We do not have urban areas, and so the people who are close to that are also in small rural areas. So there, the Native American activities there are going to have to be oriented toward rural communities because that is where they are, and I suspect it will be that way.

Then your Department has not a position on this proposed legislation?

Ms. STREET. No, we do not.

Senator THOMAS. Do you think what you are planning to do would be similar? Would it do the kinds of things generally that——

Ms. STREET. We believe greater outreach for our other programs, the Native Americans to participate in our general overall programs, plus the budget allocation for our 2003 budget, is more than sufficient as a beginning, and we will reevaluate it next year and see where we go from there.

Senator THOMAS. Thank you.

Chairman INOUYE. Thank you.

Senator Campbell.

Senator CAMPBELL. Maybe I should have already asked this, Ms. Street, but I was just reading your testimony. The SBA delivers access to capital and opportunities for a microloan program, HUBZone contracting program, business development program, 504 loan programs, counseling, training, technical assistance programs, includes Small Business Development Centers, SCORE, Women's Business Centers, et cetera, et cetera, and I guess I would just get

a little clearer picture of it based on what Senator Thomas just asked. Does this bill, S. 2335, duplicate what you are already doing?

Ms. STREET. We think it does.

Senator CAMPBELL. Thank you, Mr. Chairman.

Chairman INOUYE. Senator Cantwell.

Senator CANTWELL. Thank you, Mr. Chairman, and thank you for conducting this hearing. As a Member of both the Indian Affairs Committee and the Small Business Committee, I am glad to see that we are having a discussion on this important intersection.

Mr. Chairman, I heard a slight rumor that we are trying to adjourn shortly? No? We have time?

Chairman INOUYE. Oh, yes.

Senator CANTWELL. I obviously have some comments and questions for the next panel and want to offer my encouragement for what I think is important legislation.

I guess the question is, so you are officially not supportive of this concept of an office——

Ms. STREET. We already have an Office of Native American Affairs. It is staffed. We are in the midst right now of making the decision for a national director to lead that office. So we already have that in place already.

Senator CANTWELL. So you believe you have all the staff that you need, as well, to service in this capacity and outreach?

Ms. STREET. Sure. For this year, we think we do, yes.

Senator CANTWELL. And the level of expertise?

Ms. STREET. The level of expertise would be—the National Director for Native American Affairs would have to have experience, and we have been talking to and interviewing, as a result of referrals from Native American organizations. They would have to have that experience in programming and small business development for Native American affairs. We believe we have the quality. We have had some very good candidates to come forward and we are close to a decision.

Senator CANTWELL. So when would you expect to have that position filled?

Ms. STREET. Hopefully any day.

Senator CANTWELL. Any——

Ms. STREET. Any day now. We are still going through that process. We have not completed the process yet.

Senator CANTWELL. I am sorry, I did not quite hear. So any day is what you said?

Ms. STREET. Yes.

Senator CANTWELL. OK. What could the committee expect, then, in the filling of that position? I mean, if 30 days went by, that would be beyond what your expectation is? I mean, does any day mean in the next 30 days or does it mean——

Ms. STREET. I would say—it is hard to answer because there is a whole process that goes along with bringing someone on board and it could take anywhere—I would say 60 would be, to give myself as much—give ourselves as much room, I would say 60 would be——

Senator CANTWELL. Thank you. Thank you, Mr. Chairman.

Chairman INOUYE. Thank you very much.

May I ask one parochial question. What assistance does SBA provide for small business development to Alaskan Natives and Native Hawaiians?

Ms. STREET. I do not have any breakdown of that information. I could get that information for you. We just have it all categorized under Native American and Native Americans, but I will try to get——

Chairman INOUYE. You do provide assistance for small business development to Alaskan Natives?

Ms. STREET. And Hawaiian Natives, yes.

Chairman INOUYE. I thank you very much, Ms. Street.

Ms. STREET. You are welcome.

Chairman INOUYE. Now, may I call upon the third panel, consisting of the chairman of the Oneida Tribe of Indians of Wisconsin, the Honorable Gerald Danforth; the president and CEO of the National Indian Business Association, of Washington, D.C., Mr. Pete Homer; the chief operational officer of DECO, Incorporated, of Minnesota, Mr. Derek Dorr; the executive director of the Lakota Fund of South Dakota, Ms. Monica Drapeaux, and the executive director of ONABEN: A Native American Business Network of Oregon, Mr. Tom Hampson.

May I first call upon Chairman Danforth.

STATEMENT OF GERALD DANFORTH, CHAIRMAN, ONEIDA TRIBE OF INDIANS OF WISCONSIN, ONEIDA, WISCONSIN

Mr. DANFORTH. Mr. Chairman, Members of the joint committee, good morning and thank you for the opportunity. I was really excited when I first saw this bill last Thursday, and without hesitation was anxious to come here to our Capital to provide testimony from the Oneida Tribe of Indians of Wisconsin.

I would like to first commend Senators Johnson and Kerry for this visionary proposal. It was very clear in reading through this bill that the Native American voices have been heard, specifically regarding the issues and concerns associated with small business in Native American communities, because as I read through this, I could see the answers to many, many of our concerns. It is a good bill. It is a good bill.

The Native American Small Business Program recognizes that many Native American communities still function in Third World reality. Even though in Wisconsin we have a casino, we look at the revenue that that casino generates. In a course of days, that revenue instantly leaves the reservation. Small businesses and business expansions, we recognize, are fundamental to the development of our community, to the diversification of our economic base, and to the achievement of individual fulfillment and objectives of various career paths.

A sound, diversified, and integrated economy is the direction that we need to go in Native American communities. The Johnson-Kerry bill moves us in that direction.

In Oneida, we have tried a number of times to establish and generate, initiate small business programs, and I am sad to say that, with rare exception, most of those initiatives have failed. Some of the common problems of those failures have been lack of understanding of growth and management of those businesses, inability

to effectively market and establish a marketing plan, inability to access financial resources, inability to access technical assistance at critical times. This bill answers those questions.

The bill requires long-term planning. When I saw 5 years, that was very key in my mind. Often, our programs of small businesses have gotten off the ground only to fly short distances and are crashing and dying out. The entrepreneurs turn to somebody and generally end up coming back to the government, the tribal government, to say, we are fading out, and we do not have and did not have the mechanisms and the processes in place to support those needs during those critical times.

The bill answers many of those questions. The bill provides for long-term periods of critical monitoring and follow-up action with experts in the business arena for persons of entrepreneurs to turn to. It provides for getting through the barricades for additional financial assistance when the time is needed.

Generally, in the reporting section, the examination and reporting section of the bill, and I really have not had time to cover that and examine it and I would like more time, it just seemed like the reporting and examination was a bit cumbersome. But compared to other grant programs, perhaps it is not. I guess I would like more time to be able to evaluate that section and to provide additional comments in the future. I think within 10 days, I could provide that information for you.

In summary, this bill can work. It will diversify an economic base. It will permit individuals to achieve their potential. It will bring success to Indian communities and Native American communities, and it will bring success to the surrounding communities in small business development.

Thank you again very much for this opportunity. I would be happy to try to answer your questions.

Chairman INOUYE. Thank you very much, Mr. Danforth. We will listen to the whole panel before we ask questions.

[The prepared statement of Mr. Danforth follows:]

Testimony by Gerald Danforth, Chairman

Oneida Tribe of Indians of Wisconsin

Joint Hearing of the Senate Small Business and Entrepreneurship Committee
and the Senate Committee on Indian Affairs on:

Small Business Development in Native American Communities: Is the Federal Government meeting its obligations?

April 30, 2002

Thank you for providing me with the opportunity to testify on Small Business Development in Native American Communities. The Oneida Tribe of Indians of Wisconsin, respectfully submits the following testimony in an effort to help the Senate determine whether the Federal Government is meetings its obligations to Indian Country.

We have been asked to comment on legislation drafted by Senator Tim Johnson and Senator John Kerry which is intended to provide business development assistance to Native American Communities, and offer financial and resource assistance. The bill will also establish and keep Native American business centers in operation.

All of the proposed elements of this legislation are greatly appreciated and would likely serve Indian Country well.

For its part, the Oneida Tribe has attempted to develop our own programs to assist in small business development: Oneida Small Business, Inc. and the Oneida Small Business Center. These two programs were developed with the intent of fostering the growth of small businesses. If adopted, I believe the legislation drafted by Senators Johnson and Kerry would work in support of both of our programs.

Specifically, Oneida Small Business, Inc. is a revolving loan fund that has been established for small business entrepreneurs to start businesses, support each other' s businesses and learn from each other. We have identified over 80 tribal members who are interested in developing small business operations on our reservation. In an effort to help meet the over $3 million of need, we have worked with the State of Wisconsin to direct $500,000 from the $4.8 million we pay to the state each year under the terms of our gaming compact to support of this program. As of today, we are not aware of any federal resources being made available for this effort.

The Johnson-Kerry bill, if enacted and funded with an annual appropriation, would allow us to direct all of our financial resources

to financing new businesses. Funds allocated in support of the bill could be used for credit analysis to determine business viability, adequately service loans, extend greater levels of technical assistance to our clients, and provide funds to operate the program' s office.

Our second program, the Oneida Small Business Center, provides technical support and networking opportunities to strengthen, develop and diversify new or expanding Oneida Tribal member businesses within the State of Wisconsin. When we initially began to develop this program we noticed two trends: one was the difficulty Indian people had in tapping federal, state, and local financial and technical assistance programs; the second was getting past traditional bank financing criteria—a major obstacle for on-reservation economic development.

Participants in the Oneida Small Business Center become eligible for low interest rate loans after graduating from Urban Hope, a program that provides entrepreneurs with assistance in developing business plans and offers other forms of technical assistance. Loans are then made available to businesses owned by tribal members and located within the State of Wisconsin. The fund is to be administered by participating banks, including Bay Bank, a bank established and owned by the Oneida Tribe.

Again, we would envision the Johnson-Kerry legislation as a tool to help extend our limited resources. Under the various programs established under the bill, if the Oneida Small Business Center were to become a recipient of any of the grant funds available, we would move more resources into loans.

As you know, for much of Indian Country the largest revenue generator has been our gaming enterprises. In some instances the rewards have been so great that tribes believe they can make any type of business turn into a money making machine. Unfortunately, far too often tribal people are lured into get-rich-quick ideas without the proper understanding of basic business principles.

The Oneida Tribe believes this bill will have a positive affect on Native American communities by offering prospective business owners with a better knowledge base and allowing easier access for Native American entrepreneurs to start, operate, and grow small businesses. This assistance would also include computers, graphic workstations, CD-ROM technology, and reference materials. We believe the development of management, technical skills and federal procurement opportunities are ways to strengthen the success of these businesses.

Another positive aspect of this legislation is whether you are a prospective or current owner of a small business; you are still eligible for funding. We believe this legislation is just as important to those want to start their own business, as well as those already established.

In conclusion, the Oneida Tribe would like to reiterate our support for the Johnson Kerry legislation. The Oneida Tribe looks forward to strengthening and diversifying our tribal economy for generations to come and this legislation could be helpful in our efforts. Once again, thank you for time and attention on this matter.

Chairman INOUYE. Mr. Homer.

STATEMENT OF PETE HOMER, JR., PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL INDIAN BUSINESS ASSOCIATION, WASHINGTON, D.C.

Mr. HOMER. Thank you, Mr. Chairman and Members of the Senate Committee on Small Business and also the Senate Committee on Indian Affairs. On behalf of the National Indian Business Association, I would like to thank you all for the opportunity to testify today on this very important legislation, the Native American Small Business Development Act.

My name is Pete Homer. I am Mojave, an enrolled member of the Colorado River Indian Tribes. I serve as the tribal consultant on the hydroelectric project. I am also the President and CEO of the National Indian Business Association, an organization that was established in 1992 to promote Native American business development through education, communication, and advocacy. We represent approximately 24,000 Native American-owned businesses nationwide. Our mission is to stimulate business development, job creation, and economic activity within Native American communities.

I have over 36 years of experience working in business, employment, and community development, and in 1992, I served as the Small Business Administration's first director of the Office of Native American Affairs. I structured, implemented, and coordinated all SBA programs for Native American communities, and today is an exciting day for me, because hopefully, I am assisting in making these programs statutory.

As you are aware, the socio-economic statistics pertaining to Native Americans remains grim. Even today, many Native American businesses are still without adequate training and technology to compete and do business with the private sector and Federal Government. Yet in spite of this, there are some bright spots on the horizon for Native American business development. The explosive growth and the demand for information technology and business e-commerce continues. Overseas businesses often fill the void in the United States-based information technology businesses, while potential resources of Native American businesses on and off Indian reservations are overlooked.

Among the problems cited by Native American businesses is that there are few training and technical assistance centers, mentor or incentive programs that focus specifically on assisting the development of Native American businesses. It is this void that drives NIBA in its support of the Native American Small Business Development Act.

The establishment of Small Business Development Centers in Indian Country would serve as the central focal point for training, technical assistance, education, e-commerce development programs, and technical assistance service with the goal of expanding the number of Native American businesses and creating Native American jobs.

The National Indian Business Association is presenting testimony to seek your support on the passage of the Senate Native American Small Business Development Act. We urge both commit-

tees, the Senate Committee on Small Business and Entrepreneurship and the Senate Committee on Indian Affairs, to work together and come to a consensus, because Native American businesses will benefit as a result of this legislation. I also thank the committees for recognizing and focusing on legislation that will create self-sufficiency, jobs, and economic development in Indian Country through training and technical assistance.

This legislation establishes two innovative culturally tailored business pilot programs for Native reservations and community businesses, the Native American Development Grant Pilot Program and the American Indian Tribal Assistance Center Grant Program. These programs may bridge the gap of the digital divide in information technology for Native American communities. NIBA supports the two innovative pilot programs.

NIBA is highly optimistic that this legislation can serve to advance Native American economic development through preference contracting by providing assistance to Native American businesses that will allow for the development of more tribal 8(a) companies and HUBZone certified companies.

Sustainable small business development in Indian Country remains as the engine for new job creation and economic growth. Given the current fragile State of the economy, this is no time for further weakening much needed small business resources.

Chairman Kerry and Senator Bond were the ones, and we thank them and other Members of the Committee. It was through their leadership and bipartisan support that created the HUBZone program, a very important program in Indian Country. Chairman Inouye and Senator Johnson and Senator Kerry, we thank you for the Native American Small Business Development Act and we ask for that same bipartisanship support in passing this important piece of legislation.

Thank you for allowing me to present testimony today and I will be around for answering questions.

Chairman INOUYE. Thank you very much, Mr. Homer.

[The prepared statement of Mr. Homer follows:]

Statement of Pete Homer Jr., President/CEO
National Indian Business Association
Washington, DC

Testimony to the Senate Committee on Small Business and Entrepreneurship
And the
Senate Committee on Indian Affairs
April 30, 2002

Thank you, Mr. Chairman and members of the Senate Committee on Small Business & Entrepreneurship and the Senate Committee on Indian Affairs. On behalf of the National Indian Business Association (NIBA), I would like to thank you all for the opportunity to testify today on this very important legislation, the "Native American Small Business Development Act."

My name is Pete Homer, Jr., a Mojave Indian, enrolled member of the Colorado River Indian Tribes of Arizona. I serve as the Tribal consultant working to establish the Tribal Hydro Electric Enterprise, I also serve as the President and CEO of the National Indian Business Association, a National Trade Organization established in 1992 to promote Native American Business development through education, communication and advocacy. NIBA represents 24,000 Native American owned businesses nationwide. Our mission is to stimulate business development, job creation and economic activity within Native American communities.

I have over 36 years experience working in business, employment and community development. In 1992, I served as the Small Business Administration's (SBA) first director in the Office of Native American Affairs. I structured, implemented and coordinated all SBA programs for Native American Communities. And today, is an exciting day for me because, I am participating in making these programs statutory.

As you are aware, socio-economic statistics pertaining to Native Americans remains grim. Even today, many Native American businesses are still without adequate training and technology to compete and do business with the private sector and the federal government. Yet in spite of this, there are some bright spots on the horizon for Native American Business development. The explosive growth and demand for information technology and business e-commerce continues. Overseas businesses often fill the void in US based information technology businesses, while the potential resources of Native American businesses on and off Native American reservations are overlooked. Among the problems cited by Native American businesses is that there are few training and technical assistance centers, mentor or incentive programs that focus specifically on assisting the development of Native American businesses. It is this void that drives NIBA in its support of the Native American Small Business Development Act.

The establishment of Small Business Development Centers in Indian Country would serve as the central focal point for training, technical assistance,

education, e-commerce development programs and technical assistance services with the goal of expanding the number of Native American businesses and creating Native American jobs. NIBA recommends the SBA, Native American Small Business Development Act includes the following objectives.

1. Provide training, education, management and technical assistance to Native American tribal and individual businesses nationwide.

2. Develop and maintain an inventory of Native American vendor firms qualified and capable of selling their goods and services to the public and private sectors and an outreach program to facilitate this interface.

3. Identify, develop and coordinate capital sources for investment in or lending to Native American firms or potential businesses.

4. Identify, develop and coordinate public/private sector management and technical assistance resources for qualified Native American firms.

5. Provide education and technical support for Native American Women firms or potential businesses.

6. Fund a National Native American Business Development program in Washington, DC to provide coordination and technical support for computer access for e-commerce, b-commerce and the development of Information Technology.

7. Develop a Native American computerized data resource center that will transfer e-commerce and other technology to Native American businesses nationwide and establish a National website for information transfer.

8. Develop the important linkages and coordination with all SBA Regional and District offices needed to coordinate nationwide all SBA services to Indian Country.

The National Indian Business Association is presenting testimony to seek your support on the passage of the Senate "Native American Small Business Development Act." We urge both Committees; the Senate Committee on Small Business & Entrepreneurship and the Senate Committee on Indian Affairs, to work together and come to a consensus because Native American businesses will benefit as a result of this legislation. I also thank the Committees for recognizing and focusing on legislation that will create self-sufficiency, jobs, and economic development in Indian Country through training and technical assistance.

This Senate legislation will create a bright future for Indian Country because for the first time in SBA's history, legislation will establish a statutory SBA, Office of Native American Affairs. This office will focus on outreaching to all Indian reservations and Native communities to provide training and technical

assistance, ensuring that efforts and equal access and opportunities will increase Native American participation in SBA programs.

The establishment of a financial and resource assistance program to fund Native American Business Centers through Tribal Colleges, Tribal Governments and Native organizations will provide culturally tailored business development assistance to Native Americans. We all know, that access to capital in Indian Country is, very limited and loans small or large, are non-existent, creating a barrier to business development on reservations. This legislation will create the assistance for Native businesses to seek other loans outside the Bureau of Indian Affairs guaranteed loan program. There are many choices of government loan marketing programs, like Fannie Mae and Freddie Mac who serve as secondary lenders. The SBA has very good guaranteed loan programs and operates a secondary loan market for its loans. This legislation will provide the assistance needed for development of loan packaging that will have positive effects in Indian Country. Community banks play a critical role in providing small loans to Native American businesses especially through SBA lending programs. We support the financial resource assistance of this legislation that will provide capital for economic development on Indian Reservations.

This legislation establishes two innovative pilot programs for native reservation and community businesses: the Native American Development Grant Pilot Program and the American Indian Tribal Assistance Center Grant Pilot Program. These programs will bridge the gap of the digital divide in information technology for Native American communities. NIBA supports the two innovative pilot programs.

NIBA is highly optimistic that this legislation can serve to advance Native American economic development through preference contracting by providing assistance to Native American businesses that will allow for the development of more Tribal 8(a) and HUBZone certified companies.

Sustainable small business development in Indian Country remains as the engine for new job creation and economic growth. Given the current fragile state of the economy, this is no time to further weaken much needed small business resources.

Chairman Kerry and Senator Bond, we thank you, and other members of the Committee, it was through your leadership and through bipartisanship support that created the HUBZone program; a very important program in Indian Country. Chairman Inouye, Senator Campbell, Senator Johnson and Senator Kerry, we thank you for the Native American Small Business Development Act and we ask for that same bipartisanship support in passing this important piece of legislation.

Thank you for allowing me to present testimony on behalf of NIBA. NIBA appreciates the Committee's consideration of its views. I would be glad to respond to any questions the Committees may have.

Chairman INOUYE. I now call upon Mr. Dorr.

STATEMENT OF DEREK DORR, CHIEF OPERATING OFFICER, DECO, INC., ONIMIA, MINNESOTA

Mr. DORR. Hello. My name is Derek Dorr and I am the chief operating officer and executive vice president of DECO. I am joined with my father, Robert Door, Chief Executive Officer of DECO.

First, I would like to thank Senator Wellstone from our State of Minnesota for allowing us the opportunity to present our experience and understanding of the Federal marketplace pertaining to small business development, particularly from our position as a Native American-owned and operated company located on the Mille Lacs Band of Ojibwe Reservation, a band within the Minnesota Chippewa Tribe. We would also like to thank Senators Kerry and Inouye for allowing us this opportunity.

DECO was established in 1986. We had limited growth until 1992. At that time, tribal gaming began to flourish and the procurement system increased the opportunities made available to Native American-owned companies, such as ours. From 1992 to 1998, DECO slowly grew, with revenues increasing approximately five to 10 percent per year.

It was not until 1998 when we started to explore the markets, programs, and assistance available within the Federal Government that we truly began to enhance our potential as a Native American-owned company. Specifically, in 1999, DECO was certified in the SBA 8(a) program and was the first company in the State of Minnesota to become HUBZone certified. Also, DECO is currently certified under the SBA Mentor/Protege Program, and for the past year or so has been mentored by a large company that is a leader within the security industry.

Frankly, the introduction of these programs and specifically Randy Czaia at the SBA Minnesota District Office has provided an overwhelming benefit to our continued growth and success. Further, the Small Business Development Centers, funded partially by the SBA and located throughout Minnesota, helped this goal, as well. From 1998 through 2002, DECO's revenues have and will increase between 50 to 100 percent each year while maintaining a healthy and stable net income. At the same time, the Federal market is only 25 percent of our yearly revenues, while tribal governments remain our largest client.

I am proud to tell you that DECO was awarded the 2001 Minority 8(a) Firm of the Year for the SBA Region 5 and was a runner-up nationally. Overall, these achievements were made possible by the SBA 8(a) and small business programs. For DECO, participation in these programs has been extremely positive and overwhelmingly successful.

Currently, DECO is licensed to perform services from security guards to security systems to electrical systems and maintains contracts with a variety of clients, including the Federal Government, for all of these services. We now provide security guard services to the GSA, Federal Protective Services in Regions 5 and 7, the U.S. Department of Commerce Bureau of Census, and the U.S. EPA, while providing electrical contracting services for the U.S. Department of Defense Air Force Reserve 934th Airlift Wing, the Depart-

ment of Defense Grand Forks Air Force Base, and the Department of Veterans' Affairs Minneapolis Medical Center. Although we maintain corporate offices on the Mille Lacs Band of Ojibwe Reservation in Minnesota, we also have six field offices located in other parts of Minnesota, Texas, Illinois, Indiana, Michigan, and Ohio.

As we strive for continued success, we also remain focused on key issues on the reservation. Since 1998, DECO has solely funded a Native American apprenticeship program, where band members are given the opportunity to work on the reservation projects and gain experience and training in electrical trade. Accordingly, as these individuals' experience grows, they are further supplemented with required educational materials and instructors to become a licensed tradesman. The final stages of this program are either completed with the cooperation of the National Electrical Contractors Association and/or via the appropriate Minnesota State licensing agency.

Since 1998, we have provided training to over 40 band members within the State of Minnesota. As a matter of fact, we feel by coupling work ethic, i.e., timeliness, attentiveness, and quality assurance with the instant rewards of a paycheck, that our project has transformed from a sole economic opportunity to a long-lasting community effort. Of course, without any financial or administrative assistance for this program, DECO must also maintain our competitiveness within the market, which is often an obstacle.

Upon the completion of the construction of our corporate offices on the reservation, our clear desire was and is to build a solid economy separate from gaming. Even though our office remains the only building within our industrial park, we feel confident that our success may eventually redefine some of the negative stereotypes within our community. With the assistance of the Mille Lacs Band of Ojibwe Chief Executive Melanie Benjamin, we continue to strive to lead by example.

However, our success depends largely on Federal procurement procedures and policies for small 8(a) and HUBZone companies. Particularly, through our years of growth, we have experienced specific obstacles within the Federal marketplace and within the Federal programs we work with which advocate for small businesses. For example, we have direct experience with the SBA throughout the country and have found that procurement center representatives or safeguards overlooking the Federal procurement process are overwhelmingly understaffed. Specifically, contracts that have been in the SBA 8(a) or small business programs for many years have been procured outside this arena because there are so few people watching these various areas within Federal purchasing.

Furthermore, the HUBZone Program has extreme potential within the Federal marketplace. However, with so few people administering this program, full advocacy is rarely achieved. Although our HUBZone status is clearly beneficial when coupled with our SBA 8(a) certification, we rarely, if ever, receive inquiries regarding our HUBZone certification.

Within the few years we have been 8(a) certified, we have noticed a dramatic reduction in SBA personnel. In all, we feel the strength and vitality of the SBA within the Federal procurement arena is

essential to the ultimate success of Native American small business and Native American communities.

From our experience, the most clear and direct impact that the Federal Government has to revitalize and maintain businesses within the Native American community is the SBA 8(a) program. Overall, we perceive that Federal agencies throughout the country respect this program and are striving to maintain its goals. However, there is a severe issue rising to corrode this program. This issue is the GSA Federal Supply Schedule. Under the FAR regulations, the 8(a) and small business programs are not applicable when agencies procure under FSS.

We have had firsthand experience with contracts we originally procured under the 8(a) program that were reprocured under the FSS Program without consideration of 8(a) and given to large businesses. As a matter of fact, we have heard from a variety of Federal clients that FSS procurement will soon become the leading procurement method within the Federal Government. If this holds true, it will likely nullify the benefits of the 8(a) and small business programs.

Generally, we are not against the concept of the FSS Program. However, the FSS Program should be modified to include small business programs and, thus, require that 8(a) and small business contracts remain within the program. We believe this will help to level the playing field.

In conclusion, throughout the past few years, we have clearly benefited from the SBA and its programs. The SBA and its continued strength and influence is a key to the success with the Native American communities in the Federal contracting area. Thank you very much.

Chairman INOUYE. Thank you very much, Mr. Dorr.

[The prepared statement of Mr. Dorr follows:]

DECO, INC.

Written Testimony: April 30, 2002
Committee on Small Business & Entrepreneurship and
Committee on Indian Affairs

Derek J. Dorr
COO, Exec. VP
DECO, Inc.

Hello. My name is Derek Dorr and I am the Chief Operating Officer and Executive Vice President of DECO, Inc. ("DECO"). I am joined by Robert Dorr, President and Chief Executive Officer of DECO and my father.

First, we would like to thank Senator Wellstone from our State of Minnesota for allowing us the opportunity to present our experience and understanding of the federal marketplace pertaining to small business development particularly from our position as a Native American owned and operated company located on the Mille Lacs Band of Ojibwe reservation, a band within the Minnesota Chippewa Tribe. We would also like to thank Senators Kerry and Inouye for allowing us this opportunity.

DECO was established in 1986. We had limited growth until 1992. At that time, Tribal Gaming began to flourish and the procurement system increased the opportunities made available to Native American owned companies such as ours. From 1992 to 1998, DECO slowly grew, with revenues increase approximately 5-10% per year.

It was not until 1998 when we started to explore the markets, programs and assistance available within the Federal Government that we truly began to enhance our potential as a Native American owned company. Specifically, in 1999, DECO was certified into the SBA 8(a) program and was the first company in the State of Minnesota to become HubZone certified. Also, DECO is currently certified under the SBA Mentor/Protégé Program were for the past year or so, we have been mentored by a large company that is a leader in the security industry. Frankly, the introduction of these programs and specifically Randy Czaia at the SBA Minnesota District office has provided an overwhelming benefit to our continued growth and success. Further, the Small Business Development Centers, funded partially by the SBA and located throughout Minnesota, helped this goal as well. From 1998 through 2002, DECO's revenue will increase between 50-100% each year while maintaining a very healthy and stable Net Income! At the same time, the federal market is only about 25% of our yearly revenues while Tribal Governments remain our largest client. I am proud to tell you that DECO was awarded the 2001 Minority 8(a) Firm of the Year for the SBA Region 5 and was the first runner-up nationally. Overall, these achievements were made possible by the SBA 8(a) and Small Business programs. For DECO, participation in these programs has been extremely positive and overwhelmingly successful.

Currently, DECO is licensed to perform services from Security Guards to Security Systems to Electrical Systems and maintains contracts with a variety of clients, including the Federal government, for all of these services. We are now providing security guard services to the GSA-Federal Protective Service in Regions 5 and 7, to the U.S. Department of Commerce Bureau of Census, and the U.S. Environmental Protection Agency while providing electrical contracting services for the U.S. Department of Defense Air Force Reserve 934th Airlift Wing, the Department of Defense Grand Forks Air Force Base and the Department of Veterans Affairs Minneapolis Medical Center. Although we maintain corporate offices on the Mille Lacs Band of Ojibwe reservation in Minnesota, we also have six field offices located in other parts of Minnesota, Texas, Illinois, Indiana, Michigan, and Ohio.

As we strive for continued success, we also remained focused on key issues on the reservation. Since 1998, DECO has solely funded a Native American Apprenticeship Program where band members are given the opportunity to work on reservation projects and gain experience and training in the electrical trade. Accordingly, as these individuals' experience grows they are further supplemented with the required educational materials and instructors to become a licensed tradesman. The final stages of this program are either completed with the cooperation of the National Electrical Contractor's Association and/or via the appropriate Minnesota state licensing agency. Since 1998 we have provided training to over 40 band members within the State of Minnesota. As a matter of fact, we feel by coupling work ethic, i.e. timeliness, attentiveness, and quality assurance with the instant rewards of a

paycheck, that our projects transform from a sole economic opportunity to a long lasting community effort. Of course, without any financial or administrative assistance for this program DECO must also maintain our competitiveness within the market, which is often an obstacle.

Upon the completion of construction of our corporate office on the reservation, our clear desire was and is to build a solid economy separate from gaming. Even though our office remains the only building within the industrial park, we feel confident that our success may eventually redefine some of the negative stereotypes within our community. With the assistance of the Mille Lacs Band of Ojibwe Chief Executive Melanie Benjamin, we continue to strive to lead by example.

However, our success depends largely on Federal Procurement procedures and policies for small, 8(a), and HubZone businesses. Particularly, through our years of growth we have experienced specific obstacles within the Federal marketplace and within the Federal Programs we work with which advocate for small businesses. For example, we have direct experience with the SBA throughout the country and have found that the procurement center representatives or safeguards overlooking the Federal procurement process are overwhelmingly understaffed. Specifically, contracts that have been in the SBA 8(a) or Small Business programs for many years have been procured outside of this arena because there are so few people watching the various areas of federal purchasing. Furthermore, the HubZone Program has extreme potential within the Federal marketplace, however with so few people administering this program full advocacy is rarely achieved. Although our HubZone status is clearly beneficial when coupled with our SBA 8(a) certification, we rarely, if ever, have received inquiries regarding our HubZone certification. Within the few years we have been 8(a) certified we have noticed a dramatic reduction in SBA personnel. In all, we feel the strength and vitality of the SBA within the federal procurement arena is essential to the ultimate success of Native American small businesses and Native American Communities.

From our experience, the most clear and direct impact the Federal government has to revitalize and maintain businesses within the Native American Community is the SBA 8(a) program. Overall, we perceive that Federal Agencies throughout the country respect this program and are striving to maintain its goals. However, there is a severe issue rising that appears to be corroding this program. This issue is the GSA Federal Supply Schedule ("FSS"). Under the Federal Acquisition Regulations, the 8(a) and small business programs are not applicable when Agencies procure under the FSS. We have had first hand experience with contracts we were originally procured under the SBA 8(a) program that were re-procured under the FSS program, without consideration of 8(a) status and given to a large business. As a matter of fact, we have heard from a variety of our federal clients that FSS procurement will soon become the leading procurement method within the federal government. If this holds true, it will likely nullify the benefits of the 8(a) and small business programs. Generally, we are not against the concept of the FSS program. However, the FSS program should be modified to include Small Business programs and thus require that 8(a) and small business contracts remain within the program. We believe this will help level the playing field and is a fair and simple solution to this problem.

In conclusion, throughout the past few years we have clearly benefited from the SBA and its programs. The SBA and its continued strength and influence is a key to the success of Native American Communities in the Federal contracting area.

Thank you very much for allowing us to present you this information.

Chairman INOUYE. Now, may I recognize Ms. Drapeaux.

STATEMENT OF MONICA DRAPEAUX, EXECUTIVE DIRECTOR, THE LAKOTA FUND, KYLE, SOUTH DAKOTA

Ms. DRAPEAUX. Good morning, Senators. I would like to say good morning to Senator Inouye and Senator Campbell, and I would also like to thank Congressman Udall and Senator Wellstone and, of course, Senator Johnson. Also, I would like to thank you for holding these hearings that are so important to us in Indian Country. I would also like to thank Congressman Udall for introducing this bill.

My name is Monica Drapeaux and I am the executive director of The Lakota Fund on the Pine Ridge Reservation in South Dakota. I have come here today to support the proposed Native American Small Business Development Act. The Lakota Fund's mission is to promote economic growth and sustainability on the Pine Ridge Reservation in a culturally sensitive manner. I would like to give you an overview of The Lakota Fund and what we do.

We began in 1986 as a microlender, giving small loans from $1,000 up to $25,000. We have increased our lending limit dramatically in the year 2000, from $25,000 up to $200,000. Also in the year 2000, we were the second reservation in the United States to be certified by the U.S. Treasury Department as a CDFI.

We own and operate Spirit Horse Gallery, which provides a marketing arm for our local artists. Lakota Fund owns and operates a 30-unit tax credit housing project in Wanblee, South Dakota. This was the first low-income tax credit project on a reservation in South Dakota.

We have recently launched the first IDA program on any reservation in South Dakota. This is a pilot project that will provide 30 tribal members with a matched savings program that can be used for home ownership, education, business, or business development.

We provide training and technical assistance to our borrowers, which is a key to successful entrepreneurial development. Our training is culturally relevant and appropriate. We develop our own training materials and we provide all of these services through our TBIC.

We utilize the TBIC in conjunction with our lending. We provide small business training, computer technology workshops, bookkeeping, marketing, credit counseling, and business taxes to tribal members. The Lakota Fund firmly believes that the TBIC has a direct impact on the entrepreneurial development on the Pine Ridge Reservation. Each month, an average of 25 people utilizes the centers and its resources. The TBIC center is generating new businesses and jobs on a monthly basis, a remarkable fact for the context of the reservation economy.

We believe that our economy will be built one business at a time, from the inside out. Pine Ridge has no access to capital, which means there are no banks or credit unions on the reservation, so if we are not making loans, no one is making loans. Nothing will change and people's lives will stay the same.

However, in 2001, we loaned over three-quarters of a million dollars to tribal members. Those loans created 66 jobs. Thirty-four

percent of those loans were given to existing businesses and 66 percent were startup businesses. Over the past 16 years, Lakota Fund has helped build the economy with businesses such as buffalo ranches, hair salon, tire repair shop, bakery, tipi retail, bed and breakfast, a trading post, and a trucking operation, to name a few.

People in our community travel 100 miles one way to get services that we do not have on the reservation. Now, people do not have to travel to Rapid City to get their tire fixed. They can get it done locally. In another community, we have a local convenience store where people can buy a gallon of milk instead of driving 60 miles one way. We now have an opportunity to provide services to tourists at a local bed and breakfast. As a result of these businesses, it has created income and revenue which did not exist before.

We now have the Pine Ridge Area Chamber of Commerce that provides a voice and support for our local businesses. The need for the Chamber is a vital component and a sign that an economy is being built. We are proud that we are a part of assisting them financially and getting them started.

I would like to comment on the proposed legislation. You are recommending that eligible organizations are described as any nonprofit organization that has tribal government members or their designees comprise the majority of its board of directors. We are concerned that the requirement of the organizations be directed by tribal government. While The Lakota Fund is tribally chartered, we are a private nonprofit 501(c)(3). While we coordinate efforts with tribal government, maintaining our independence is also important. Rather than tribal government members comprising a majority of the board of directors, to ensure local governance and input, The Lakota Fund would recommend the requirement that tribal members comprise the majority of the board.

We concur that Native American Business Centers be reservation-based, culturally appropriate, where priority will be given based on the proximity of the center population being served. In our case, our TBIC is located in the center of the Pine Ridge Reservation in Kyle, South Dakota. The Lakota Fund agrees that adequate staffing and capacity is necessary in providing effective services.

In closing, the needs of our reservation and most reservations are great. At The Lakota Fund, we are proud of our accomplishments and working to meet the needs of the people we serve. This piece of legislation is critical to us. It is a cornerstone to grow our economy and provide future sustainability. Thank you for the opportunity to share our experience.

Chairman INOUYE. Thank you very much, Ms. Drapeaux.

[The prepared statement of Ms. Drapeaux follows:]

Written Testimony on the Native American Small Business Development Act
Submitted by the Lakota Fund, April 2002

Organizational Background

The Lakota Fund is a sixteen year-old community development financial institution that serves the Pine Ridge Indian Reservation, home to the Oglala Lakota (Sioux) Nation in southwestern South Dakota. Pine Ridge is one of the poorest regions in the United States based on per capita income and unemployment rates.

The mission of the Lakota Fund is to promote economic growth and sustainability on Pine Ridge in a culturally sensitive manner. The Lakota Fund works to develop a private sector that will provide jobs, offer products and services close to home, and keep money on the reservation. To date, the Lakota Fund has accomplished its mission primarily through the provision of micro and small business credit to Lakota entrepreneurs. In addition, the organization has a well-deserved reputation as competent business trainer and technical assistant.

During its history, the Lakota Fund has provided approximately 500 loans valued at nearly $2,000,000; provided training to more than 250 entrepreneurs; and provided marketing services to more than 1500 arts and crafts micro-entrepreneurs. Moreover, the Fund has developed 30 units of low-income housing, created a nationally known crafts gallery (Spirit Horse Gallery), and developed a Tribal Business Information Center (in partnership with the SBA).

The Lakota Fund is widely regarded as one of the most successful private sector initiatives on Pine Ridge and among the most successful grass roots credit initiatives on any Indian Reservation in the United States. It is the second of only two reservation-based loan funds in the US to receive CDFI certification from the Department of the Treasury.

Over the last sixteen years, the Lakota Fund's accomplishments have made a fundamental impact on reservation residents. Over 100 hours of training per month is provided by Lakota Fund staff. Over 50 people per year prepare business plans through the Fund's programs. The Lakota Fund has also become a critical community asset. It houses a business resource library and has built an office building and new housing on the reservation. Most importantly, the intellectual capital of the organization is accessible to the community in a culturally-relevant way because the Lakota Fund is governed and staffed by community members.

The Lakota Fund's Tribal Business Information Center (TBIC): An Overview

The Lakota Fund began operating our Tribal Business Information Center (TBIC) in 1996. Through the TBIC, we are able to provide vitally-needed information, services, and assistance, including:

- Business start-up assistance,
- Loan packaging assistance,
- Business plan development assistance,
- Small-business training,
- Workshops for new and existing business owners, and
- Business counseling and technical assistance.

Workshop topics include:

- Bookkeeping,
- Recordkeeping,
- Marketing and public relations,
- Credit counseling,
- Business taxes, and
- Small business and technology.

The Lakota Fund firmly believes that the TBIC has a direct impact on entrepreneurial development on the Pine Ridge Reservation. Each month, an average of 25 people utilize the center and its resources. The Center is generating new business and jobs on a monthly basis, a remarkable fact in the context of the reservation economy.

Analysis of Proposed "Native American Small Business Development Act": Agreement

The Lakota Fund strongly believes that federal support for Tribal Business Centers is critical, and agrees with many of the provisions outlined in the draft "Native American Small Business Development Act." For example, the Lakota Fund agrees with the following provisions and language in the Act:

(1) In-kind assistance described in Section 2(c)(1)(B), including personal computers, graphic workstations, CD-ROM technology, distance learning training courses, computer software, and reference materials.

This in-kind assistance would greatly benefit the Lakota Fund and our ability to serve entrepreneurs on the reservation by making possible otherwise unavailable hardware resources for our clients.

(2) The use of funds described in Section 2(c)(1)(C), which states that financial and resource assistance provided . . . shall be used to overcome obstacles impending the creation, development, and expansion of small business concerns, in accordance with this section, by – (i) *reservation-based American Indians* . . .

The Lakota Fund believes that providing assistance and services *on* the reservation, to tribal members living *on* the reservation, is imperative. Simply put, if the Lakota Fund does not serve or assist tribal members on the reservation, the Lakota people will not have access to assistance. They will not access business training, technical assistance, computer resources, or reference materials. Without this support, potential business developers and entrepreneurs will not develop business, provide employment opportunities, or generate revenues for the benefit of the private sector on the reservation.

(3) The emphasis on *culturally tailored* business development assistance outlined in Section 2(c)(2)(A), and Section 2(d)(2)(B).

As noted above, the mission of the Lakota Fund is to promote economic growth and sustainability on Pine Ridge in a culturally sensitive manner. Since our creation, the Lakota Fund has focused on the importance of business development training, and worked to design and deliver culturally-appropriate training materials. In fact, the Lakota Fund has developed our own educational training materials for business training, entitled, "*Tokatakiya*

*Iciskanpo/*Prepare for the Future: Nation Building for the Lakota by the Lakota through Economic Development" (A Seven Week Small Business/ Entrepreneurship Curriculum).

(4) The emphasis on the proposed location of Native American business center sites, outlined in Section 2(c)(5)(B)(iii)(V), which states that priority will be given based on on the proximity of the center to the population being served and to achieve a broad geographic dispersion of the centers.

The Lakota Fund believes that the location of Native American business center sites is critical: in order to provide effective assistance, centers must be located on the reservation. Location was a central issue in the establishment of the Lakota Fund, which is located in Kyle, both the geographic center and the population center of the Pine Ridge Reservation. Over our sixteen-year history, the Lakota Fund has witnessed numerous attempts to provide services and assistance to tribal members from off-site centers, most located in Rapid City. The effectiveness of these attempts simply cannot compare to reservation-based assistance: for the vast majority of Pine Ridge residents, off-site centers are too far, too culturally unresponsive, and too unfamiliar with reservation social patterns to be of consequence to the Pine Ridge economy.

(5) The emphasis on adequate staffing outlined in Section 2(d)(2)(A)(ii), which states that applicants must employ a full-time executive director or program manager to manage the facility.

The Lakota Fund agrees that adequate staffing and capacity is necessary to provide effective services. The Lakota Fund currently has one staffperson working in the Tribal Business Information Center (TBIC) on a part-time basis, but having the resources to employ a full-time program manager would enhance our programming and assistance.

Analysis of Proposed "Native American Small Business Development Act": Concerns

While the Lakota Fund agrees with many of the provisions in the proposed act, we must note our concern with certain language relating to eligible entities and proposed location of the centers. For example, the Lakota Fund is concerned by the following:

In Section 2(d)(1)(B), eligible organizations are described as (i) any private nonprofit organization that has tribal government members, or their designees, comprising a majority of its board of directors; or (ii) any small business development center.

Regarding provision (i), the Lakota Fund is concerned with the requirement eligible organizations be directed by tribal government. While the Lakota Fund is tribally-charted, we are a private, independent 501(c)(3) organization. While we coordinate efforts with tribal government, maintaining our independence is also important. Rather than *tribal government members* comprising a majority of the board of directors, to ensure local governance and input, the Lakota Fund would recommend the requirement that *tribal members* comprise the majority of the board.

Regarding provision (ii), the Lakota Fund strongly believes that "any small business center," does not ensure access by Native American business owners on the Pine Ridge Reservation -- both potential and actual -- to effective private sector training. It is our strong belief that Native American business development centers must be managed by Native American organizations working *on* the reservations whose clients they serve.

The Lakota Fund has the same concern regarding Section 2(d)(2)(A)(i), which states that an applicant may be a private nonprofit organization, a Native American business development center, or small business development center.

Talking Points/Congressional Testimony
Presented by Monica Drapeaux, the Lakota Fund, April 30, 2002

Intro and Good Morning

Good morning
Monica Drapeaux, ED of the Lakota Fund on the Pine Ridge Reservation

Overview of the Lakota Fund

Mission: to promote economic growth and sustainability on Pine Ridge in a culturally sensitive manner.

Programs:

(1) Revolving loan fund = center of our work
- started by providing micro-loans
- now a small-business lender (up to $200,000)
- in 2001, we loaned nearly $3/4 million to tribal members

(2) Certified CDFI: Community Development Financial Institution
- certified by the US Treasury Dept.
- second reservation –based CDFI

(3) Spirit Horse Gallery
- created because the majority of our micro-borrowers were artisans
- marketing arm of the Lakota Fund (on the web)

(4) 30-unit Tax Credit Housing Development
- first low-come tax credit project on a rez. in SD

(5) new IDA program

(6) Training and Technical Assistance
- provide to the majority of our borrowers
- key to successful entrepreneurial development
- our training is culturally relevant and appropriate
- we've developed our own training materials
- we provide services through our TBIC

Overview of TBIC

Began operating our TBIC in 1996.

Each quarter, between 50 and 75 people use the TBIC resources.

Through the TBIC, we are able to provide vitally-needed information, services, and assistance, including:

- Business start-up,
- Loan packaging,
- Business plan development,
- Small-business training,
- Workshops for new and existing business owners, and
- Business counseling and technical assistance.

Workshop topics include: bookkeeping, record keeping, marketing, credit counseling, business taxes, and technology.

We firmly believe that the TBIC has a direct impact on entrepreneurial development on the Pine Ridge Reservation.

The Center is generating new business and jobs on a monthly basis, a remarkable fact in the context of the reservation economy.

Keys to the success and effectiveness of the TBIC:

- Accessibility: located in the center of the reservation
- Multiple services and programs,
- Culturally-appropriate training,
- Computer technology, and
- One-on-one, hands on assistance to new and existing businesses.

Business Creation on Pine Ridge

Through the TBIC, we have supported businesses including buffalo ranches, a hair salon, a tire repair shop, a bakery, tipi retail, a bed and breakfast, a trading post, and a trucking operation.

On the reservation, every business created has a impact:

- Income and revenues
- Employment – jobs created
- Goods and services provided: with reservation businesses, tribal members don't need to travel to town (at least 150 miles, roundtrip) for these goods and services.

Comments on Proposed Legislation: Agreement with many points

In-kind assistance including personal computers, CD-ROM technology, distance learning training courses, and reference materials.

> This in-kind assistance would greatly benefit the Lakota Fund, and our ability to serve entrepreneurs on the reservation.

The use of funds to assist *reservation-based American Indians ...*

> Providing assistance and services *on* the reservation, to tribal members living *on* the reservation, is imperative. Simply put, if the Lakota Fund does not serve or assist tribal members on the reservation, these people will not have access to assistance. They will not access business training, technical assistance, computer resources, or reference materials. Without this support, potential business developers and entrepreneurs will not develop businesses, provide employment opportunities, or generate revenues on the reservation.

The emphasis on *culturally tailored* business development assistance

> Since our creation, the Lakota Fund has worked to design and deliver culturally-appropriate training materials. In fact, the Lakota Fund has developed our own educational training materials for business training.

Emphasis on the proposed location of Native American business center sites, where priority will be given based on the proximity of the center to the population being served.

> Again, location of Native American business center sites is critical: to provide effective assistance, centers must be located on the reservation. Location was a central issue in the establishment of the Lakota Fund, which is located in Kyle, both the geographic center and the population center of the Pine Ridge Reservation. We have seen attempts to provide services to tribal members on the reservation from sites off the reservation (in Rapid City, for example). The effectiveness of these attempts cannot be compared to reservation-based assistance.

Emphasis on adequate staffing

> The Lakota Fund agrees that adequate staffing and capacity is necessary in providing effective services. While the Lakota Fund currently has one staffperson working in the Tribal Business Information Center (TBIC) on a part-time basis, having the resources to employ a full-time program manager would greatly enhance our programming.

Comments on Proposed Legislation: Concerns

Eligible organizations are described as (i) any private nonprofit organization that has tribal government members, or their designees, comprising a majority of its board of directors; or (ii) any small business development center.

> We are concerned with the requirement that organizations be directed by tribal government. While the Lakota Fund is a tribally-charted organization, we are a private, independent 501(c)(3) organization. While we coordinate efforts with tribal government, maintaining our independence is also important. Rather than *tribal government members* comprising a majority of the board of directors, to ensure local governance and input, Lakota Fund would recommend the requirement that *tribal members* comprise the majority of the board.

> We strongly believe that "any small business center," would not necessarily be able to provide effective assistance to potential or actual Native American business owners on the reservation. It is our belief that Native American business development centers should be limited to Native American organizations on the reservations.

Summary

Needs on Pine Ridge, and most Indian reservations, are great.

At the Lakota Fund, we are very proud of our accomplishments in working to meet these needs.

Additional resources, like those outlined in the proposed legislation, would enable our organization to make an even greater impact.

It is critical that assistance and services are provided to tribal members on the reservation. If not on the reservation, people will simply not be served, and will not have the opportunity to start and grow businesses, employ tribal members, and generate income.

Thank you for the opportunity to share our experience.

The Lakota Fund: An Organizational Profile

The Lakota Fund is a sixteen-year-old community development financial institution that serves the Pine Ridge Indian Reservation, home to the Oglala Lakota (Sioux) Nation in southwestern South Dakota. Pine Ridge is one of the poorest regions in the United States, based on per capita income and unemployment rates.

The Lakota Fund was created in 1986 as a project of the First Nations Development Institute of Falmouth, Virginia in partnership with members of the Oglala Lakota Tribe. In 1992, the Lakota Fund held a separation ceremony and the Fund has since been a community owned "Lakota" not-for-profit organization.

The mission of the Lakota Fund is to promote economic growth and sustainability on Pine Ridge in a culturally sensitive manner. The Lakota Fund works to develop a private sector that will provide jobs, offer products and services close to home, and keep money flowing on the reservation. To date, the Lakota Fund has accomplished its mission primarily through the provision of micro and small business credit to Lakota entrepreneurs. In addition, the organization has a well-deserved reputation as competent business trainer and technical assistant.

During its history, the Lakota Fund has:

- provided approximately 500 loans valued at nearly $2,000,000;
- provided training to more than 250 entrepreneurs;
- provided marketing services to more than 1500 arts and crafts micro-entrepreneurs;
- developed 30 units of low-income housing;
- created a nationally known crafts gallery (Spirit Horse Gallery); and
- developed a Tribal Business Information Center (in partnership with the SBA).

The Lakota Fund is widely regarded as one of the most successful private sector initiatives on Pine Ridge and among the most successful grass roots credit initiatives on any Indian Reservation in the United States. It is the second of only two reservation-based loan funds in the US to receive CDFI certification from the Department of the Treasury. Organizational support has been affirmed from organizations such as USDA/RD, SBA, HUD, SDHDA, Ford Foundation, Northwest Area Foundation, Ms. Foundation, Mott Foundation, Norwest Bank, National Community Capital, Hearst Foundation and First Nations Development Institute.

Over the last sixteen years, the Lakota Fund's accomplishments have made a fundamental impact on reservation residents. Over 100 hours of training per month is provided by Lakota Fund staff. Over 50 people per year prepare business plans through the Fund's programs. The Lakota Fund has also become a critical community asset. It houses a business resource library and has built an office building and new housing on the reservation. Most importantly, the intellectual capital of the organization is accessible to the community in a culturally-relevant way because the Lakota Fund is governed and staffed by community members.

The Lakota Fund currently operates the following programs:

- *Revolving Loan Fund*: The Lakota Fund currently operates two lending programs: the Micro-Loan Program and TLF Small Business Loans. Both programs provide opportunities to people whom otherwise have little access to credit. Training and technical assistance are prerequisites for both loan programs and are an integral component of the Lakota Fund lending programs.

Many of the loans of the Micro-Loan Program are for home-based businesses such as quilting, indigenous fine art and folk art. Although, loans are small, the rewards have been great. For some, it is a first opportunity to receive a loan or hold savings. Others have been able to increase their incomes and create some financial stability in their households while increasing their business and personal development skills. The Micro-Loan Program has provided the entry point for many into business and economic development. The Small Business Loan Program targets individuals who are operating small formal businesses and start-ups with a feasible business plan.

- *Sprit Horse Gallery and Arts and Crafts Marketing Program*: The Lakota Fund developed the Marketing Program in direct response to a need for specialized technical assistance for arts and crafts producers, who comprise the majority of microloan recipients. The Marketing Program introduces basic business concepts to artists, many of whom had not previously considered themselves "in business." The program offers business training to artists, sells products resale and wholesale for producers, operates a supply bank, and makes connections for local artists. The Spirit Horse Gallery, located in the Lakota Trade Center in Kyle, is a first-rate arts gallery and retail gift shop. It not only buys from local artists, but also develops markets outside the reservation through its website: spirithorsegallery.com. It also is developing a wholesale order business.

- *Low-Income Housing Tax-Credit Development:* In order to address the tremendous housing needs on the Pine Ridge Reservation, the Lakota Fund developed a 30-unit housing project in 1998. With training in homeownership and home maintenance skills provided by the Lakota Fund, tenants will be equipped to manage and maintain their home and will eventually be able to realize the benefits of home-ownership.

- *Individual Development Account (IDA) Program:* This month, the Lakota Fund launched its new IDA program. The program will assist 30 families in attaining long-term assets and achieving self-sufficiency. Participants will have the opportunity to save for business ownership, homeownership, or post-secondary education.

Some of the businesses funded by the Lakota Fund include:

- Trucking
- Construction
- Hair Salon
- Grocery Store
- Tipi Retail
- Computer Retail
- Buffalo Ranching
- Electrical Services
- Tire Repair
- Trading Post
- Bookkeeping
- Honey Bee Services
- Video Stores
- Arts and Crafts
- Cattle Ranch
- Bed and Breakfast
- Fast Food Café
- Trucking

Given the level of distress of the community it serves, the Lakota Fund has measured its impact in gradual changes which are often taken for granted in other communities. It has given many residents their first exposure to the business world. The Fund has laid this foundation by introducing basic credit concepts and business principles. Its success is rooted in the qualitative measures of better business plans, improved respect for the notion of honoring financial obligations, and more sophisticated approaches to identifying market needs. These achievements are difficult to measure but necessary as the basis for economic growth on the reservation.

Brief Biography of Monica Drapeaux, Executive Director
The Lakota Fund

Executive Director Monica Drapeaux joined the Lakota Fund in March, 2001. A member of the Yankton Sioux Tribe and successful owner of motel and insurance companies, Ms. Drapeaux brings valuable business and management experience, commitment, and energy to the Lakota Fund. Having worked for over 20 years with members of the Oglala Sioux Tribe, she is intimately familiar with the economic and personal needs of tribal members. As a business owner, Ms. Drapeaux has also developed key relationships with local financial institutions, which play a central role in Lakota Fund development.

In her role as Executive Director, Ms. Drapeaux has overall responsibility for Lakota Fund operations under the direction of the Board of Directors. She is responsible for program implementation and program development for all Lakota Fund programs, including the Lending Program, the Spirit Horse Gallery, the Individual Development Account Program, and the 30-unit Low-income Tax Credit Housing Development. Ms. Drapeaux also oversees all organizational finances, supervises staff and consultants, carries out resource development, and oversees strategic planning efforts. As Executive Director, Ms. Drapeaux coordinates Lakota Fund activities with organizations and agencies on the tribal, local, regional, state, and federal levels.

Chairman INOUYE. Now, may I call on Mr. Hampson.

STATEMENT OF TOM HAMPSON, EXECUTIVE DIRECTOR, ONABEN: A NATIVE AMERICAN BUSINESS NETWORK, TIGARD, OREGON

Mr. HAMPSON. Good morning. Thank you very much. I want to express my appreciation to Senator Cantwell for giving me the opportunity to speak to you today. It is a real honor to talk to all of you. Also, to Senators Wellstone and Inouye for holding these hearings, and, of course, to Senator Johnson and to House and Senate cosponsors who broke ground, I think, in this particular piece of legislation. Because of the differences between the Senate and the House bills, this particular legislation addresses issues in the small business development community that have not been directly addressed before.

You have my written testimony before you, and with that, the appendices as well as the commentary that I made, I would like to request that that be made a part of the record and particularly emphasize a few points with respect to the query that you have posed to us today, which is what is the Federal obligation relative to small business development.

Now, ONABEN is a Native American business network, and like The Lakota Fund, we are a 501(c)(3). We do have tribal member or tribal representatives on our board. We are also founded by federally recognized tribes in Oregon. Each one of these tribes offer services to Native Americans through their own owned and managed Small Business Development Center Network, and we provide the services in terms of content, classes, counseling.

It is a program that depends upon collaboration between a 501(c)(3) and a Native American tribe, and when they are available, Small Business Development Centers. We did not always used to collaborate with Small Business Development Centers. Within the last 2 years, we have felt it is absolutely essential to find every resource within the community to make sure that the Native American people within our service area, both on the reservation, near the reservation, and within urban areas, are served. So at this point, this bill represents truly a innovative way of bringing all of these things together.

Now, Native American entrepreneurs, as you have heard, face a lot of barriers, and you have heard some tremendous good news stories from the panel themselves. Some of those barriers that Native American entrepreneurs face are common to all small business owners. Some are unique to their circumstances, and I will not dwell on them except to say that when a Native American person tries to start a business on the reservation or near the reservation, they confront considerable obstacles, not only because of the marketing issues that Senator Inouye has referred to, but also because of some of the political issues that they face with respect to their relationship to their own tribal government.

But the interesting and paradoxical thing about that is that these folks look to their tribal governments for help. They look to their Small Business Development Centers, if the tribes have one. They, like so many other entrepreneurs, see their tribal governments as both helpers and hindrants, but when they do get serv-

ices from the tribal governments, those services are very, very welcome, although albeit they are never considered enough.

Now, tribes are seeking on their behalf to balance the needs and concerns that they have before them in the complex world that they manage. They have to balance both economic concerns, cultural concerns, and there is ever present a natural tension between individual free enterprise as expressed through the Native American families that you have heard today and tribal enterprises, which have been probably responsible for the renaissance in Indian Country today.

That natural tension is emblematic of Indian Country in general. Indian Country represents the best examples of local governments being entrepreneurial. Indian Country also represents some of the worst examples of mixing politics and business to the detriment of both the tribe and to the business.

Therefore, it is not a matter of whether the government should or should not be involved in supporting free enterprise. It is really a function of what the strategy is and what the level of involvement should be. Ultimately, from our point of view, as a tribally-founded organization that serves individual entrepreneurs and is dedicated to creating a private sector, we believe that tribes and entrepreneurs and the local small business owners and their local community neighbors all really share fundamentally the same goals and objectives, which are to have strong and healthy communities based upon enterprises that are both privately founded as well as public in their orientation, and to have a strong small business community there to support them. That is a classic economic rural development model. That is also the model that underpins the Small Business Development Program as founded by the SBA.

As a former tribal business manager, as a former tribal economic development person, and also as a former Small Business Development Center manager in a neighboring community, I know that those lines are not easily crossed, but when SBDCs do cross them, the results are considerable.

You have within your testimony testimony from Tom Dorr, who runs the Small Business Development Center out of Western Washington University. By Tom's own admission, even though he wants desperately to be involved with the eight tribes within his service area, he would not have been able to do it had not the SBA provided a grant in the form of a small business LINC Program to support his outreach efforts.

Small Business Development Centers in Oregon and in Washington, in Idaho and Northern California, the areas that we serve, would like to serve Indian Country. They simply do not have the resources. If they are provided with that incentive, they will work with tribes to do so. We are currently working with Jill Thomas-Jorgenson from the Small Business Development Center at Lapwai, who is now doing outreach with the Nez Perce tribe.

The fact of the matter is that relative to Small Business Development Centers, it is a working model, but tribes deserve parity in taking advantage of the things that are provided by funding of Small Business Development Centers by SBA. Our experience tells us primarily that the local presence of a Small Business Development Center, just as you have heard in the experience of The

Lakota Fund, is absolutely essential to providing continuity of service to Native American entrepreneurs. As someone on the panel said, it cannot be just an occasional class, an occasional seminar, and then walk out of town.

ONABEN's experience in Washington is not dissimilar to that experience. We provide intensive 6-week classes, but those classes are only provided when we have the resources to serve the Washington tribes. Colville, Yakama, Makah, and Chehalis have all taken advantage of our programs, but when our funding is diminished because SBA is not able to fund us in that particular year, then we cannot provide those services.

Government's role is fundamentally—I think the most important role that government can play is to provide incentive capital. It does not need to be large amounts of money, but it needs to be significant, it needs to be continuous over time. I think $1 million is a little shy to meet the needs of the tribes that we have, and particularly when you add Alaskan Natives and Native Hawaiian organizations.

But the other thing that the Federal Government needs to do through legislation like the Small Business Development Act is to encourage collaboration to maximize the use of these resources. ONABEN's SBDCs, tribal colleges, organizations like The Lakota Fund, we must be asked and we must work together to make it all work.

The Small Business Development Act does all of these things. It is a well-crafted piece of legislation where people have listened to the practitioners and integrated the best practices into this legislation. On behalf of our board, our member tribes, we stand ready to help assist to make it work. I thank you very much for the opportunity to talk to you this morning.

Chairman INOUYE. Thank you very much.

[The prepared statement of Mr. Hampson follows:]

Testimony

Before the Joint Hearing of the Senate Committee on Small Business and Entrepreneurship and the Senate Committee on Indian Affairs
The Honorable John F. Kerry and Daniel K. Inouye, Chairmen

Small Business Development in Native American Communities:
Is the Federal government meeting its obligations?
and
The Native American Small Business Development Act

By
Tom Hampson, Executive Director
ONABEN: A Native American Business Network

April 30, 2002

Introduction

I am Tom Hampson, Executive Director for ONABEN: A Native American Business Network. I would like to express my appreciation to Senator Cantwell for allowing me the privilege of addressing you and for co-sponsoring the The Native American Small Business Development Act. I also want to thank Senators Kerry and Inouye for holding these hearings on an initiative, which I believe, is essential to the long-term viability of the Native American communities and their economic base. I wish to acknowledge the dedication and vision shown by Senator Johnson and the other co-sponsors on the Senate and House side.

Let me begin by giving my comments some context. ONABEN: A Native American Business Network is a not-for-profit 501-(c)-3 corporation founded and managed by federally recognized Indian tribes and Native American business owners. We are located in Tigard, Oregon and serve most of the Native American communities in Oregon, and some of the communities in Washington, Idaho and parts of northern California. We offer training and technical assistance services to people with dreams of self-employment, self-sufficiency, and individual self-determination

Our clients reside on and near reservations and in urban areas. In Oregon, we are second only to the Oregon SBDC network in the number of clients we serve with instruction and technical assistance. We receive funding from SBA, the State of Oregon, a micro-enterprise network, and a number of private foundations and corporations. We provide classes, counseling, and business development services for people in every stage of the business life cycle from pre-venture to advanced. We work closely with the SBDC's who have centers in our service areas and with sister minority service organizations throughout the state and the northwest. Our service delivery model and our content is time proven. We celebrate the 10th anniversary of our incorporation this year.

Given our structure and the environment in which we operate, we approach service delivery as a collaborative process. The Native American Small Business Act mirrors and affirms our approach to small business development. The staff and leadership of the Committee on Small Business has done an excellent job of listening to the practitioners and have crafted a bill that encourages collaboration among service providers.

My written testimony provides details of the performance data by which we measure our impact on the people and the communities we serve. Our results illustrate what can be achieved when meaningful assistance is given to people who have dreams born of the American free enterprise system.

I would like to reflect on the question you have asked: "Is the Federal government meeting its obligations?" Given the rhetorical nature of the question, I will frame my comments in terms of a few questions of my own, a result of my 30 years of work in economic development in distressed rural and urban areas and Indian reservations.

Before we can discuss the issue whether the federal government is meeting its obligations in small business development I think we have to ask first. Is there anyone in Indian Country who cares? The way I choose to answer is by asking:

Is entrepreneur a dirty word to Native Americans?

Despite its origins with the French, the concept of the Native American as entrepreneur is not a foreign notion. Today, you will hear compelling testimony about the business skills of this continent's original traders. Our clients talk of their fathers and grandfathers who were astute business people. Much of that acuity was lost or went unused due to the economic and social dislocation of Native Americans that accompanied the reservation period. There is no need to dwell upon it.

The history of white-Indian relations has cast a long shadow of suspicion on the concept of "let's make a deal!" Contemporary attitudes of Indian people towards business represent a significant barrier to the individual who chooses a self-employed lifestyle. Given this history we often find a prejudice within the community against business, at least business done by individuals. Business is often characterized as a less than an honorable profession. As more and more people start businesses this attitude is changing. When businesses fail, the attitude is affirmed.

This is our collective challenge. The Native American Small Business Development Act itself can be a catalyst for change. How? The answer to the question returns us to your original query.

Is the federal government meeting its obligations?

I'm sure the answers to this question vary widely among the members of these committees. I suppose the more fundamental question that you have debated is: what, if any, is the role of government in enterprise development? Such a question is often phrased by some of the more testy members of my Rotary Club as:

Is government-sponsored free enterprise an Oxymoron?

It may give you comfort to know that such questions are also asked by citizens and politicians all across Indian Country. The answers also vary greatly.

Our clients, known to their tribal councils as people who tend towards independent thinking, often criticize their governments for an anti-business attitude or, they feel that not enough is being done to create a pro-business environment. Sound familiar?

Like you, we must walk a fine line. Our clients are small business owners, but our primary stakeholders are the tribes who sanction, support, and govern our activities.

But for us there is a way out of this dilemma. For our clients, the issue is not that the government shouldn't be doing business development. It is that the tribe is not or cannot do enough to help them. The tribes look to ONABEN to help solve this problem. We look to our stakeholders, which include the federal government.

When tribes do offer small business assistance the services are welcomed, and as our performance data indicates the outcomes are substantial. I would like to stay a bit more on this topic because I think it highlights the need for careful implementation of the federal policies that the Native American Small Business Development Act exemplifies.

How can tribes, with their strong communitarian values simultaneously encourage tribal enterprise and individual free enterprise?

Interestingly, tribal enterprises are not often seen in the same skeptical light by the Native American community, although the people that run them are sometimes judged harshly. This brings up the concern that in the Native American Small Business Development Act funding is provided to tribes to assist tribal as well as individual enterprises. That is as it should be. The small business center managers in our network spend equal amounts of time working in tribal enterprise development and helping individual tribal members pursue their entrepreneurial dreams.

The Bill should direct by policy an even split in the priority use of the funds by tribal governments such that individual enterprise is given equal time and attention.

If tribes are becoming more successful as corporate enterprise managers, why is it necessary to encourage individual free enterprise?

Tribes are increasingly recognizing the importance of economic diversification not only in the variety of industries but in the forms of ownership. Most importantly tribes are recognizing that more and more of their members are looking to small business as a viable livelihood.

This is the underlying principle of ONABEN. ONABEN was not the result of free enterprise advocates seeking to make tribes adopt individualistic value systems. We were the creation of tribes whose leaders felt that tribal economies needed both a strong public and private sectors. A tribe and its members should be entrepreneurial in nature with healthy and sustainable forest, mineral, fishing enterprises, casinos and resorts, and lots of private businesses to support them. This is consistent with tribes' communitarian values because tribal governments and their enterprises exist to help their members prosper.

This is also a classic rural economic development model that underpins the philosophy of the SBA's Small Business Development Program. It stands to reason that tribes, as emerging economic engines in many of our rural areas, should receive the same benefits of the federal small business development strategy enjoyed by their non-Indian neighbors.

How can tribes be encouraged to take such a balanced approach to diversification?

Like governments everywhere, tribal governments experience strong pressures from their citizens to serve a wide variety of needs with scarce resources. Tribes benefit from incentives to invest in a given strategy. The incentives can come from within and from without. The history of ONABEN represents an example of tribes initiating a strategy for business development that our federal, state, and private sector partners embraced. With the resources made available by the

Native American Small Business Act to fund small business centers on reservations these efforts can be replicated in many areas and in innovative ways.

In our experience many tribes have not been able to make a full commitment to a small business center and have looked to ONABEN to provide the entire service package. This always works for a while but inevitably leads to gaps in service as our funding rises and falls. The Act as proposed would go a long ways towards smoothing these peaks and valleys through direct funding with tribal small business development centers.

Undoubtedly, there will be situations in which tribes will be unable, or disinclined to make the investment in a center of their own, even though there are individual Native Americans on their reservations who want help in exploring and launching their enterprises. In these cases, neighboring SBDC's in partnership with tribal colleges and tribally-sponsored intermediaries like ONABEN can provide training and technical assistance on a network basis if resources are made available to support these efforts.

Our experience in Washington State underscores this point. Over the years we provided services to tribes at Colville, Yakama, Makah, Chehalis and others. When we have the resources we can respond to the need. When those resources became unavailable the programs faltered. The Confederated Tribes of Colville and the Yakama Nation have plans to restart the small business centers, and look to us to provide content and technical assistance. The Native American Small Business Development Act can be the catalyst for the realizations of these plans through direct service or through collaborative efforts by multiple service providers.

How do we know? Because there are working examples of this kind of collaboration in Oregon, Washington, and Idaho. These efforts provide answers to the central question of these hearings.

What is the Federal obligation and how can it be fulfilled?

Tom Dorr runs a very successful SBDC at Western Washington University. Tom has targeted eight area tribes for small business assistance. He was able to seed this effort by obtaining an SBA LINC project. Otherwise he could not have made the effort with the resources at his command. He has now hired a Native American coordinator who is creating innovative service models tailored to the special needs of the Native American entrepreneurs in the area.

Jill Thomas-Jorgenson, SBDC Director at Lewis Clark College in Lewiston, Idaho is working in concert with ONABEN and the Nez Perce Tribe of Idaho to forge a partnership to serve local Nez Perce entrepreneurs. The Nez Perce Tribe asked us to help. We asked Jill to be a part of it because we knew she had done outreach to the tribe and because we knew we would not be able to sustain any effort we started without additional resources.

We were able to help this effort because received a one-year SBA 7-J grant to do demonstration projects in Washington and Idaho. That project lead to partnerships with the Nez Perce, the Shoshone Bannock of Fort Hall Reservation, the Affiliated Tribes of Northwest Indians, Yakama Nation, and Eastern Washington University.

The grant is over. The interest and the need remains. The viability of the model was proven. What we also proved was that without sustained support on the federal, and local level, the program services will be intermittent at best. This is not the kind of meaningful, culturally appropriate assistance we want to be providing.

In our case, the discussion of the federal role in small business development must include an acknowledgment of the Small Business Administration and the role they have played in

supporting our pioneering efforts. Simply said, without the SBA, ONABEN and the tribal centers in our network would not exist. The government's role is proven critical by their initiative, heart, and continued support.

The federal obligation, in our judgment, is to make investments in its citizens that they can return. The economic impact data in the appendices shows that small business services are cost effective and realize significant return on investment through taxes paid.

The federal obligation is to support communities so they can grow and prosper. Native American communities have shown their potential for realizing sustainable development. The Native American Small Business Development Act can be an important incentive.

There are at least two more concerns that inform a discussion of obligations. One is the obligation, if any, of our government to serve the poor, and the obligation to those who have treaties with the federal government.

Does the federal government have an obligation to provide a safety net for its most vulnerable citizens?

I think most of us would answer the question with a "Yes." and then argue about the dimensions and features of the net. As we move into a new tier of welfare reform, I think it is important to note that self-employment or micro-enterprise as it is now called, is increasingly being acknowledged as a viable strategy for welfare-to-work programs.

We have found that many of our clients require basic financial literacy skills as a prerequisite to their exploration of the self-employment option. We have added this curriculum and train trainers all over the northwest in partnership with Fannie Mae and First Nations Development Institute, as well as SBA.

And the Federal Trust responsibility?

It is neither my place nor my expertise to discuss the federal trust relationship with respect to SBA and the Tribes, except to say that they have been very responsive where they have the legislative authority to do so. The Act gives them the authority and the resources to do much more.

If you believe that the federal government has an obligation, or if you think obligations aside, it is a good policy for the government to invest in its enterprising citizens, then the SBDC model is a strategy that makes sense because it has a proven rate of return in tax revenues and benefits to the communities in which SBDC's operate.

Many will tell you that the federal trust responsibility for Indian tribes is compelling reason enough to provide equivalent services to tribes. Our clients will tell you that it just makes sense. Dollars and sense.

It will be up to the tribes, the SBDC's, the tribal colleges and organizations like ONABEN to step up and make the investment of time, heart, and resources. This has the power to bring the communities--tribes and individuals, tribal nations and their neighbor communities together. It is a vision that you have embraced with this bill. On behalf of the board of directors of ONABEN and our member tribes I applaud you and stand ready to assist in making it work. Thank-you.

ONABEN PHILOSOPHY AND DESCRIPTION

History

ONABEN was conceived when four tribes located within the State of Oregon acknowledged that tribal governments needed to become actively engaged in encouraging individual enterprise if a private sector was going to flourish within Indian Country. The founding members were the Confederated Tribes of Grand Ronde, the Klamath Tribes, the Confederated Tribes of Siletz Indians and the Confederated Tribes of Warm Springs.

In 1991, the Oregon Native American Business and Entrepreneurial Network (ONABEN) was incorporated as a non-profit, public benefit (501-(c)-3) corporation.

Since the establishment of ONABEN: A Native American Network, the Confederated Tribes of Umatilla has joined the Oregon tribes and a number of tribes in Washington and California have joined us in a regional partnership to provide ONABEN programs to people in their area. The network has expanded and contracted over the years depending upon resources available at the local and the network levels.

The ONABEN Network has been a sourced for innovation in educational products and services to its member tribes and small business clients.

Vision

ONABEN's vision of a healthy economy for Native Americans in the Pacific NW includes:

- Enough business to generate significant revenues from outside the Indian community.
- Adequate consumer-oriented business to keep earnings circulating inside our communities.
- Enough successful business owners that every young person sees one or more credible role model with whom (s)he can identify.

Mission

- Enable Native Americans to realize dreams for a better quality of life through owning and operating a successful business.
- Strengthen Native American communities by building Native Americans' confidence in their abilities to start and run successful businesses.
- Provide accessible business programs, services and financing.
- Foster relationships that increase business survivability.
- Contribute to the well-being of neighboring, non-Native communities.

The Network Role

The core of the ONABEN program is the development and distribution of business training curriculum that is culturally congruent and tailored to the local situation. ONABEN has adapted the best practices of the small business development industry, formed partnerships with local, state, federal and private institutions, and delivered quality business development programs in rural and urban areas across the northwest.

ONABEN DISTRIBUTION – BUSINESS SERVICE CENTERS

Center Description

ONABEN leads the use of technology as a business development tool in Indian Country. In 1995, in partnership with the U. S. Small Business Administration (SBA), ONABEN created three prototype Business Information Centers (BIC). Based on a model that had previously been located only in major metropolitan areas, the experiment was a first in Indian Country. ONABEN currently has five fully equipped Business Service Centers (BSC), formerly BIC's, located in Warm Springs, Grand Ronde, Chiloquin (Klamath Tribe), Siletz and Pendleton (Umatilla Tribe). ONABEN's centers offer sophisticated technology for market and business planning research.

The BSC's are designed to complement ONABEN's program services. Each BSC provides a specialized business reference library, educational materials, a video library, personal computers and business software. The resources available at a BSC are designed specifically to focus clients' energies on research, drafting and completing a

meaningful business plan. Although each BSC is designed to be a self-help center, ONABEN and the tribes provide business counselors at each location.

Tribal Business Service Centers
Since inception, ONABEN has steadily increased its service area to include the Indian tribes in the states of Oregon, Washington, Idaho and northern California. ONABEN continues to work with the tribes and their economic development programs to offer more in-depth training and support and to develop entrepreneurship in Indian Country.

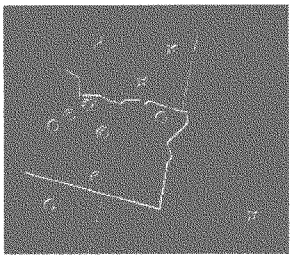
In recent years, ONABEN has supported the operation of five reservation-based Business Service Centers including Grand Ronde (OR), Klamath (OR), Siletz (OR), Warm Springs (OR), and Umatilla (OR). Additionally, ONABEN has supported as many as eleven intermittent sites including: Hoopa Valley (CA), Chehalis (WA), Colville (WA), Makah (WA), Yakama (WA), and Fort Hall (ID). By increasing vertical and horizontal integration of services to tribes regionally, ONABEN continues to make considerable contributions to the Pacific Northwest economy and bridge the gap between Native American culture and the business world.

SBA - Sponsored Business Information Center
Grand Ronde, OR; Warm Springs, OR; Chiloquin, OR

Tribal Business Service Center
Pendleton, OR; Siletz, OR

Partner Training Sites
Hoopa, CA; Fort Hall, ID; Yakama, WA; Colville, WA

ONABEN Central Office
Tigard, OR



ONABEN PROGRAMS/CLIENT SERVICES

The ONABEN Service Package
ONABEN provides culturally-sensitive business training and networking including the following services:

Training
Business technical training is the primary building block of the ONABEN program.

You and Your Business Idea is the beginning of the exploration process. This short course allows the client to examine his or her personal goals and values and test their business idea.

Starting a Successful Business is a ten-week class, which offers step-by-step planning of a potential business. The product of this course is a completed business plan.

Small Business Management Program is a multi-year program in which advanced business skills are developed by existing business owners. This program is currently being revised to meet the needs for intermediate to advanced business training and technical assistance.

Financial Literacy is a practical 6-week class that offers the basics on managing your personal finances currently offered on a test basis. Learn about checking accounts, savings, loans, wise use of credit and credit reports. This curriculum is sponsored by First Nations Development Institute and the Fannie Mae Foundation. It is completely Native American based.

Distance Learning Workshops.
The Distance Learning program is offered in partnership with Portland State University's Tribal Administration Program. There are four distance learning classrooms located at: Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Confederated Tribes of Umatilla, and Portland State University's Urban Center.

Women's Business Center
ONABEN is an official SBA-sponsored Women Owned Business Center. We apply the ONABEN business development curriculum to meet the needs of women who want to improve their quality of life through micro-business.

Counseling
One-on-one counseling combines mentoring with the delivery of customized technical information. As part of each class, ONABEN students are assigned to a small business counselor. We also provide general counseling for business owners who want to make positive changes to their current business situation.

Assisted Access to Capital
We are a conduit for innovative micro-loans, we make referrals, and provide the guidance of a business counselor who helps the client prepare the loan application and continues counseling the client once the loan is made. In the last two years we have emphasized strategic partnerships with lending institutions as a way to get money to our clients. Our most successful effort is the **First Step Program** that we operate in partnership with Union Bank of California.

Access to Markets and Information
ONABEN provides Native Americans access to markets through our *Business Directory*, our website (www.onaben.org), and through our tribal-sponsored business service centers. We support business reference libraries, personal computers, and Internet access in locations throughout Oregon and the northwest. Check out our website for current service centers.

ONABEN FUNDING

The ONABEN operating budget fluctuates from year to year depending on the level of funding it secures at the federal, state, tribal and private sector levels. Table 2 includes five-year historical funding information, including ONABEN earned income generated through tuition fees and its business directory, as well as a breakdown by funding category.

ONABEN Funding By Year and Category 1996-2001

Funding By Category ($)*	1996	1997	1998	1999	2000	2001
Federal	$ 176,314	$ 369,867	$ 57,505	$ 105,000	$ 201,250	$ 290,000
State	$ 20,000	$ 10,000	$ 22,500	$ 50,000	$ 69,825	$ 141,000
Tribal	$ 22,500	$ 17,500	$ 12,500	$ 10,000	$ 15,000	$ 10,000
Private	$ 58,000	$ 47,500	$ 200,000	$ 25,000	$ 55,000	$ 55,000
Earned Income	$ 4,523	$ 8,804	$ 8,775	$ 7,717	$ 3,734	$ 5,809
Total	$ 281,337	$ 453,671	$ 301,280	$ 197,717	$ 344,809	$ 501,809

* Excludes Misc, OFS Micro-Loan and Interest Earned Income

Funding By Category (%)*	1996	1997	1998	1999	2000	2001
Federal	62.7%	81.5%	19.1%	53.1%	58.4%	57.8%
State	7.1%	2.2%	7.5%	25.3%	20.3%	28.1%
Tribal	8.0%	3.9%	4.1%	5.1%	4.4%	2.0%.
Private	20.6%	10.5%	66.4%	12.6%	16.0%	11.0%
Earned Income	1.6%	1.9%	2.9%	3.9%	1.1%	1.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Excludes Misc, OFS Micro-Loan and Interest Earned Income

Outcomes of Small Business Assistance in Indian Country

	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	TOTAL
Class Sessions	86	150	225	173	116	95	92	76	94	1,107
Class Contact Hours	3,978	2,475	3,931	4,013	3,595	2,200	2,131	1,814	2,039	26,176
Counseling Hours			1,681	1,550	1,817	2,823	1,972	2,014	1,565	13,422
Individuals Served			135	646	1,155	1,556	1,493	1,250	1,122	7,357
Plan Completed	24	25	58	46	45	78	81	33	24	414
Business Starts	24	25	33	36	40	90	41	27	16	332

Each year as part of our participation as a contractor in the State of Oregon's small business service provider network the economic impact of ONABEN's services is measured by an external evaluator. This past two years the evaluator has been Dr. James Chrisman, Phd of University of Calgary. Using confidential customer surveys data Dr. Chrisman found the following impacts:

Economic Impact Variable	1998-1999	1999-2000
No.of Clients Served	1556	1205
New Sales Generated	$6.9 Million	$3.5 Million
New jobs	405	480
$ Spent per job	$2066	$909
Tax Revenues Generated	$2.7 Million	$3.0 Million
Tax Generated/$ Spent	$3.27:1	$6.83:1

Dr. Chrisman's latest report concluded that ONABEN has an overall very positive impact on the economic landscape in the state of Oregon. Ninety-six per cent of ONABEN clients feel they would be unable to receive the same technical assistance from another professional service provider at a price they were willing to pay. ONABEN and the BSC's are filling an important gap as rural business service providers.

Selected Data From Chrisman Report- 2000

Demographic Data	Established	Pre- Venture
General service	41%	23%
Agriculture	15%	19%
Construction	19%	0%
Pre Start up	0%	44%
Female	29%	42%
Native American	100%	74%
Other or No response	0%	26%

Type of Counseling Impact	Established	Pre-Venture
Increased Sales	29%	7%
Improved Profits	21%	7%
Reduced Costs	11%	0%
New Location	14%	19%
Increased Productivity	18%	19%
Developed new Products	11%	15%
Other	7%	15%

Perceptions of Quality	Established	Pre-Venture
Excellent	32%	44%
Above average	41%	28%
Average	23%	28%
Below Average	0%	0%
Poor	5%	0%

ONABEN ORGANIZATIONAL STRUCTURE

Staff
ONABEN currently employs 5 staff:
Tom Hampson, Executive Director
Kristi Burns, Program Director
Selena Yokoyama, Administrative Services Director
Kayeri Akweks, Special Projects Manager
Redwolf Pope, BusinessLINC Program Coordinator

Board of Directors
Gary E. George, Chairman, Confederated Tribes of the Umatilla Indian Reservation
Chief Operating Officer, Wildhorse Resort & Casino

Elaine Moore, Treasurer, Confederated Tribes of Grand Ronde Reservation
Director of Small Business Development

Mitch Conley, Secretary, Business Representative

Charles V. Jackson, Confederated Tribes of Warm Springs Reservation
Secretary-Treasurer, Confederated Tribes of Warm Springs Reservation

Vivian Kimbol, The Klamath Tribes
Assistant Planner/Transportation Planner for the Klamath Tribes

Brenda Bremner, Confederated Tribes of Siletz Indians Reservation
General Manager, Confederated Tribes of Siletz Indians Reservation

Mary Beth Clark, Confederated Tribes of the Colville Reservation
Manager, Colville Tribal Planning Department

John Witty, Native American Business Representative
Owner, Thermal Mechanical Inc.
Vice President, Oregon Native American Chamber of Commerce (ONACC)

Robert Miller, Native American Business Representative
Assistant Professor, Northwestern School of Law, Lewis & Clark College

Chairman INOUYE. Before proceeding with questions, I would like to announce that all of your prepared statements are made part of the record. The record will be kept open for 2 weeks, until the close of business Tuesday, May 14. So if you have any addendums, corrections, or amendments to make, please feel free to submit them.

I would like to insert in the record at this time a statement from Kenneth E. Robbins, president of the National Center for American Indian Enterprise Development.

[The prepared statement of Mr. Robbins follows:]

by Kenneth E. Robbins, President – Revised
National Center for American Indian Enterprise Development

TESTIMONY FOR THE JOINT HEARING OF THE SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP AND THE SENATE COMMITTEE ON INDIAN AFFAIRS

Chairmen and Committee Members, thank you for this opportunity to present testimony for your hearing aptly titled "Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?" On behalf of the National Center for American Indian Enterprise Development, I am happy to respond to this question and offer support for the very important new legislation developed through collaborative efforts of the Senate Committee on Small Business and Entrepreneurship and the Senate Committee on Indian Affairs, and your very able staff.

In 1969, the National Center for American Indian Enterprise Development was established as the first national organization dedicated solely to developing American Indian economic self-sufficiency through business ownership. One of the National Center's major tasks was, and still is, to provide the kind of hands-on economic and business development assistance that the Small Business Administration and other Federal departments and agencies purport, but often fail, to provide to our Native communities.

Since 1969, the National Center has helped form or expand more than 25,000 Indian owned businesses, and has trained over 9,000 members. The staff has negotiated over $1 billion in sales contracts and financing to build these businesses. We currently generate over $90 million per year in contract and financial awards for Indian businesses.

Through regional offices in Mesa, Arizona; El Monte, California; Seattle, Washington and now via a subsidiary (UIDA CG) in Marietta, Georgia, the National Center has worked with various Indian communities in all phases of business planning and development. As we do every year, we are hosting this week the 2002 Reservation Economic Summit and American Indian Business Trade Fair in New Orleans, Louisiana, this year titled: "Economic Success in Indian Country: Making it a Reality."

To begin, I will respond to the question posed for this hearing. I have a prime example of how the Federal Government has failed in past efforts to provide effective business development assistance to Indian Country.

In the early 1970's, the Minority Business Development Agency of the Department of Commerce tried to serve American Indians by assigning the task to its Minority Business Development Centers (MBDCs). What MBDA discovered was that:

- American Indians did not go to the MBDCs;
- MBDC personnel did not understand the unique cultural and economic problems and opportunities that face American Indian communities; and
- Well-intended MBDC money was not utilized to help most American Indian businesses.

To remedy these failings, the Commerce Department created Native American Business Development Centers (NABDCs) to provide better tailored, targeted assistance and enhanced opportunities than were available through MBDCs and SBDCs serving multiple populations. The National Center for American Indian Enterprise Development, (the "National Center"), established in 1969 to serve Native American businesses, became the first NABDC in 1972. Now NABDCs provide business development

services, tailored specifically to Indian businesses, taking into account the unique attributes (and barriers) within Indian Country. The National Center itself operates three of these centers, in Arizona, California and Washington. Five other NABDCs operate in New Mexico, Oklahoma, North Dakota, North Carolina, and Minnesota.

NABDCs are the only federally funded centers that meet the unique economic development needs of Indian Country, including specialization in:

- Reservation trust land status and collateral financing issues associated with it;
- Tribal court systems and laws pertaining to economic development; the government to government relationship between the Federal Government and Tribal governments and special programs that develop from this relationship (Bureau of Indian Affairs-Indian Financing Act, Indian Health Service-Indian community infrastructure development, Housing and Urban Development-Indian Community Development Block Grants for tribal economic development); and,
- unique resources available to Indian Country, such as tribal loan programs.

If the NABCD program were to cease, there would be no other existing federal program with the reach and competency to fill the need in Indian Country. We strongly believe, and have the successful track record to prove, that any new approaches to business development assistance to our Native communities must involve NABDCs, whether in new grants or pilot projects. Any new legislation in this area should combine the talents, experience and authorities of NABDCs with those of other small business assistance providers – to prevent "reinventing the wheel" syndrome.

On January 30, 2002, members of the Board of Directors of the National Center for American Indian Enterprise Development shared these views with the key staff of the Senate Committee on Small Business and Entrepreneurship and Senate Committee on

Indian Affairs. We discussed various approaches to economic and business development assistance delivery in Indian Country, including the approach taken in the House-passed bill, H.R. 2538, sponsored by Congressman Tom Udall of New Mexico. As we previously had advised Congressman Udall, the laudable intent of H.R. 2538 might actually be fulfilled if the bill were to allow NABDCs to apply for the new grant program offered, or allowed to team with Small Business Development Centers (SBDCs) to create new Native-focused SBDCs. Such an approach would utilize existing expertise and avoid any wasteful trial and error learning curve (especially important in launching demonstration projects).

The Senate Committees deserve congratulations for their broader and more comprehensive proposal which is better tailored to serve our Native American communities as they are constituted today. The National Center is very pleased that the Senate legislation builds on concepts in H.R. 2538 by adding some critically important elements. It is gratifying to see reflected the Committees' recognition and inclusion of NABDCs, Tribal Community Colleges and Tribal Business Information Centers (TBICs) in the delivery of needed economic and business development assistance.

The first important improvement is the Senate bill's provisions that would fortify the SBA's efforts to assist our Native communities by creating the Office of Native American Affairs, headed by an Assistant Administrator. Such institutional presence within SBA, with increased resources and authority, is long overdue.

Second, the Senate proposal properly acknowledges the work of the TBICs and solidifies their existence as Native American Business Centers. The fact that these tribal-based projects lost SBA funding last year strongly suggests that the Federal trust

responsibility needs to be spelled out more clearly to Federal departments and agencies beyond the Bureau of Indian Affairs and Department of the Interior.

The TBIC program grew out of the Indian community. TBICs grew up within community colleges and we see no need to re-create TBICs in SBDCs, as is the direction in H.R. 2538. Tribal colleges and universities (TCUs) are truly unique in promoting community economic development. TCU programs meet the needs of the tribal community and, at the same time, meet stringent accreditation (state and national) standards so that the transition from TCUs to baccalaureate and graduate degree granting higher education institutions is easier. Tribal colleges and universities are viewed as catalysts for infusing new ideas into the community in terms of what people can do to make a living. Tribal colleges also offer culturally specific curricula that can be blended with the strategies of the Tribes and the community at large.

A third improvement offered by the Senate Committees is its teaming approach. The proposal contains two important pilot programs for business development in Native communities. While we were disappointed to learn of opposition to naming NABDCs as potential participants in the first pilot program, we are glad that NABDCs are explicitly included in the second (joint) pilot project.

The most fundamental distinction that sets Indians apart from other U.S. minority groups is our historic existence as self-governing peoples, whose nationhood preceded that of the United States. The U.S. has long acknowledged a special "government-to-government" relationship with recognized Indian tribes and bands and with Alaskan Native Villages. Generally known as the federal trust relationship, this means that the United States, in return for vast tracts of Indian lands, assumed contractual and statutory

responsibilities to protect remaining Indian lands and to promote the health, welfare and education of the tribal occupants. In practice, the Federal government, as trustee, has subjected the tribes to bewildering policy switches, often without their consent. We are happy to realize, in the clear purpose and important provisions in the Senate proposal, that another attempt has not been made to ignore this important trust responsibility.

Chairman INOUYE. I would also like to include a statement provided by Tom Dorr, director of the Western Washington University Small Business Development Center.

[The prepared statement of Mr. Dorr follows:]

Tom Dorr
Director
Western Washington University
Small Business Development Center
119 N. Commercial St. Suite 195
Bellingham, WA 98225
360-733-4014
tom.dorr@wwu.edu

April 24, 2002

Honorable Chairman Kerry, Honorable Chairman Inouye and Honored Committee members,

Thank you for the opportunity to provide testimony on small business development in Native American communities. I am the Director of a unique Small Business Development Center in the corner of Washington State on the Canadian border serving a geographic area of that includes 8 tribes. Our SBDC is unique in that we have been serving small businesses for over 20 years; we have 10 employees and in the last 6 years have supported over 2000 small businesses creating over 728 jobs, saving over 615 jobs and creating over $33,000,000 in new investments. We have been recognized as one of the top ten SBDCs in the country for our innovative programs, partnerships and outreach efforts.

One of those outreach programs has been to the local Indian tribes. Previous to late 2001, we attempted to market our services to the Lummi and Nooksack tribes, targeting existing business owners with counseling services. Few tangible results can be identified from these years of outreach efforts. However, in September of 2001, we were awarded a SBA BusinessLINC grant to hire a Tribal Program Manager to provide linkages between mentors and native protégés. Our BusinessLINC Program has been focused on developing monthly Roundtable meetings of 10-12 native business owners (both start-ups and existing businesses) and one-on-one protégé / mentor linkages. Our Program Manager is a Native American who has good contacts in Indian Country. I would like to share some of our results and observations regarding serving our local Native Americans:

Barriers to individual entrepreneurs:

Many Native Americans lack the basic business skills to start or manage a small business.

The absence of these basic business skills contributes to the low level of confidence that many Native Americans face when trying to enter into non-tribal related businesses. Self-confidence is a necessity in order to succeed in operating a small business. Counseling, training and mentorship are needed.

For many Native Americans there is a resistance to trust programs that are implemented by the government entities. There is a distrust that exists that has been present for many generations. This is due to promises that have been made and broken by the federal government. Hiring the right person is critical to success.

Specifically, for the Lummi and Nooksack Tribes of Whatcom County, the transition from the fishing industry to more conventional forms of entrepreneurship has been difficult. It has been estimated that 50 to 75 % of tribal members relied on the fishing industry to provide for their yearly income. A full range of business development services is needed.

Because of the unique relationship inherent with tribal fishing treaties, tribal members are not required to pay taxes on their catch. This contributes to the lack of accurate record keeping and the motivation for accurate record keeping for most tribal members. Basic business and life skills training, counseling and mentorship is needed.

The lack of collateral is one of the major barriers preventing tribal members from obtaining necessary funds in order to start or expand businesses. Due to the trust status of land owned by individual tribal members, banks are unwilling to loan money to tribal members. Banks cannot go after trust lands if there is a default on payments. Alternative sources of funding are needed (i.e.: revolving loan funds).

Many tribal members lack a positive credit rating in order to obtain financing. Many tribal members lack motivation because they know they cannot get over the hurdle of bad credit. Many of these individuals have made mistakes in the past that continue to haunt them when trying to obtain financing. Many have changed their habits that contributed to the poor credit rating, but have yet to clean up their credit report.

Most tribal economic development activities are focused on infrastructure and tribal owned businesses, like casinos, that will create jobs for tribal members. Self-employment and entrepreneurship aren't part of their development activities; therefore Native Americans wanting to start their own businesses have few resources or mentors in Indian Country.

Traditional technical assistance programs like the counseling and training programs of the SBDC aren't meeting the needs as they aren't able to focus on this "harder to serve population", lack skills or training, and lack the resources to target Native Americans.

SBA's new BusinessLINC Program is helping to overcome many of these obstacles, however, there is a shortage of Native American mentors and non-native mentors are hard pressed to understand Indian Country issues and haven't been accepted to date by the participants.

Training, counseling, access to capital and targeted mentorship resources are sorely needed to overcome these issues. I believe we can do better at meeting the economic development and entrepreneurship needs of Native Americans. I feel the Native American Small Business Development Act will overcome most of these barriers to entrepreneurship and self-employment. I do not believe that streamlining these clients into existing programs will be effective. Targeted resources implemented by experienced people and organizations will be able to create long-term relationships with key influencers in each tribe, develop market driven program specific to the needs of each tribe, and treat self-employment as a integral part of business development in Indian Country.

Thank you for the opportunity to share my thoughts and our experiences with Native American business development. I support your efforts to better serve Native Americans and develop new programs better focused on overcoming the barriers to supporting their pursuit of self-sufficiency.

"Shaping the economic future of our region ....one business at a time"

Respectfully submitted,

Tom Dorr
Director
Western Washington University
Small Business Development Center

Chairman INOUYE. May I call upon Senator Campbell.

Senator CAMPBELL. I thank the panel for testifying. Just going through my own notes and jotting some things down from my own memory in the years I have been involved in different Indian affairs programs, it seems to me that, I do not know, I do not have it in front of me, but probably half the agencies in the Federal Government have some kind of programs designed to try to help Native Americans. Certainly the Department of Labor does, Interior does, the Department of Defense has a small section, SBA, HHS. They almost all have some programs that people can make themselves available to.

It seems to me that the weaknesses of all of them are either we dropped the ball here in Congress and did not fund them to the level they should be funded—we hear that quite often, and Senator Wellstone spoke very well to that when he was here, and it looks like we are not doing that this year in the President's budget again. The second weakness seems to be the delivery system, and the third is that tribes or individual Indian people are not aware of the programs they can avail themselves to, and we hear that a lot, too. We put things in place and then we hear 2 years later that the networking did not go through the agencies to the tribes so they know that they could do or avail themselves to different things.

The BIA has a loan guarantee program. We did a hearing last week on S. 2017, the Indian Financing Act Amendments of 2002. They have a program that guarantees 90 percent of a bank loan to start Native American-owned businesses. The SBA, as I read from their testimony a while ago, has many of the things that seem to be covered in this bill—loan programs, HUBZone contracting programs, business development programs, small business centers, counseling, I mean, all kinds of things.

So I guess I have to come back to my original question, and that is we have seen so many things we have put in place in the law that just simply do not get implemented. My question is, do we need more laws that people are not going to implement anyway or should we be doing a better job of what we are already doing? I do not know for sure, but it just seems to me, if we put this in place and we get it signed into law, that we are just doing more of the same things that can be covered if we would do a better job of funding it here in Congress or if it was better implemented by the agencies themselves.

So I guess that is the question. Maybe, Pete, since you were with the SBA yourself, could you answer that for me? Is this really going to be an improvement——

Mr. HOMER. Yes, I can.

Senator CAMPBELL [continuing]. Or should we, can we do it with existing things that are already in place?

Mr. HOMER. I think we can improve SBA programs with this legislation because we have National Indian Business Associations around the country that do a good job monitoring and coordinating with the Small Business Administration, we work with SBA staff on a weekly basis. Also, the National Indian Business Association submitted four resumés of individuals from Indian Country that are very competent individuals and have the capacity to administer

the office at SBA. SBA asked NIBA to submit Native attorney resumés that have Indian law capability, we did this for the SBA. Hopefully, SBA will hire a Native attorney in that capacity.

Senator CAMPBELL. Have they given you a timeframe or any indication of when that is going to be done?

Mr. HOMER. On the SBA directorship, NIBA submitted four Native resumés, two dropped out because they got tired of waiting and took other jobs. SBA hiring is a slow system, and I understand the system SBA goes through—it's one that is out of SBA hands. Actually, it is in the Justice Department system, actually, that's the hold-up.

What we are looking to develop, is to create State Small Business Development Centers for Native Americans, bring them into the mix of other SBA programs that are existing in non-Indian communities. NIBA, in 1996 negotiated with the SBA Small Business Development Centers to create funding for Native American colleges as Small Business Development Centers, because around the country, SBA funded over 108 different business development centers in every State, but they did not fund one Native American Business Development Center.

The SBA women's programs, and veterans' programs, were the models Congress used in 1998, to create the office of Native American Affairs. It took SBA 4 years to hire a national director, and I was the first Native American hired in 1992 to follow through with what Congress recommended.

Today NIBA wants to coordinate our effort with all State Small Business Development Centers, not only the Indian centers. We must organize and fund the Indian center's programs first. NIBA asked SBA to create funding for 31 Native American colleges, along with all the colleges, junior colleges and vocational education associations that SBA funded in all the States. NIBA wanted to include 31 Indian colleges. Because the program might have been so political, SBA was not going to carve off $7 million for funding 31 Indian colleges. Also, SBA stated that Native colleges did not fit the criteria and SBA was not legally responsible to fund the 31 Native colleges as they were not specifically written in the SBA Small Business Act, so SBA did not fund them.

So we are here today asking for support in funding Native American Business Development Center programs. The monitoring will be from the Indian tribal governments and business associations around the country. Since we are the only National Indian Business Association, in Washington, D.C., we do a lot of coordinating with SBA and the Department of Commerce, BIA and IHS on buy-Indian contracting. We attend all their hearings.

Senator CAMPBELL. Pete, did I understand originally when this bill was introduced on the House side you were not particularly supportive of it?

Mr. HOMER. Yes, originally I had two problems with the House bill and I debated Representative Udall on Native American—calling radio shows from the University of New Mexico in Albuquerque. Congressman Udall asked me: "Pete, do you have a problem with SBDCs?" I said, "No, they do a great job in Tucson and Phoenix, Las Cruces and Albuquerque, but they do not outreach to the Native American communities."

The two problems I had were the Office of Native American Affairs (ONAA) in SBA was structured to coordinate all Indian programs and the Udall bill stated that the SBA Small Business Development Center Program would administer this Native American program. The other problem was the State Small Business Development Center programs would provide the training to Indian reservations.

When you look at the estimated 200 SBDCs around the country and there is only one Indian hired working on that T&TA program in Bellingham, Washington, you say, "No, State SBDC's will not be able to provide services to Indian Country." There are some existing programs in our colleges. There are some existing TBICs that will be involved in this Senate bill funding. NIBA will continue to support TBICs. Senator Wellstone from Minnesota mentioned other TBICs from some of the other States, including Oregon. NIBA will enhance the TBIC efforts making them marketable so they can coordinate with all SBDCs funded by SBA.

Senator CAMPBELL. Does this Senate bill address those concerns?

Mr. HOMER. Yes, it does. It fixes the problem NIBA had with the House bill.

Senator CAMPBELL. I have a few more questions but I think I might submit them in writing, Mr. Chairman. I thank you.

Senator INOUYE. Thank you. I just want to have a little profile of a tribe here. I realize that the Oneidas are not typical, but how many members do you have on your reservation?

Mr. DANFORTH. We have approximately 15,000 members total, of which 6,000 reside in and around the immediate reservation, adjacent to Green Bay, Wisconsin.

Senator INOUYE. Of that number, how many individuals are involved in small businesses?

Mr. DANFORTH. There are probably in the neighborhood of 20, approximately.

Senator INOUYE. Twenty out of fifteen thousand.

Mr. DANFORTH. Now out of that 20, if I can just comment, there are about half a dozen successful. The remainder are either marginal or unsuccessful. There are approximately 80, currently, potential entrepreneurs that are waiting for a program that is in its beginning State of being initiated as we speak.

Senator INOUYE. What sort of help can you give the 80?

Mr. DANFORTH. We have a couple of initiatives we are just beginning. One is a small business loan program where we have injected $4 million.

Senator INOUYE. This is a tribal initiative?

Mr. DANFORTH. A tribal program. That $4 million would be injected into that program this year and $1 million per year after that. We have another program that is more like a revolving loan program where we have lobbied the state—we pay approximately $5 million a year to the State for gaming. Those monies are supposed to come back to the reservation and surrounding communities. We have about $500,000 of that money came back for small business loans.

Senator INOUYE. Of those that succeeded, what sort of businesses were they in?

Mr. DANFORTH. To name a few, one is a sub shop franchise, a food service business, insurance. Now there are several instances where a tribal member has joined with an insurance company and operating as an insurance business, Native insurance business. Another is a casino furniture manufacturer or delivery service.

Some of the businesses that have failed: dry cleaning and laundry service, a couple of restaurants, grocery store, about five construction companies, a larger tribally-sponsored program referred to as Bortech, a machine shop, a couple of body shops, car wash, landscaping business. Those are some—some of those I mentioned, the body shop, landscaping, car wash, are potentially moving toward becoming successful but over the years have not been to date.

Senator INOUYE. How close is the nearest major urban area?

Mr. DANFORTH. Green Bay, Wisconsin borders our reservation on the east side so it is a—I forget the actual population there but it is industrial, paper mill areas. We know that the revenues from the casino in that area have expanded the existing businesses and have initiated many additional small businesses. A small handful of those have been Oneida businesses or other Native American businesses.

Senator INOUYE. How many members have benefited from your loan program?

Mr. DANFORTH. Under these? None right now. It is just in its initiation stages, both of those programs. We have attempted programs in the past. Those failed businesses I mentioned were some of those who have benefited from those. Other things that have caused problems with our own administered programs, tribal politics enters into these things. It should not be, but it does. I see this bill helping overcome that problem, where we have a technical assist that lays out adopted criteria that a person must go through, an entrepreneur must go through to establish its loan and business plan to be adopted.

Senator INOUYE. Thank you. Mr. Homer, you have mentioned eight principles in your prepared statement. Do you think that your eight principles can be achieved by this bill? The eight objectives you have?

Mr. HOMER. Yes, I do.

Senator INOUYE. So you support this measure?

Mr. HOMER. Yes, I do. I have worked with these principles in the past. In the Small Business Administration I worked with these same principles. My efforts were to create within the SBA these kinds of program principles to outreach to Indian country, and NIBA coordinated with every SBA district office. On a volunteer basis, the SBA district offices in every State designated one employee from each as the Native American coordinator to coordinate all Native American activity with the Office of Native American Affairs.

The ONAA program was cosmetic when we initially started out. SBA did not have the resources to actually operate a National program in the Office of Native American Affairs. I was the only fulltime staff that you had there. So we had to outreach for support from the district offices. We got approval from the SBA Administrator, and we operated and coordinated all over Indian country.

The 13 Western Indian States had very good SBA coordinators. They started working to making T&TA inroads to Indian country.

Today we need to establish the SBA Office of Native American Affairs with statutory legislation, to provide Native Training and Technical Assistance with some funding behind it. Senator Campbell, it will not work if we don't have the $7 million funding behind it. This funding for 5 years will start training and technical assistance, so Native American Programs can coordinate with State SDBC programs. It only makes sense that we coordinate with all SBA programs in this way. Tribes around the country have been coordinating all programs making them comprehensive programs.

I lived in the day when we successfully assisted the Choctaw, Mississippi through comprehensive funding from many Federal agencies and from all agency components. Laguna Industries was not any different from Choctaw. A&S Industries is not any different either—all were successful. This is how they were successfully created through these types of funding. The private sector did their share in the development of Indian Country business.

Today, these concepts in development are what we have to look at for future developments. We need T&TA to start working with these concepts again. Manufacturing is a big initiative right now in Indian country; light, small manufacturing. Native businesses need training and technical assistance. NIBA is going back to square one in providing assistance with: business development, business plans, feasibility, and financial management plans. These services will also be provided by the SBA Native Small Business Development Centers.

Senator INOUYE. Thank you. Mr. Dorr, before I proceed, congratulations on your recent award.

Mr. DORR. Thank you.

Senator INOUYE. You have been certified under the SBA's mentor-protégé program. What sort of benefits do Indians get from that program?

Mr. DORR. Specifically in our industry of security guard services, a variety of our mentor offers a variety of administrative, technical assistance, resourcing, employment options, legal advice. So a variety of spectrum of our business experience.

Senator INOUYE. These mentors are Native Americans?

Mr. DORR. No, they are not. This specific one is located very close to our office, our corporate office by the reservation and is a very large business. So this specifically is not.

Senator INOUYE. So you believe that this program works?

Mr. DORR. Very much so.

Senator INOUYE. I presume from what you are stating there is a shortage of mentors.

Mr. DORR. I think there are quite a few mentors available. I just think that maybe the marketing or the SBA's letting them know, or what have you, I guess is not really available.

Senator INOUYE. How many contracts do you believe your company has lost because its 8(a) status is not considered under the Federal supply schedule?

Mr. DORR. In the last 30 days we have lost four.

Senator INOUYE. If you were considered you would have had those?

Mr. DORR. We would be more considered. I cannot assume that we would be awarded those. But instead of considering small businesses, they excluded the small business programs and it is the largest companies in the world competing against contracts that are historically 8(a) for a number of years.

Senator INOUYE. Ms. Drapeaux, you have indicated that in your training and business development services that you try to make them culturally relevant.

Ms. DRAPEAUX. Yes.

Senator INOUYE. What do you do to accomplish that?

Ms. DRAPEAUX. We actually developed our own training curriculum and now we are using the—like buffalo economy. Part of our training we go back to the very beginning of time and why Native people should be businesspeople and why we probably always have been businesspeople as we have always bartered, and how we have survived as a people.

So what that has really done, I think, has helped individuals really consider themselves to be eligible to be businesspeople. Where we live a lot of people are like, you know, we do not know if we should be in business. Is that really us? Is that something we should be doing as people? So part of our education process is simply getting people to think that it is OK to be in business and it is something that we should strive for and look to, and it is not just for white people, or it is not just a certain of person that should be in business; that it is really OK for us to be in business.

Where we live is pretty isolated so we really do start at the very beginning of where our people come from, and we build in our own belief systems and tie them to our business training, so it is more acceptable, so people can start believing in themselves about going into business.

Senator INOUYE. You have indicated that your fund has provided about $750,000 in loans?

Ms. DRAPEAUX. Yes.

Senator INOUYE. Have they all been repaid on time?

Ms. DRAPEAUX. No, we have a delinquency rate, but our delinquency rate is actually pretty good. It is right now I think sitting at around 17 percent of delinquency. We have a pretty rigorous training program. We have a 10-week small business training program. Just because you go through our program does not necessarily mean that you are going to receive a loan. It is very labor intensive. We provide a lot of one-on-one technical assistance. Our staff goes onsite a lot and visits with people, and a lot of times when people have hard times, for whatever reason, because everything is tied to the economy. Even out there it is pretty driven by what is happening everywhere else.

So we will do things like write notes. We do not do what typical banks do. We actually try to help them so they can succeed, if we need to. Just because that is what it takes to do business out there.

Senator INOUYE. How many jobs do you believe you have created by your activities, new jobs?

Ms. DRAPEAUX. I would say many, primarily because a lot of our beginning borrowers which were micro-borrowers, which really turned out to be artists and home-based businesses. So we have a couple of hundred that are probably home-based. These are quill

workers, quilters, beaders, a lot of artists. Since our loan fund was only—the maximum that they could borrow was $25,000, it was not enough money to really start any other type of business. So when they increased the amount it has really moved the Lakota Fund up and forward to other types of larger businesses, and even that is not a lot.

Senator INOUYE. Thank you.

Mr. HAMPSON, in your prepared statement you speak of a joint venture with Lewis & Clark College?

Mr. HAMPSON. Yes, sir.

Senator INOUYE. That the funds were cutoff at midstream?

Mr. HAMPSON. No, our effort with Lewis & Clark College came as a result of the request by the Nez Perce tribe of Idaho to—they asked us to serve their reservation with our going into business programs. We did not have money to do that at that particular point in time. So at that point we were not able to do anything.

After a period of time we received a demo, which essentially was a demonstration program through SBA for the 7(j) program that allowed us to go again outside of Oregon to do a demonstration program with tribes. We did classes at Fort Hall. We did classes in Spokane, Yakima, and both Colville and Nez Perce expressed an interest. But by the time that they were ready to do something those funds had expired. So it was not a matter of those funds being terminated prematurely, it was just a matter of, timing is everything.

It goes back to the point about continuity. If you make a promise today and your funding is delayed, particularly with, as you know, the Federal domestic pipeline can be delayed anywhere from 6 months to a year. Then by that time you are already into the midpoint of the grant before you actually see the resource. You cannot make your commitments on a timely basis.

The bottom line was what we did was we asked the SBDC to provide services. We facilitated a joint meeting between the tribe and the small business development center, and right now as of this moment the SBDC has committed to teaching their next level training class for the confederated tribes of Nez Perce and we will be providing other Native American-appropriate content and facilitation services to that process.

Senator INOUYE. Do you charge a fee to those who are seeking your assistance?

Mr. HAMPSON. We do. We charge a fee, $10 a class, or $100 for the entire series. Oftentimes that fee is picked up or reimbursed to tribal members by the tribe if they successfully complete the program. By successfully complete that means they have completed a business plan, their counselor has approved the plan, and authorized the tribe to reimburse them.

Senator INOUYE. Under this training program, how many jobs do you think you have developed?

Mr. HAMPSON. We can only give you that data in Oregon because in Oregon we are supported by the economic development department of the State and as part of the small business providers network we all chip in and provide for an external evaluator. That evaluator surveys all of the program clients, including the SBDC

network and the other minority and low income entrepreneurship programs.

They issue a report, and the last 2 years—and this data has been submitted in the record for the appendices. The consultant that did the study estimated, based upon surveys in the 1998 to 1999 period, out of 1,556 clients served there were 405 new jobs, and the succeeding year 480 new jobs where there were 1,205 people served.

Senator INOUYE. As I have indicated, the record will stay open until close of business 2 weeks from now, so if you have any additions to submit please feel free to do so. Like Senator Campbell, the committee will be submitting questions to all of you, if we may, for your consideration and response.

Senator CAMPBELL. Mr. Chairman, may I reflect on one thing that Mr. Danforth mentioned about the failure of some of the businesses on the reservations? I was thinking myself, the failure of outside businesses are probably roughly the same. I understand that about 80 percent of new startup businesses in the private sector, the non-Indian sector, are out of business within a couple years, and probably for the same reasons, a weak market or oversaturation, or the main reason I think is just not enough capital, undercapitalization.

But I did want the record to reflect that I do not think Indians are going out of business any faster than anybody else. With the right training they have the same opportunities to stay in as anybody else does. But I wanted the record to reflect that.

Let me ask just one last little tiny question, because I was also very impressed with Mr. Dorr's comments. How did you get the initial capital to start your business?

Mr. DORR. We grew slowly and we self-capitalized ourselves.

Senator CAMPBELL. Was it through any loans or grants though?

Mr. DORR. No programs.

Senator CAMPBELL. Or did you just shoestring it up?

Mr. DORR. Right.

Senator CAMPBELL. Congratulations. You did a wonderful job.

Thank you, Mr. Chairman, I have no further comment.

Senator INOUYE. With that, we thank you very much. The record will be open for 2 weeks and the meeting is adjourned.

[Whereupon, at 11:56 a.m., the joint committee meeting was adjourned.]

POST HEARING QUESTIONS

U.S. SENATOR JOHN F KERRY

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*

April 30, 2002

QUESTIONS FOR KAAREN JOHNSON STREET

1) Ms. Johnson Street, I am greatly concerned that the SBA has cut off funding for the remainder of the fiscal year for the TBIC program (referred to by the SBA as an activity). Although limited, many Indian American communities rely on the assistance from TBICs when running small businesses.

> I understand that funding was cut off on March 31, 2002. How much warning did the TBICs have that they would receive no further funding from the SBA? What alternatives were considered to ceasing funding completely?

2) During the staff briefing for the Bush Administration's FY 2003 budget presentation, the SBA was asked if funding for the TBIC program was being eliminated. SBA replied that it had no intention of eliminating the TBICs.

> When was the determination made to depart from the TBIC model?

3) Your testimony states that the $1 million the Administration requested to conduct Native American outreach initiatives will be used to make grants to Tribal Governments and organizations to provide small business assistance.

> How does this proposal you put forward today differ from the Native American business center grant program under S. 2335 or from the assistance offered under the TBIC program before funding was eliminated?
>
> Does the SBA have an objection to making programs for Native Americans statutory? Any objections to making the Office of Native American Affairs statutory?

4) When drafting the Native American Small Business Development Act, Senator Johnson and I, as well as our staffs, met with a number of different Native American groups and representatives in order to gauge what they found helpful about the TBIC program and find out what they would want to change if the program were expanded. The legislation introduced by us was a direct result of those discussions.

> Regarding the Bush Administration's proposal for the $1 million program for Native American outreach in the SBA budget request for fiscal year 2003, how many meetings

with the Native American community were conducted when formulating this proposal prior to its announcement?

Please provide relevant dates, times and individuals (including Federal Government, Tribal Government and Native Americans or their representatives) who participated in these meetings or discussions.

5) During your testimony, you stated that the SBA has made a number of 7(a) and 504 loans to Native Americans.

Please provide the missing information in the following charts:

7(a) Loans Fiscal Year 2000 and 2001

	Total Loans	Loans to Native Americans	Loans to Native Americans Residing on Reservations	Loans to Native Hawaiians	Loans to Native Alaskans
Dollar Value	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Number	FY 00: FY 01:	FY 00: FY 01	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Percentage of Dollar Value	FY 00: 100% FY 01: 100%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01;
Percentage of Loans	FY 00: 100% FY 01: 100%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:

504 Loans Fiscal Year 2000 and 2001

	Total Loans	Loans to Native Americans	Loans to Native Americans Residing on Reservations	Loans to Native Hawaiians	Loans to Native Alaskans
Dollar Value	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Number	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Percentage of Dollar Value	FY 00: 100% FY 01: 100%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Percentage of Loans	FY 00: 100% FY 01: 100%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:

U.S. SENATOR PAUL WELLSTONE

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*

April 30, 2002

QUESTIONS FOR KAAREN JOHNSON STREET

Given that it's probably 4-6 months until you would be able to start implementing SBA's "Native American outreach" proposal, what does SBA propose that tribes who have lost a TBIC do in the meantime? Have you made any contingency arrangements to fill the gap over the next six months?

You mention that "flexibility" is one of your proposal's strengths. Will you go through a formal rulemaking to set up this proposal? If not, what ensures that this proposal will continue in future years (or future administrations) and secondly, what will prevent this proposal from being subject to the whims of SBA as to whether to fund it or not – as is what's happening with the TBICs?

Will the National Director for Native American Outreach have authority to disburse the $1 million under your proposal? And if not, how will it be administered?

U.S. SENATOR TIM JOHNSON

Questions
Hearing on *Small Business Development in Native American Comminuties: Is the Federal Government Meeting its Obligations?*
April 30, 2002

QUESTIONS FOR KAAREN JOHNSON STREET

1) Does the SBA feel they are providing adequate business and technical assistance to Native Americans, specifically in tribal and reservation communities?

2) Does the SBA feel the assistance provided to Native American communities is equal to the assistance provided in non-Indian communities or are there disparities in the services and/or accessibility of services?

3) How does SBA incorporate the Office of Native American Assistance to provide services to Native American communities? How does SBA utilize this office and what specific functions does it currently serve?

4) What considerations led to the decision to discontinue funding for the TBICs and what impact does SBA anticipate this will have on Native American entrepreneurship?

5) How much advance notice was provided to TBICs that their funding would be discontinued and how was this information conveyed to the local entities?

6) When the Administration set the $1 million funding level for the FY03 request, did you seek comments from the Native American community as would be required under S. 2335?

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

Legislative Affairs

May14, 2002

Honorable John F. Kerry
Chairman
United States Senate
Committee on Small Business and Entrepreneurship
428-A Russell Office Building
Washington, DC 20510

Dear Senator Kerry:

Enclosed, please find SBA's response to the Senate Committee on Small Business and Entrepreneurship's post-hearing questions, dated April 30, 2002. I respectfully request that the responses be included in the record.

A duplicate copy is being provided to the Ranking Member.

Please let me know if we can provide anything further. I can be reached at (202) 205-6700.

Sincerely,

Richard Spence
Assistant Administrator for
Legislative Affairs

Enclosures

Federal Recycling Program Printed on Recycled Paper

U.S. SENATOR JOHN F KERRY

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*

April 30, 2002

QUESTIONS FOR KAAREN JOHNSON STREET

1) Ms. Johnson Street, I am greatly concerned that the SBA has cut off funding for the remainder of the fiscal year for the TBIC program (referred to by the SBA as an activity). Although limited, many Indian American communities rely on the assistance from TBICs when running small businesses.

   I understand that funding was cut off on March 31, 2002. How much warning did the TBICs have that they would receive no further funding from the SBA? What alternatives were considered to ceasing funding completely?

During the original discussions in 1995 between SBA and the TBIC participants (the tribes), SBA made it clear that the participants should secure alternate funding from the private sector or other Federal agencies because the $1.8 million one-time funding from the Bureau of Indian Affairs was intended to fund a pilot program. Some organizations did so, such as Fort Belknap, which sought and received additional funding from HUD after Congress denied follow-up funding of the TBICs.

The TBICs have always operated with the knowledge that funding was not guaranteed. Furthermore, they were and are aware that Congress has denied SBA's requests for dedicated funding in FY 1997-FY 2001. The TBIC participants have also been aware that the funding they received each year following the initial grant was from internal SBA sources and was not guaranteed from year to year.

SBA's Office of Native American Affairs has regular conference calls with all TBIC participants. The funding issue has been an on-going discussion since it was realized that the FY 2002 budget did not, again, provide for funding.

Regarding the question of "alternatives", the TBIC participants will be encouraged to submit applications in the expanded Native American Economic Development Outreach initiative contained in the FY2003 budget. In the meantime, SBA will continue to serve Native Americans through its Small Business Development Centers, SCORE, Business Information Centers, and Women Business Centers programs. SBA's Office of Native American Affairs will continue to provide assistance, and programs such as HUBZone, Microloan, 8(a), 7(a), and SDB will also continue to be available to the Native American community.

2) During the staff briefing for the Bush Administration's FY 2003 budget presentation, the SBA was asked if funding for the TBIC program was being eliminated. SBA replied that it had no intention of eliminating the TBICs.

When was the determination made to depart from the TBIC model?

In SBA's review of its program during FY 2001, SBA found that TBIC activity has been nominally successful. In order the better and more effectively serve Native American entrepreneurs, SBA consulted with representatives of Native American communities. As a result, the President has requested $1 million in the FY 2003 Budget for an expanded Native American Economic Development Outreach Initiative at SBA. This initiative will expand geographic diversity beyond the six states in which the TBICs currently operate. This initiative is flexible, and TBICs could be a part of some tribes' economic development strategy.

3) Your testimony states that the $1 million the Administration requested to conduct Native American outreach initiatives will be used to make grants to Tribal Governments and organizations to provide small business assistance.

How does this proposal you put forward today differ from the Native American business center grant program under S. 2335 or from the assistance offered under the TBIC program before funding was eliminated?

Does the SBA have an objection to making programs for Native Americans statutory? Any objections to making the Office of Native American Affairs statutory?

SBA's program offers maximum flexibility to the tribes and does not need additional legislation. SBA already has an existing structure within its Office of Native American Affairs. There is no need for legislation.

4) When drafting the Native American Small Business Development Act, Senator Johnson and I, as well as our staffs, met with a number of different Native American groups and representatives in order to gauge what they found helpful about the TBIC program and find out what they would want to change if the program were expanded. The legislation introduced by us was a direct result of those discussions.

Regarding the Bush Administration's proposal for the $1 million program for Native American outreach in the SBA budget request for fiscal year 2003, how many meetings with the Native American community were conducted when formulating this proposal prior to its announcement?

Please provide relevant dates, times and individuals (including Federal Government, Tribal Government and Native Americans or their representatives) who participated in these meetings or discussions.

SBA's Office of Native American Affairs (ONAA) staff meets regularly with the Interagency Task Force on Native Americans. Several tribes also participate, including Cherokee Nation and Masentucket Pequot, as well as tribal organizations such as the National Indian Business Association (NIBA) and National Congress of American Indians. ONAA also holds monthly scheduled conference calls with all TBIC participants and communicates with them informally on a regular basis. SBA used the information shared during these formal and informal meetings to develop a framework for the expanded Native American Economic Development Outreach Initiative contained in the President's FY 2003 Budget.

On February 20, 2002, the Associate Deputy Administrator for the Office of Entrepreneurial Development, Kaaren Johnson Street, met with Pete Homer, President of NIBA, to discuss the needs of Native American communities, the role of SBA, and the hiring of a National Director for Native American Outreach.

5) During your testimony, you stated that the SBA has made a number of 7(a) and 504 loans to Native Americans.

Please provide the missing information in the following charts:

7(a) Loans Fiscal Year 2000 and 2001

	Total Loans	Loans to Native Americans	Loans to Native Americans Residing on Reservations	Loans to Native Hawaiians	Loans to Native Alaskans
Dollar Value	FY 00: $10.523B FY 01: $$9.854B	FY 00: $93.614M FY 01: $90.874M	FY 00: Not Available FY 01:	FY 00: Not Available FY 01:	FY 00: Not Available FY 01:
Number	FY 00: 43,748 FY 01: 42,958	FY 00: 526 FY 01: 537	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Percentage of Dollar Value	FY 00: 100% FY 01: 100%	FY 00: 1% FY 01: 1%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01;
Percentage of Loans	FY 00: 100% FY 01: 100%	FY 00: 1% FY 01: 1%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:

504 Loans Fiscal Year 2000 and 2001

	Total Loans	Loans to Native Americans	Loans to Native Americans Residing on Reservations	Loans to Native Hawaiians	Loans to Native Alaskans
Dollar Value	FY 00: $1.820B FY 01: $2.260B	FY 00: $7.512M FY 01: $13.298M	FY 00: Not Available FY 01:	FY 00: Not Available FY 01:	FY 00: Not Available FY 01:
Number	FY 00: 4,565 FY 01: 5,213	FY 00: 15 FY 01: 33	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Percentage of Dollar Value	FY 00: 100% FY 01: 100%	FY 00: 1% FY 01: 1%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:
Percentage of Loans	FY 00: 100% FY 01: 100%	FY 00: 1% FY 01: 1%	FY 00: FY 01:	FY 00: FY 01:	FY 00: FY 01:

Note: SBA does not track loans made to Native Americans specifically by whether they live on reservations, nor does it track specifically by Native Alaskan or Native Hawaiian status. The four minority groups for which SBA does keep track are African American, Hispanic, Asian and Native American.

U.S. SENATOR PAUL WELLSTONE

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*

April 30, 2002

QUESTIONS FOR KAAREN JOHNSON STREET

Given that it's probably 4-6 months until you would be able to start implementing SBA's "Native American outreach" proposal, what does SBA propose that tribes who have lost a TBIC do in the meantime? Have you made any contingency arrangements to fill the gap over the next six months?

First, SBA is not asking the TBICs to close their doors. The equipment and resources will remain (with proper GSA procedures being followed). Additionally, SBA will continue to serve Native Americans through the Small Business Development Centers, SCORE, Business Information Centers, and Women Business Centers programs. SBA's Office of Native American Affairs will continue to provide assistance, and programs such as HUBZone, Microloan, 8(a), 7(a), and SDB will also continue to be available to the Native American community.

You mention that "flexibility" is one of your proposal's strengths. Will you go through a formal rulemaking to set up this proposal? If not, what ensures that this proposal will continue in future years (or future administrations) and secondly, what will prevent this proposal from being subject to the whims of SBA as to whether to fund it or not – as is what's happening with the TBICs?

SBA will issue a request for proposals through the 7(j) program authority. As with all SBA program funding, Congress provides the funds.

Will the National Director for Native American Outreach have authority to disburse the $1 million under your proposal? And if not, how will it be administered?

The National Director for Native American Outreach will lead an evaluation team that will review the proposals/applications. The Administrator will make the final decisions.

U.S. SENATOR TIM JOHNSON

Questions
Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*
April 30, 2002

QUESTIONS FOR KAAREN JOHNSON STREET

1) Does the SBA feel they are providing adequate business and technical assistance to Native Americans, specifically in tribal and reservation communities?

While SBA serves Native Americans through all of its programs, SBA proposed its Native American initiative because the Administration is committed to reaching more small business entrepreneurs, including Native Americans.

2) Does the SBA feel the assistance provided to Native American communities is equal to the assistance provided in non-Indian communities or are there disparities in the services and/or accessibility of services?

SBA provides equal access to all of its clients. SBA is reviewing its structure and programs to improve that access.

3) How does SBA incorporate the Office of Native American Assistance to provide services to Native American communities? How does SBA utilize this office and what specific functions does it currently serve?

ONAA advocates on behalf of and provides information about SBA programs to the Native American business community. After the inception of the TBIC pilot, ONAA had supervisory oversight over the 16 centers directly from headquarters. ONAA has participated in an Interagency Task Force and held several conferences providing agency-wide training for TBIC managers.

4) What considerations led to the decision to discontinue funding for the TBICs and what impact does SBA anticipate this will have on Native American entrepreneurship?

In SBA's review of its program during FY 2001, SBA found that TBIC activity has been nominally successful. In order the better and more effectively serve Native American entrepreneurs, SBA consulted with representatives of Native American communities. As a result, the President has requested $1 million in the FY 2003 Budget for an expanded Native American Economic Development Outreach Initiative at SBA. This initiative will expand geographic diversity beyond the six states in which the TBICs currently operate. This initiative

is flexible, and TBICs could be a part of some tribes' economic development strategy.

5) How much advance notice was provided to TBICs that their funding would be discontinued and how was this information conveyed to the local entities?

During the original discussions in 1995 between SBA and the TBIC participants (the tribes), SBA made it clear that the participants should secure alternate funding from the private sector or other Federal agencies because the $1.8 million one-time funding from the Bureau of Indian Affairs was intended to fund a pilot program. Some organizations did so, such as Fort Belknap, which sought and received additional funding from HUD after Congress denied funding of the TBICs.

The TBICs have always operated with the knowledge that funding was not guaranteed. Furthermore, they were and are aware that Congress has denied SBA's requests for dedicated funding in FY 1997-FY 2001. The TBIC participants have also been aware that the funding they received each year following the initial grant was from internal SBA sources and was not guaranteed from year to year.

SBA's Office of Native American Affairs has regular conference calls with all TBIC participants. The funding issue has been an on-going discussion since it was realized that the FY 2002 budget did not, again, provide for funding.

6) When the Administration set the $1 million funding level for the FY03 request, did you seek comments from the Native American community as would be required under S. 2335?

The Administration did not consult on funding levels during the development of the President's budget. However, SBA did consult on what the initiative should include.

U.S. SENATOR JOHN F. KERRY

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*

April 30, 2002

QUESTIONS FOR THE HONORABLE GERALD DANFORTH

1) Chairman Danforth, I read with interest your submitted testimony, especially as it pertains to loan programs for Native Americans and the Oneida Tribe's attempts at establishing one.

> If S. 2335, the "Native American Small Business Development Act," became law, would you recommend that the committees review the idea of allowing loan services, such as the SBA's Microloan program, to be collocated with the Native American business centers the law would establish?

Oneida Tribe of Indians of Wisconsin
BUSINESS COMMITTEE

Oneidas bringing several hundred bags of corn to Washington's starving army at Valley Forge, after the colonists had consistently refused to aid them.

UGWA DEMOLUM YATEHE
Because of the help of this Oneida Chief in cementing a friendship between the six nations and the colony of Pennsylvania, a new nation, the United States was made possible.

P.O. Box 365 • Oneida, WI 54155
Telephone: 920-869-4364 • Fax: 920-869-4040

May 15, 2002

Senator John F. Kerry
Committee on Small Business & Entrepreneurship
Washington, D.C. 20510-6350

Dear Senator Kerry:

On behalf of the Oneida Tribe of Indians of Wisconsin, I would like to thank you for the opportunity I had to offer testimony in regards to Senate Bill S.2335, the"Native American Small Business Development Act".

I received a follow-up question on our Small Business Programs that are offered to tribal members in Oneida. The question is: "If S. 2335 became law would we recommend that the committees review the idea of allowing loan services, such as the SBA's Micro-loan program, to be collocated with the Native American business centers the law would establish?"

The Small Business Programs we offer in Oneida are revolving loan funds that allow Tribal members to apply and receive loans for new business start-ups and expansions. This new legislation if enacted and funded with an annual appropriation, would allow us to direct all of our financial resources to financing new businesses. Funds allocated in support of the bill could be used for credit analysis to determine business viability, adequately service loans, extend greater levels of technical assistance to our clients, and provide funds to operate the program's office.

By merging these programs together we will be able to extend our limited resources. We will have more funds for technical assistance, without creating additional costs. All new grant funds can be channeled to the Oneida Small Business Center.

Once again thank you for allowing us to have input into this matter.

Sincerely,

Gerald L. Danforth,
Chairman

U.S. SENATOR JOHN F. KERRY

Questions
Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*
April 30, 2002

QUESTIONS FOR MR. TOM HAMPSON

1) Mr. Hampson, in your testimony, you stated that it was important to provide assistance to American Indian communities to promote Tribal business ownership as well as individual ownership by Native Americans.

> Would you elaborate on the reason(s) many tribes have focused on tribal business ownership, as opposed to individual business ownership, and if the lack of individual business ownership has had any negative effects on Indian reservations?
>
> I am curious to know if the lack of a tradition of individual business ownership has resulted in tribal members shying away from owning a small business on their reservation.

Response to Senator Kerry

Joint Hearing of the Senate Committee on Small Business and Entrepreneurship and the Senate Committee on Indian Affairs
The Honorable John F. Kerry and Daniel K. Inouye, Chairmen

Small Business Development in Native American Communities:
Is the Federal government meeting its obligations?
and
The Native American Small Business Development Act

By
Tom Hampson, Executive Director
ONABEN: A Native American Business Network

May 10, 2002

This is to answer Senator Kerry's questions in response to my testimony delivered April 30, 2002 before the joint committees. Thank-you very much for the opportunity to discuss these issues.

Senator Kerry's questions:

1) Mr. Hampson, in your testimony, you stated that it was important to provide assistance to American Indian communities to promote Tribal business ownership as well as individual ownership by Native Americans.
    a. Would you elaborate on the reason(s) many tribes have focused on tribal business ownership, as opposed to individual business ownership, and if the lack of individual business ownership has had any negative effects on Indian reservations?
    b. I am curious to know if the lack of a tradition of individual business ownership has resulted in tribal members shying away from owning a small business on their reservation.

Responses:
Why have tribes focused on tribal business ownership as opposed to individual business ownership? As governments, tribes have a great deal in common with their sister jurisdictions at the local, regional and state levels. Like other governments, tribes provide a full range of public services to their members and non-members who live and work within their jurisdictions. This includes services to encourage economic development through planning and enterprise development.

Because of their sovereign status and the government-to-government relationship with the federal government, tribes have a set of very unique characteristics that have placed them, for better and for worse, at the center of the enterprise development activities in Indian Country.[1]

On Indian reservations, when an economic opportunity presents itself, it is typically the tribe that is the first to capitalize on the opportunity. This occurs for a number of historical and economic reasons.

- Two hundred years of federal policy towards Indian Tribes has placed the tribal government as the single most important entity in any dealings between and among federal agencies and tribal people. As a matter of policy, statute, and protocol, any initiative aimed at developing Native owned resources begins with the Tribal government (Miller, 760-64).
- Oftentimes, when an enterprise opportunity is recognized or is presented, the Tribe is the entity that has both the regulatory authority to ensure the enterprise can be implemented and the ability to acquire the necessary financing. Tribal members seldom have the means to launch a relatively sizeable undertaking due to lack of credit sources for individual Indians (home mortgage loans, regular bank loans, accumulated family wealth) and experience to manage a particular enterprise.
- Tribes have developed mechanisms for operating businesses through a variety of corporate forms made possible by the Indian Reorganization Act and other federal legislation. These forms have facilitated enterprise development and by necessity placed the Tribe in a pivotal role for their implementation.

These historical and economic factors have combined to make tribes the dominant force in economic development in their jurisdictions. This is a good news/bad news story. The good news is that tribes have had notable successes in developing some enterprises that have become major cash cows that provide seed capital for other enterprise development. The bad news is that these enterprises often experience significant problems when tribal oversight becomes micro-management.

As we heard from Chairman Danforth of the Oneida Tribe of Indians, significant problems arise in developing and managing enterprises due to the difficulty of keeping political decision-making and business decision-making separate. Tribes recognize and

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[1] Professor Robert Miller, J.D. Assistant Professor, Northwestern School of Law of Lewis & Clark College has recently published a paper entitled "Economic Development in Indian Country: Will Capitalism or Socialism Succeed?" 80 *Oregon Law Review* 757 (2001). The document represents an excellent reference work for understanding the history and current political and economic dynamics that effect economic development efforts in Indian Country. References are made to Professor Miller's article that we will provide under separate cover for your continued reference. Professor Miller serves on the ONABEN Board of Directors.

are addressing these problems. They are actively exploring ways to structure enterprises to reduce the impact of these dynamics. However, given their status as sovereign governments, the governing body of a Tribe is the ultimate board of directors of any tribal enterprise. They can at the time and place of their choosing assume the management of a tribal enterprise. This is their right, their purpose, and their responsibility.

While tribes seek new ways to better manage these realities, many tribes look to the development of an independent private sector as a way to allow market forces to have more influence on the reservation economy than politics. Such a strategy will also serve to diversify the tribal economy in light of the market.

In the last decade, Tribes, in their role as economic developers and member service providers, have established small business centers to assist. This has occurred due to the efforts of tribes in concert with the federal government and intermediary organizations like ONABEN.

We believe the development of a strong private sector can make a substantial contribution to achieving a balanced economy and introduce more models for individual success into the community. This is why we strongly recommend that the legislation reflect a clear policy that assistance provided under this act should be apportioned equally to individuals as well as tribal enterprises.

Does the lack of individual business ownership have negative effects? The lack of private business on reservations is a disaster for Indian country. On most reservations there are no banks to cash checks, nowhere to spend money on necessary and luxury goods, and the money Indians earn leaves reservations immediately supporting the regional economy without the benefits of dollar turns on the reservation. (Miller, 829-32)

But the lack of a mercantile class on the reservation has broader community impacts. Lack of confidence at the individual and community level is a critical factor affecting the attitudes that Indian people have towards business. It is human nature to see one's failure as proof of one's inability to accomplish a goal. Many tribal members and their leaders look at bungled tribal enterprises and failed individual efforts as evidence that the business is not something the Indians do very well.

Interestingly, where there is a history of successful tribal enterprises, there is usually a history of successful individual enterprises. One tends to support the other both economically and in the sense of a general sense of community confidence. Unfortunately, given the history of federal paternalism, war, disease, dislocation and the resulting economic disruptions that have plagued Indian reservations over the last two centuries, successes for both tribes and individuals have been very scarce. Thus, confidence has been low.

This is changing. As some tribal communities enjoy a renaissance, we see the interest in entrepreneurship enjoying a resurgence. It is a resurgence because Native American entrepreneurship is a tradition, albeit in many places it is a lost art.

Has the lack of a tradition of individual business ownership resulted in tribal members shying away from owning a small business on their reservation? First, I must state that American Indian tribes and their people do not lack a history of private business ownership and entrepreneurial activity. Various tribal populations worked hard to accumulate wealth and the necessities of life in a variety of family and individual occupations. Robert Miller's article provides a fascinating review of the literature documenting the tradition of entrepreneurship in pre and post contact Native American cultures. (Miller, 764-98)

Throughout history, Indians and their families and clans have operated small-scale farming, fishing, hunting and production "businesses" to support their lives and to produce excess items for the extensive trade that occurred across North America. Foodstuffs, shells, metals, furs, pipes, etc. were worked into products and traded thousands of miles from their source long before Europeans came to this country. Tribes and individual Indians understood being the "middlemen" in lucrative trading markets before Europeans and especially after the Europeans arrived with desirable new trading products. (Miller 764-98)

In the modern day, however, there is no question that Indian people have not fully participated in the "American dream" of private business ownership. Given the effort we are making collectively to encourage economic development in Indian Country, it is one of the great ironies of our history that over the last two centuries we nearly destroyed some of the most entrepreneurial societies this continent has ever known. This does not, however, lessen the kernel of truth that underlies your question.

As a function of this history, there is often an expressed distrust of business as a viable alternative for making a living for many Native Americans. This is due to a number of factors that include:

- Lack of a recent history of small business ownership among community members
- Lack of experience by people in working in small businesses
- Lack of models for successful individual Indian business people. The successful people have generally had to move their businesses to urban areas to be successful and are seldom available to reservation youth for counsel or observation
- Reticence to do the kind of "cultural boundary spanning" necessary to run consumer oriented businesses
- A fear of loss of culture through participation in dominant culture economic institutions which may be perceived to be forced upon them

The good news is that these are obstacles that many in the Native American community recognize. The are proactively addressing these obstacles with training and technical assistance made available through tribal business development centers such as those in the ONABEN network. The census data for business of 1997 documents the dramatic rise in Native American owned businesses. The numbers of people we help each month are proof of this trend. Additional small business centers made possible through the Native American Small Business Act will undoubtedly accelerate this process.

I hope these additional comments inform the discussion about the potential for positive impact represented by the Act. If you need additional data or further discussion, please call upon us. I would like to take this opportunity to discuss concerns raised by Senator Nighthorse Campbell regarding the structure of the act and whether it represents a duplication of existing adequate but under-funded programs.

Does this Act Duplicate Existing Programs and Services? Senator Nighthorse Campbell questioned the need for the Act since there are Tribal Business Information Center programs and the Small Business Development Center Programs available for Indian country. We share his concerns and would not support legislation that asks a federal agency to create new program for serving Native Americans if existing programs were able to do the job. We are not supportive of "set asides" or "Indian Desks" for their own sake, as well intentioned as they might be.

As I pointed out in my testimony, SBA support has been essential to the development and support of ONABEN. They would be the first to say, however, they do not have the resources to replicate our model, or any other model, across the country. It is important in this instance to recognize some realities that we deal with in helping Native Americans compete successfully as small business owners.

- Given some of the obstacles described above, a program that is "branded" as a Native American program (as compared to a Small Business Development Center) will attract Native clients and elevate their comfort level in taking advantage of the services. Our clients and our member tribes have a high degree of ownership of our programs and we attribute much of our success to being perceived as a Native American owned and operated program. This is born out when we co-sponsor classes and share instructors with the local Small Business Development Centers in our service areas. Whereas before, the SBDC could not attract Native clients without extensive outreach, the addition of our name increases the attendance by Native Americans.
- SBDC's do not have the resources to meet the need in their areas let alone add additional outreach to Indian communities. We provide most of the outreach for Oregon SBDC's. While SBDC's are viable partners for us at the local level, I do not believe that the National Association of SBDC's would support simply adding Indian tribes to their list of eligible applicants without an additional, designated fund for Native American programs that would hold harmless the SBDC budget allocation. With this as a political reality, we

might just as well have a branded Native American program since it will have to act like one anyway.

- Lastly, I cannot comment on the capability of the Tribal Business Information Centers (TBIC's) program to respond to the needs of their constituents where they exist. My understanding is that the TBIC's are basically a small business library and computer center with counseling services. I know that a Small Business Service Center has to be more than a library and occasional counseling. We have BIC's as part of our tribal Small Business Centers and they are important components, but a full range of services including classes, counseling, networking, and technology will make the difference in a new business owner's life. I'm sure the TBIC's as they are currently configured do all they can. I'm also sure they will welcome the opportunity to participate in a program that has a comprehensive design, that encourages innovation, and provides adequate funding for tribes who wish to develop a strong small business-based private sector.

In conclusion, I appreciate, respect and agree with the concerns of Senator Nighthorse Campbell. I feel the Native American Small Business Development Act is part of a solution to address those concerns. The status quo, despite SBA's concerned and considerable efforts are not adequately serving the needs of Indian Country for enterprise development. If I can answer further questions, please do not hesitate to contact me. Thank-you very much.

U.S. SENATOR JOHN F. KERRY

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*
April 30, 2002

QUESTIONS FOR PETE HOMER

1) Mr. Homer, I know you and your organization played a very active role in providing information the drafting of the Senate version of the Native American Small Business Development Act.

Do you feel the that Senator Johnson and I adequately addressed the concerns of your organization in S. 2335?

2) During the hearing, the testimony from the SBA stated that it too wanted grants for Tribal Governments and entities to provide business development assistance.

Do you believe that the comprehensive approach put forth in our legislation, essentially expanding the current TBIC program, as well as making it and the SBA Office of Native American Affairs statutory, would be a good use of SBA resources?

3) The House version of the Native American Small Business Development Act sought to bring the expertise of the SBA's Small Business Development Centers (SBDCs) out to the reservation. The Senate verison does something similar with the Native American development grant pilot programs, which is available for SBDCs and nonprofit organizations to provide business assistance to Native Americans in their community.

What is your view of providing funding to the SBDCs to operate in Indian Country? Would they be able to provide the kind of culturally based business assistance required under the act if they chose to do so?

May 14, 2002

The Honorable John F. Kerry
Chairman
United States Senate
Committee on Small Business and Entrepreneurship
421 Russell Senate Office Building
Washington, DC 20510

Dear Senator Kerry:

The National Indian Business Association (NIBA) thanks you for the opportunity to provide written answers to the three questions submitted to NIBA by the Committee on Small Business and Entrepreneurship. The following written statements will answer the questions in the order submitted to me:

(1) Do you feel that Senator Johnson and I adequately addressed the concerns of your organization in S. 2335?

Yes, NIBA feels that you more than adequately addressed the concerns of Native American businesses, we thank you.

NIBA membership feels that S. 2335s statutory language will enable the Small Business Administration (SBA) to meet its mandates of trust responsibility to Native American people living on reservations and will be committed to working for improvement within Native American communities. S. 2335 has identified ways in "targeting" Indian Reservations for outreach program services by tribal colleges and governments. This comprehensive approach will service many business aspects of the Native American communities through the funding of Native American Business Centers (NABC) in Indian Country, Hawaii and Alaska.

The $5,000,000 yearly funding through the main line program will adequately fund approximately 15 NABCs. The legislation elevates the SBA Office of Native American Affairs from the Directorship position to an Assistant Administrator, SES, Senior Executive Service position under section 3132(a) (2) of Title 5, US Code.

The Native American Development Grant Pilot Program is unique and targets coordinated efforts by joint funding of professional business services with definite goals to increase services to adequately address the needs of Native American business communities.

(2) Do you believe that the comprehensive approach put forth in our legislation, essentially expanding the current TBIC program, as well as making it and the SBA Office of Native American Affairs statutory, would be a good use of SBA resources?

Yes, this legislation will expand the small TBIC programs into NABCs that will increase staff by four, provide structure and comprehensive training and technical assistance. NABC funding will expand the program tremendously with the five year funding at $300,000 per year. We anticipate that Tribal Colleges and Governments will set their goals of expanding the number of Native American businesses and Native American jobs.

The NABC joint funding will expand may enable SBA resources especially the SBDCs to provide much needed services working in conjunction with tribal colleges or governments. The SBA Office of Native American Affairs will expand targeted services to Indian reservations communities by outreaching services in conjunction with SBA-SBDC expanded programs.

(3) What is your view of providing funding to the SBDCs to operate in Indian Country? Would they be able to provide the kind of culturally based business assistance required under the act if they chose to do so?

The Native American Development Grant Pilot Program will test and monitor the SBDCs if they chose to provide training services to Indian reservations. NIBA feels that some of the SBDCs will perform very well in a few of the western states. They have experience in providing culturally based business assistance to Native American businesses. The SBDC programs in Bellingham, Washington and Pioneer College in Northern Arizona are two programs that provide services to Indian colleges and reservations. The service is adequate in providing assistance to Native Americans and have provided targeted outreach services such as access to capital, how to acquire bonding, loan programs access and score services. These types of services require very little cultural knowledge. The main factor in providing any kind of successful service to the client on the reservations is the commitment from SBDC programs.

NIBA and the SBA Office of Native American Affairs, Tribal Colleges and Tribal Governments will be available to provide cultural training to SBDC staff upon request. Cultural training will be provided to SBDC staff about the unique issues, and how tribal sovereign immunity, and a land base held in trust by the federal government, gives rise to an unusual tribal reservations community environment which the SBA must recognize when reviewing Indian applications.

Thank you for allowing NIBA to provide input on this important piece of legislation.

Sincerely,

Pete Homer, Jr.
President/CEO

U.S. SENATOR JOHN F. KERRY

Questions
Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*
April 30, 2002

QUESTIONS FOR DEREK DORR

1) Mr. Dorr, I appreciate your comments on the many benefits of the SBA's 8(a) and HUBZone program. I am especially interested in your comments that use of the Federal Supply Schedule (FSS) has limited the effectiveness of these programs. Like you, I believe that procurement streamlining such as the increased use of the FSS, and especially contract bundling, has significantly harmed access to Federal procurement contracts for small businesses. It is my belief that such trends are affecting minority populations at disproportionate levels.

Has this been your experience?

Dear Senator John F. Kerry,

It is a great honor to be responding to your question from the Hearing on **Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?** Thank you very much for allowing me this opportunity.

Yes, it has been our experience that the GSA Federal Supply Scheduling and contract bundling procedures have and are destructing the SBA programs. Specifically from our experience within the Security Service industry, many contracts that have been previously performed successfully by SBA small business, 8(a) and/or HubZone companies have and are now being awarded to large businesses. This is especially concerning since we have been informed from the GSA that the GSA Federal Supply Schedule is to be the only procurement method for all security services within the next few years. As a matter of fact, any contract being procured under the service contract act is to be under this schedule shortly.

Specifically, we have direct experience with the trend to use GSA FSS within many federal agencies in many states throughout the country. Furthermore, contracts we have submitted proposals for within the past few years under the SBA 8(a) set-aside procurement method are now being presented and procured only to ***select*** large businesses listed on the GSA schedule, thereby completely eliminating even the opportunity of small businesses, on or off the schedule, to submit proposals. Also, it is especially concerning that contracts well within our capabilities are being placed in the GSA FSS schedule and are therefore considered Full and Open Competition. Of course, typically under this method Price Evaluation Adjustments (FAR 52.219-4 and 52.219-23) for HubZone and SDB companies allow small businesses to compete against large businesses. Yet, by using the GSA FSS schedule the PEA process is eliminated.

As a matter of fact, the entire FSS procurement method is quite untested. Standard policies and methods are not applicable to "procurement orders placed on an existing GSA FSS/MAS award number." Therefore, items such as debriefing notices, protests and policy are not required or described within FAR 8.4 (Federal Supply Schedules). Overall, the elimination of small business programs from the FSS schedule is a very important issue, however the FSS Schedule may also have a much larger liability to the overall Federal procurement methods. It may go as far as to question Constitutional Due Process by the procedures set forth within the FSS procedures. Clearly the existing checks and balances within the Federal Procurement system are not applicable to "orders" currently placed on an existing contract that was awarded 2 years ago.

With the direct exclusion of the Small Business programs in FAR 8.4, the GSA Federal Supply Schedule will very soon exclude the SBA from any and all procurement opportunities. This is very concerning and must be considered a very significant adversary to the success of America's Small Business and Minority populations.

Sincerely,

Derek J. Dorr
COO, Exec. VP
DECO Security Services

U.S. SENATOR PAUL WELLSTONE

Questions

Hearing on *Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?*

April 30, 2002

QUESTIONS FOR DEREK DORR

In your experience, is there anything SBA could be doing to increase those federal procurement and contracting opportunities in Indian Country?

You've raised some serious issues about federal contract and procurement opportunities becoming harder and harder to come by for small businesses. Which federal agencies and departments that have been better than others in reaching out to businesses like yours? Which have been less good? Why do you think some are better than others?

You mentioned that the reductions in SBA Procurement Center Representatives have made it harder for small businesses to compete for federal contracts. Could you give some examples of how this has affected DECO, Inc.?

Dear Senator Paul Wellstone,

It is a great honor to be responding to your questions from the Hearing on **Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?** Thank you very much for allowing me this opportunity.

A. We feel very confident that the SBA is doing a very good job promoting Native American owned companies such as DECO. Since the 8(a) Program offers companies an applied education and direct experience within the Federal marketplace, we feel this program speaks directly to the method required for Native American Owned Firms. Thus, we feel creating additional opportunities by this or similar means is the key to success to our population. However, we feel the 8(a) and HubZone programs for companies located on the reservation involve very different obstacles and benefits than those located off the reservation. Even though the SBA 8(a) program has been in existence for several decades and has assisted thousands of companies throughout the United States, the reservation remains very underutilized, un-employed, and depressed. We feel by making a few changes specifically addressed only to Native American Owned Companies located on reservations, progress can be made in these areas.

Some of these changes are itemized below.

1. The SBA 8(a) program allows Tribal Government owned companies to become certified. These companies have different rules and regulations than non-Tribal Government owned companies located on these same reservations. By being based on the reservation we feel Non-Tribal Government Owned companies should be allowed these same benefits since directly and/or indirectly the same population is being promoted.
2. The HubZone program should certify, no matter how many employees reside outside of a HubZone area, companies located within a tribal reservation. Currently, 35% of employees must reside within a HubZone area, however for our growing company where many of our contracts lie outside of a HubZone area we are slowly being eliminated. However, "HUBZone program is to provide federal contracting assistance for qualified SBCs located in historically underutilized business zones in an effort to increase employment opportunities, investment, and economic development in such areas." Therefore, since we manage all of our contracts from the reservation, we feel it is very unfair that since we may have a workforce in Chicago it excludes the fact that we are in the most economically depressed area, "Tribal Reservation" in the United States. We think by being based on the reservation our HubZone status should be automatic.
3. The Indian Incentive Program (FAR 52.226-1) does nothing and is rarely used because it gives 100% of the control to the Prime Contractor. We have received word from many sources including the DOD that this funding is rarely used. A Subcontracting Goal Requirement or Price Evaluation Adjustment specifically for those companies located on a reservation would work better for this funding.
4. Promote existing businesses so that other businesses can emerge in its image/shadow. Extend the 9 year window to 11-12 years for Indian Owned/On the Reservation Companies in the SBA 8(a) program.
5. The Mentor/Protégé Program within the Department of Defense reimburses Mentors' work by means of fees according to their assistance. Make this a model for the SBA program in order to bring additional businesses to areas such as reservations.

B. Many Federal Agencies work with small businesses because they prefer this workforce while many Federal Agencies work with small businesses because they are directed to. Overall, the small business market is directed by the goals set by the administration. These goals are the foundation to the working relationships between Federal Agencies and Small Businesses. For some agencies these goals are very high priority and for others they are less of a priority. Thus, each Federal Agency has their own agenda regarding small business procurement. It is very difficult to generalize agencies into a category of good or bad. I can disclose specifically good experiences with the following Federal Agencies.

Department of Defense, Air Force, 934th Airlift Wing, Minneapolis, MN

This group, particularly Contracting Officer, Cindy Murry, has been instrumental to DECO and our growth. We have been considered their Electrical Contractor for the past 3 years. Approximate Contracted amount: $1,650,000.00

Department of Veterans Affairs, Minneapolis Medical Center

Contracting Officer: Mavis Nelson was very beneficial for our development.

General Services Administration, Region 7, El Paso District

Contracting Officer, Susan Aguilar. Security Guard Contract awarded on 12/01/01. Ms. Aguilar is very helpful to DECO and many other small businesses.

The Small Business Agendas of the following Federal Agencies have been rather "puzzling" to DECO under contractual and/or non-contractual relationships are:

GSA, Region 5 and 8
USACE, Badger Office
Grand Forks AFB

For some agencies that make small business goals less of a priority IFB and RFQ procurements, where price is the only factor, are regular within small business procurements. For one GSA region in particular, during the year 2001, 5 Security Guard Contracts were in the 8(a) program for a total of nearly $25,000,000.00 per year. Currently in 2002, of these 5 contracts 2 companies went bankrupt (in 6 months) and will be/were replaced by large businesses by means of the GSA Federal Supply Schedule (FSS), 1 company performed well for the 6 month contract but under a re-procurement was replaced with a large company by means of the GSA FSS, and another 1 contract was removed from the 8(a) program and awarded to a large business using GSA FSS. Thus, in 6 months there were 4 major contracts compromised from the small business program. As a matter of fact, these contracts have been successfully performed by small businesses for many years if not decades. We are most certain that by only using low price (IFB) within the small business market this outcome was expected including from those of us who bid these projects and realized the awardees were bidding well below basic costs.

Throughout our years of being identified as a Native American Owned Company we have strived to be first known for the quality and expertise of our services. Through our experiences some Federal Agencies excel beyond others because they realize small businesses can offer equivalent

quality and expertise as large businesses. When they realize this fact, they appreciate the SBA and its simplified procurement programs and utilize them regularly.

The "less good" Federal Agencies blame obstacles on the small business community rather than fully exploring the real causing variables. Specifically, at a recent meeting with one of the "puzzling" Federal Agencies, the Contracting Officer stated, "within the past week we realized that the large business that we recently hired (to replace DECO) has the same problems we've been blaming small businesses for having for the past many years." It is the agencies that work with and appreciate their vendors that ultimately get the better service. Many Federal Agencies do not work with their vendors and often indirectly blame obstacles on your Native American, Small Business, 8(a) or HubZone status. I've been in meetings with Federal Agencies with my mentor (Large Business) and have both said the exact same thing and the Federal Agencies have agreed with the Large Business and not with DECO.

C. Procurement Center Representatives assist in policing Federal Agencies' actions regarding procurement activities. There are hundreds if not thousands of projects that are awarded to large businesses each year that are well within the grasps of small businesses.

As examples, there are many 8(a) Set-aside procurements that have been removed from this program without any reason and eventually awarded to Large Businesses. There have been contracts with the EPA, GSA, DOD and USACE specifically in Minnesota that were procured under a Full and Open Competition thus being overlooked by a PCR and not placed within the small business program. The closest PCR to Minnesota is in Illinois. This 1 person is in charge of 6 states and the numerous of agencies and procurements that are performed each day. Therefore, it has become the small business owner's responsibility to be the PCR in Minnesota and the surrounding states, whereas the SBA firms in states like Illinois, Colorado and Missouri have their own PCR. Thus, coupled with the fact that these three states house many of the federal headquarter offices, the minority firms in these states also have an advocate for federal procurement.

Sincerely,

Derek J. Dorr
COO, Exec. VP
DECO Security Services

May 16, 2002

Mr. Derek Dorr
Deco, Inc.
45380 Highway 169
Onimia, MN 56359

Dear Mr. Dorr:

Thank you for your participation in the April 30th joint hearing to receive the testimony of the Oneida tribe of Wisconsin on "Small Business Development in Native American Communities: Is the Federal Government meeting its obligations?" The Committee would appreciate your review of the following questions and the submittal of a written response.

1. Could you tell the committee the significance of your company acquiring "HUBzone" status?

2. The phenomenal revenue growth of your firm between 1998 and 2002 is impressive. What efforts did the staff at the Small Business Development Center achieve to help your company make such impressive return?

3. What, if any, government programs did you as a Native American-owned firm take advantage of when starting your business in 1986? Can you tell us how your company got its initial capital to start business?

4. I notice that your organization funds a Native American Apprenticeship Program in which members are given the opportunity to work on reservation projects and gain work place experience. How successful has this program been for your company and the tribe? Could you explain to the Committee why this program is so successful?

Because of new security constrainst on the receipt of mail in the Senate, we would suggest that the Department electronically mail or fax the responses to the Committee. The Committee's e-mail address is *testimony@indian.senate.gov.* and the fax number is (202) 224-5429.

I appreciate your attention to this matter.

Sincerely,

BEN NIGHTHORSE CAMPBELL
Vice Chairman

May 20, 2002

Vice Chairman Ben Nighthorse Campbell
Committee on Indian Affairs
United States Senate

Dear Vice Chairman,

Thank you very much for allowing me this further opportunity to present our experiences as a Native American Owned company located on the Mille Lacs Band of Ojibwe reservation.

Enclosed are the responses to your questions.

Sincerely,

Derek J. Dorr
COO, Exec. VP
DECO, Inc.

Small Business Development in Native American Communities: Is the Federal Government meeting its obligations?

May 20, 2002
DECO, Inc.

Dear Vice Chairman Campbell,

Firstly, I would like take this opportunity to thank you for allowing us to testify at the Hearing on Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations? It is a great honor to be part of this system.

The following responses are in reply to your May 16, 2002 Questions. I hope this further assists our effort to vitalize the Native American Communities.

1. Dorr Electric Company was the first company in the state of Minnesota certified into the HubZone program. Since this time Dorr Electric Company changed its name to DECO, Inc. and has undergone tremendous growth and success. Although the SBA 8(a) program has been instrumental to this growth and success, unfortunately we have never experienced direct benefits from the HubZone program. At its core, the HubZone program has tremendous potential however within the federal marketplace the urgency to procure under this program has yet to be seen by our company. In other words, goals and the enforcement of these goals are the keys to this program.
2. The Small Business Development Center assisted DECO, Inc. with the SBA 8(a) application upon our request. SBDC's are very beneficial for starting a company however rarely used after this stage in our experience. In our experience, many companies excel beyond the starting phase however have equal risks in other stages of development.
3. There are no Native American Programs that have directly assisted our company. DECO has taken it upon ourselves to focus on the procurement opportunities as a key to success. Our Business Model is founded on Proper marketing, competitive pricing, and excellent service within a variety of markets. In 1986 our company began as a "one man shop" and capitalized itself year after year by the profits from contract awards. For the first time in the year 2000, DECO received a commercial loan from the Mille Lacs Band of Ojibwe for an office expansion on the reservation. Obviously, since most conventional financial institutions are not willing to finance any improvements to our office located on the reservation and we did not want to allocate cash flow accounts to this project, the reservation loan program assisted this project.
4. The DECO Apprenticeship Program is successful because DECO has remained very competitive within our Tribal Government Market by being allowed a 10% Price Evaluation Adjustment as a Native American Owned company. This 10% adjustment often assures our apprentices they are guaranteed work on their reservation and also guarantees DECO that our labor investment into this program will continue. Therefore, without work to educate these people this program would not work.

DECO feels this program is successful because our apprentices are allowed on-site experience with the constant reassurance of financial reimbursement. Further, since DECO has been successful for the past years and continues to remain viable on the reservation this opportunity is available for these people. Also, as TERO offices may at times enforce tribal employment on the reservation, this apprenticeship program places our company above the foreign companies wanting to perform on the reservation.

In all, we feel that our success as a Tribal Business leads to tribal community success. If Tribal Companies such as DECO are additionally supported and promoted within the Federal Government Procurement programs success will continue on the reservation. Thus, promoting the SBA 8(a) program, extending the years for Native American Owned Companies within the SBA 8(a) program, automatically certifying any company located on a tribal reservation as a HubZone company, changing the Indian Incentive Program to become a Price Evaluation Adjustment for Native American Owned Companies without any limitations on procurement method, and structure the GSA Federal Supply Schedule to include goals for small, 8(a), HubZone or Native American owned companies, will all directly benefit the tribal communities throughout the country.

If you have any further questions please let me know.

Sincerely,

Derek J. Dorr
COO, Exec. VP
DECO, Inc.

APPENDIX MATERIAL SUBMITTED

Summary of
S. 2335, the "Native American Small Business Development Act"

Introduced by Senators Johnson, Kerry, Cantwell, Wellstone, Daschle, Baucus, Inouye, Bingaman, Stabenow and Clinton

The Native American Small Business Development Act

Purpose

The purpose of the Native American Small Business Development Act is to create a statutory office housed in the U.S. Small Business Administration (SBA) called the Office of Native American Affairs (ONAA). The legislation also establishes three assistance programs to provide aid to Native Americans, two of which are pilot programs.

Role of the Office of Native American Affairs

The ONAA, to be headed by an Assistant Administrator, will be responsible for assisting Native Americans and Native American communities to: start, operate, and grow small business concerns; develop management and technical skills; seek Federal procurement opportunities; increase employment opportunities through the start and expansion of small business concerns; and increase their access to capital markets.

Responsibilities of the Assistant Administrator

The Assistant Administrator for the ONAA shall be responsible for administering the Native American Development Program; recommending budget levels; establishing funding levels; and maintaining lines of communication between Native American business centers. The Assistant Administrator is statutorily required to consult with Tribal Colleges and Tribal Governments, Alaska Native Corporations (ANC), and Native Hawaiian Organizations (NHO) when carrying out responsibilities under this legislation. Under the Native American Small Business Development Act, the Assistant Administrator must have knowledge of Native American cultures and experience providing culturally tailored small business development assistance to Native Americans.

Native American Small Business Development Program

The Native American Small Business Development program is designed to be the SBA's primary program for providing business development assistance to Native American communities. To provide this assistance, the SBA will offer financial and resource assistance to establish and keep Native American business centers (NABC) in operation. Financial assistance under the Native American Development program would be available to Tribal Governments and Tribal Colleges. Unlike the SBA's Tribal Business Information Center (TBIC) program, ANCs and NHOs would

be eligible for NABC grants. Resource assistance, however, would only be available to NABCs located on or near Tribal lands.

Financial assistance includes grants (without a matching requirement), contracts, or cooperative agreements. ANCs and NHOs may only receive grant assistance.

Resource assistance includes personal computers, CD-ROM technology and interactive videos, graphic work stations, computer software, distance learning business-related training courses, and reference materials.

Use of Funds

The funds available under the legislation are to be used to address the unique conditions faced by reservation-based American Indians, as well as Native Hawaiians and Native Alaskans, in their efforts to create, develop, and expand small business concerns.

Each Native American business center that receives financial or resource assistance shall establish a five-year project. Five-year projects will offer development assistance to provide:

- financial education assistance, including training and counseling in applying for and securing business credit and investment capital; preparing and presenting financial statements; and managing cash flow and other financial operations of a business concern;

- management education assistance, including training and counseling in planning, organizing, staffing, directing, and controlling each major activity and function of a small business concern; and

- marketing education assistance, including training and counseling in identifying and segmenting domestic and international market opportunities; preparing and executing marketing plans; developing pricing strategies; locating contract opportunities; negotiating contracts; and utilizing varying public relations and advertising techniques.

Application Process

Eligible entities desiring assistance under this program must submit five-year project proposals to the SBA, which is responsible for determining eligibility criteria within the following guidelines:

- the experience of the applicant in conducting programs or ongoing efforts designed to impart or upgrade the business skills of current or potential owners of Native American small business concerns;

- the ability of the applicant to commence a project within a minimum amount of time and the ability of the applicant to provide training and services to a representative number of Native Americans;

- the proposed location for the NABC, with a priority given for geographic dispersion and location near served populations; and
- previous assistance from the SBA to provide services in Native American communities.

Program Monitoring and Evaluation

Each recipient of assistance under the NABC program shall annually provide the SBA with a cost breakdown of all expenditures from the previous year.

The SBA shall develop and review these financial reports and analyze the results of each examination to determine the programmatic and financial viability of each NABC.

Grant renewals are available at the completion of a five-year project. The SBA may deny a renewal if the NABC has failed to provide any required information or if the information provided by the NABC is inadequate or incomplete.

Contract and cooperative agreement renewals are on a yearly basis, provided funding is available. A contract or cooperative agreement may not be terminated or denied renewal without a written statement of explanation from the SBA.

SBA Reporting Requirement

The SBA, with respect to each NABC receiving financial assistance, must report annually to Congress: the number of individuals receiving assistance from the NABC; the number of startup business concerns formed; the gross receipts of assisted concerns; the employment increases or decreases of assisted Native American small business concerns; to the maximum extent practicable, increases or decreases in profits of assisted Native American small business concerns; and the most recent financial examination.

Native American Business Center Reporting Requirement

Each NABC receiving assistance from the Federal government under this program shall annually provide the SBA a report on the services provided with such financial assistance, including: the number of individuals assisted, categorized by ethnicity; the number of hours spent providing counseling and training for those individuals; the number of startup small business concerns formed, maintained, and lost; the gross receipts of assisted small business concerns; the number of jobs created, maintained, or lost at assisted small business concerns; and the number of Native American jobs created, maintained, or lost at assisted small business concerns.

Authorization

The program is authorized at $5 million per year.

Native American Development Grant Pilot Program

This pilot program establishes a Native American development grant, which is designed to provide culturally tailored business development training and other services to Native Americans and small businesses owned by Native Americans. The program shall sunset in four years. Grants awarded under this program are for a period of two to four years.

Eligible Participants

The Native American development grant is open to any small business development center or any private nonprofit organization that 1) has a board of directors with a majority consisting of Tribal Government members or their designees 2) is a Native Hawaiian Organization 3) is an Alaska Native Corporation.

Application Criteria

Applicants must employ a full-time executive director or program manager to manage the facility; agree to a site visit as part of the final selection process and to an annual programmatic and financial examination; to the maximum extent practicable, to remedy any problems identified pursuant to that site visit or examination. Applicants must also provide:

- information demonstrating that the applicant has the ability and resources to meet the needs, including cultural needs, of the Native Americans to be served by the grant;
- information relating to proposed assistance that the grant will provide, including the number of individuals to be assisted, the number of hours of counseling, training, and workshops to be provided;
- information demonstrating the effective experience of the applicant in conducting financial, management, and marketing assistance programs designed to impart or upgrade the business skills of current or prospective Native American business owners; provide training and services to a representative number of Native Americans located on or off Tribal Lands; using resource partners of the Administration and other entities, including universities, Tribal Governments, or Tribal Colleges; and the prudent management of finances and staffing;
- the proposed location where Native Americans will receive the culturally tailored business development training and other services to be provided by the applicant; and
- a multi-year plan, corresponding to the length of the grant, that describes the number of Native Americans and Native American small business concerns to be served by the grant; and the training and services to be provided to a representative number of Native Americans.

Application Review and Approval

The SBA will review each eligible applicant and approve or disapprove the application within 60 days of submission.

Reporting Requirements

Each recipient of a Native American development grant must annually report to the SBA on the number of individuals assisted, categorized by ethnicity; the number of hours spent providing counseling and training for those individuals; the number of startup small business concerns formed, maintained, and lost; the gross receipts of assisted small business concerns; the number of jobs created, maintained, or lost at assisted small business concerns; and the number of Native American jobs created, maintained, or lost at assisted small business concerns.

Grant Level and Authorization

The grants are capped at $100,000 per year. The pilot program is authorized at $1 million per year.

American Indian Tribal Assistance Center Grant Program

This pilot program establishes an American Indian Tribal Assistance Center grant, which is designed to establish joint projects to provide culturally tailored business development assistance to prospective and current owners of small business concerns located on or near Tribal Lands. The program shall sunset in four years and shall provide a minimum of three grants (one Class I grant and two Class II grants). Grants awarded under this program are for a period of three years.

Eligible Participants

American Indian Tribal Assistance Center grants are broken down into two classes, Class I and Class II.

The Class I grant shall be awarded to a joint project performed by an NABC, a Native American business development center, and a small business development center.

The Class II grants shall be awarded to joint projects performed by an NABC and a Native American business development center.

Application Criteria

Applicants must employ a full-time executive director or program manager to manage the center, and as a condition of receiving the American Indian Tribal Assistance Center grant, agree to an annual programmatic and financial examination; and to the maximum extent practicable, to

remedy any problems identified pursuant to that examination. In addition, applicants must provide:

- information demonstrating a historic commitment to providing assistance to Native Americans residing on or operating a small business concern on Tribal Lands;
- information demonstrating that each participant of the joint application has the ability and resources to meet the needs, including the cultural needs of the Native Americans to be served by the grant;
- information relating to proposed assistance that the grant will provide, including the number of individuals to be assisted; and the number of hours of counseling, training, and workshops to be provided;
- information demonstrating the effective experience of each participant of the joint application in conducting financial, management, and marketing assistance programs, as described above, designed to impart or upgrade the business skills of current or prospective Native American business owners; and the prudent management of finances and staffing; and
- a plan for the length of the grant, that describes the number of Native Americans and Native American small business concerns to be served by the grant; and the training and services to be provided.

Application Review and Approval

The SBA will review each eligible applicant and approve or disapprove the application within 60 days of submission.

Reporting Requirements

Each recipient of a American Indian Tribal Assistance Center grants must annually report to the SBA on the number of individuals assisted, categorized by ethnicity; the number of hours spent providing counseling and training for those individuals; the number of startup small business concerns formed, maintained, and lost; the gross receipts of assisted small business concerns; the number of jobs created, maintained, or lost at assisted small business concerns; and the number of Native American jobs created, maintained, or lost at assisted small business concerns.

Grant Level and Authorization

The grants are capped at $200,000 per year. The pilot program is authorized at $1 million per year.

II

107TH CONGRESS
2D SESSION

S. 2335

To establish the Office of Native American Affairs within the Small Business Administration, to create the Native American Small Business Development Program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 25, 2002

Mr. JOHNSON (for himself, Mr. KERRY, Ms. CANTWELL, Mr. WELLSTONE, Mr. DASCHLE, Mr. BAUCUS, Mr. INOUYE, Mr. BINGAMAN, Ms. STABENOW, and Mrs. CLINTON) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

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A BILL

To establish the Office of Native American Affairs within the Small Business Administration, to create the Native American Small Business Development Program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Native American Small Business Development Act".

SEC. 2. NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT PROGRAM.

The Small Business Act (15 U.S.C. 631 et seq.) is amended—

(1) by redesignating section 36 as section 37; and

(2) by inserting after section 35 the following:

"SEC. 36. NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT PROGRAM.

"(a) DEFINITIONS.—In this section—

"(1) the term 'Alaska Native' has the same meaning as the term 'Native' in section 3(b) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(b));

"(2) the term 'Alaska Native corporation' has the same meaning as the term 'Native Corporation' in section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m));

"(3) the term 'Assistant Administrator' means the Assistant Administrator of the Office of Native American Affairs established under subsection (b);

"(4) the terms 'center' and 'Native American business center' mean a center established under subsection (c);

"(5) the term 'Native American business development center' means an entity providing business

development assistance to federally recognized tribes and Native Americans under a grant from the Minority Business Development Agency of the Department of Commerce;

"(6) the term 'Native American small business concern' means a small business concern that is owned and controlled by—

"(A) a member of an Indian tribe or tribal government;

"(B) an Alaska Native or Alaska Native corporation; or

"(C) a Native Hawaiian or Native Hawaiian organization;

"(7) the term 'Native Hawaiian' has the same meaning as in section 625 of the Older Americans Act of 1965 (42 U.S.C. 3057k);

"(8) the term 'Native Hawaiian organization' has the same meaning as in section 8(a)(15) of this Act;

"(9) the term 'tribal college' has the same meaning as the term 'tribally controlled college or university' has in section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801(a)(4));

1 "(10) the term 'tribal government' has the
2 same meaning as the term 'Indian tribe' has in sec-
3 tion 7501(a)(9) of title 31, United States Code; and
4 "(11) the term 'tribal lands' means—
5 "(A) all lands within the exterior bound-
6 aries of any Indian reservation; and
7 "(B) all dependent Indian communities.
8 "(b) OFFICE OF NATIVE AMERICAN AFFAIRS.—
9 "(1) ESTABLISHMENT.—There is established
10 within the Administration the Office of Native
11 American Affairs, which, under the direction of the
12 Assistant Administrator, shall implement the Admin-
13 istration's programs for the development of business
14 enterprises by Native Americans.
15 "(2) PURPOSE.—The purpose of the Office of
16 Native American Affairs is to assist Native Amer-
17 ican entrepreneurs to—
18 "(A) start, operate, and grow small busi-
19 ness concerns;
20 "(B) develop management and technical
21 skills;
22 "(C) seek Federal procurement opportuni-
23 ties;

"(D) increase employment opportunities for Native Americans through the start and expansion of small business concerns; and

"(E) increase the access of Native Americans to capital markets.

"(3) ASSISTANT ADMINISTRATOR.—

"(A) APPOINTMENT.—The Administrator shall appoint a qualified individual to serve as Assistant Administrator of the Office of Native American Affairs in accordance with this paragraph.

"(B) QUALIFICATIONS.—The Assistant Administrator appointed under subparagraph (A) shall have—

"(i) knowledge of the Native American culture; and

"(ii) experience providing culturally tailored small business development assistance to Native Americans.

"(C) EMPLOYMENT STATUS.—The Assistant Administrator shall be a Senior Executive Service position under section 3132(a)(2) of title 5, United States Code, and shall serve as a noncareer appointee, as defined in section 3132(a)(7) of title 5, United States Code.

1 "(D) RESPONSIBILITIES AND DUTIES.—
2 The Assistant Administrator shall—
3 "(i) administer and manage the Na-
4 tive American Small Business Development
5 program established under this section;
6 "(ii) recommend the annual adminis-
7 trative and program budgets for the Office
8 of Native American Affairs;
9 "(iii) establish appropriate funding
10 levels;
11 "(iv) review the annual budgets sub-
12 mitted by each applicant for the Native
13 American Small Business Development
14 program;
15 "(v) select applicants to participate in
16 the program under this section;
17 "(vi) implement this section; and
18 "(vii) maintain a clearinghouse to pro-
19 vide for the dissemination and exchange of
20 information between Native American busi-
21 ness centers.
22 "(E) CONSULTATION REQUIREMENTS.—In
23 carrying out the responsibilities and duties de-
24 scribed in this paragraph, the Assistant Admin-

1 istrator shall confer with and seek the advice
2 of—
3 "(i) Administration officials working
4 in areas served by Native American busi-
5 ness centers and Native American business
6 development centers;
7 "(ii) the Bureau of Indian Affairs of
8 the Department of the Interior;
9 "(iii) tribal governments;
10 "(iv) tribal colleges;
11 "(v) Alaska Native corporations; and
12 "(vi) Native Hawaiian organizations.
13 "(c) NATIVE AMERICAN SMALL BUSINESS DEVELOP-
14 MENT PROGRAM.—
15 "(1) AUTHORIZATION.—
16 "(A) IN GENERAL.—The Administration,
17 through the Office of Native American Affairs,
18 shall provide financial assistance to tribal gov-
19 ernments, tribal colleges, Native Hawaiian or-
20 ganizations, and Alaska Native corporations to
21 create Native American business centers in ac-
22 cordance with this section.
23 "(B) RESOURCE ASSISTANCE.—The Ad-
24 ministration may also provide in-kind resource
25 assistance to Native American business centers

located on tribal lands. Such assistance may include—

"(i) personal computers;

"(ii) graphic workstations;

"(iii) CD–ROM technology and interactive videos;

"(iv) distance learning business-related training courses;

"(v) computer software; and

"(vi) reference materials.

"(C) USE OF FUNDS.—The financial and resource assistance provided under this subsection shall be used to overcome obstacles impeding the creation, development, and expansion of small business concerns, in accordance with this section, by—

"(i) reservation-based American Indians;

"(ii) Alaska Natives; and

"(iii) Native Hawaiians.

"(2) 5-YEAR PROJECTS.—

"(A) IN GENERAL.—Each Native American business center that receives assistance under paragraph (1)(A) shall conduct 5-year

1 projects that offer culturally tailored business
2 development assistance in the form of—
3 "(i) financial education, including
4 training and counseling in—
5 "(I) applying for and securing
6 business credit and investment cap-
7 ital;
8 "(II) preparing and presenting fi-
9 nancial statements; and
10 "(III) managing cash flow and
11 other financial operations of a busi-
12 ness concern;
13 "(ii) management education, including
14 training and counseling in planning, orga-
15 nizing, staffing, directing, and controlling
16 each major activity and function of a small
17 business concern; and
18 "(iii) marketing education, including
19 training and counseling in—
20 "(I) identifying and segmenting
21 domestic and international market op-
22 portunities;
23 "(II) preparing and executing
24 marketing plans;

1 "(III) developing pricing strate-
2 gies;
3 "(IV) locating contract opportu-
4 nities;
5 "(V) negotiating contracts; and
6 "(VI) utilizing varying public re-
7 lations and advertising techniques.
8 "(B) BUSINESS DEVELOPMENT ASSIST-
9 ANCE RECIPIENTS.—The business development
10 assistance under subparagraph (A) shall be of-
11 fered to prospective and current owners of small
12 business concerns that are owned by—
13 "(i) American Indians or tribal gov-
14 ernments, and located on or near tribal
15 lands;
16 "(ii) Alaska Natives or Alaska Native
17 corporations; or
18 "(iii) Native Hawaiians or Native Ha-
19 waiian organizations.
20 "(3) FORM OF FEDERAL FINANCIAL ASSIST-
21 ANCE.—
22 "(A) DOCUMENTATION.—
23 "(i) IN GENERAL.—The financial as-
24 sistance to Native American business cen-
25 ters authorized under this subsection may

1 be made by grant, contract, or cooperative
2 agreement.
3 "(ii) EXCEPTION.—Financial assist-
4 ance under this subsection to Alaska Na-
5 tive corporations or Native Hawaiian orga-
6 nizations may only be made by grant.
7 "(B) PAYMENTS.—
8 "(i) TIMING.—Payments made under
9 this subsection may be disbursed—
10 "(I) in a single lump sum or in
11 periodic installments; and
12 "(II) in advance or after costs
13 are incurred.
14 "(ii) ADVANCE.—The Administration
15 may disburse not more than 25 percent of
16 the annual amount of Federal financial as-
17 sistance awarded to a Native American
18 small business center after notice of the
19 award has been issued.
20 "(iii) NO MATCHING REQUIREMENT.—
21 The Administration shall not require a
22 grant recipient to match grant funding re-
23 ceived under this subsection with non-Fed-
24 eral resources as a condition of receiving
25 the grant.

"(4) CONTRACT AND COOPERATIVE AGREEMENT AUTHORITY.—A Native American business center may enter into a contract or cooperative agreement with a Federal department or agency to provide specific assistance to Native American and other under-served small business concerns located on or near tribal lands, to the extent that such contract or cooperative agreement is consistent with the terms of any assistance received by the Native American business center from the Administration.

"(5) APPLICATION PROCESS.—

"(A) SUBMISSION OF A 5-YEAR PLAN.—Each applicant for assistance under paragraph (1) shall submit a 5-year plan to the Administration on proposed assistance and training activities.

"(B) CRITERIA.—

"(i) IN GENERAL.—The Administration shall evaluate and rank applicants in accordance with predetermined selection criteria that shall be stated in terms of relative importance.

"(ii) PUBLIC NOTICE.—The criteria required by this paragraph and their relative importance shall be made publicly

1 available, within a reasonable time, and
2 stated in each solicitation for applications
3 made by the Administration.
4 "(iii) CONSIDERATIONS.—The criteria
5 required by this paragraph shall include—
6 "(I) the experience of the appli-
7 cant in conducting programs or ongo-
8 ing efforts designed to impart or up-
9 grade the business skills of current or
10 potential owners of Native American
11 small business concerns;
12 "(II) the ability of the applicant
13 to commence a project within a min-
14 imum amount of time;
15 "(III) the ability of the applicant
16 to provide training and services to a
17 representative number of Native
18 Americans;
19 "(IV) previous assistance from
20 the Small Business Administration to
21 provide services in Native American
22 communities; and
23 "(V) the proposed location for
24 the Native American business center
25 site, with priority given based on the

1 proximity of the center to the popu-
2 lation being served and to achieve a
3 broad geographic dispersion of the
4 centers.
5 "(6) PROGRAM EXAMINATION.—
6 "(A) IN GENERAL.—Each Native Amer-
7 ican business center established pursuant to
8 this subsection shall annually provide the Ad-
9 ministration with an itemized cost breakdown of
10 actual expenditures incurred during the pre-
11 ceding year.
12 "(B) ADMINISTRATION ACTION.—Based on
13 information received under subparagraph (A),
14 the Administration shall—
15 "(i) develop and implement an annual
16 programmatic and financial examination of
17 each Native American business center as-
18 sisted pursuant to this subsection; and
19 "(ii) analyze the results of each exam-
20 ination conducted under clause (i) to deter-
21 mine the programmatic and financial via-
22 bility of each Native American business
23 center.
24 "(C) CONDITIONS FOR CONTINUED FUND-
25 ING.—In determining whether to renew a grant,

1 contract, or cooperative agreement with a Na-
2 tive American business center, the
3 Administration—
4 "(i) shall consider the results of the
5 most recent examination of the center
6 under subparagraph (B), and, to a lesser
7 extent, previous examinations; and
8 "(ii) may withhold such renewal, if
9 the Administration determines that—
10 "(I) the center has failed to pro-
11 vide any information required to be
12 provided under subparagraph (A), or
13 the information provided by the center
14 is inadequate;
15 "(II) the center has failed to pro-
16 vide any information required to be
17 provided by the center for purposes of
18 the report of the Administration
19 under subparagraph (E); or
20 "(III) the information required to
21 be provided by the center is incom-
22 plete.
23 "(D) CONTINUING CONTRACT AND COOP-
24 ERATIVE AGREEMENT AUTHORITY.—

1 "(i) IN GENERAL.—The authority of
2 the Administrator to enter into contracts
3 or cooperative agreements in accordance
4 with this subsection shall be in effect for
5 each fiscal year only to the extent and in
6 the amounts as are provided in advance in
7 appropriations Acts.
8 "(ii) RENEWAL.—After the Adminis-
9 trator has entered into a contract or coop-
10 erative agreement with any Native Amer-
11 ican business center under this subsection,
12 it shall not suspend, terminate, or fail to
13 renew or extend any such contract or coop-
14 erative agreement unless the Administrator
15 provides the center with written notifica-
16 tion setting forth the reasons therefore and
17 affords the center an opportunity for a
18 hearing, appeal, or other administrative
19 proceeding under chapter 5 of title 5,
20 United States Code.
21 "(E) MANAGEMENT REPORT.—
22 "(i) IN GENERAL.—The Administra-
23 tion shall prepare and submit to the Com-
24 mittee on Small Business of the House of
25 Representatives and the Committee on

1 Small Business and Entrepreneurship of
2 the Senate an annual report on the effec-
3 tiveness of all projects conducted by Native
4 American business centers under this sub-
5 section and any pilot programs adminis-
6 tered by the Office of Native American Af-
7 fairs.
8 "(ii) CONTENTS.—Each report sub-
9 mitted under clause (i) shall include, with
10 respect to each Native American business
11 center receiving financial assistance under
12 this subsection—
13 "(I) the number of individuals re-
14 ceiving assistance from the Native
15 American business center;
16 "(II) the number of startup busi-
17 ness concerns formed;
18 "(III) the gross receipts of as-
19 sisted concerns;
20 "(IV) the employment increases
21 or decreases of Native American small
22 business concerns assisted by the cen-
23 ter since receiving funding under this
24 Act;

"(V) to the maximum extent practicable, increases or decreases in profits of Native American small business concerns assisted by the center since receiving funding under this Act; and

"(VI) the most recent examination, as required under subparagraph (B), and the subsequent determination made by the Administration under that subparagraph.

"(7) ANNUAL REPORT.—Each entity receiving financial assistance under this subsection shall annually report to the Administration on the services provided with such financial assistance, including—

"(A) the number of individuals assisted, categorized by ethnicity;

"(B) the number of hours spent providing counseling and training for those individuals;

"(C) the number of startup small business concerns formed, maintained, and lost;

"(D) the gross receipts of assisted small business concerns;

"(E) the number of jobs created, maintained, or lost at assisted small business concerns; and

"(F) the number of Native American jobs created, maintained, or lost at assisted small business concerns.

"(8) RECORD RETENTION.—

"(A) APPLICATIONS.—The Administration shall maintain a copy of each application submitted under this subsection for not less than 10 years.

"(B) ANNUAL REPORTS.—The Administration shall maintain copies of the information collected under paragraph (6)(A) indefinitely.

"(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $5,000,000 for each of the fiscal years 2003 through 2007, to carry out the Native American Small Business Development Program, authorized under subsection (c).".

SEC. 3. PILOT PROGRAMS.

(a) DEFINITIONS.—In this section:

(1) INCORPORATION BY REFERENCE.—The terms defined in section 36(a) of the Small Business Act (as added by this Act) have the same meanings as in that section 36(a) when used in this section.

1 (2) ADMINISTRATOR.—The term "Adminis-
2 trator" means the Administrator of the Small Busi-
3 ness Administration.
4 (3) JOINT PROJECT.—The term "joint project"
5 means the combined resources and expertise of 2 or
6 more distinct entities at a physical location dedi-
7 cated to assisting the Native American community;
8 (b) NATIVE AMERICAN DEVELOPMENT GRANT PILOT
9 PROGRAM.—
10 (1) AUTHORIZATION.—
11 (A) IN GENERAL.—There is established a
12 4-year pilot program under which the Adminis-
13 tration is authorized to award Native American
14 development grants to provide culturally-tai-
15 lored business development training and related
16 services to Native Americans and Native Amer-
17 ican small business concerns.
18 (B) ELIGIBLE ORGANIZATIONS.—The
19 grants authorized under subparagraph (A) may
20 be awarded to—
21 (i) any small business development
22 center; or
23 (ii) any private, nonprofit organization
24 that—

1 (I) has tribal government mem-
2 bers, or their designees, comprising a
3 majority of its board of directors;
4 (II) is a Native Hawaiian organi-
5 zation; or
6 (III) is an Alaska Native cor-
7 poration.
8 (C) AMOUNTS.—The Administration shall
9 not award a grant under this subsection in an
10 amount which exceeds $100,000 for each year
11 of the project.
12 (D) GRANT DURATION.—Each grant under
13 this subsection shall be awarded for not less
14 than a 2-year period and not more than a 4-
15 year period.
16 (2) CONDITIONS FOR PARTICIPATION.—Each
17 entity desiring a grant under this subsection shall
18 submit an application to the Administration that
19 contains—
20 (A) a certification that the applicant—
21 (i) is a small business development
22 center or a private, nonprofit organization
23 under paragraph (1)(B)(i);

1 (ii) employs a full-time executive di-
2 rector or program manager to manage the
3 facility; and
4 (iii) agrees—
5 (I) to a site visit as part of the
6 final selection process;
7 (II) to an annual programmatic
8 and financial examination; and
9 (III) to the maximum extent
10 practicable, to remedy any problems
11 identified pursuant to that site visit or
12 examination;
13 (B) information demonstrating that the
14 applicant has the ability and resources to meet
15 the needs, including cultural needs, of the Na-
16 tive Americans to be served by the grant;
17 (C) information relating to proposed assist-
18 ance that the grant will provide, including—
19 (i) the number of individuals to be as-
20 sisted; and
21 (ii) the number of hours of counseling,
22 training, and workshops to be provided;
23 (D) information demonstrating the effec-
24 tive experience of the applicant in—

1 (i) conducting financial, management,
2 and marketing assistance programs de-
3 signed to impart or upgrade the business
4 skills of current or prospective Native
5 American business owners;
6 (ii) providing training and services to
7 a representative number of Native Ameri-
8 cans;
9 (iii) using resource partners of the
10 Administration and other entities, includ-
11 ing universities, tribal governments, or
12 tribal colleges; and
13 (iv) the prudent management of fi-
14 nances and staffing;
15 (E) the location where the applicant will
16 provide training and services to Native Ameri-
17 cans; and
18 (F) a multiyear plan, corresponding to the
19 length of the grant, that describes—
20 (i) the number of Native Americans
21 and Native American small business con-
22 cerns to be served by the grant;
23 (ii) in the continental United States,
24 the number of Native Americans to be
25 served by the grant; and

1 (iii) the training and services to be
2 provided to a representative number of Na-
3 tive Americans.
4 (3) REVIEW OF APPLICATIONS.—The Adminis-
5 tration shall—
6 (A) evaluate and rank applicants under
7 paragraph (2) in accordance with predeter-
8 mined selection criteria that is stated in terms
9 of relative importance;
10 (B) include such criteria in each solicita-
11 tion under this subsection and make such infor-
12 mation available to the public; and
13 (C) approve or disapprove each completed
14 application submitted under this subsection not
15 more than 60 days after submission.
16 (4) ANNUAL REPORT.—Each recipient of a Na-
17 tive American development grant under this sub-
18 section shall annually report to the Administration
19 on the impact of the grant funding, including—
20 (A) the number of individuals assisted, cat-
21 egorized by ethnicity;
22 (B) the number of hours spent providing
23 counseling and training for those individuals;
24 (C) the number of startup small business
25 concerns formed, maintained, and lost;

1 (D) the gross receipts of assisted small
2 business concerns;
3 (E) the number of jobs created, main-
4 tained, or lost at assisted small business con-
5 cerns; and
6 (F) the number of Native American jobs
7 created, maintained, or lost at assisted small
8 business concerns.
9 (5) RECORD RETENTION.—
10 (A) APPLICATIONS.—The Administration
11 shall maintain a copy of each application sub-
12 mitted under this subsection for not less than
13 10 years.
14 (B) ANNUAL REPORTS.—The Administra-
15 tion shall maintain copies of the information
16 collected under paragraph (4) indefinitely.
17 (c) AMERICAN INDIAN TRIBAL ASSISTANCE CENTER
18 GRANT PILOT PROGRAM.—
19 (1) AUTHORIZATION.—
20 (A) IN GENERAL.—There is established a
21 4-year pilot program, under which the Adminis-
22 tration shall award not less than 3 American
23 Indian Tribal Assistance Center grants to es-
24 tablish joint projects to provide culturally tai-
25 lored business development assistance to pro-

1 spective and current owners of small business
2 concerns located on or near tribal lands.
3 (B) ELIGIBLE ORGANIZATIONS.—
4 (i) CLASS 1.—Not fewer than 1 grant
5 shall be awarded to a joint project per-
6 formed by a Native American business cen-
7 ter, a Native American business develop-
8 ment center, and a small business develop-
9 ment center.
10 (ii) CLASS 2.—Not fewer than 2
11 grants shall be awarded to joint projects
12 performed by a Native American business
13 center and a Native American business de-
14 velopment center.
15 (C) AMOUNTS.—The Administration shall
16 not award a grant under this subsection in an
17 amount which exceeds $200,000 for each year
18 of the project.
19 (D) GRANT DURATION.—Each grant under
20 this subsection shall be awarded for a 3-year
21 period.
22 (2) CONDITIONS FOR PARTICIPATION.—Each
23 entity desiring a grant under this subsection shall
24 submit to the Administration a joint application that
25 contains—

1 (A) a certification that each participant of
2 the joint application—
3 (i) is either a Native American Busi-
4 ness Center, a Native American Business
5 Development Center, or a Small Business
6 Development Center;
7 (ii) employs a full-time executive di-
8 rector or program manager to manage the
9 center; and
10 (iii) as a condition of receiving the
11 American Indian Tribal Assistance Center
12 grant, agrees—
13 (I) to an annual programmatic
14 and financial examination; and
15 (II) to the maximum extent prac-
16 ticable, to remedy any problems iden-
17 tified pursuant to that examination;
18 (B) information demonstrating a historic
19 commitment to providing assistance to Native
20 Americans—
21 (i) residing on or near tribal lands; or
22 (ii) operating a small business concern
23 on or near tribal lands;
24 (C) information demonstrating that each
25 participant of the joint application has the abil-

1 ity and resources to meet the needs, including
2 the cultural needs of the Native Americans to
3 be served by the grant;
4 (D) information relating to proposed as-
5 sistance that the grant will provide, including—
6 (i) the number of individuals to be as-
7 sisted; and
8 (ii) the number of hours of counseling,
9 training, and workshops to be provided;
10 (E) information demonstrating the effec-
11 tive experience of each participant of the joint
12 application in—
13 (i) conducting financial, management,
14 and marketing assistance programs, as de-
15 scribed above, designed to impart or up-
16 grade the business skills of current or pro-
17 spective Native American business owners;
18 and
19 (ii) the prudent management of fi-
20 nances and staffing; and
21 (F) a plan for the length of the grant, that
22 describes—
23 (i) the number of Native Americans
24 and Native American small business con-
25 cerns to be served by the grant; and

1 (ii) the training and services to be
2 provided.
3 (3) REVIEW OF APPLICATIONS.—The Adminis-
4 tration shall—
5 (A) evaluate and rank applicants under
6 paragraph (2) in accordance with predeter-
7 mined selection criteria that is stated in terms
8 of relative importance;
9 (B) include such criteria in each solicita-
10 tion under this subsection and make such infor-
11 mation available to the public; and
12 (C) approve or disapprove each application
13 submitted under this subsection not more than
14 60 days after submission.
15 (4) ANNUAL REPORT.—Each recipient of an
16 American Indian tribal assistance center grant
17 under this subsection shall annually report to the
18 Administration on the impact of the grant funding
19 received during the reporting year, and the cumu-
20 lative impact of the grant funding received since the
21 initiation of the grant, including—
22 (A) the number of individuals assisted, cat-
23 egorized by ethnicity;
24 (B) the number of hours of counseling and
25 training provided and workshops conducted;

1 (C) the number of startup business con-
2 cerns formed, maintained, and lost;
3 (D) the gross receipts of assisted small
4 business concerns;
5 (E) the number of jobs created, main-
6 tained, or lost at assisted small business con-
7 cerns; and
8 (F) the number of Native American jobs
9 created, maintained, or lost at assisted small
10 business concerns.
11 (5) RECORD RETENTION.—
12 (A) APPLICATIONS.—The Administration
13 shall maintain a copy of each application sub-
14 mitted under this subsection for not less than
15 10 years.
16 (B) ANNUAL REPORTS.—The Administra-
17 tion shall maintain copies of the information
18 collected under paragraph (4) indefinitely.
19 (d) AUTHORIZATION OF APPROPRIATIONS.—There
20 are authorized to be appropriated—
21 (1) $1,000,000 for each of the fiscal years 2003
22 through 2006, to carry out the Native American De-
23 velopment Grant Pilot Program, authorized under
24 subsection (b); and

1 (2) $1,000,000 for each of the fiscal years 2003
2 through 2006, to carry out the American Indian
3 Tribal Assistance Center Grant Pilot Program, au-
4 thorized under subsection (c).

○

IIB

107TH CONGRESS
1ST SESSION

H. R. 2538

IN THE SENATE OF THE UNITED STATES

DECEMBER 6, 2001

Received; read twice and referred to the Committee on Small Business and Entrepreneurship

AN ACT

To amend the Small Business Act to expand and improve the assistance provided by Small Business Development Centers to Indian tribe members, Alaska Natives, and Native Hawaiians.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the "Native American Small
3 Business Development Act".

4 **SEC. 2. FINDINGS AND PURPOSES.**

5 (a) FINDINGS.—Congress finds the following:

6 (1) Approximately 60 percent of Indian tribe
7 members and Alaska Natives live on or adjacent to
8 Indian lands, which suffer from an average unem-
9 ployment rate of 45 percent.

10 (2) Indian tribe members and Alaska Natives
11 own more than 197,000 businesses and generate
12 more than $34,000,000,000 in revenues. The service
13 industry accounted for 17 percent of these busi-
14 nesses (of which 40 percent were engaged in busi-
15 ness and personal services) and 15.1 percent of their
16 total receipts. The next largest was the construction
17 industry (13.9 percent and 15.7 percent, respec-
18 tively). The third largest was the retail trade indus-
19 try (7.5 percent and 13.4 percent, respectively).

20 (3) The number of businesses owned by Indian
21 tribe members and Alaska Natives grew by 84 per-
22 cent from 1992 to 1997, and their gross receipts
23 grew by 179 percent in that period. This is com-
24 pared to all businesses which grew by 7 percent, and
25 their total gross receipts grew by 40 percent, in that
26 period.

1 (4) The Small Business Development Center
2 program is cost effective. Clients receiving long-term
3 counseling under the program in 1998 generated ad-
4 ditional tax revenues of $468,000,000, roughly 6
5 times the cost of the program to the Federal Gov-
6 ernment.
7 (5) Using the existing infrastructure of the
8 Small Business Development Center program, small
9 businesses owned by Indian tribe members, Alaska
10 Natives, and Native Hawaiians receiving services
11 under the program will have a higher survival rate
12 than the average small business not receiving such
13 services.
14 (6) Business counseling and technical assist-
15 ance is critical on Indian lands where similar serv-
16 ices are scarce and expensive.
17 (7) Increased assistance through counseling
18 under the Small Business Development Center pro-
19 gram has been shown to reduce the default rate as-
20 sociated with lending programs of the Small Busi-
21 ness Administration.
22 (b) PURPOSES.—The purposes of this Act are as fol-
23 lows:
24 (1) To stimulate economies on Indian lands.

1 (2) To foster economic development on Indian
2 lands.
3 (3) To assist in the creation of new small busi-
4 nesses owned by Indian tribe members, Alaska Na-
5 tives, and Native Hawaiians and expand existing
6 ones.
7 (4) To provide management, technical, and re-
8 search assistance to small businesses owned by In-
9 dian tribe members, Alaska Natives, and Native Ha-
10 waiians.
11 (5) To seek the advice of the governing bodies
12 of Indian tribes, corporations organized pursuant to
13 the Alaska Native Claims Settlement Act and other
14 Alaska Native entities, and Native Hawaiian organi-
15 zations on where small business development assist-
16 ance is most needed.
17 (6) To ensure that Indian tribe members, Alas-
18 ka Natives, and Native Hawaiians have full access
19 to existing business counseling and technical assist-
20 ance available through the Small Business Develop-
21 ment Center program.

1 **SEC. 3. SMALL BUSINESS DEVELOPMENT CENTER ASSIST-**
2 **ANCE TO INDIAN TRIBE MEMBERS, ALASKA**
3 **NATIVES, AND NATIVE HAWAIIANS.**

4 (a) IN GENERAL.—Section 21(a) of the Small Busi-
5 ness Act (15 U.S.C. 648(a)) is amended by adding at the
6 end the following:

7 "(7) ADDITIONAL GRANT TO ASSIST INDIAN
8 TRIBE MEMBERS, ALASKA NATIVES, AND NATIVE HA-
9 WAIIANS.—

10 "(A) IN GENERAL.—Any applicant in an
11 eligible State that is funded by the Administra-
12 tion as a Small Business Development Center
13 may apply for an additional grant to be used
14 solely to provide services described in subsection
15 (c)(3) to assist with outreach, development, and
16 enhancement of small business startups and ex-
17 pansions that are owned by Indian tribe mem-
18 bers, Alaska Natives, or Native Hawaiians and
19 that are located in Alaska or Hawaii, or on In-
20 dian lands in the 48 contiguous States.

21 "(B) ELIGIBLE STATES.—For purposes of
22 subparagraph (A), an eligible State is a State
23 that has a combined population of Indian tribe
24 members, Alaska Natives, and Native Hawai-
25 ians that comprises at least 1 percent of the

1 State's total population, as shown by the latest
2 available census.
3 "(C) GRANT APPLICATIONS.—An applicant
4 for a grant under subparagraph (A) shall sub-
5 mit to the Associate Administrator an applica-
6 tion that is in such form as the Associate Ad-
7 ministrator may require. The application shall
8 include information regarding the applicant's
9 goals and objectives for the services to be pro-
10 vided using the grant, including—
11 "(i) the capability of the applicant to
12 provide training and services to a rep-
13 resentative number of Indian tribe mem-
14 bers, Alaska Natives, and Native Hawai-
15 ians;
16 "(ii) the location of the Small Busi-
17 ness Development Center site proposed by
18 the applicant;
19 "(iii) the required amount of grant
20 funding needed by the applicant to imple-
21 ment the program; and
22 "(iv) the extent to which the applicant
23 has consulted with the governing bodies of
24 Indian tribes, corporations organized pur-
25 suant to the Alaska Native Claims Settle-

1 ment Act and other Alaska Native entities,
2 and Native Hawaiian organizations, as ap-
3 propriate.
4 "(D) APPLICABILITY OF GRANT REQUIRE-
5 MENTS.—An applicant for a grant under sub-
6 paragraph (A) shall comply with all of the re-
7 quirements of this section, except that the
8 matching funds requirements of paragraph
9 (4)(A) shall not apply.
10 "(E) MAXIMUM AMOUNT OF GRANTS.—No
11 applicant may receive more than $300,000 in
12 grants under this paragraph in a fiscal year.
13 "(F) REGULATIONS.—After providing no-
14 tice and an opportunity for comment and after
15 consulting with the Association recognized by
16 the Administration pursuant to paragraph
17 (3)(A) (but not later than 180 days after the
18 date of enactment of this paragraph), the Ad-
19 ministrator shall issue final regulations to carry
20 out this paragraph, including regulations that
21 establish—
22 "(i) standards relating to educational,
23 technical, and support services to be pro-
24 vided by Small Business Development Cen-

1 ters receiving assistance under this para-
2 graph; and
3 "(ii) standards relating to any work
4 plan that the Associate Administrator may
5 require a Small Business Development
6 Center receiving assistance under this
7 paragraph to develop.
8 "(G) DEFINITIONS.—In this paragraph,
9 the following definitions apply:
10 "(i) ASSOCIATE ADMINISTRATOR.—
11 The term 'Associate Administrator' means
12 the Associate Administrator for Small
13 Business Development Centers.
14 "(ii) INDIAN LANDS.—The term 'In-
15 dian lands' means, in the 48 contiguous
16 States, land that is a 'reservation' for the
17 purposes of section 4 of the Indian Child
18 Welfare Act of 1978 (25 U.S.C. 1903) and
19 land that is an 'Indian reservation' for the
20 purposes of section 151.2 of title 25, Code
21 of Federal Regulations (as in effect on the
22 date of enactment of this paragraph).
23 "(iii) INDIAN TRIBE.—The term 'In-
24 dian tribe' means a federally recognized
25 Indian tribe.

1 "(iv) INDIAN TRIBE MEMBER.—The
2 term 'Indian tribe member' means an indi-
3 vidual who is a member of an Indian tribe.
4 "(v) ALASKA NATIVE.—The term
5 'Alaska Native' means an individual who
6 is—
7 "(I) a 'Native' for the purposes
8 of section 3(b) of the Alaska Native
9 Claims Settlement Act (43 U.S.C.
10 1602(b));
11 "(II) a descendent of an indi-
12 vidual who is a 'Native' for the pur-
13 poses of section 3(b) of the Alaska
14 Native Claims Settlement Act (43
15 U.S.C. 1602(b)); or
16 "(III) a Tsimshian Indian who is
17 an enrolled member of the Metlakatla
18 Indian Community.
19 "(vi) NATIVE HAWAIIAN.—The term
20 'Native Hawaiian' means any individual
21 who is a descendant of the aboriginal peo-
22 ple, who prior to 1778, occupied and exer-
23 cised sovereignty in the area that now con-
24 stitutes the State of Hawaii.

"(H) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $7,000,000 for each of fiscal years 2002 through 2004.

"(I) FUNDING LIMITATIONS.—

"(i) NONAPPLICABILITY OF CERTAIN LIMITATIONS.—Funding under this paragraph shall be in addition to the dollar program limitations specified in paragraph (4).

"(ii) LIMITATION ON USE OF FUNDS.—The Administration may carry out this paragraph only with amounts appropriated in advance specifically to carry out this paragraph.".

SEC. 4. STATE CONSULTATION WITH LOCAL TRIBAL COUNCILS.

Section 21(c) of the Small Business Act (15 U.S.C. 648(c)) is amended by adding at the end the following:

"(9) ADVICE OF GOVERNING BODIES OF INDIAN TRIBES, ALASKA NATIVE CORPORATIONS AND OTHER ENTITIES, AND NATIVE HAWAIIAN ORGANIZATIONS.—A State receiving grants under this section shall request the advice of the governing bodies of Indian tribes, corporations organized pursuant to

1 the Alaska Native Claims Settlement Act and other
2 Alaska Native entities, and Native Hawaiian organi-
3 zations, as appropriate, on how best to provide as-
4 sistance to Indian tribe members, Alaska Natives,
5 and Native Hawaiians and where to locate satellite
6 centers to provide such assistance.".

Passed the House of Representatives December 5, 2001.

Attest: JEFF TRANDAHL,

Clerk.

COMMENTS FOR THE RECORD

Statement

by

Senator Conrad Burns

Joint Small Business and Indian Affairs Committees Hearing

"Small Business Development in Native American Communities:

Is the Federal government meeting its obligations?"

April 30, 2002

I would like to thank you for holding today's hearing on what I believe to be a very important topic – small business development in Native American communities. I appreciate the opportunity to discuss some of the serious economic problems facing folks and families on reservations. Now, I don't think it is a secret to anyone that Native American communities continue to struggle with social and economic issues and continue to be plagued by poverty and unemployment. In fact, I would argue that the conditions on some reservations are far worse than the poorest inner-city neighborhoods.

My State of Montana has seven Indian reservations, so I have seen these problems first-hand. Still, the questions remains: how can this pervasive cycle be overcome?

Senator Kerry and others have introduced the "Native American Small Business Development Act" as an effort to support and enhance entrepreneurship in Indian communities. While I believe this may be a step in the right direction, however I am not sure it is the final solution. I do feel that this needs to be a coordinated effort to really get something meaningful done to benefit Indian Country.

I have said for years that we need to encourage economic development opportunities in our Indian communities. I continue to do so. The current Small Business Administration (SBA) technical assistance program for Native Americans, Tribal Business Information Centers Program (TBICs) operates in six states; seven TBICs are located in the State of Montana alone. Still, more may need to be done. The key to new job creation and economic growth in Indian Country is sustainable small business development. We've

had some real Native American business success stories in Montana, but there needs to be more.

Bottomline: poverty and unemployment will cannot be overcome until jobs are created through business opportunities. The resources need to be available to do this. I look forward to working with the members of both committees, the Administration and other interested parties in confronting these difficult issues facing our Native American communities. I will continue to fight and do what I can to make sure that life for families in Indian country improves. Thank you.

STATEMENT OF SENATOR MARIA CANTWELL
FOR THE JOINT HEARING OF T HE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP AND COMMITTEE ON INDIAN AFFAIRS ON "SMALL BUSINESS DEVELOPMENT IN NATIVE AMERICAN COMMUNITIES: IS THE FEDERAL GOVERNMENT MEETING ITS OBLIGATIONS?"

April 30, 2002

I want to thank Senator Inouye and Senator Wellstone and the members of each committee for calling this special joint hearing. I have the pleasure of sitting on both committees, and view it as quite an accomplishment for these committees to address the issues we are discussing today.

I especially want to thank Tom Hampson, Executive Director of ONABEN, for testifying here today. Tom's organization works with a number of Tribes in Washington state, and is of great service to communities in Washington, Oregon and California. His work is outstanding, and it is a privilege that he could join us here today.

The bill we are considering today is of utmost importance to our tribal communities. The Small Business Administration has the knowledge to bring resources to bear on the unique problems facing Native American entrepreneurs.

I am pleased to be a cosponsor of the Native American Small Business Development Act. Most importantly this bill establishes a statutory Office of Native American Affairs. Native American communities have a variety of needs that this Office would be capable of addressing with the right direction and tools. From providing opportunities to acquire the basic skills necessary to begin a business enterprise, to the ongoing support a start-up or growing business may need, the Small Business Administration has a range of programs that, with the right focus and energy, can well serve the small businesses in these communities. Most importantly, this legislation facilitates the development of new programs that are specially designed to meet the challenges faced by Native American entrepreneurs.

The bill creates two pilot grant programs that will facilitate the creation of new programs to specifically address issues that arise for Native American entrepreneurs and small businesses.

In my state of Washington, I know there are good programs to serve small businesses in Native American communities. One Small Business Development Center, located at Western Washington University, has begun to pilot services aimed at addressing the needs of small businesses on tribal lands using the

funding for his BusinessLINC program. The Director of the Western Washington University SBDC, Tom Dorr, plans to expand it to reach Native American businesses across Washington State. He is doing something I believe is very important: integrating one-on-one and in-person group mentoring with online support. The BusinessLINC mentoring program is one example of an existing SBA program that with new focus and targeted resources can be of great value to small businesses in tribal communities. With funding for a specific tribal program, as provided by the legislation we are considering today, Tom could do even more. I want to thank the Chairmen for inviting Tom's written testimony for this hearing today.

Like many SBDCs, BusinessLINC is taking advantage of new technologies, particularly the Internet. Nowhere will the Internet be more valuable to education, worker training and economic development than in our tribal and other rural communities. For example, in the case of the BusinessLINC program, where once a mentor may have met in person only a few times a year with tribal companies, the Internet will facilitate more frequent "virtual" meetings, and particularly, meetings with more entrepreneurs living outside a mentor's immediate vicinity.

Most importantly, supplemental online resources and educational opportunities such as distance learning can be used to enhance the value of the direct mentoring and SBA support. At a more basic level, an SBDC, Tribal Business Information Center, or other organization supporting Native American small businesses can use e-mail web-based services to provide immediate help when an entrepreneur is faced with a question or problem. And there is more opportunity for businesses across the country to communicate with each other, widening the network of support and information.

The grant programs established pursuant to this legislation will facilitate tribal assistance programs' ability to take advantage of these and other exciting opportunities by supporting the use of new technologies to provide management education assistance, counseling, market education and much more.

This is important legislation and I am pleased to support it. I look forward to hearing from our witnesses today, and thank you again Chairman Inouye, Chairman Wellstone, Senator Johnson and Representative Udall for introducing this legislation.

Conrad Bagne, COO
Arctic Slope Regional Corporation
Comments on S.2335

Thank you for the opportunity to comment on S.2335 presently before the Senate Committee on Small Business and Entrepreneurship and the Senate Committee on Indian Affairs. The Arctic Slope Regional Corporation (ASRC) is one of the thirteen Regional Corporations created pursuant to the Alaska Native Claims Settlement Act of 1971 (ANCSA). ASRC's shareholders are the traditional indigenous residents of the Arctic Slope of Alaska—Inupiat Eskimos. On behalf of the corporation and our shareholders, this letter is being sent in support of the passage of S.2335. In the settlement of aboriginal land claims in Alaska through ANCSA, the Congress initiated a grand experiment in self determination for Alaskan Natives. S.2335 would facilitate the continuing pursuit of the goals of ANCSA.

The challenges put forth by ANCSA were focused on economic development and the Regional Corporations provided for therein were designed to serve as the foundation for Alaskan Natives to enter the mainstream of economic activity. ANCSA addressed regional development and more localized development activities through a corporate structure that involves Regional and Village corporations, or often referred to together as Alaska Native Corporations (ANC's). Alaskan Natives are shareholders in these corporations and their benefits flow primarily from the ownership of those shares. This may be in the form of employment opportunities, support for education and training, cultural programs or dividend distributions. Individual realization of the promises of ANCSA has been long in coming; and while we have accomplished much in our region, many would argue the overall results statewide have been erratic. The foundations though have been well established.

The ANCSA structure, however, has not adequately addressed the needs of individual Alaskan Natives seeking to develop their own businesses. While some of the Alaska Native Corporations have done quite well, there is still a very high need for increased efforts to foster individual business ventures. The purposes of the Office of Native American Affairs in the SBA as set forth in S.2335 would help to directly address this. The training, counseling, education, and other assistance that would be provided under the Bill are woefully needed in rural parts of the State of Alaska and would be of significant benefit to our shareholders and other Alaskan Natives.

These comments are not to diminish the remaining needs of many of the corporations established pursuant to ANCSA, especially many of the smaller village corporations. Rather they are to emphasize the fact that the needs of many individual Alaskan Natives, as well as other Native Americans and Native Hawaiians, have not been adequately addressed or served.

We have seen a number of programs operated here in Alaska through the U.S. Small Business Administration, Economic Development Administration, Department of Defense, and other federal agencies. We have participated in many of these in the past. But they have not been fully effective for Alaskan Natives and many of the issues persist. The more focused effort of S.2335 would be welcomed. The Bill's approach of keeping

the communities and people affected directly involved in designing the delivery mechanisms to ensure they are culturally appropriate is also important. There are many organizations, including a number of very effective non-profit entities, that include economic development and similar services in their activities, but most are not as focused on that single mission for Native Americans as the programs under this Bill would be. That is critical to their success.

One of the programs that ASRC has pursued in more recent years that is beginning to show promising results is the Business Investment Development Company or BIDCO. We looked to the BIDCO structure as one answer to increasing requests by individual shareholders for assistance in the development of entrepreneurial business opportunities. The BIDCO's are state programs that have been tried in a few states, including Alaska, Michigan and Louisiana. In Alaska, a subsidiary of ASRC is qualified as the state BIDCO. Called Alaska Growth Capital, it is established to be a source of capital for businesses, especially rural and Alaska Native or other minority owned enterprises, that have a risk profile somewhere between what a traditional bank and a venture capital firm would consider for financing. It also provides technical assistance and business planning very much like that envisioned by S.2335.

We have found that it is often necessary to provide the basic business assistance required to structure a business before an entrepreneur with a good idea can meet the usual qualifications for financial assistance. This is true even where an individual may have been operating a small business for a period of time. I would urge the committees to look at the BIDCO experience and consider them as possible participants in the programs to be established pursuant to this Bill. While ours is structured as a subsidiary, for-profit entity under ASRC, it has been very effective in leveraging our private funding with available state and federal funds. As noted in the House report on the similar Congressman Udall bill, traditional financial structures are often minimal in the local communities, many of which are small and extremely remote here in Alaska, and access to capital markets is totally lacking. This is an important issue for S.2335 to address.

One of the attractive aspects of S.2335 is that it seeks to work within the existing structure of the SBA Small Business Development Centers, Native American Business Development Centers, and Native American Business Centers thereby maximizing the effectiveness of existing programs, personnel and dollars. By focusing and maximizing existing resources, new program objectives can be accomplished. It will focus traditional economic development resources into Native American areas and people in a more direct manner. It is also important to the success of these efforts that programs be tailored to the cultural values and traditions of Native Americans, including Alaskan Natives and Native Hawaiians. This should be further emphasized in S.2335.

In summary, S.2335 could be a valuable contributor to the effort to increase the economic self sufficiency of Alaskan Natives and other Native Americans and Native Hawaiians. The opportunity for individual entrepreneurship to grow in Native communities is critical to this effort. We support the bill's passage.

Thank you again for the opportunity to offer these comments. We would welcome any questions or requests for further information the Committees may have.

HANA ENGINEERING, INC – *A NATIVE HAWAIIAN COMPANY*
1600 Kapi'olani Blvd, Suite 530, Honolulu, HI 96814

May 10, 2002

Senate Committee on Small Business and Entrepreneurship
Senate Committee on Indian Affairs

Remarks regarding the matter of "Small Business Development in Native American Communities: Is the Federal Government Meeting Its Obligations?" S2335

To the Honorable Members of the Committees,

I am honored to submit for the record my views on the matter before your Committees.

Hana Engineering, a small business company registered in the State of Hawaii for the past nine years and owned and led by Native Hawaiians, has been truly a business that resembles the story of the little train that would but couldn't, a story of the struggles facing so many of our Native American and Native Hawaiian companies today.

The leadership of Hana Engineering is impressive – Native Hawaiians who have served our nation, gained invaluable experience in leading and managing, underwent rigorous education and training and pooled their skills to enter the competitive world of business. This is not unique for most of our Native American or Native Hawaiian start up businesses, for what we lack in technical expertise is more than compensated by our passion to help create wealth than can be redirected back into our communities and serve as a vehicle to assist other Native American and Native Hawaiian start up companies.

But, the success record for Native Hawaiian small businesses in achieving this goal is abysmal.

If Hana Engineering is a small voice of our recorded challenges these past nine years, then let it be a voice that is asking not for handouts nor harmful advantages from your Committees but a redirecting of assistance that helps us rather than buries us in conditions and regulations and allows escape routes for the lead contractors that minimize our ability to secure an open door to work.

An example is the recent DOD contract awarded to EDS for the upgrading of the Navy-Marine Corps IT systems that required EDS to work with minority firms, especially Native American and Native Hawaiians. My personal discussions with the EDS Chief of Minority Business during her visit to Hawaii two months ago was frustrating and near the point of being insulted by an insensitive EDS bureaucrat whose intent to fulfill the mandate, I suspect, was sorely absent. I was offered more rules to qualify for just getting on the list that it would have taken my company a year for compliance.

Often small Native Hawaiian companies, like other Native American companies, lack the infrastructure resources to prepare the qualification documents or the have the pre-qualifications or the experience required to compete for contracts, whether as a subcontractor or a prime contractor. This is a fact of our world.

But it does not mean that we could not do the work or would fail without meeting all these qualifying gates – most of which are designed within the contracts or by the lead contractor to eliminate or minimize Native Hawaiian firms from securing any work.

A way of helping Native Hawaiian companies that do not have the cash flow to keep qualified personnel on the payroll or a staff that can prepare and submit all the documentation, and ensure they can get a toe hold in the Federal contracting world, can be found in the Congressional support given to Native Hawaiian nonprofit organizations.

Congressional funding should be directed to Native Hawaiian firms as Hana Engineering and Akimeka, to name just two, that will assist them to build such infrastructure resources so they can fulfill the requirements; such funding should not be provided under a the competitive process now used for grants but streamlined so funds can be provided quickly and the Native Hawaiian companies held accountable for its use. Such "grants for business" will do so much for our ability to build capacity without going bankrupt to just get the business started.

Another way the obligations of our Federal Government can be met is by directing contracts within a dollar amount directly to Native Hawaiian companies as the prime contractor, bypassing the numerous FAR requirements, and allow us to pick our subcontractors; we have the skills to lead and manage any project, but we must be allowed to enter the work arena with our heads high rather than on our knees.

Native Hawaiians and Native Americans are trained today and can lead and manage to high standards; but we need help to break through the corporate and Federal veil that allows us to see the opportunities while permitting Federal rules and corporate strategies to keep us from standing on our own capabilities.

The engine for our sovereignty is through economic empowerment.

Respectfully,

David E. K. Cooper
President and CEO

NATIVE HAWAIIAN CHAMBER OF COMMERCE
THE VOICE OF HAWAIIAN BUSINESS SINCE 1974
P.O. BOX 597, HONOLULU, HAWAI'I 96809

TESTIMONY OF CLAIRE HUGHES, PRESIDENT,
OF THE
NATIVE HAWAIIAN CHAMBER OF COMMERCE
ON

S. 2335

THE NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT ACT

Aloha;

I am Claire Hughes, President of the Native Hawaiian Chamber of Commerce. The Native Hawaiian Chamber of Commerce was established over twenty-five years ago to provide a viable economic and social voice for the Hawaiian business community, based on the unique set of Hawaiian values, and to promote growth and cooperation among its members.

Our organization **supports** passage of S. 2335.

As we understand it, among other things S. 2335 would extend the benefits of the Native American Small Business Development Act to Native Hawaiians and Native Hawaiian Organizations.

One of the major problems facing Native Hawaiians is the inability to achieve economic self-sufficiency and parity. It has been often said of the economy of the State of Hawai'i that it driven by small businesses. Native Hawaiians are grossly under-represented in the ranks of small business owners here.

The business planning services and technical assistance provided by Native American Business Development offices to other Native Americans on the continent and in Alaska have proven invaluable to the native peoples of the regions already served. Native Americans residing in Hawai'i and Native Hawaiians who desire to better themselves by establishing small businesses should be similarly served here.

If offered, culturally sensitive and effective entrepreneurial training and assistance could make all the difference to those beginning businesses. The establishment and early growth of a business can be daunting to even a highly talented and industrious Native Hawaiian. Statistics show that business failures occur most often shortly after start-up, especially if certain basic methods in accounting and other technical matters are not utilized by the new business owner.

We earnestly urge favorable consideration of this legislation. Mahalo (thank you) for this opportunity to testify on S. 2335.

RON K JARRETT
PRESIDENT, JARRETT TECHNOLOGY SOLUTIONS, INC.
P.O. BOX 1126, KAILUA, HAWAII 96734

PERSONAL
TESTIMONY
ON

S. 2335

THE NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT ACT

Aloha;

I am Ron Jarrett, President of Jarrett Technology Solutions, Inc. Jarrett Technology Solutions, Inc. Is a Native Hawaiian owned computer and network business. We operate in Honolulu, Hawaii.

I want to go on the record in **support** of passage of S. 2335.

As I understand it, among other things S. 2335 would extend the benefits of the Native American Small Business Development Act to Native Hawaiians and Native Hawaiian Organizations.

One of the major problems I am facing as a Native Hawaiian owned business is the inability to achieve economic self-sufficiency and parity with my non-native brothers. Native Hawaiians are grossly under-represented in the ranks of small business owners here.

The business planning services and technical assistance provided by Native American Business Development offices to other Native Americans on the continent and in Alaska have proven invaluable to the native peoples of the regions already served. Native Americans residing in Hawai'i and Native Hawaiians who desire to better themselves by establishing small businesses should be similarly served here.

The establishment and early growth of a business can be daunting to even a highly talented and industrious Native Hawaiian entrepreneur. I can speak from personal experience here. Statistics show that business failures occur most often shortly after start-up, especially if certain basic methods in accounting and other technical matters are not utilized by the new business owner.

I strongly urge favorable consideration of this legislation. Mahalo (thank you) for this opportunity to testify on S. 2335.

Ron K Jarrett, President, Jarrett Technology Solutions, Inc.

H.K. BRUSS KEPPELER
ATTORNEY AT LAW

POST OFFICE BOX 1319 ▪ HONOLULU, HAWAI'I 96807-1319
TEL: (808) 523-7004 ▪ FAX: (808) 595-7004 ▪ EMAIL: KEPPLAW.HAWAII@JUNO.COM

Testimony before the Joint Hearing of the U.S. Senate Committee on Small Business and Entrepreneurship and the U.S. Senate Committee on Indian Affairs on S. 2335 and small business development in Native American Communities submitted by H.K. Bruss Keppeler, Attorney at Law.

Aloha;

I have had an opportunity to review S. 2335 and strongly **support** passage of this bill.

As I understand it, among other things S. 2335 would extend the benefits of the Native American Small Business Development Act to Native Hawaiians and Native Hawaiian Organizations.

In my practice as an attorney, I have spent the last over twenty-five years advising Native Hawaiian business people, many of them forming start-ups.

One of the major problems facing Native Hawaiians is the inability to achieve economic self-sufficiency and parity. It has been often said of the economy of the State of Hawai'i that it driven by small businesses. Native Hawaiians are grossly under-represented in the ranks of small business owners here.

The business planning services and technical assistance provided by Native American Business Development offices to other Native Americans on the continent and in Alaska have proven invaluable to the native peoples of the regions already served. Native Americans residing in Hawai'i and Native Hawaiians who desire to better themselves by establishing small businesses should be similarly served here.

If offered, culturally sensitive and effective entrepreneurial training and assistance could make <u>all</u> the difference to those beginning businesses. The establishment and early growth of a business can be daunting to even a highly talented and industrious Native Hawaiian. Statistics show that business failures occur most often shortly after start-up, especially if certain basic methods in accounting and other technical matters are not utilized by the new business owner.

I earnestly urge favorable consideration of this legislation. Mahalo (thank you) for this opportunity to testify on S. 2335.

Jack Keppeler, President,
John P. Keppeler, II, Inc. Agribusiness Consultant.

Member of the Native Hawaiian Chamber of Commerce of Hawaii.
Member of the Board of the Native Hawaiian Revolving Loan Fund,
Office of Hawaiian Affairs, State of Hawaii.

Aloha,

The Native American Small Business Act's benefits must be extended to Native Hawaiians. The business planning services and technical assistance can greatly help to clear the many barriers to the Native Hawaiians' drive to pursue small business ownership, a greater degree of financial self-sufficiency and an improved quality of life for their families.

Culturally sensitive and effective entrepreneurial training and technical assistance can mean a good deal to beginner businesses in a very tough, competitive environment - it can mean a higher success rate than has been experienced in the past.

The business establishment and early growth period can be extremely daunting even to highly talented and industrious Native Hawaiian men and women and the record shows very few successes have occurred, where many aspire and only some try and fail.

The economic development conditions in Hawaii have been sluggish for sometime now with major mill closures severely impacting rural employment opportunities. The Hawaiian Islands are segmented into six major islands and isolated from each other and the business capital, Honolulu, by significant travel distances providing difficult conditions to do business in. The growth rate in our visitor arrivals has slowed and the construction work to make hospitality infrastructure improvements has nearly stalled. These tough conditions existed even before 9/11/01 and have been worsen by the further downturn.

In contrast to the slowing of the major economic engines, the new, small business growth in Hawaii has been in areas that can allow for Native Hawaiians to participate at new and higher levels [e.g., farming, fishing, crafts, small manufacturing, and a wide array of service business, etc.]. That business formation potential is thwarted by a lack of training in business, a lack of managing experience, and very limited access to startup capital. Risk capital requirements for small businesses of all types can be very significant. Insufficient capitalization has caused good business ideas to fail.

The extension of the Native American Small Business Development Program of the Small Business Administration to Native Hawaiians and the establishment of business centers for important mentoring will greatly improve the success potential for Native Americans in Hawaii.

Mahalo (thank you) for this opportunity to express my mana'o (ideas) about S.2335.

Jack Keppeler

Written Testimony

Before the House Subcommittee on Appropriations
On Commerce, Justice, the State, and the Judiciary
The Honorable Harold Rogers, Chairman

FY 2001 Budget Proposal to Create
Native American
Small Business Development Centers

By
Antone C. Minthorn, Chairman
Board of Trustees
Confederated Tribes of the Umatilla Indian Reservation

March 30, 2000

Thank you for this opportunity to provide written testimony on the President's Proposed FY 2001. I am writing on behalf of the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) and I am requesting your support the President's FY 2001 Budget. In order to serve Native American Communities and to honor the federal governments trust responsibility to Indian Tribes, the President's budget proposes new funding to create Small Business Development Centers (SBDC's) in Indian Country to provide business and technical assistance to Native American entrepreneurs. A total of $4.5 million is provided for this initiative as part of the new budget authority for the Small Business Administration (SBA) for FY 2001.

The CTUIR is a member tribe of ONABEN, a Northwest Native American business network. I am pleased to provide the subcommittee with some information and insights from our experience of being part of a successful business development program in Native American communities in the Northwest. With this information, I hope to persuade the Appropriations Subcommittee to support the $4.5 million funding proposal to create a Native American Small Business Development Centers in FY 2001, create a regular permanent authorization for Native American SBDC's in SBA's annual appropriations and to appropriate funding for ONABEN.

From our experience, we would like to share the following information with the Appropriations Subcommittee and why it's important to appropriate and fund a Native American Small Business Development Center program and ONABEN.

1) There are barriers to entry to the private sector that are unique to Native Americans;
2) Once those barriers are overcome the success rate for small businesses in Indian Country is on a par with any businesses in the world;
3) We believe our experience in helping to build Native American businesses provides a model that is consistent with the SBDC approach and is worth funding;
4) Given our experience and track record, we would like to be part of any initiative that extends the reach of the Small Business Development Center program into Indian Country.

Our remarks are shaped by our seven (7) years of experience with ONABEN and the business services they provide to our community and to other Native American communities in the Northwest. ONABEN has examined the SBA programs, tailored them to meet Native American needs and established business service centers on nine Indian Reservations. In the last seven years, ONABEN helped start 289 new, privately owned businesses and these businesses have added $35 million a year to their respective economies. In fact, ONABEN provides technical assistance training and counseling to more than 500 Native American businesses each year. We believe ONABEN is the most successful model of reservation based centers to foster Native American owned private business.

I am pleased to report significant success. (Please see ONABEN Fact Sheet attached and made a part of these remarks.) ONABEN's success shows that once the barriers of culture and geography are overcome, Native American entrepreneurship flourishes. The question, I'm sure, the subcommittee is grappling with is: **"Why aren't the SBDC's serving Indian Country?** In our area the answer is simple. We believe our SBDC partners do not possess the knowledge or the resources to adequately serve their current geographic service area and the Tribes. When their areas are expanded to include Indian Reservations, they confront the added barriers of culture and geographic isolation. This was the reason ONABEN was created and we have developed culturally appropriate business development strategies that overcome these obstacles.

There are culturally specific barriers to Indian people adopting the mainstream approach to business ownership. There is pervasive fear among ordinary reservation residents that adopting conventional business practices will cost them their cultural values and their community's respect. Any effort to build private enterprise in Indian Country that does not take this cultural bias into account is doomed to struggle and failure. Traditional small business programs have been ineffective because they focus on the number of clients served, not necessarily on the appropriateness of service for the client's success. ONABEN has been able to provide a program that attempts to break down these barriers and has been successful in bringing small business education and training to Reservation communities. ONABEN understands the long-term commitment necessary to nurture Native American small business clients as it takes time for them to be comfortable in the mainstream business world. Is the distinction meaningful? I point to ONABEN's record of accomplishment. They maximize state and tribal resources to achieve these results.

SBDC and tribes can make great partners. We share resources with our SBDC centers to maximize the use of ONABEN and tribal resources. However, because ONABEN's funding has been inconsistent, the CTUIR and other member tribes never know how much of the cost of the program they are going to have to bear. Consequently, many of tribes have established Business Resource Centers, only to shut them down when ONABEN's funding diminished. Other tribes with more discretionary funds have chosen to continue to support their centers, even when our share of their operating support disappears. These tribes (Grande Ronde, Warm Springs, and Klamath) have had very successful programs over the years and show the importance of tribal support and the continuity of funding that would come with a tribal SBDC allocation.

What makes ONABEN's approach unique but replicable? In the last few years ONABEN has created, tested, improved and proven methods for small business assistance to Native Americans. ONABEN has developed curriculum and an approach that has been implemented and adapted to eleven different reservations and the Portland metropolitan area. ONABEN has taken a set curriculum and helped tribes adapt it to their individual situations. ONABEN possesses an experience base that allows tribes to work with a variety of situations and create effective adaptations of our material and methods.

How much would it cost to replicate ONABEN's model nation wide? ONABEN would like to participate in a national effort by adapting our Business Resource Center development package to meet the needs of tribes and Indian communities across the country. To effectively serve and to continue to expand ONABEN's service area (which would include Northern California, Oregon, Washington, Idaho, and Alaska), ONABEN would need an appropriation of $1 million dollars. Based upon our experience with ONABEN, we estimate that it will take (depending on scope of services, geography, and population) $150,000 to $200,000 to start and operate a new center for a year. Of those expenses and based upon our experience, we estimate (again depending on local variables) that between $35,000 to $50,000 will be devoted to center infrastructure costs (equipment, library, curriculum) and on-site technical assistance with the individual tribe. Hopefully, these estimates can provide system component costs from which a total cost for a national program can be derived.

The good news is that a program that provides business start up assistance in a culturally sensitive manner works as effectively as any SBDC in the country. The bad news is that Indian Country does not have this program available to them in the same structure and funding as our partners at the state level. We believe it is essential to put Indian Country on a par with States receiving the benefits of SBDC funding. We believe this is an important initiative and deserves the Subcommittee's support.

Private enterprise is necessary to diversify and stabilize economies in Indian Country. Fostering the growth of private enterprise in Indian Country may well be one of the best strategies for economic development in our distressed rural areas. We stand ready to help make it happen. We have enclosed the ONABEN fact sheet. Thank you for your time and attention.

Antone C. Minthorn, Chairman
Board of Trustees

Testimony of

Darryl Mleynek

State Director of the Hawai`i Small Business Development Center Network

Regarding S. 2335 for the April 30, 2002 Joint Hearing of the

U.S. Senate Committee on Small Business and Entrepreneurship and

U.S. Senate Committee on Indian Affairs

Chairman Kerry, Ranking Member Bond, members of the Senate Small Business and Entrepreneurship Committee and Chairman Inouye, Vice Chair Campbell, members of the Senate Indian Affairs Committee, I am Darryl Mleynek, State Director of the Hawai`i Small Business Development Center Network (SBDC). The Hawai`i SBDC Network is one of 58 state and territorial programs with almost 1,000 service centers in all 50 states, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and America Samoa. On behalf of the Hawai`i SBDC Network and the dedicated staff of its seven service centers distributed over the four major islands of Hawai`i, let me thank you for inviting this testimony as part of your joint hearing entitled "Small Business Development in Native American Communities: Is the Federal Government Meeting its Obligations?" In light of the nation's current economic conditions, it is vitally important that Congress focus on what federal resources will be directed to assist and support the economic development needs of Native American, Native Alaskan, and Native Hawaiian communities by fostering the growth and creation of their small businesses.

The need for assistance among small business owners and those who wish to start small businesses in the Native Hawaiian community is high. While the Hawai`i SBDC Network already delivers assistance to Native Hawaiians—27.8% of its clients in 2001 self-identified as Native Hawaiians, the need for assistance to this community is far greater than these 364 cases indicate. This is even more true following September 11th: 28.4% of small businesses in Hawai`i indicated in a statistically valid survey (conducted on behalf of the Hawai`i SBDC Network in January) that their small businesses were significantly or disastrously impacted by the aftermath of those events. As with so many matters, what negatively impacts the general community impacts the Native Hawaiian community to a far greater extent.

In the experience of the Hawai`i SBDC Network over its 12 years of consulting with over 12,000 small businesses in Hawai`i, it is apparent that Native Hawaiians do not have a strong tradition of creating and managing small businesses. Some factors of business, such as the roles of competition and risk, are unknown or misunderstood. Businesses cannot be successfully started without knowledge of these factors. Fortunately, these factors can be taught through consulting and training in centers created to focus upon Native Hawaiians.

Concepts necessary to the sustainability of small businesses, such as entrepreneurship and continuous quality improvement, are largely unknown among Native Hawaiians. Small businesses today tend to fail over time without some awareness of these concepts, for all businesses are now subjected to global competition—even the very newest and smallest of them.

Again, these concepts can be taught through consulting and training in centers created to focus upon Native Hawaiians.

In the Native Hawaiian community, among the least privileged of all communities in Hawai'i, lack of good access to services further complicates this problem. Good access requires that services be located in close proximity to Native Hawaiians where possible, be focused clearly upon their needs, and be delivered in a culturally aware and sensitive manner.

The Small Business Development Center program is an excellent model from which to build a program that focuses on Native Americans, Native Alaskans, and Native Hawaiians. The national program in its 20 year history already has long and successful experience in helping individuals develop new businesses and in assisting them to grow profitable, sustainable businesses. The program has also worked successfully throughout this time with minorities. It is a model that works. This proven model appears to have been incorporated into the language of S. 2335.

The need for small business assistance directed specifically to Native Hawaiians is apparent given the complexity of starting and operating small businesses today, the lack of good access to existing services, and the need for services to be delivered in a culturally aware and sensitive manner. The federal government will meet an important obligation to the Native Hawaiian community by passing S. 2335, the Native American Small Business Development Act. This act will effectively promote economic development within the Hawaiian community by increasing its self-sufficiency and wealth through new businesses and new jobs.

Using the Hawai'i SBDC Network's experience as a guide, the Hawaiian community could receive benefits from a program as outlined in S. 2335 similar to the following (according to an annual economic impact study of the Hawai'i SBDC Network[1]):

- One job created for every $6,235 invested in the program.
- $1.38 in incremental tax revenues in one year for every dollar expended on long-term consulting (five hours or more) in the program.
- $18.38 in new financing capital obtained by clients for every dollar invested in the program.
- $5.12 in client-perceived benefit for every dollar invested in the program.

Thank you for the opportunity to provide testimony.

[1] Chrisman, James J., Ph.D. *Economic Impact of Small Business Development Center Counseling Activities in Hawaii: 1999-2000.* Faculty of Management, University of Calgary: 2001.

Written Testimony
of
Matthew Nicolai,
President/CEO,
Calista Corporation

Concerning small business development in American communities and S. 2335

May 9, 2002

To the Senate Committee on Small Business and Entrepreneurship and the Senate Committee on Indian Affairs:

Calista Corporation is an Alaska Native Claims Settlement Act regional business corporation formed under state and federal laws. Under the Indian Self-Determination Act of 1974, P.L. 93.638, Calista is also designated as a minority owned enterprise and is an eligible entity to apply for a variety of federal assistance.

Since its inception, Calista Corporation has had to try to overcome many obstacles that inhibited business development and job creation. Throughout much of its history Calista Corporation suffered from lack of capable management and expertise in investing and developing business opportunities. Our board and management in those years simply did not have the understanding and experience for supporting economic and community development.

In recent years however we have turned the tide in our favor and improved our position and standing in the business community. We are now on the way to a profitable and successful future. Our revenues in the last year for instance has increased substantially including growth in real estate sales, increased drilling contracts, the gradual growth in printing contracts, increased sand and gravel sales, and SBA 8(a) set-asides contracts.

We are experiencing excellent growth and positive growth in our SBA 8(a) licensed companies including significant set-asides from the U.S. Navy, U.S. State Department, U.S. Army, U.S. Air Force, and the U.S. Army Corps of Engineers.

We also have a huge potential in the Donlin Creek Gold Exploration project currently with a major and junior mining company. This exploration site is located in our properties and is one of the largest undeveloped gold resources in the world. The Donlin Creek Gold Exploration project also has the potential of helping us address the dire energy needs of the Calista region. As the energy needs of the mine is developed so too will the energy needs of our region be met. Our SBA 8(a) work and the development of the mine on our properties would not be possible without the support and assistance of the federal government. The federal government has a unique and special role in assisting Native American businesses.

Small business is the backbone of the U.S. Economy, and is also the backbone of local Native American economies as well. You need only to look to other parts of the world where governments have failed to support their small businesses. The economies in those countries are on a downward escalating spiral. When the federal government provides support and assistance to the Native American business community, it is providing a stable foundation for sustainable development to build up Americas business thus offering many jobs to many Americans. According to U.S. Commerce, Native Americans business total income is over $34 billion dollars offering over 300,000 jobs nationally. That's a far difference from even a decade ago. Sustainable development is key to long-term economic wellbeing in Native American communities. The federal government is critical in providing for that sustainability.

Within the SBA we do not have an Office of Native American Affairs. Such an office will provide an impetus for sustainable development practices that are culturally relevant and specific. We also do not have a Native American Development Program within SBA that would provide small Native American businesses with the assistance and support they need to develop sustainable approaches that support their local economies. Such efforts will go a long way towards providing Native Americans with unique approaches that complement their needs and improves the overall quality of business and services. In order for many small Native American business guidance in today's fast paced economy, these businesses need to develop the necessary skills to be able to compete and provide viable and sustainable businesses. Basic business planning and technical assistance in many instances can mean the difference in failure or success.

In addition, many of these small businesses need a good start in accessing investment capital to support economic and community development. Investment capital combined with the technical know-how is essential in promoting the development of business in Native American communities. Many seek to identify opportunities and techniques on how they can access capital markets. Providing a good start with such support will enable Native American businesses to grow and integrate into new and emerging markets and opportunities.

We would like to encourage the U.S. Congress to adopt S.2335 into law. Such a law will promote proper business development for the existing and upcoming generation of Native Americans who are forging their way into the future. With such a law they can have a good chance to forge a prosperous future.

Sincerely,
CALISTA CORPORATION

Matthew Nicolai
President/CEO

PHONE (808) 594-1888

FAX (808) 594-1865

STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
711 KAPI'OLANI BOULEVARD, SUITE 500
HONOLULU, HAWAI'I 96813

May 13, 2002

Name:	Mr. Kaulana Park, Native Hawaiian Revolving Loan Fund Program Manager, Office of Hawaiian Affairs
Senate Committee:	Small Business and Entrepreneurialship/Indian Affairs
Title:	Native American Small Business Development Act (s. 2335) Is the federal government meeting its obligations?

Position: As the current Native Hawaiian Revolving Loan Fund (NHRLF) Manager administered by the Office of Hawaiian Affairs, I am writing on behalf of the Native Hawaiian clients that we have served.

Authorized by a 1987 amendment to the Native Americans Program Act of 1974, the NHRLF provides loans, entrepreneurial training, and technical assistance to Native Hawaiian-owned businesses that are unable to secure conventional financing through traditional resources. Since inception, the NHRLF program has grown and impacted both the business community and employment opportunities for Native Hawaiians in the State of Hawaii. We have trained over 3,800 Native Hawaiians, booked over 350 business loans for $15.6 million, and created an estimated 1014 jobs as direct result of these loans. Our borrowers represent a variety of industries that include agriculture, commercial fishing, crafters, food service, high technology, wholesalers, retailers, and manufacturers. The NHRLF program is federally funded by the Administration for Native Americans and the Office of Hawaiian Affairs.

The mission of the NHRLF program is *"to increase sustainable business by fostering economic independence, commitment, and fiscal responsibility through entrepreneurial development"*. Total federal funding appropriated to the program is $12,937,000 used primarily for lending. We have seen a number of our former borrowers graduate to conventional lending institutions and have gone on to be successful ventures via business expansion and additional job creation.

The appropriation of federal funds continues to be utilized by our clientele and has assisted in the creation of valuable community partnerships with organizations from both the private and public sectors. These organizations include: University of Hawaii College of Business Administration, University of Hawaii Community Colleges, Alu Like, Inc., Samoan Service Providers Association, Service Corp of Retired Executives, and eight other private financial service companies. Total consultant funding is $360,000 that is provided by federal and OHA funding. These consultants have provided entrepreneurial training and technical assistance for the pre- and post loan stages of our applicants and borrowers. These services have proven to be very beneficial towards the success of the loan borrower, as evident by a 1% non-performing ratio for $1 million of loans booked with in the past two calendar years. The federal funds earmarked for training and technical assistance assist in our quest to meet our federal mandate and program goal to *"increase the availability and effectiveness of training and technical assistance"*.

We are in the midst of expanding the program services for greater market penetration and impact in the Hawaiian community. Part of this expansion calls for the development and establishment of entrepreneurial centers that provides direct training, technical assistance, business resources, incubation, and mentoring opportunities. These centers would serve as a 'one-stop shop' of training and technical assistance. However, our current allocation for such services does not cover the total project funding to launch these business centers for Native Hawaiians. It would be advantageous to have a Native Hawaiian Business Center as an additional resource for our clientele to utilize besides our contracted consultants.

The additional federal funding will assist in our vision to achieve this program expansion, strive to achieve our mission, and improve the Native Hawaiians economic conditions. In addition, these funds will continue to bring hope to entrepreneurs who are considered high risk, boost their confidence, create jobs, and provide much needed training and technical assistance to survive in the business world.

I thereby support federal funding for the Native Hawaiian Business Center initiative for Native Hawaiians and agree that the federal government will enhance its capacity in meeting its obligations to our program and Native Hawaiians.

TESTIMONY OF CHARLES ROSE, PRESIDENT,
ASSOCIATION OF HAWAIIAN CIVIC CLUBS
ON S. 2335
THE NATIVE AMERICAN SMALL BUSINESS DEVELOPMENT ACT

Aloha;

The Association of Hawaiian Civic Clubs is a confederation of 43 Hawaiian Civic Clubs located throughout Hawai'i and in the states of Alaska, California, Colorado, Nevada and Utah. The first of these clubs was founded in December, 1918, at the urging of Prince Jonah K□hi□ Kalaniana'ole, then Delegate to the U.S. Congress, as an advocacy organization for the civic concerns of the Hawaiian People. After over 80 years, the Association and its member clubs continue in the effort.

Amongst the basic precepts of the Association, as expressed in its Constitution, are these charges:

> *"To actively participate in the promotion and perpetuation of long-held traditional Native Hawaiian attitudes and values that dignify all human life and that are the moral and ethical underpinnings of our cultural expressions that comprise a unique, rich and enduring legacy of the first people of Hawai'i nei that is commonly acknowledged, and appreciated by all the people of both our beloved islands and of our great nation.*
>
> *To take an active interest in civic, economic, social, health, and moral welfare of our community and particularly, the activities of those agencies and organizations who are responsible for the improvement of the conditions of the people of Hawaiian ancestry, and to support programs of benefit to them and to the community at large."*

We have had an opportunity to review S. 2335 and strongly **support** passage of this bill.

The Native American Small Business Developments Act's benefits must be extended to Native Hawaiians.

One of the major problems facing Native Hawaiians is the inability to achieve economic self-sufficiency. It has been often said of the economy of the State of Hawai'i that it driven by small businesses. The business planning services and technical assistance provided by Native American Business Development offices to other Native Americans on the continent and in Alaska have proven invaluable to the native peoples of the regions already served. Native Americans residing in Hawai'i and Native Hawaiians who desire to better themselves by establishing small businesses should be similarly served here.

Culturally sensitive and effective entrepreneurial training and assistance, if offered to Native Hawaiians, could make all the difference to those beginning businesses. The establishment and early growth of a business can be daunting to even a highly talented and industrious Native Hawaiian. Statistics show that business failures occur most often shortly after start-up, especially if certain basic methods in accounting and other technical matters are not utilized by the new business owner.

We urge favorable consideration of this legislation. Mahalo (thank you) for this opportunity to testify on this measure.

My name is Dorothy Shinn.
I am the Executive Director of The Ahtna Heritage Foundation.

The Ahtna Heritage Foundation welcomes S. 2235, the Native American Small Business Development Act. The Ahtna Heritage Foundation is encouraged by the bill's stress on culturally tailored transmission of business skills. In particular, we support the Native American Development Grant Pilot Program aspect of the legislation. The Ahtna Heritage Foundation feels that that program promises to bring sustained economic benefits by partnering with existing Native American nonprofits, which have intimate knowledge of local community infrastructure, abilities, and needs. Additionally, safeguards written into the legislation provide for demanding selection criteria for participating nonprofits, ensuring organizational responsibility and financial accountability. In summary, The Ahtna Heritage Foundation feels the Native American Small Business Development Act would help foster a positive business development environment not just in Alaska but in Native American regions throughout the nation.

The Ahtna Heritage Foundation is a mission-driven Native American nonprofit organization based in the rural Copper River Basin of south-central Alaska. The Foundation's mission is "to perpetuate the Ahtna heritage and enhance the socio-economic status of the Ahtna people", helping to retain positive aspects of Ahtna native history and culture while assisting in the transition to a position of self-sufficiency in contemporary Alaskan society.

Mr. Vaughn G. A. Vasconcellos, President & Manager, Akimeka LLC

On behalf of Akimeka LLC, a Native Hawaiian-owned 8(a) information technology company, I am pleased to submit this written testimony to the Committee re: S. 2335, *the Native American Small Business Development Act.*

By way of background information, I established Akimeka LLC (www.akimeka.com) in January 1997. **Akimeka** is my Hawaiian name and translates to "perseverance." We provide software development and information technology services to federal and private sectors. Our primary business is with the Department of Defense. We currently have 21 employees with primary offices in Honolulu (on the island of O'ahu) and Kihei (on the island of Maui). We received our 8(a) certification from the SBA in May 1999. We are also a veteran-owned business and will be submitting our application for Hub Zone certification by Summer 2002. In calendar year 2000, Akimeka LLC was recognized by the SBA as the Hawai'i Entrepreneur of the Year and as the Ernst & Young E-Software and Services Finalist.

This written testimony is three-fold: First, my unequivocal support to establish and fund Native American Small Business Development Centers (SBDCs); second, to support legislation that will allow Native Hawaiian businesses to have similar 8(a) rules of engagement that Alaskan Native Corporations (ANCs) currently operate under; third, to enforce oversight that insures Native American (hence, Native Hawaiian) small businesses participate in significant federal contracts.

1. **Establish/Fund Native American SBDCs**: The SBDC in Honolulu, Hawaii proved a tremendous resource to me in establishing Akimeka LLC. It provided technical, financial, business, and software resources that I used in writing Akimeka's initial business proposal and subsequent business plan. In the State of Hawai'i, the SBDC's headquarters is out of the University of Hawai'i, Hilo campus (on the island of Hawai'i). In terms of proximity, I live in Honolulu and had ready access to the SBDC office in our urban sector. However, many Native Hawaiians live in rural areas on O'ahu, Maui, Hawai'i, Kaua'i, and Moloka'i – they do not have access to a SBDC. Hence, there is no training or technical assistance centers in the rural areas.

2. **Super 8(a) Companies – ANCs:** Having had an opportunity to interface with ANCs that have established themselves in Hawai'i, I've become very familiar with their business models and their rules of engagement regarding federal contracting. Hence, I am in strong support of legislation that will allow Native Hawaiian businesses the same business rules under which the ANCs operate. Perhaps a Mentor-Protégé relationship between ANCs and Native Hawaiian businesses would be an appropriate training and assistance vehicle. Both Department of Defense (DOD) and the Small Business Administration (SBA) offer Mentor-Protégé programs. I believe a similar relationship with ANCs may prove fruitful and beneficial. This relationship and subsequent application of ANC business rules will "even the playing field" for Native Hawaiian businesses

vis-à-vis large defense contractors whom are so prevalent in Hawai'i. Currently, Native Hawaiian businesses are summarily excluded to participate on large federal contracts because these contracts, as a matter of "best qualified and best value" criteria are normally awarded to well-established contractors (normally from the contiguous 48 states). Native Hawaiian businesses are rarely afforded an opportunity to participate on these contracts as subcontractors or independent contractors.

3. **Federal Contracts and Native Hawaiian Companies.** The final point of this testimony is a corollary of my statement above regarding "leveling the playing field." With significant federal contracts coming to Hawai'i under defense and construction appropriations, Native Hawaiian businesses are not involved in the procurement process or afforded the opportunity to bid on these procurement activities. There is a lack of oversight on large contractors to insure that Native Hawaiian companies are afforded the opportunity to compete and win. A case in point -- our company is registered a potential contractor on a significant contract to be performed at Pearl Harbor, Camp Smith, and Kaneohe Marine Base. The prime contractor is a large commercial and defense contractor based in Virginia. Despite our qualifications as an information technology provider and the fact that our company is one of only two Native Hawaiian companies bidding on this work, we have not received current solicitations being issued against this contract. Yet, other so-called "small" businesses in Hawai'i (none of them Native Hawaiian) have been receiving solicitations. As I've queried with the Small Business Advocate from this contractor as to why we have not been receiving solicitations, the responses are ambiguous at best. This is but one example of intentional neglect by large corporations that have the financial depth and breadth to win these significant opportunities but not subcontract with local Native-owned businesses within the community.

As a matter of summary, I appreciate the opportunity to submit this testimony to the Senate Joint Committee regarding *the Native American Small Business Development Act.*

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