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REVITALIZING AMERICA'S MANUFACTURERS: SBA BUSINESS AND ENTERPRISE DEVELOPMENT PROGRAM

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

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CONTENTS

WITNESSES

	Page
Hairston, Daryl, Small Business Administration	4
Robinson, Anthony W., Minority Business Enterprise Defense and Education Fund	6
Sanders, Lonnie, C&S Trading	8
Aleman, Alba, Cairo Corp.	9
Street, Kaaren J., Small Business Administration	31
Hostetter, Kersten, Microbusiness Development Corporation	34
Whitfield, Susan R., Small Business Development Center, McHenry County College	36
Ratner, Hedy, Woman's Business Development Center	39
Smith, Lee J., BusinessLINC	42

APPENDIX

Opening statements:	
Manzullo, Hon. Donald	56
Bordallo, Hon. Madeleine	58
Prepared statements:	
Hairston, Daryl	59
Robinson, Anthony W.	65
Sanders, Lonnie	69
Aleman, Alba	76
Street, Kaaren J.	80
Hostetter, Kersten	84
Whitfield, Susan R.	88
Ratner, Hedy	96
Smith, Lee J.	113

REVITALIZING AMERICA'S MANUFACTURERS: SBA BUSINESS ANDENTERPRISE DEVELOPMENT PROGRAM

Wednesday, June 11, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS
Washington, D.C.

The Committee met, pursuant to call, at 2:05 p.m. in Room 2360, Rayburn House Office Building, Hon. Donald A. Manzullo [chair of the Committee] presiding.

Present: Manzullo, Velazquez, Toomey, Graves, Schrock, Akin, Beauprez, Millender-McDonald, Udall, Ballance, Napolitano, and Bordallo.

Chariman MANZULLO [Presiding]. The hearing will come to order.

Good afternoon. I would like to welcome everyone to the hearing on reauthorization of the SBA programs. Since our last hearing, fruitful discussions have taken place with the minority staff, administration and small business community. I look forward to continuing this dialogue and presenting to the House floor a reauthorization bill that rationalizes the management of the SBA and reorients many of its programs to help small manufacturers in the depressed economic communities in which they are located.

The economic news concerning America's manufacturers remains bad. Factory production contracts and manufacturing employment spirals downward. The 33-month downturn represents the longest such decline since the Great Depression.

April saw another 53,000 jobs in manufacturing disappear. Every time I drive through my district I see the suffering of the families that used to rely on good paying manufacturing jobs are not struggling to make ends meet. Replacing these jobs with new service sector jobs will not help stabilize the American economy.

According to a University of Michigan study, 6.5 spin-off jobs are created for every new job created in manufacturing. Service sector jobs simply cannot generate the type of economic activity, and the reason for this, manufacturing jobs typically pay $5 more per hour than service sector jobs. That works out to about $10,000 more per worker per year. The additional income would give families greater purchasing power to spend on consumer goods, travel, dining and investing for the future. With a revitalized manufacturing sector, depressed communities will rebound, creating opportunities for our children and grandchildren. Manufacturing then represents true economic security for America.

America's small manufacturers will be at the forefront of creating that economic security. The key question remains whether we in Congress and the government are doing enough to ensure the viability of America's small manufacturers. If the SBA wants to have an impact on the American economy, then it must ensure that its programs provide the help required by America's small manufacturers in economically depressed communities.

Today's hearing will examine how the SBA business and enterprise development programs can help America's small manufacturers. These programs assist small businesses in obtaining Federal Government prime contracts. They also provide advice on a day-to-day management of small businesses from its initial creation to the development of sophisticated marketing plans.

Do they provide the right type of assistance? Can they do more? If their programs are not helping small manufacturers, what changes need to be made?

Let me make it clear that the Committee remains open to any suggestions that will help focus the SBA business and enterprise development programs on small manufacturers and their economically depressed communities. The actions that the Committee will take as it completes work in drafting reauthorization legislation may represent the most important legacy of this Committee.

Now I will recognize the ranking member of the full Committee, the distinguished gentlelady from New York for her opening statement.

Thank you.

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

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Today, we are here to discuss the SBA's government contracting and business development programs as we undertake the most comprehensive reauthorization of the agency in more than a decade. These programs are critical to our economy because they contribute a key ingredient to the entrepreneurial equation: opportunity.

Whether it is 8(a) zone, BusinessLINC or the small business development centers, the SBA programs plant the seeds for business development and growth in this nation. They are the fuel that feeds our entrepreneurial spirit. They also provide the most bang for the buck, giving the Federal Government a return on its investment of nearly two to one.

This morning some of my colleagues and I have the opportunity to hear exactly how the SBA programs change peoples' lives. Entrepreneurs told us their amazing and inspirational stories. The SBA programs gave these entrepreneurs a chance and they turn it into a success. They are the real reason we are here today.

And I would like to recognize Bob Salazar who is here. Bob, would you please stand up?

Thank you for being here.

Our Committee can also serve as another forum where entrepreneurs can tell us their stories. They show us just how great it is for these programs. Oftentimes in Washington the corporate giants get all the attention while small business owners, who make such a big contribution to this economy, are overlooked. But small businesses are the American economy. They create new jobs, make

up half of our GDP and our responsible for the majority of new innovation.

The SBA program fill an important gap by providing small businesses with management advice, technical expertise and assistance in accessing the federal marketplace. These programs give entrepreneurs the tool they need to grow and thrive.

Take the SBA 8(a) program, the 8(a) program was created more than 30 years ago to help minorities gain access to the federal procurement arena. This program has helped almost 20,000 small firms with nearly $100 billion in federal contracting awards. Yet the SBA has allowed this critical program to fall into disrepair, calling only for cosmetic changes to it. Programs that are newer and more flexible are crowding the 8(a) program out, leaving many minority firms without work. This is unacceptable.

I can tell you what the SBA needs to do. The agency needs to modernize the 8(a) program and bring it into the twenty-first century. The agency must focus on returning the 8(a) program to its core mission of minority business development using three key components: federal contracting opportunities, management and technical assistance, and access to capital. Right now the SBA is failing at all three.

As many of you know, a big reason for the decline in contracting opportunities is contract bundling. President Bush said in his small business agenda last year that the administration was committed to breaking off large contracts, but today we have seen little action on that change. In fact, the Federal Government for the fourth straight year in a row has failed to meet any of its small business goals.

The SBA needs to be a strong enforcer so that federal agencies meet their small business goals. Right now the SBA has little power when an agency cuts out small businesses.

And to make matters worse, we have a legislative package from the SBA that fails any additional resources to help contract bundling. The agency's front line defense against this damaging practice amounts to not even one SBA staffer per state. I assure you that if the SBA is not going to request the additional resources, then Congress will simply legislate them. Without resources this program cannot operate effectively. Then they fail to have the effect they should to make a real different, not just in peoples' lives, but also in the larger American economy.

For the millions of entrepreneurs in this country the SBA programs are the difference between success and failure. They provide opportunity and a chance to live the American dream. I think we owe it to small businesses to see to it that these programs are funded, staffed, and updated. Only then can SBA fully truly fulfill its mission of serving this nation's 23 million small businesses, the true driver of our economy.

Thank you, Mr. Chairman.

Chairman MANZULLO. Thank you. I think the way that we are organized to proceed here is we are going to be taking five-minute statements from each of our four witnesses on the first panel, and then after that we will be proceeding to some questions for all four of you.

And the first witness I would like to recognize would be Mr. Daryl Hairston. He is the Deputy Associated Deputy Administrator, Government Contracting and Business Development with the US SBA from Washington.

Daryl, five minutes. Thank you.

STATEMENT OF DARYL HAIRSTON, DEPUTY ASSOCIATE DEPUTY ADMINISTRATOR, OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. HAIRSTON. Thank you, and good afternoon, Chairman Manzullo and Ranking Member Velazquez. Thank you for the opportunity to discuss the Office of Government Contracting and Business Development Programs. The U.S. Small Business Administration is committed to maximizing opportunity for all of the nation's small businesses and the millions of people they employ.

I would like to request that my written statement be submitted for the record.

Government contracting and business development continues to use the best practices of the marketplace to improve and modernize our programs. Some of our current initiatives include: launching a nationwide matchmaking event to match small business capabilities with federal, state and local agencies, and federal prime contractors; implementing the President's strategy to avoid unnecessary contract bundling; automating 8(a) applications, and centralizing annual reviews to streamline and simplify the process; simplifying the size standards to make them easier to use, and development a procurement academy to provide 7(j) eligible companies procurement training.

When fully implemented, these initiatives will help to create an environment where small businesses will have better access to federal procurement opportunities. The reauthorization of government contracting and business development program will also help to ensure that small businesses receive their fair share of federal prime and subcontracting opportunities.

These programs include: the Small Business Innovation Research; Rural Outreach Program, the Small Business Innovation Research Federal and State Technology or FAST Partnership program, the 7(j) Technical Assistance Program; the HUBZone Program, and the Procurement Marketing and Access Network, or PRO-Net.

Through the government contracting prime and subcontracting programs, SBA provides policy direction and guidance to federal agencies and works with them to develop acquisition strategies that will help to increase opportunities for small businesses in federal procurement. We also leverage our PCR and CMR resources by working with the OSDBUs to reduce contract bundling and develop strategies that will provide maximum opportunities for small businesses. We will use technology to help provide broader coverage of our resources.

The FAST and SBIR Rule Outreach Program are extensions of the SBIR program and the Small Business Technology Transfer or STTR Program. The SBA, in partnership with the FAST and Rural Outreach Program award recipients helps to create an increase the

growth of each state small business population and provides states with grants to increase their participation levels. A list of the FAST and Rural Outreach Program awardees, along with examples of program success stories as reported by states, can be viewed on the SBA SBIR Web site at www.sba.gov/sbir.

Through the FAST and Rural Outreach Program, state commercialization workshops deliver technology innovation and commercialization solutions directly to the small business owners. In addition, the FAST and Rural Outreach Program grantees are partnering with experienced mentors and manufacturers who will guide the small business owner through the commercialization process, serving as a resource for a full year following the workshops.

Many of the FAST and Rural Outreach Program grantees have engaged with the Department of Commerce MEP centers within their respective states, establishing partnerships that can support the needs that those technology firms that require manufacturing services to get their technologies to the marketplace.

Through the 8(a) Business Development Program, SBA provides business development opportunities, including federal contract opportunities and management and technical assistance to firms owned and controlled by socio- and economically disadvantaged individuals. The SBA encourages program participants to partner team a joint venture in support of their business development plans.

Since 1968, there have been more than 600,000 contract actions worth about $94 billion, and 8(a) firms employed 172,000 people during fiscal year 2002.

S.B.A. is proposing to change the name of the 8(a) Business Development Program to more accurately reflect its mission and goals.

The 7(j) program is an important component of the business development portion of the 8(a) program. Through the 7(j) program we are developing a procurement academy that will provide on-line training to 7(j) eligible participants.

The HUBZone Program promotes job growth and economic development through contract assistance to firms that locate in and hire residents from distressed urban and rural areas. Each dollar spent on the program yields a return of $288 in contract awards. Based on fiscal year 2001 data from the Federal Procurement Data System, the program helped to support 12,782 U.S. jobs, of which approximately 9,000 were located in distresses areas.

PRO-Net is an Internet database for small firms seeking to do business with federal, state and local government and government prime contractors, and serves as a marketing vehicle for small businesses and a market research tool for the acquisition community.

The system serves at the authoritative source of information on firms certified by SBA and 8(a) HUBZone and small disadvantaged businesses or SDB.

On December 17, 2003, PRO-Net was integrated with the Department of Defense central contract registry, or CCR system to eliminate redundant small businesses data entry as part of the

President's electronic government initiative for an integrated acquisition environment.

In conclusion, we look forward to working with you as we continue to integrate the design and delivery of government contracting and business development services to the nation's small business community, and I will be pleased to respond to any questions you may have.

Thank you.

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

Chairman MANZULLO. Thank you Daryl. You had that timed pretty good. I think you were within five seconds or so. Thank you.

Now, Mr. Anthony Robinson is President of Minority Business Enterprise Legal Defense and Education Fund. Boy, you guys have got some long titles. You are trying to stump the new chairman here today. And that is from Lanham, Maryland, I believe. Is that correct, Anthony?

Mr. ROBINSON. The base of the organization, Mr. Chairman, is here in Washington, D.C.

Chairman MANZULLO. Okay.

Mr. ROBINSON. On New Jersey Avenue, 419 New Jersey Avenue.

Chairman MANZULLO. Thank you. You can go ahead, proceed. Thank you, Anthony.

STATEMENT OF ANTHONY W. ROBINSON, PRESIDENT, MINORITY BUSINESS ENTERPRISE LEGAL DEFENSE AND EDUCATION FUND, LANHAM, MD

Mr. ROBINSON. Thank you, Mr. Chairman, Madam Ranking Member Ms. Velazquez. Thank you for the opportunity to come and speak to you all today.

Over the past 23 years——.

Chairman MANZULLO. Excuse me. Can I interrupt you? Would you just move your microphone a little bit closer?

Mr. ROBINSON. Okay.

Chairman MANZULLO. And then also, without objection, we will submit all of your statements for the record if you want to submit those. Okay?

Mr. ROBINSON. Thank you very much.

Over the past 23 years, MBELDEF, which we affectionately refer to the organization as, has monitored barriers to market entry and growth, which prevent talented small business owners to exist and thrive in the marketplace. MBELDEF serves as a national advocate and legal representative for the minority business community by promoting policies and practices that provide equitable and full participation on behalf of the minority business community.

Mr. Chairman and Madam Velazquez, I would say that there is a major disconnect between the manufacturing industry sector and minority economic programs. Today, I would like to highlight about four to five different areas that I think adversely affect full minority participation in the economic sector of the economy.

The first would have to do with one of the more regressive policies that exists not only within the 8(a) program but generally within minority procurement, and that is this notion of net worth.

As you know as the program now exists, it requires a net worth below $250,000 for entry into the program. And if you ever exceed

that $250,000 over the life of your tenure in the program, you would have to exist the program. This seems to penalize success.

We would suggest that there may be some justification for a net worth cap on entry into the program, but certainly to have that net worth cap existing throughout your tenure in the program would seem to penalize success of those firms that are in the program. And certainly for industries, particularly for manufacturing, a net worth cap of $750,000, depending on which industry you are pursing, has no relevance whatsoever.

So we would suggest to the Committee that Congress look at, to the degree that they deem a net worth necessary in the program, and I would argue it is not necessary, but to the degree that you deem it is necessary for the program, that would be put on the front end, and that you would index it to industries. So that depending on the industry that that particular entrepreneur was pursuing, you would look at the net worth cap in reference to a particular industry.

The existing support systems for the manufacturing sector of economy, specifically MST and MEP program have done little or no outreach to the minority business community. I think the number of manufacturing concerns in the 8(a) program is less than six percent. And anecdotally we know from talking with many of these firms that there has been no outreach in reference to the program.

Now, I appreciate that this is outside the jurisdiction of this Committee, but certainly something can be done from the perspective of SBA to assuring some greater collaboration between the support services for the manufacturing sector within the Department of Commerce and the SBA 8(a) program to collaborate a great deal more than what is happening right now.

Another issue that I think adversely affects the manufacturing sector has been what I am calling an abdication of SBA's business development agenda on behalf of minority enterprise programs.

More recently, over the last several years, and for reasons that were understandable, the SBA has been in the process of delegating to agencies the responsibility for engaging procurement on behalf of minority enterprise programs.

Public Law 95–507 envisioned a different kind of role for the SBA; that the SBA would be a great deal more proactive in identifying contracts on behalf of 8(a) companies which would better fulfill its business development function, and would also by it being the party that contracted with the federal agency could stand in the breach of protecting those minority firms should they come up against some program in the execution of their contract with particular agencies.

We have gotten so engaged in a numbers game as it relates to minority business programs, whether or not we meet some statistical goal, that we have lost sight of the true, at least Congress's real intent for these program, and that was to build capacity within the minority business programs so they could be competitive in the marketplace. And I think by the delegation of responsibility, engaging in this numbers game as opposed to addressing real business development features that once existed to support capacity building in these programs no long exists.

So I end with that. It seems that my time is short

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

Chairman MANZULLO. Thank you very much. I appreciate your comments, and in keeping on the clock here pretty well.

Mr. Lonnie Sanders is next. You are the President of C&S Trading from Washington, D.C. as well. Is that correct, Lonnie?

Mr. SANDERS. Yes, sir.

Chairman MANZULLO. Pleasure to have you. Please proceed.

STATEMENT OF LONNIE SANDERS, PRESIDENT, C&S TRADING, LLC, WASHINGTON, DC

Mr. SANDERS. Mr. Chairman, Committee Members, my name is Lonnie Sanders. I am President of C&S Trading, LLC, in Washington, D.C.

We are a certified HUBZone business located here in Washington. Our primary business is the exporting of commodities internationally.

My purpose today is to bring to the Committee's attention a provision in the statute that precludes any HUBZone supplier from doing business with the Department of Agriculture's bulk grain program.

The statute states in essence, the prime contractor cannot purchase the commodity through a subcontract in substantially its final form and supply it to the government.

We believe there may have been serious violations of the Administrative Procedures Act as it relates to this matter. If this statute is left to stand as it, there will be no HUBZone suppliers eligible to do business with USDA's bulk grain program.

The USDA interpreted the statute to preclude HUBZones from purchasing bulk grain commodities by stating "Any such program constitutes subcontracting." That interpretation of subcontracting goes too far. Using the USDA's interpretation, every bulk grain supplier engages in some form of subcontracting, unless the supplier is the farmer. We should all play by the same rules.

We submitted our application for approval in USDA's bulk grain program in September 2000. The statutory language I mentioned earlier was inserted in the HUBZone legislation in December of 2000. We were finally allowed to participate in early April 2002, and submitted our first offer the same month.

After several submissions and not being successful, we applied for HUBZone certification with the Small Business Administration, and became a HUBZone business in September 2002.

We informed USDA about our certification and were told that we could not participate because of the non-manufacturing rule. That rule states a small business concern must be the manufacturer of the end item or qualify as a small business non-manufacturer.

The SBA held that the non-manufacturing rule does not apply to firms supplying raw agricultural products. Therefore, we qualified as a small business non-manufacturer.

Again, we informed USDA. They told us that two additional requirements were needed:

One, an increase of our guarantee from 15 to 30 percent of the contract price on all contracts that exceeded $550,000; and two, a letter from our subcontractor stating that we had use of an approved export facility.

These requirements were not in existence prior to our becoming a HUBZone business.

We have submitted our HUBZone offer January 7, 2003, and awarded a contract the next day, January 8.

After we submitted our offer and guarantee to USDA and purchased the grain from USDA, to be sold rather to USDA, USDA canceled our contract for the convenience of the government.

The most disturbing part about the whole process is the fact that USDA mentioned for the first time the word "subcontracting" in their December 2002 letter, after we had received our HUBZone certification. They then turned around and used the same subcontract wording, the language that was inserted in the HUBZone legislation in December 200, to cancel our contract.

C&S Trading is the only HUBZone qualified to do business with USDA's bulk grain program. Why would USDA approve us in 2002 when they knew in 2001 that they would not allow C&S Trading HUBZone participation?

We have worked with two of the largest and most recognized food and grain companies in the world, ADM and Cargill. We bid using Cargill's export facilities and purchased wheat from ADM. After USDA cancelled our contract, we had to sell our wheat back to ADM at a loss.

Our question is: Why the resistance from USDA?

We do not think that Congress intended to penalize HUBZone businesses by precluding them from participating in the competitive marketplace in the same manner as any other business.

In closing, let me demonstrate what this law really says. This apple is a commodity. Substantial means more than 50 percent. USDA is saying do something more than 50 percent to this apple or commodity and make it still look like an apple. Then we will do business with you.

Thank you.

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

Chairman MANZULLO. Thank you very much for your comments, Lonnie, and we will go ahead and move to our fourth panelist in Panel 1, and that is Ms. Alba—is it Aleman?

Ms. ALEMAN. Aleman.

Chairman MANZULLO. Aleman. And you are the President of Cairo Corporation from Manassas, Virginia; is that correct?

Ms. ALEMAN. Yes.

Chairman MANZULLO. I thought Lonnie did so well. Maybe he had some St. Louis background, but maybe that was just my memory slipping or something.

Mr. SANDERS. You are stating your age.

[Laughter.]

Chairman MANZULLO. Please proceed.

STATEMENT OF ALBA ALEMAN, PRESIDENT, CAIRO CORP., MANASSAS, VA

Ms. ALEMAN. Thank you, Mr. Chairman, Ranking Member and Committee Members.

Cairo Corporation is an 8(a) SDB woman-owned business. The company was started in April of 1999 by myself and my business partner, Raymond Roberts. The combination of my business part-

ner's passion for business and my passion for excellence differentiates Cairo from most small businesses.

With as much as I knew about the 8(a) program prior to starting the company, there was still a lot that I did not know. I had no idea that the application process would be so onerous and so invasive. I also had no idea that the annual recertification process would be as paper-intensive as it is. I also never imagined that it would take us over two years to land our very first 8(a) contract.

Our vision is to be a $100 million company by 2010. There is no lack of effort, will or sacrifices that we are willing to commit in order to get there. We have grown over 7,000 percent since inception, and over 90 percent last year.

We have had 15 profitable quarters in a row and aggressively reinvest the profits of the company back into the organization.

With as competent as we are and as successful as we have been, we are still small and still very fragile. We are typically the first ones that large primes cut loose when budgets are cut, and always the last ones to be called upon to staff a program that we have won alongside them. It is not unusual or unexpected to receive the hard-to-fill slots on a contract, or the low-end labor categories and rates even when our core competencies suggest otherwise.

We therefore need and rely on a certain percentage of prime contracts to ensure our long-term growth and survival.

The 8(a) program gives competent minority and disadvantages owned organization, such as ours, the opportunity and the protection that we need in our early years of development to be successful. I often regret certifying as early as I did considering the amount of time it took us to obtain our first 8(a) contract. Even when I found folks that wanted us to work with them for compelling business reasons, they refused to go the 8(a) route: too difficult, too time consuming and so on.

With respect to the personal net worth issue, I feel strongly that we must raise the cap on economic disadvantaged into the program on entry, and eliminate the recertification cap altogether. The entry level cap should minimally be raised with inflation and cost of living for the last 15 years. Additionally, we need to eliminate the income cap for 8(a) business owners.

Business owners make incredible personal and financial sacrifices to start their businesses. In our case, we went without income for 14 months. We cashed in all of our assets, put the dream of home ownership on the back burner, mortgaged my family's home, consumed every last penny in our savings accounts, and juggled credit card balances from one bank to another. It was clear that we were financially disadvantaged upon entry into the program.

What value does it provide the program on requiring us to remain disadvantaged year after year for an additional nine years?

Artificially keeping a business owner weak financially during the program works against the purpose of the program. 8(a) companies need to be bankable during their tenure in the program in order to have access to capital for growth. This fact, coupled with the lack of parity and imposition of these same restrictions on all other SBA programs, such as the HUBZone program, make these caps unjust, unfair and counterproductive.

With respect to the HUBZone program, it concerns me gravely that we continue to water down the strength of the 8(a) program by layering and prioritizing other programs in its stead. The HUBZone program is a resource-intense program to administer that requires constant monitoring in order to ensure compliance.

The continued drain on the SBA's resources is hurting the 8(a) program. We have already experienced considerable drops in 8(a) procurement dollars since 1995 despite the fact that federal procurement dollars have increased steadily since that time.

The HUBZone program preferences certain types of businesses and is most appropriate for certain NAICS codes. We need to look at the pay grades and more closely scrutinize the variables that lead to community development. It is critical to analyze the types of jobs that are HUBZone business is offering and the true impact of that business's employment in a HUBZone community.

The 8(a) program is critical to the development and survival of small minority-owned businesses. Our economy needs us and companies like to be successful. We, in turn, need you to support the program and strengthen its objectives. We need to streamline the process of certification and governance. We need to eliminate caps that weaken a business owner's financial viability. And we need to more carefully consider the negative impact of other programs such as the HUBZone program that they are having in the 8(a) program. And most importantly, we need to significantly increase federal procurement dollars for qualified 8(a) firms.

Thank you very much.

[Ms. Aleman's statement may be found in the appendix.]

Chairman MANZULLO. Thank you very much for your testimony, Alba.

We are going to go ahead now to some questions, and I think I am going to start off here with a question for each of you. I will try to keep it a fairly short question.

And that is, there are probably in your minds a number of things that you might like to see us do or change, places where we could make some improvement. I am interested in your number one top choice. If you could change one thing, today you had that magic wand and you could change one thing about the way the programs are set up, what would be your number one priority?

A number of you, Anthony, you listed about four number of things, and Alba, you also mentioned a couple of things. I would like to know just number one priority. Let's just go in the same order of the witnesses. Go ahead, Daryl.

Mr. HAIRSTON. Well, I could say that we fully support the administration's budget request for fiscal year 2004 for the programs that are in consideration for reauthorization.

Chairman MANZULLO. So your priority would be to make sure you get the funding so you can do your job?

Mr. HAIRSTON. We would support the administration's budget request for those programs, yes, sir.

Chairman MANZULLO. That was pretty well restated. Okay, thank you very much.

Next, Anthony.

Mr. ROBINSON. Compliance is important, and the administration certainly has not requested sufficient resources in order to make

compliance real, and I think that a great deal more could be done with existing situations where there is sufficient resources at SBA to make compliance real. So I would have to, with great reluctance, list that as my number one.

Chairman MANZULLO. So let me see if I understand what you are saying. What you are saying is there are certain agencies in the Federal Government that probably—I'm just guessing—probably from a convenience point of view than anything else bundle a whole lot of stuff together and ship it out because it is less paperwork and less hassle to do.

And you are saying if those large bundled types of contracts were broken down and were really given as possibilities for small businesses to compete for some of that business, that would, first of all, comply with the law; but second of all, would be the thing that would be the most helpful.

Am I understanding what you are saying?

Mr. ROBINSON. Yes, that plus other compliance issues that that infrastructure is designed to facilitate, yes.

Chairman MANZULLO. Can you give me an example of that, please?

Mr. ROBINSON. I spoke relative to, you now, the PCRs, for example, and the multiple functions that PCRs are required relative to the identification of procurement opportunities, et cetera, on behalf of those companies, including the bundle situations that we are talking about. And my point relative to what SBA and what Mr. Hairston has indicated is that the administration's budget to carry out that compliance function in all of its areas is not sufficient in order to make that happen.

Chairman MANZULLO. How much bigger would it have to be?

Mr. ROBINSON. I am not prepared to state that at this point. Certainly you have better than 40 percent of the budget that is not scrutinized by that process at present, and under the administration's budget. So whatever would be sufficient in order to have a greater percentage of the procurement process, oversight on that procurement process under review.

Chairman MANZULLO. Thank you. Thank you very much.

Lonnie.

Mr. SANDERS. We would like to operate like every other business. What the statute that was inserted in the legislation did was to separate a HUBZone contractor and put him in a category that is impossible.

I will go back to my illustration. This is a commodity.

Chairman MANZULLO. All right.

Mr. SANDERS. What they are asking us to do is do something more than 50 percent to this apple, and still make it look like an apple, and then we will do business with you. That is impossible to do. That is the manufacturing business.

We are in the supplying business. No other business in bulk grain does that. They do not operate that way. Your major companies do not. They buy from farmers. They buy off the commodity exchange, they buy from each other. As a matter of fact, the agricultural program has a program that they sell some of the commodities that we store and we swap. If we bought from them, we would

be ineligible based upon the way the statute was written to participate in the program.

So the only thing we are asking is treat us like everyone else that is operating in the grain business, and that is it.

Chairman MANZULLO. Thank you. That seems fair. It would be innovative to see what they are going to do to the apple, change it 50 percent and still make it an apple.

Mr. SANDERS. And any other commodity.

Chairman MANZULLO. For that matter, yes. Right.

Alba.

Ms. ALEMAN. Thank you, Mr. Chairman.

In sticking with your request to give you only one, I would have to say that statutory changes relative to 8(a) participation and percentages, both the agency's compliance and the compliance of large prime contractors.

I met with someone just recently, an appointed official that seemed to feel that statutory changes were not necessary because people should just do the right thing. But in my experience, doing the right thing is a very subjective thing, and unless there are incentives and legislative requirements the right thing becomes a very nebulous thing.

Chairman MANZULLO. How complicated do you think it would be to try to—I think what I am hearing you say is that you have to put more teeth in the law.

Ms. ALEMAN. Yes, sir.

Chairman MANZULLO. Okay. And how much additional complexity is that going to generate in the process of doing that?

Ms. ALEMAN. Of changing the law or governance to——.

Chairman MANZULLO. Well, I am more concerned with after those changes were made. Let us just sort of say now everybody has just got to comply, and you have got to prove this, this and this. How much more paperwork and bureaucracy do we create if we try to do that?

Ms. ALEMAN. Well, I am not sure it is additional, but annually, for instance, large primes are expected to report on their compliance. But the problem comes not in the reporting, but there are no disincentives, they do not lose their contracts if they do not comply year after year for five, six, ten years at times. There is no real reason for them to comply unless they wish to.

Chairman MANZULLO. Thank you very much.

Ms. ALEMAN. Thank you.

Chairman MANZULLO. I would love to ask some more questions but I want to be fair to the other members of the Committee.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Mr. Hairston, why did you change the name of the memorandum of understanding used to delegate procurement functions to agencies to partnership agreements?

Mr. HAIRSTON. If I recall correctly, I believe we changed the name because partnership agreement, in terms of our view of a partnership agreement, was more indicative of the relationship that we viewed that we were having between the agency and then the procuring agency with which we were entering an agreement.

Ms. VELAZQUEZ. Have you issued any policy notices providing guidance or procedures or clarification to the district offices in order to support these partnership agreements?

Mr. HAIRSTON. I think we did originally. I do not recall that we have done one recently.

Ms. VELAZQUEZ. My understanding is that you have not.

Mr. HAIRSTON. I think we did when we first issued——.

Ms. VELAZQUEZ. Will you submit to this Committee a copy of one of those notices?

Some people contend that those partnership agreements have been the ones that caused the SBA to lose control over what 8(a) firms are doing, thereby reenforcing the perception that the 8(a) program is contracting program rather than a business development program.

How do you respond to that?

Mr. HAIRSTON. Under the partnership agreement, essentially what we are doing is delegating the authority that we once undertook under what we referred to as a tripartite agreement, which when we entered into a contract with a procuring activity we would sign that contract and at the same time have the firm sign that contract as a subcontracting action.

Ms. VELAZQUEZ. The 8(a) program, is it a business development program?

Mr. HAIRSTON. Well, it is a business development program.

Ms. VELAZQUEZ. Okay. How did these partnership agreements ensure disadvantaged businesses receive maximum practicable opportunity to participate in the fair marketplace and enhance the competitive viability of 8(a) firms, which is clearly the congressional intent?

Mr. HAIRSTON. What this partnership agreement does is it streamlines the execution process of a contract. It does not take the place of the business development assistance that we provide through our district office employees at SBA. We still provide those same services that we provided before we entered into those partnership agreements. We still advocate for contracting opportunities. We still will help negotiate on their behalf.

Ms. VELAZQUEZ. Okay, you said to me before that the 8(a) program is a business development program. So can you tell me what kind of business development is currently being provided to the 8(a) firms?

Mr. HAIRSTON. Well, we provide business development through our 7(j) program. We provide business development through our resources under our entrepreneur development program, through program SCOREs, Small Business Development Centers.

Ms. VELAZQUEZ. What about matching events?

Mr. HAIRSTON. Well, we provide that through match making. As a matter of fact, most of our matchmaking events, we have had large representation of 8(a) firms at our matchmaking events.

Ms. VELAZQUEZ. But I am asking specifically about the 8(a) program, not the 7(j)?

Mr. HAIRSTON. No, I said most of our matchmaking events, we have had large representation from our 8(a) community at all of those events.

Ms. VELAZQUEZ. Can you tell me what follow up was done to evaluate the effectiveness of this training? And does the SBA keep record of all of the business development assistance provide to 8(a) firms?

Mr. HAIRSTON. We keep track of the assistance provided to our 8(a) firms. Those programs that are provided under our entrepreneur development programs are tracked in their information system. Under 7——.

Ms. VELAZQUEZ. Have you evaluated those?

Mr. HAIRSTON. I cannot think of an evaluation that has taken place in the last year.

Ms. VELAZQUEZ. Ms. Aleman, what kind of business development assistance have your firm received through the 8(a) program?

Ms. ALEMAN. Business development assistance as in helping us? I would have to say that we have aggressively attended a lot of the training session from the Small Business Development Centers if that is what you are referring to.

Ms. VELAZQUEZ. No, I am not.

Mr. Hairston here is telling us that they are providing to the 8(a) firms business development assistance. I am asking you if you have ever received any type of business development assistance that has been provided by the SBA.

Ms. ALEMAN. Not if you are talking about something outside of the training. I am not familiar with something else that might be considered business—other than the training session.

Ms. VELAZQUEZ. Well, he talked about matching events and some other——.

Mr. HAIRSTON. We also consider training as part of our business development assistance.

Ms. VELAZQUEZ. Have you ever received any training?

Ms. ALEMAN. I have attended a lot of the training for the Small Business Development Centers that are provided in our area.

Ms. VELAZQUEZ. Provided by SBA through the 8(a) program.

Ms. ALEMAN. I have, but what is not clear here is even when it comes to matchmaking events and the training sessions, they are very basic, the ones that the SBA provides. I went to one session at the SBA when I first was accepted into the program where they just talked about the program generally.

If anything, I actually serve as a resource for the SBA to come and do training, and mentoring, and I mentor a lot of other businesses that are even smaller than my own. But even the matchmaking events, it is a far cry from attending a matchmaking event to an actual real contract.

And maybe what we need to be measuring is contracts in hand. And if we can tie back a contract that came out of a matchmaking event, then that is really the goal. To just have an event where small business officers show up and attend, and I have got to tell you, depending on how many resources you have, it may or may not be valuable.

Ms. VELAZQUEZ. Mr. Hairston, my concern is that the 8(a) program has been stagnant for the past 15 years. No statutory changes have been done to this program. The SBA has not changed the way the program has operated since the implementation of pro-

curement reform in 1994, except to delegate contract functions to agencies that Mr. Robinson made reference to.

And yet given the opportunity to at minimum increase the 8(a) net worth beyond the $250,000 that has been since 1998, you have chosen to make only cosmetic changes to the program this year.

And the cosmetic change you propose to make is to take the word "minority" out of the program. Would you please explain why the SBA is allowing the 8(a) program to fail?

Mr. HAIRSTON. Well, what I can explain is that we have undertaken a project to look at ways to modernize the 8(a) program. As I mentioned earlier, we are in the process of developing an electronic application process. We are centralizing our annual review process to reduce the paperwork and to make that an automated process. And we are also evaluating the program from an internal standpoint to develop methods that we can deliver a program.

Ms. VELAZQUEZ. Mr. Hairston, when I asked you if you have done anything to evaluate the effectiveness of the training that you provide, you said that you have done none.

Mr. HAIRSTON. Not specifically at the training that has been recorded in our database. No, we have not looked at that.

What I am saying is that we are taking an overall look at the program, to evaluate the program to determine if we are delivering it in the most effective manner.

Ms. VELAZQUEZ. So you will do some changes to it that are substantive, that will respond to the issues and concerns that have been raised here beyond taking out the minority word of the 8(a) program.

Mr. HAIRSTON. Yes, we will continue to evaluate the program, and we will develop recommendations in terms of what would be appropriate in terms of delivering a program in the future.

Ms. VELAZQUEZ. Well, you have been there for awhile, and nothing has happened. I can promise you that if you do not act, we will act.

Let us talk about the PCRs and people mentioned here, the procurement center representatives. We have only 47, not even one per state.

Ms. Angela Stiles, director of the OMB's Office of Fair Procurement Policy, in testimony before this Committee expressed concern regarding the lack of resources devoted to the President's bundling plan when I questioned her about the fact that President Bush last year in March announced his small business agenda, and in the top of that agenda was contract bundling; that they will be breaking up. And nothing has happened.

And when I questioned her why, she said that she does not have the—that they do not have the resources.

In her testimony on May 7 before this Committee, Ms. Stiles said, and I am quoting, "I will certainly ask you to talk to SBA as well on their allocation of resources for PCRs."

Can you please tell me why is it that your office has not requested additional PCRs?

Mr. HAIRSTON. Based on our assessment of the circumstances at this time, we, and I think Mr. Robinson mentioned this, we presently cover 200, the top 200 buying activities in the country. We cover about 60 percent of the total federal expenditures with our

existing PCR workforce. And we believe, with the implementation of the contract bundling report with the accountability being placed on agencies for meeting the goals, for the commitments that we are receiving from the agencies to achieve their goals, and with the education and training that we will provide to contracting officers, that we will see a greater—we will create an environment to create better opportunities——.

Ms. VELAZQUEZ. Do not continue. Do not continue. Look, were you listening to my opening statement?

Mr. HAIRSTON. Yes, I was.

Ms. VELAZQUEZ. I said that again this year we are going to issue a report that is going to show how the Federal Government failed to achieve small business goal, minority goals, and women business goal.

And when I questioned Ms. Stiles about the fact that nothing had happened since the President announced his small business agenda, she said that there is a lack of resources, and that an important component to that is PCRs.

And you can come here with a straight face and say that the President's budget request is sufficient.

Mr. HAIRSTON. Well, I had not gotten to that point. What I was going to say was that, as we go forward implementing the strategy we will reassess the application of our resources.

Ms. VELAZQUEZ. What strategy? A year later, sir? The President made this announcement last year. You know, small businesses are suffering in our nation. We can lecture and we can go and campaign and say how wonderful they are. They are the backbone of our economy. And then listen to all these small businesses who are suffering, and nothing is being done.

What about the Women's Business Center? You do not mention the Women's Business Center.

Mr. HAIRSTON. That does not fall under my program areas, ma'am.

Ms. VELAZQUEZ. The women procurement program. We passed the legislation two years ago. When are you going to come before this Committee and inform us about the study for the study of the study?

Mr. HAIRSTON. Well, we have——.

Ms. VELAZQUEZ. When?

Mr. HAIRSTON. We have issued a contract with the National Academy of Sciences to undertake the study that we believe we need.

Ms. VELAZQUEZ. The study that was conducted already.

Mr. HAIRSTON. Right.

Ms. VELAZQUEZ. And now you hire—you gave a contract for a firm to study the study.

Mr. HAIRSTON. That is correct, yes, to take a look at the methodologies and the approaches——.

Ms. VELAZQUEZ. God bless America.

Thank you, Mr. Chairman.

Chairman MANZULLO. We will proceed to other questions in the order as the members came. I think, just from a timing point of view, if we could I would like to see if we can keep this fairly close to—cut it off fairly close to maybe at the most a quarter past or

so, because we have a whole second panel of witnesses. So if we could keep the questions sort of in the five-minute range, it would be great.

Mr. Udall, you were next in line, I think.

Mr. UDALL. Mr. Hairston, when you talk about modernization in the 8(a) program, is part of that modernization effort raising the personal net worth restriction? Is that something that this administration supports? And where do you think it should be?

Mr. HAIRSTON. The immediate task that we are undertaking is the simplifying of the application which was mentioned earlier as being onerous. The paper-intensive annual review process, we are taking an effort to try and automate that to the extent that we can.

As far as the overall assessment of the program in terms of looking at how it is delivered, is it being delivered effectively, I think many of the issues that have been raised here today are being considered in that process.

Mr. UDALL. But you do not have a position today on——

Mr. HAIRSTON. Not today, no.

Mr. UDALL [continuing]. Raising the personal net worth restriction?

Mr. HAIRSTON. No, no, I do not have a position on that today.

Mr. UDALL. The HUBZone program does not have that personal worth restriction. Are you looking at that as part of it also, as to whether or not those should be equalized in any way?

Mr. HAIRSTON. Well, the net worth restriction on the 8(a) is based on the original statute that requires that the individuals who own and operate an 8(a) must be determined to be socially and economically disadvantaged.

One of the factors that is required in the economic disadvantaged determination is a look at the individual's personal net worth.

The HUBZone program is a geographic-based program, places no restrictions on the well being of the individual. Only requires that the firm be located in a designated HUBZone area, that the individual be a U.S. citizen, and that they employ 35 percent of those employees who are residents of a HUBZone, but there are no specific requirements for the individual eligibility other than their citizenship, sir.

Mr. UDALL. Do you think that that would open that up to abuse in terms of a HUBZone business, somebody moving in and just setting something up if they did not have this personal net worth restriction?

Mr. HAIRSTON. You mean in terms of HUBZones?

Mr. UDALL. Yes. Yes.

Mr. HAIRSTON. The HUBZone program does not have a personal net worth restriction.

Mr. UDALL. That is right.

Mr. HAIRSTON. The 8(a) does.

Mr. UDALL. No, I understand that.

Mr. HAIRSTON. Are you asking if we require an economic?

Mr. UDALL. Well, I am asking if it is not required in a HUBZone and the purpose there is to try and get businesses operating, small businesses——

Mr. HAIRSTON. Right.

Mr. UDALL [continuing]. With no personal net worth restriction, could you not have larger businesses set up and do things that would really be undermining the whole small business premise?

Mr. HAIRSTON. Well, if that were to occur, and we were not able to detect it, it would certainly be a violation of our rules, particularly our affiliation rules that would govern the size of a firm. We require that those firms be small businesses, and that they remain small businesses as long as they are in fact in the HUBZone program.

Mr. UDALL. Asking the other witnesses, I mean, do any of you have an opinion on this personal net worth restriction and whether or not it should apply to HUBZone and should it be raised up in the 8(a) program?

Ms. ALEMAN. Well, if we are going to——.

Mr. UDALL. Ms. Aleman.

Ms. ALEMAN. If we are going to give parity to HUBZone program with the 8(a) program, my only question would be how would we feel about it if Bill Gates started a HUBZone. He is definitely a much more financially bankable individual than myself and probably most of the folks here on this panel. And how fair is it to protect and provide these organizations with protected competition when they are not expected or required to do the same things, or go through the same hoops that we are?

So that is my concern. If we are going to give parity to these programs, and we need to be careful because there is a damaging impact if I am forced to be disadvantaged, but those that we are giving parity to have no disadvantage requirements. So it is just an issue of how we are going to view the programs in general.

Mr. ROBINSON. I would have a similar concern. If this Committee recalls in a recent hearing relative to large businesses and their involvement in the small business program. But absent some cap, if you will, relative to net worth and issues of that, you know, you stand to reason to invite that kind of continued abuse in these programs as well.

So I would be also for some kind of net worth restriction and on the front end. It certainly do not make sense to me over the tenure of your life of the program that you would penalize success. But being that the policy is based on your entry into the program of being disadvantaged, it would seem to make sense on that, but again, geared toward some industry standard.

Mr. SANDERS. We have been, C&S Trading, we have been very blessed to have been able to work with two of the largest grain companies in the world, Cargill and ADM. It took a tremendous effort on our part to make that happen.

Our biggest problem right now is the legislation that has been inserted in the HUBZone provision that does not allow us to do business like everyone else. As a matter of fact, it does not allow us to do business at all with the HUBZones.

So I would really hope the Committee would take a look at that legislation and give us the same opportunity as anyone else, to execute, not undermine the program, and that is essentially what this legislation has done, undermining the HUBZone program.

Mr. UDALL. I thank the panelists, and yield back to the Chairman.

Chairman MANZULLO. Thank you, Mr. Udall.

And let me—I have our list here. Mr. Ballance, I think, was next.

Mr. BALLANCE. Mr. Chairman, thank you. I am going to be brief. I heard the last two witnesses and a part of Mr. Robinson's, and I did not hear Mr. Hairston's testimony.

Mr. Hairston, I am very disturbed by what Mr. Robinson had to say—Mr. Sanders had to say, Lonnie Sanders.

Do you have any jurisdiction in that area?

Mr. HAIRSTON. The provision in the statute referred to by Mr. Sanders is actually a provision that was inserted in SBA's 2000 reauthorization bill.

Mr. BALLANCE. I understand that, but do you have any jurisdiction in that area?

Mr. HAIRSTON. In terms of—yes, in terms of the regulatory process as it relates to——.

Mr. BALLANCE. That is a pre-question. My question is, if you do have jurisdiction, and you heard his testimony, are you prepared to recommend to us that we make a change?

Mr. HAIRSTON. Well, I think Mr. Sanders characterized it very well. SBA, when we got involved in that particular——.

Mr. BALLANCE. Mr. Chairman, I am a lawyer. I am going to have to ask him to answer this question.

Are you prepared, are you prepared—now your title is—I saw it somewhere.

Chairman MANZULLO. It is complicated. It is a very long title.

Mr. BALLANCE. Deputy Associate Deputy Administrator.

Mr. HAIRSTON. Right.

Mr. BALLANCE. Are you prepared to make a recommendation to this Committee based on what you heard today or what you already know?

Mr. HAIRSTON. I would have to go back and look at that provision before I could give you any idea of what a good recommendation would be.

Mr. BALLANCE. You are not as outraged as I am about his testimony?

Mr. HAIRSTON. Well, I certainly think that that is certainly a hindrance to him doing business.

Mr. SANDERS. No, no, it is not a hindrance. It is a block.

Mr. HAIRSTON. A block.

Mr. SANDERS. You cannot take this apple——.

Mr. BALLANCE. I yield him 30 seconds, Mr. Chairman.

[Laughter.]

Mr. SANDERS. You cannot take this apple and substantially change it 50 percent and still have it look like an apple. That is exactly what the legislation says, and we cannot, you cannot, no one can do that. That is impossible.

Now, how can you sit there and say you would not help us? That is ridiculous.

Mr. HAIRSTON. No, no. What I am saying is that I need to look at the provision.

Mr. SANDERS. What you are saying is nothing. What you are saying is a lot of legalese.

Mr. BALLANCE. Excuse my——.

Mr. SANDERS. We need some help.

Mr. HAIRSTON. If I could answer the question, I would be happy to answer the question.

Mr. BALLANCE. I want to know if you are going to make that recommendation.

Mr. HAIRSTON. Well, I would be happy to answer the question now. It could be a situation that can be addressed through the regulatory process. I do not know that until I look at the statute. It may not be able—the statute may be written in such a manner that we cannot address it through the regulatory process.

Mr. BALLANCE. Well, I will yield back——.

Mr. SANDERS. The statute was inserted, I think, if I am not mistaken, in violation of the Administrative Procurement Act, which did not follow the procedure as it relates to being asserted in the business.

So you are saying you are going to look at something that did not occur, if I am not mistaken.

Mr. HAIRSTON. No, sir, I am saying that if it was inserted in our statute, it was done so by Congress. And in order for us to determine whether it is something that we can address from a regulatory process or whether it would require statutory change, we would need to review that.

Chairman MANZULLO. I appreciate the line of questioning. Perhaps we can kind of cut through this though.

Mr. Hairston, could you look into that and report back to the Committee whether this is a rules and regs deal, or whether it is a statutory thing?

If it is a statutory thing, I think we are going to want to revisit that question, and perhaps you would want to look at it the same way if it a rules and regs.

Do you have the authority to change that rules and regs-wise?

Mr. HAIRSTON. When the statute is written, we interpret the statute.

Chairman MANZULLO. I understand that.

Mr. HAIRSTON. I need to look at it to see if we can interpret it in a manner that we can address that from a regulatory perspective.

Chairman MANZULLO. Then you have the authority to change it.

Ms. VELAZQUEZ. Mr. Chairman, may I——.

Chairman MANZULLO. Yes, I yield; yes.

Ms. VELAZQUEZ. It is their interpretation. This is not a statute. It is a rule.

Mr. HAIRSTON. No, it is a statute. It was in our Reauthorization Act. It was Section 612 of the Reauthorization Act of 2000.

Chairman MANZULLO. Let us look into it and see if we cannot at least take care of one—get one blow for freedom in here today.

We have got next, I think, Mr. Schrock. Were you going to make a—it is either questions or answers. I think this is answers time.

Mr. SCHROCK. Well, I am not going to ask a question, I do not expect an answer, but I am going to make a comment.

I was not here to hear the testimony of the four individuals here, but let me guess what happened. The government agency came in, and I am not trying to pick on you, Mr. Hairston, but the government agency came here and said what wonderful things they are doing for small business. And Mr. Robinson, Mr. Sanders and Ms.

Aleman said, no, they are not. And we hear this time and time and time again.

I share Ms. Velazquez's frustration. We study things to death up here, and I am sick of it. I am sick of agencies answering a question by saying we are studying it. We have got to stop that because these people out here a dying on the vine, and the backbone of this country is small business, and we are killing them with our regulations.

And you know, bundling, I heard—the minute I walked in here I heard bundling, and my back got up, because that is a huge issue in the district I represent in Virginia. We have got to get these people to respond. They can come and testify week in, week out, month in, month out, but if they do not take action and help these people.

I am glad to hear what Mr. Sanders said. I almost applauded but we are not allowed to do that. But I think you are absolutely right what you said. We have got to get government off these peoples' back. And if they are regulations that are supposed to help these people, then we need to put their feet to the fire, and Democrats and Republicans need to holler at them until they get it down.

And I am not a lawyer, Mr. Ballance, but you know, I think I can understand what I am being hood wigged.

Now that is not saying anything derogatory about you, Mr. Hairston, but we have heard this time and time again, just the names and the people—just the names have changed. Every time we have a hearing this goes on. Ms. Velazquez is sick of it. And I think—I think she is anyhow. And I think I am too. We have simply got to do something about it.

Chairman MANZULLO. She was about as eloquent as you are.

Mr. SCHROCK. Well, thank you. Thank you. We will make a good team.

Thank you, Mr. Chairman.

Chairman MANZULLO. I thought I was going to have to try and get law and order in here.

[Laughter.]

Chairman MANZULLO. Thank you, Mr. Schrock.

And let us see, yes, Ms. Napolitano. All right.

Ms. NAPOLITANO. Thank you, Mr. Chairman. I associate with the comments on both sides.

We have been battling for a long time trying to get some relief and some assistance to the small businesses in my area who are losing literally their businesses because they cannot get assistance or they are not able to compete in the situations that have been covered before.

Ms. Aleman, your comment in your testimony regarding what you would have to do to qualify for the HUBZone was interesting. Basically, you would have to get rid of 35 percent of your employees and move to a low income area; am I correct?

Ms. ALEMAN. Yes, ma'am.

Ms. NAPOLITANO. What impact would this have on your ability to compete for federal contracts?

Ms. ALEMAN. Well, relocating is not the worst of our problems, you know. We understand that training our folks is expensive as it is, and we have already got a core team of folks. But more impor-

tantly, we provide high-end technology services to the government. These types of services that have serious requirements both educational and years of experience, and folks that qualify for these particular types of labor categories and rates and the services we provide, I have not found any living in a HUBZone yet.

But if I were to train someone, we would never be able to qualify for the years of experience that is required, and what it would mean is I would have to drastically change my business model, change the services that we are providing in order to comply, truly comply with the intent of the program.

Ms. NAPOLITANO. What kind of impact would this have on your firm if we were to include a new program for service disabled veterans that had priority over your 8(a) firm?

Ms. ALEMAN. We would continue to water down the resources, the limited resources as you hear Mr. Hairston saying. They are already limited in the number of resources they have. It has been said over and over again. And if we continue to layer in programs that take precedence over the 8(a) program, and yet do not have the restrictions, do not have the restrictions, then that just makes it more difficult for us.

Ms. NAPOLITANO. Mr. Robinson, any comments?

Mr. ROBINSON. Oh, I would absolutely agree. What you have is a continuing dilution of benefits to program participants. The more and more you add new folk, and it is not to say that people are not worthy, but it is the resources necessary to deliver. The benefits of these programs are just not there.

Ms. NAPOLITANO. Mr. Hairston, I understand the SBA has decided to put the SBA exchange project on hold. Is this correct?

Mr. HAIRSTON. That is correct.

Ms. NAPOLITANO. Was there any notice put out on this decision?

Mr. HAIRSTON. Yes, there was. We noticed—at the time we made the decision to put it on hold we notified the small business community that in fact we were putting it on hold. We explained the reason we were putting it on hold.

Ms. NAPOLITANO. Excuse me. What business community? How did you outreach to them? How did you get that information to them?

Mr. HAIRSTON. Well, we put a notice on our Web site first, and the firms that had already signed up to participate in the SBA exchange were notified in writing. Each firm was notified in writing.

Ms. NAPOLITANO. Any media coverage? Any newspaper articles?

Mr. HAIRSTON. Yes, there was.

Ms. NAPOLITANO. Any magazine outreach to be able to reach those firms?

Mr. HAIRSTON. Yes, there were a number of media interviews and inquiries about the status of SBA exchange at that time.

Ms. NAPOLITANO. But you really did not do any great outreach. You just put it out in the Web site and——.

Mr. HAIRSTON. And contacted the firms that had in fact already——.

Ms. NAPOLITANO. How many of them? Do you have any idea, ballpark?

Mr. HAIRSTON. It was in the neighborhood of probably about 500 companies in all at that time.

Ms. NAPOLITANO. Were those companies refunding their $1500, what do they call it, the registration cost?

Mr. HAIRSTON. At this point I do not know that any firm has actually received a refund. We have had some inquiries regarding the refunds, and of course, we have gotten inquiries as well as the SBA exchange contractor has gotten inquiries regarding refund.

And what we have indicated to them is that as it stands right now we have a project on hold. The project is being reviewed by OMB to make certain that it is consistent with the integrated acquisition environment mission and direction and goal, and that we intend to go forward with the project in the very near future, and we are asking them to be patient.

But I do not know that there has actually been any refunds given to this point.

Ms. NAPOLITANO. How long ago was the decision made and when did you notify these businesses, roughly? Months?

Mr. HAIRSTON. It has been several, it has been at least two months I know.

Ms. NAPOLITANO. Will you be paying them interest?

Mr. HAIRSTON. We have not made any decisions regarding refunds at this point.

Ms. NAPOLITANO. Well, sir, if I were in business, and I am, a micro business, I would certainly be able to use that money or put it in the bank and get some interest on it, or at least use it to expand my business, or hire an employee or do other things with it.

So my suggestion is that SBA be able to get on the ball and either refund the money, keep those people on a list, at a later time, unless you are going to pay them interest on that, sir, because if I had it in a bank, I would get interest.

So it is quite a bundle. It is pretty close to a million dollars that you are holding onto peoples' money.

Mr. HAIRSTON. Well, we do not actually have the money, ma'am. We entered into a no-cost agreement with the SBA exchange provider. We received no funds, and we provided no funds.

Ms. NAPOLITANO. Who has the money?

Mr. HAIRSTON. The SBA exchange contractor would have any deposits that were made or any monies that were paid.

Ms. NAPOLITANO. Is that a private contractor?

Mr. HAIRSTON. That is a private contractor.

Ms. NAPOLITANO. They have $750,000 worth of business money, and I suggest somebody tell them either they are going to pay interest or maybe we will look at it legislatively and make sure that they do get refunded one way or another.

Mr. HAIRSTON. Yes, ma'am.

Ms. NAPOLITANO. Thank you.

There are several other things I would like to, but I yield to my colleagues since Mr. Manzullo has come in.

Chairman MANZULLO. Thank you very much, Ms. Napolitano, and we have another gentleman who has joined us here in the far right, the Chairman's far right.

Chairman MANZULLO. I am sorry I was not here. We were on the floor.

You are telling me the SBA hired a private company to do a government function at no cost, and charged 500 small business people $1500 a piece. Yes or no?

Mr. HAIRSTON. Yes, we entered into a no-cost——.

Chairman MANZULLO. What is the name of the company?

Mr. HAIRSTON. Nexgen.

Chairman MANZULLO. Could you spell that for me?

Mr. HAIRSTON. N-E-X-G-E-N.

Chairman MANZULLO. And they have done no work?

Mr. HAIRSTON. They have done some work, yes, sir.

Chairman MANZULLO. Some work? I want to tell you right now I want that money returned in 30 days. We are writing the reauthorization. I am going to put it in there or I will take it out of your budget.

Do you understand that?

Mr. HAIRSTON. Yes, sir.

Chairman MANZULLO. Repeat to me what I just said.

Mr. HAIRSTON. You indicated that you would——.

Chairman MANZULLO. I did not indicate.

Mr. HAIRSTON. I am sorry. You stated that you would like for the money to be refunded.

Chairman MANZULLO. I did not state that. I did not say "I liked." I want you to understand what I just said. Please repeat it for the record.

Mr. HAIRSTON. You stated that you wanted the money refunded within 30 days.

Chairman MANZULLO. The money shall be refunded within 30 days. Do you understand that?

Mr. HAIRSTON. Yes, sir.

Chairman MANZULLO. Or I will have an oversight hearing. When is the next hearing we are having here? Who has got the book?

Next week. When is it? Next Wednesday. I want you to be in this room next Wednesday at two p.m. with a document stating, and a copy of a letter going to every person, every small business that the money is going to be returned.

Mr. HAIRSTON. Yes, sir.

Chairman MANZULLO. You will be here.

Mr. HAIRSTON. Yes.

Chairman MANZULLO. No excuses. I want it done.

Who was it that came up with this program?

Mr. HAIRSTON. This program was—the actual concept was started, I think, in 1998 or 1999.

Chairman MANZULLO. Okay.

Mr. HAIRSTON. When the original contract was entered into, the original no-cost agreement.

Chairman MANZULLO. Just a second. No cost to whom?

Mr. HAIRSTON. There is no cost to the government.

Chairman MANZULLO. No cost to the government.

What is your budget for the SBA?

Mr. HAIRSTON. Our budget request for this year is in the neighborhood of 800 million.

Chairman MANZULLO. Well, that is correct. So do not tell me it is no cost. Those small businesses are paying taxes that pay to

keep this thing going. And you are telling us that the SBA is charging $1500 to do a government function——.

Mr. HAIRSTON. No, sir.

Chairman MANZULLO. That is not a government function to make matches?

Mr. HAIRSTON. No, sir. We are not charging $1500. That was a price that the contractor was charging.

Chairman MANZULLO. That is bureaucratic gobbledygook. That is what makes small businesses irate around here. I mean, you confirmed 500 small businesses have paid $1500 a piece for a government function. You should be doing that for them free.

Do you agree with that?

Mr. HAIRSTON. Well, the purpose of the contract was for the contractor to develop the system, and the cost associated with developing the system basically relates to the fees that they charge.

Chairman MANZULLO. It takes $1500 to develop a system to make matches? Have you no idea that you already have a matchmaking system, and that in the middle of June the SBA had a matchmaking seminar in Chicago, a copy of it was done in Orlando, and going to seven cities across the nation for matchmaking purposes? Are you not aware of that?

Mr. HAIRSTON. Yes, I am. The e-commerce system, SBA exchange is a much more sophisticated, it is a transaction-based system serve the entire government, make the federal procurement process totally paperless. It is a little bit more sophisticated than the matchmaking——.

Chairman MANZULLO. Well, I want to tell you something. It is becoming unsophisticated. That already exists. I think I need something stronger than coffee. Thank you. That already exists.

Mr. HAIRSTON. It is not a duplication of any existing systems in the government at this time.

Chairman MANZULLO. You had better be prepared to defend that program Wednesday at two o'clock, and I am very serious. I will keep you here in this room as long as it takes next week until those people are assured that they are getting back their money, and you are going to have to break that contract with that company that has done very little

Was that contract competitively bid?

Mr. HAIRSTON. No, it was——.

Chairman MANZULLO. Oh, it was not?

Mr. HAIRSTON. No, it was not.

Chairman MANZULLO. It was not competitively bid.

Mr. HAIRSTON. No, it was an 8(a) sole source contract.

Chairman MANZULLO. It was an 8(a) sole source program. Is that what it was?

Mr. HAIRSTON. It was an 8(a)——.

Chairman MANZULLO. There was no competition at all on this thing?

Mr. HAIRSTON. No.

Chairman MANZULLO. What is the background of this company?

Mr. HAIRSTON. It is an e-commerce company. It has been in the IT business for several years; had developed the prototype of the system, and at that time the individuals who were evaluating the system saw great potential and what it could do.

And as I said, as I indicated, the system is now being currently—it is being currently reviewed by the integrated acquisition environment, and it is part of the overall——.

Chairman MANZULLO. Well, you can just tell them to stop it. If you want to keep that going, you pay it out of your own budget. Those small business people have been screwed, and I want them to get their money back. That is an embarrassment for the small business community in this country into the SBA to have such an outrageous thing like that.

I mean do you know how many free programs there are out there offered by the government for match making, for international trade, for all types of—I mean, we have a PTAC. Do you know what a PTAC is?

Mr. HAIRSTON. Yes, sir.

Chairman MANZULLO. Procurement Technical Assistance Center.

Mr. HAIRSTON. Yes.

Chairman MANZULLO. Jonathan Jackomo in Rockford, Illinois; one of 91 PTEC offices was named number one in procurement technical assistance. We had people come out from DoD. Deidra Lee came herself, 254 people showed up for purposes of match making. We have had the Department of Commerce come out. We have had conference after conference after conference of government agencies willingly offering matchmaking programs. Not one has ever charged anything except the SBA to these people. That is a disgrace.

I will see you Wednesday at two o'clock with that document.

Ms. VELAZQUEZ. Mr. Chairman.

Chairman MANZULLO. I will yield.

Ms. VELAZQUEZ. Yes, please. Thank you.

I just would like to make a clarification here because I am a little bit confused. I do not think the issue here is the contract, but the fact that SBA—it is not that the contractor did not fulfill its obligation; it is the fact that SBA put it on hold that contract, is it not?

Mr. HAIRSTON. That is correct.

Ms. VELAZQUEZ. And it is SBA who is not allowing for the contractor to fulfill its obligation?

Mr. HAIRSTON. That is correct.

Ms. VELAZQUEZ. Why not?

Mr. HAIRSTON. Well, as I indicated, the Office of Management and Budget, the integrated acquisition environment is reviewing this system for inclusion in the overall integrated acquisition environment e-government procurement process, and they are looking at it to make certain that it is consistent with the mission and objectives of the e-government initiative in terms of single point of entry, simplifying acquisition opportunities for all federal agencies.

This system will allow for on-line transactions to take place. It is not really a matchmaking system. It is a system that will allow federal procurement officers to simplify their buying. They go on line. They make a purchase on line. They actually pay their bills on line, and it will allow small businesses a greater access to more federal procurement opportunity with a focus on procurement particularly under $2500.

We are losing about $14 billion a year to credit card purchases where there is no control. This system gives agencies the ability to

control those purchases. That is what was being looked at for the purposes of this system.

Ms. VELAZQUEZ. Is the contractor under the impression that SBA will not continue with this program?

Mr. HAIRSTON. No, he is not.

Chairman MANZULLO. I would just say that the charging of these people by the Small Business Administration is incompatible with the administration's belief and with that of the marvelous Administrator Mr. Barreto. He understands small business people. He was out of my district and the Speaker's district for two entire days traveling all over the place. And this is the type of thing that I am sure that he does not want to take place.

Mr. HAIRSTON. Well, one of the things that is being evaluated in this process at this time is the cost model, and we do expect to see a change in the pricing structure.

Chairman MANZULLO. Well, there will not be any price at all. I am telling you I do not want those guys charged, period. Do you understand that?

Mr. HAIRSTON. Yes.

Chairman MANZULLO. Thank you, Mr. Chairman, and we also have Ms. Millender-McDonald. Do you have a questions or an answer?

Ms. MILLENDER-MCDONALD Question. An answer? SBA does not have answers. Why would you think that I have any answers here this evening?

Chairman MANZULLO. Well, it seems some other people have been sharing some.

Ms. MILLENDER-MCDONALD No, really. I thank you, Mr. Chairman, and it is good to see our Chair Chairman here today. I follow your lead in terms of saying that small businesses have been, and then the blank, you fill in the blank of what you said.

We have got to really revitalize America if we are going to really get down to the crux of what really moves the engine of this economy, which is small business. Then, you know, we are sitting here talking to a man who says he is going to look into everything. So clearly, to me, we do not have the person who should be at this table. It should be your boss, Mr. Fred Amedeous, or it should be the man who the buck stops at, and that is Mr. Barreto.

Mr. Chairman, I suggest that we call all of these folks in here, and talk with them because we are failing in doing our due diligence on small businesses, and there is no point in my sitting here when we know that your personal net worth of 8(a) owners is $250,000, when you do not have a limit on the HUBZone.

So I mean there is a disparity here, and it is even more so with minority businesses. So I do not see beating up on you, Mr. Hairston, because the buck does not stop with you. We need to call the guy who is your boss or the guy who is the boss of that boss, and all of them to sit in this table here and talk. And until we do that, I am not going to waste anymore time talking with the gentleman who is going to look into the issues.

I yield back my time, and I have a statement for the record.

Chairman MANZULLO. With no objection.

Chairman MANZULLO. Let us see, and Ms. Bordallo.

Ms. BORDALLO. Thank you, Mr. Chairman.

I have a question for Mr. Hairston. The unemployment, this has to do with my territory of Guam, the unemployment rate on Guam is double the national average. Yet only selected areas have been designated HUBZones by SBA.

If I understand correctly, Guam is only 212 square miles in total land mass. Why is the entire island not designated as a HUBZone?

Mr. HAIRSTON. The determinations for actual areas that are designated by HUBZones is done by the Census Bureau. We take that data and it is based on a formula that they use, and we translate that data to those designated census tracts and areas by HUBZones. So it would be predicated on their analysis of the economic data related to those particular areas.

Ms. BORDALLO. So you are saying population?

Mr. HAIRSTON. It would be the income, unemployment.

Ms. BORDALLO. Economic stats, right?

Mr. HAIRSTON. Right.

Ms. BORDALLO. All right, thank you.

Thank you, Mr. Chairman.

Chairman MANZULLO. Thank you, and no questions from Mr. Toomey.

Okay, this concludes the first panel hearing.

[Recess.]

Chairman MANZULLO. [Presiding] The hearing will come to order.

Congressman Jim Colby from Arizona is going to be introduced, and thank you for joining our panel. Glad to have you hear, Jim.

Mr. COLBY. Thank you.

Chairman MANZULLO. Do you want to go ahead and introduce your witness?

Mr. COLBY. Well, thank you very much, Mr. Chairman. I am delighted to introduce one of the very distinguished panel of witnesses that you have here, and hopefully we can set them all at ease. I understand they said that they thought that it was the last part of your hearing was a little rough, that you were a little tough on the people testifying, so I said you will not be nearly as tough with the private sector ones.

We have only just begun. Okay, that should set them well at ease.

[Laughter.]

Mr. COLBY. Mr. Chairman, I am delighted to have the opportunity to introduce the—it looks like the male member of the panel that is up here today—Lee Smith who is the program manager for Southern Arizona Business, what is called the BusinessLINC program. And he is going to be talking about this program and its national validity. He is going to describe the funding, the grant funding for BusinessLINC and how it has become really an investment in new domestic, and I might add, for southern Arizona international commerce.

It is a combination of the interactive vendor database and the staff outreach has become really a very highly productive tool to encourage mentor and protegee interaction.

BusinessLINC has been uniquely productive, over $54 million in new regional contracts, $2.7 in new international contracts, and that is just in the initial 18 months that this program has been in place. It has generated an estimated 680 new and retained jobs, 28

mentor protegee projects, already has 1600 business profiles in its database, and new tax revenues are estimated to be about $3.1 million in the southern Arizona area.

So it has prompted the Arizona Department of Commerce to use the program as a model for the statewide expansion of BusinessLINC, which is what I hope you are going to hear about today. We think it is enjoying widespread interest and support from all aspects of the Arizona business community, and we are delighted to be able to share this with you here today,and I am delighted to have Mr. Smith, who is so well known, prominently known in our Tucson community, here to talk about this problem.

Thank you very much, Mr. Chairman, for this chance to give you this brief introduction to this program.

Chairman MANZULLO. Well, thank you, Mr. Colby. Normally I would start with the administration witness. If you wanted to stick around and ask questions of your constituent, I could have him go first.

Mr. COLBY. That is alright. Please go ahead. No, go ahead in regular order. I will have to leave anyhow because of some other business.

Chairman MANZULLO. Okay. Thank you, Congressman Colby.

Our first witness will be Kaaren Street, Associate Deputy Administrator, U.S. Small Business Administration, Office of Entrepreneurial Development. We welcome your testimony.

Let me just say, once in awhile I get excited in Committee here. Today is the day. You are fine. But you know, notice how few people are left in here which gives you an indication as to how many from the agency were here. And Hector Barreto has done a tremendous job at the SBA. I spent two whole days with him, and traveling the nation. He has gone all over the place for the purpose of encouraging small business people to get engaged, and to go to these seven—now there are six regional conferences of actual match making taking place.

And I guess what really got me upset about this so-called program on hold, $750,000 to develop something you do not need, is that with the small businesses who go to these matchmaking, it is two and a half days of concentrated—there are about it—it is a concentrated study, so the small business people can get involved in procurement and also in selling to larger companies that are involved in selling to the government for the purpose of fulfilling the small business set asides, and also for the purpose of allowing small business to get involved in the procurement.

There are 80 agencies and businesses, many with contracts in hand, that will come to the seminar. The total cost of the seminar is $125 with scholarships available, and that includes all the materials and the food. I mean, it is a marvelous program, and it is state-of-the-art computerized matchmaking taking place with NAICS numbers.

And as people call in or go to the Web site, they can register, they can put in their NAICS numbers. They can set up their own appointments with government people or the people at the SBA will provide the matchmaking. And so when the small businesses show up you will have what happened in Orlando, Florida, where people came from 18 states, $2 billion worth of government pro-

curement and private contract dollars, 2500 actual interviews were done face to face for the purpose of fulfilling the mission of the SBA.

I mean that is tremendous testimony to the job that Hector Barreto is doing. And I just cannot be that Hector even knew about 500 people paying $1500 a piece to get onto a computer program that does not exist.

After that introduction, Ms. Street, I just want to let you know I am not that bad.

Ms. STREET. Okay. I am shaking over here. I am a little nervous.

Chairman MANZULLO. And we look forward to your testimony. Thank you.

STATEMENT OF KAAREN J. STREET, ASSOCIATE DEPUTY ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, OFFICE OF ENTREPRENEURIAL DEVELOPMENT, WASHINGTON, DC

Ms. STREET. Chairman Manzullo, Ranking Member Velazquez, and Members of the Committee.

Chairman MANZULLO. I'm sorry. Could you move the microphone closer? Thank you.

Ms. STREET. Sure. Is that better.

Chairman Manzullo, Ranking Member Velazquez, and Members of the Committee, thank you for inviting me here today to discuss the reauthorization package for the U.S. Small Business Administration for fiscal year 2004.

The SBA is committed to serving America's small business men and women as an effective and efficient twenty-first century organization. SBA is reforming its programs and management to be dynamic and responsive, and to aggressively reach out to those entrepreneurs who needs its services. SBA particularly seeks to expand its reach into emerging markets. Above all, SBA is working hard in the Office of Entrepreneurial Development to integrate its services and programs into a client-based organization that answers the needs of entrepreneurs whether they come to SCORE, Small Business Developments Centers, our Women'S Business Centers, our Native American program or any other SBA program.

An example of an innovative and adaptive program is SCORE. SCORE operates in a dynamic, innovative fashion and leverages its grant funding with strategic alliances and seasoned small business volunteers. These volunteers annually donate more than a million hours of hands-on, real-life experience to the pre-venture and start-up entrepreneurial market. SCORE works aggressively to deliver its services to entrepreneurs wherever they may be. In fact, SCORE pioneered small business e-mail counseling in 1997, which now accounts for 25 percent of SCORE's total counseling.

Innovation requires flexibility, and many ED programs simply do not have the flexibility they need to improve efficiency, institute new ideas, and reach out to emerging markets. One example, in particular, is the Women's Business Center Program, and its sustainability pilot, which is about to expire.

The Women's Business Program provides valuable services to an underserved community, but its cost per client makes it one of our most expensive programs within the ED structure.

Currently, there are 52 centers receiving Women's Business Center grants. The sustainability pilot requires SBA to spend 30.2 percent of the program budget, which equates to $3.6 million 2003, on WBCs that have already graduated from the original five-year program.

Under this formula SBA is awarding grants to 81 centers leaving little or no budget resources available for new centers, innovation, marketing, or outreach. As a result, SBA will be unable to fund new WBCs in some of our largest urban areas which are not now being served; including Cleveland, Miami, Los Angeles, San Diego, Pittsburgh, Tampa, Little Rock, Minneapolis, Las Vegas, and many more. By redirecting the 30.2 percent allocated to the sustainability pilot, SBA could instead offer grants to a number of new centers.

Unfortunately, with the sustainability pilot in place, the budget will be entire accounted for. There will be no expansion into larger markets like Los Angeles and Miami and elsewhere. All WBC funding will be concentrated on simply maintaining the status quo. SBA is requesting that this pilot program be allowed to expire. Our goal is not to close or hinder existing centers, but to encourage growth and innovation in the current program.

Another important ED program is the Small Business Development Center program. The SBDC program is the largest non-credit program at SBA, and provides a wide array of information and services to new and existing entrepreneurs, counseling hundreds of thousands of small businesses and start-ups every year.

Like the WBC, however, SBA believes that the SBDC program could benefit from a new sense of innovation. The agency proposes a competitive grant process to select the lead center in each state on a five-year basis. This competition would affect only the lead center. It does not threaten the networks of individual centers themselves.

Current lead centers would, for the first time, be asked to find new and better ways of serving small businesses, or face the possibility of being replaced. The resulting competition would ensure dynamic administration of the program at the critical lead center level, and result in better service to our clients, America's entrepreneurs.

The SBA's proposal does not mandate change in lead center administration; rather, it introduces the potential for competitive leadership concepts. Competition is the backbone of American society, and leads to efficiency and innovation. This process will not result in a wholesale turnover of lead centers despite the dire predictions of certain groups. Lead centers that perform well will continue to be successful and continue to be part of the network.

Finally, I want to bring you up to date on our recent activities within SBA's Office of Native American Affairs. SBA appointed Thelma Siffarm to head this office and lead our Native American initiative. Thelma has over 30 years experience working with tribes and Indian organization, and is a former elected official to her tribal council of the Fort Bellnet Indian Reservation.

Recently, the agency received approval from the Committee on Appropriations on its proposal for allocating the $2 million received in fiscal year 2003 for the Native American initiative. To develop this initiative, SBA gathered input and support from tribal leaders,

and is currently working with the Bureau of Indian Affairs and other government and tribal agencies to maximize its effectiveness.

The initiative is not based on any one office, building, or organization. Instead, SBA will reach underserved communities using all possible means: tribal colleges, correspondence courses using e-mail or CD–ROM, collaboration with tribal and private organization, e-government initiatives, and more.

The goal is not merely to deliver government funds to Indian country. The initiative is to bring new investment, jobs, and skills to Native American entrepreneurs—building economic growth within the Indian community. A dynamic, innovative approach will be the rule in the new Office of Native American Affairs.

To conclude, small businesses create over two-thirds of all new jobs in the American economy. That is what the President's management agenda is all about—creating jobs and growth for the American people, while protecting the assets of hard working taxpayers.

The changes we propose to Congress in this reauthorization share a common goal: success through innovation. To achieve innovation, SBA must be able to invest in the marketplace of new ideas, and the agency asks for your support in this effort.

Thank you for your leadership and support in the small business community. SBA looks forward to continuing to working together.

Thank you. I would be happy to answer any questions at the appropriate time.

[Ms. Street's statement may be found in the appendix.]

Chairman MANZULLO. Really appreciate it.

We are going to have a vote here in a few minutes.

Mr. Beauprez, you have a witness here, constituent here, do you not?

Mr. BEAUPREZ. I have both, Mr. Chairman. Thank you.

Chairman MANZULLO. Why do you not go ahead and introduce your constituent and then we will continue our testimony and see how far we get.

Mr. BEAUPREZ. Thank you, Mr. Chairman.

It is a real pleasure today to introduce Kersten Hostetter, both a friend and a constituent of mine. Having managed several small businesses, Kersten Hostetter was asked to serve as the executive director of the MicroBusiness Development Corporation.

Since the merger between Colorado Capital Initiatives, Pace Works, and Colorado MicroCredit, the new organization has rapidly become one of the premier microenterprise agencies in the country.

Kersten brings the force of her considerable skill in business and even greater vision, and energy to an agency dedicated to creating opportunities for success in microenterprise clients throughout the state. Because of the scope and effectiveness of the MBD's various programs, she has achieved national recognition for her work in her field.

Kersten is striving beyond her commitment to financial opportunity throughout Colorado. She is also a champion for the financially disenfranchised throughout the nation. In addition to serving as chairperson of the board of directors for the Colorado Alliance of Microenterprise Initiatives, she also sits on the board of the national association, the Association of Enterprise opportunities.

Her goal is economic justice through community involvement for all people, and under her leadership MicroBusiness Development Corporation is meeting that goal on a larger scale every year.

Mr. Chairman, we are also joined today by Roberto Salazar. Roberto Salazar, and you can hold your hand up. Bob is the founder of a company called Safety Support Systems in Colorado, and is a user of the vary programs that we are conducing this hearing about today. And I had a chance to visit with him this morning; very proud of what he has accomplished, and living testimony to what these programs are all about.

Lastly, Mr. Chairman, I would point out that it was a woman, a Mary Madison, who was running an SBDC office in one of the toughest parts of Denver in the Five Points area, that showed me around that neighborhood a few years ago, and ended up being a cause for the company I used to run, opening a bank in a very, very underserved community, and collaborating with Kersten and others in seeing the credit needs of microbusiness entrepreneurs as well as other small business people were met in a community that previously were going very underserved.

So my compliments, and thank you for yielding to me, Mr. Chairman.

Chairman MANZULLO. Well, that is quite a introduction. After that, Kersten, we expect some great testimony. I am sure it is going to come.

Ms. Hostetter, we will start with you and see how far we get before these bells of tyranny come into disrupt our hearing. Look forward to your testimony.

The lights there, green is go, yellow is you have got one minute, and red is put the brakes on.

Ms. HOSTETTER. You have got it.

Chairman MANZULLO. So we appreciate it. Look forward to your testimony.

STATEMENT OF KERSTEN HOSTETTER, EXECUTIVE DIRECTOR, MICROBUSINESS DEVELOPMENT CORPORATION, DENVER, CO

Ms. HOSTETTER. Thank you, Mr. Chairman, Ranking Member Velazquez, and Members of the Committee, especially Representative Bob Beauprez, for the opportunity to testify before you today.

My name is Kersten Hostetter, and I am the Executive Director of the MicroBusiness Development Corporation, a microenterprise development organization Colorado, as well as the Director of the Association for Enterprise Opportunity, the national association of microenterprise development organization.

I am here to testify today on the Program for Investment in Microentrepreneurs, known as PRIME, and in support of the Women's Business Centers program. Before I discuss those programs specifically, I would like to tell you a little bit about microenterprises and their important role in the U.S. economy.

Americans have always cherished the idea that they can build better lives for themselves and their children through hard work and sacrifice. Many people are trying to achieve this ideal by starting their own microbusinesses. These microbusinesses are small businesses with five or fewer employees and initial capital needs of

$35,000 or less. They are located in both urban and rural communities. Many of these microentrepreneurs are low income, women, minorities, or disabled individuals.

Unfortunately, hard work and sacrifice is not always enough. Two of the biggest obstacles these individuals face are lack of capital and the need of technical assistance. With capital and technical assistance, microentrepreneurs can grow their businesses, increase their personal income and support economic revitalization by providing job and commerce in economically distressed communities.

In Colorado, there are more than 412,000 microenterprises—providing nearly one-fifth of the state's total employment. In some rural communities these entrepreneurs create over 40 percent of the total employment. In other states, these figures are even higher.

Locally-based microenterprise development programs provide access to credit, training, and technical assistance. Clients receive assistance in business plan development, market analysis, financial management, business assessments and other support services working with a provider for 10 or more hours of service in a given year. Microenterprise development programs are able to provide these services due in large part to several federally funded programs, including the Office of Women's Business Ownership and PRIME.

The SBA's Office of Women's Business Ownership is the only federal office that specifically targets women business owners. Its Women's Business Centers provide training and technical assistance to women starting or expanding businesses. The centers are required to target services to economically and socially disadvantaged women, some of whom are microentrepreneurs. Last year alone, Women's Business Centers provided consulting, training, and technical assistance to more than 80,000 women. The Women's Business Centers are one of AEO's top priorities. We echo the testimony of the Association of Women's Business Centers, particularly on the issue of sustainability grants.

The PRIME program was developed in concert with the microenterprise development industry, which saw the incredible unmet demand for services among very low-populations and the impact these services had on them. PRIME is unique among federal programs in that it specifically targets the needs of very low-income clients who may not need or want to borrow funds, but require a longer time frame for assistance.

The PRIME program, along with private matching dollars, supports the work of MicroBusiness Development Corporation. Through the program, we were able to develop a business assessment tool that provides the small business owner with a clear technical assistance strategy to meet both short and medium range goals.

We then work with the client over an 18-month period to review the use of recommendations, set new goals, develop and implement an action plan.

Like you, the microenterprise industry believes in demonstrable outcomes for federal programs. In the first 17 months of the PRIME program, MBD has served 168 clients, using less than $700 of federal funds per client. Eighty-eight percent of clients are low

income, 50 percent are women, 51 percent are minority, and 18 percent come from the rural communities of Colorado.

The PRIME program is currently authorized to receive $15 million per year—this needs to be increased. Last year's $5 million appropriation underfunded the program. The budget request to eliminate the program would have dire consequences for real businesses in Colorado and throughout the United States.

Demand for microenterprise business is on the rise as many more families are turning to business ownership. Without your support, organizations like mine will have to reduce services to rural entrepreneurs like Roberto, who with time and consistent business development will change an industry, save lives and support his family and his community through a microenterprise.

Chairman MANZULLO. How are you doing on time? We have got a vote coming up on my amendment.

Ms. HOSTETTER. I was just about to say thank you very much for this opportunity.

Chairman MANZULLO. Thank you.

Ms. HOSTETTER. And I will be happy to answer any questions at the appropriate time.

[Ms. Hostetter's statement may be found in the appendix.]

Chairman MANZULLO. This hearing is in recess for about a half an hour.

[Recess.]

Chairman MANZULLO. The Small Business Committee will come to order.

Our next witness is Sue Whitfield who is my constituent. Sue has been the Director of the Small Business Development Center in care of the Entrepreneurship Department at McHenry County College since February of 1994. She has counseled over 1900 business owners entrepreneurs. She holds a professional certificate as one of three certified business consultants in the State of Illinois, recognized by the Illinois Small Business Development Association, and she is also one of their certified business specialists.

We look forwards to your testimony.

STATEMENT OF SUSAN R. WHITFIELD, DIRECTOR, MCHENRY COUNTY COLLEGE SMALL BUSINESS DEVELOPMENT CENTER, CRYSTAL LAKE, IL

Ms. WHITFIELD. Thank you. Chairman Manzullo, Ranking Member Velazquez, and Members of the House Committee on Small Business, I am Susan Whitfield, Director of the Small Business Development Center at McHenry County College in Crystal Lake, Illinois.

Thank you for the opportunity to share the critically strategic role of SBDCs in renewing our country's economy, particularly manufacturing.

The Committee suggested that I present a typical day within SBDC, to describe some of the services that SBDCs provide to manufacturer. I assure you that there is a real constituent behind each example that I present.

The day begins at 7:30 a.m. with a meeting at the local chamber of commerce. The SBDS director requests the city staff refer a restaurant building purchaser to the SBDC for help with their busi-

ness plan and loan proposal, gets an industrial part layout sheet from a developer for a client that is looking for a new location, and is pleased to find out that a local bank is adding a commercial loan officer to their branch expansion. This is a good start to the day.

At the office, today's e-mail list is long, and the phones start ringing with existing clients and new referrals from the SBA Web site, our congressional representatives, state representatives, banks, the county clerk's office, chambers, the counseling center, and wildly advertised book on free government services. Callers frequently act surprised to be talking to a real, live person.

Our office provides free counseling to approximately 250 clients per year. About half of our clients are already in business and are usually contacting us for assistance with expansions, loans, and marketing.

Our phone call and e-mails deal with questions about I am starting a business and do not know where to start. Do you have any seminars or classes, Women's Business Center PRIDE certification, Minority Business Enterprise, Small Business Innovation Research grants, and how do I get a government grant or loan for my small business?

Our office tracks over 40 programs at the federal, state and local level. These programs are constantly changing their size, qualifications, purposes, missions, and how to be contacted.

Seminars, entrepreneurship courses, Web sites and books are suggested, and if needed, appointments for counseling are made.

Today we are called about a manufacturing client that is within 30 days of becoming insolvent. After analysis of her situation, we suggested that she should instead, rather than getting a loan, try to renegotiate the terms of purchase with the original owner of the company. This strategy worked, and she avoided additional debt.

This same business owner was afraid that a disgruntled employee might call OSHA. We recommended the free OSHA consultation available from the state that allows sufficient time to make improvements without penalties.

We fit our context around our counseling session. Our morning client is in the electronic component industry. He wants to take advantage of the currently low interest rates to purchase his building, and he is writing a loan proposal that we will review. Our close relationship with the SBA 504 Certified Development Corporation will link him with a bank that is aggressively pursuing commercial loans.

In addition, he needs to expand his sales, and we find out that he has done work for a government research lab in the past. We immediately call our procurement technical assistance center director to arrange an appointment to get him on the government bid lists. We also urge the client to attend the SBA business matchmaking event in Chicago this month.

In the case of manufacturers, we try to visit their facilities, so let us go on a site visit. Our afternoon visit is to a metal fabricator that has the opposite problem of our morning client. This company recently won some defense government contracts and is also producing a component destined for export. Their manufacturing floor is so crowded that it is obvious that they need to expand their facilities.

We work on a financing strategy to expand their current facility that may include an industrial revenue bond, the SBA, and a local revolving loan fund. Our host institution can also assist them with international trade, ISO certification and noncredit employee training.

We end the day with an evenings "Starting a Business" seminar. This director enjoys doing the start-up presentation for two reasons: It provides us the opportunity to urge clients to use the resources of the SBDC, SBA, State of Illinois, and our host institution. We know that long-term SBDC clients create ten times the number of jobs, grow four times faster, and is twice as likely to survive five years than non-SBDC businesses.

The SBDCs create more revenue than they cost the taxpayer, generating $2.09 in tax revenues for every dollar spent on the program.

Second, the seminar reconnects us to the real reasons why SBDCs exist. As with our clients who are already in business, I see both the fear and excitement in the eyes of these potential small business owners. As a small business owner myself, I have been in their shoes as were my immigrant grandparents.

These seminar attendees are on the verge of making a life-changing decision, to achieve one of the great American dreams, the dream of owning their own business.

It is the role of the SBDC to support their efforts so that their business will be successful.

I close this presentation to you in the same manner that I always close the seminar. We consider it to be our great privilege and our great pleasure to work with you who seeks success in small business.

Thank you.

[Ms. Whitfield's statement may be found in the appendix.]

Chairman MANZULLO. Well, thank you very much.

Our next witness is Hedy Ratner, co-founder and President and co-president of the Women's Business Development Center in Chicago, the largest and oldest, 18 years of most comprehensive women's business assistance center in the United States.

I have had the opportunity to visit the center. And Hedy, during the course of your testimony, have not had a chance to read it, but why do you not bring forth what you are doing for the people who are working to get off government assistance, and that Internet program—not the Internet—the——.

Ms. RATNER. BusinessLINC?

Chairman MANZULLO. Whatever that program is where you are teaching them and training them to be home care providers for children.

Ms. RATNER. It will be my pleasure.

Chairman MANZULLO. Thank you.

Ms. RATNER. Before I start, I am trying to sweeten up the Committee.

Chairman MANZULLO. What have you got there?

Ms. RATNER. I want to sweeten up the Committee.

Chairman MANZULLO. I should really give this——.

Ms. RATNER. It is from Chicago.

Chairman MANZULLO. I really should give this to Daryl Hairston.

[Laughter.]

Chairman MANZULLO. I am serious, because I am going to call and apologize profusely for taking out a bad program on him. He has done a marvelous job at the SBA, and the poor guy just happened to be sitting in the wrong seat at the wrong particular time. Sometimes, Hedy, as you know, I get very passionate about small business.

Ms. RATNER. That is why we love you.

Chairman MANZULLO. Well, yes, but there was no reason for me to take out my anger on him. I should have taken it out on the program.

And Tee, did you call him and tell him I will be calling him to apologize?

Mr. TEE. Yes, sir. He will be in until six.

Chairman MANZULLO. Okay, I appreciate that. Thank you very much.

Well, that is quite an introduction, and this has never happened before, and it does violate the gift ban.

Ms. RATNER. No, it does not. No, no, I did not think so.

Chairman MANZULLO. Hedy, we look forward to your testimony.

STATEMENT OF HEDY M. RATNER, CO-PRESIDENT, WOMEN'S BUSINESS DEVELOPMENT CENTER, CHICAGO, IL

Ms. RATNER. Thank you, Chairman Manzullo, the distinguished legislator from my home state of Illinois, and esteemed Members of the Small Business Committee who were here before.

My name is Hedy Ratner. I am the co-founder and co-president of the Women's Business Development Center in Chicago. The Women's Business Development Center since 1986.

Chairman MANZULLO. Hedy, could you move the microphone back just a little?

Ms. RATNER. Oh, yes.

Chairman MANZULLO. Not closer.

Ms. RATNER. Oh, farther away.

Chairman MANZULLO. Yes, just a little.

Ms. RATNER. I have no voice.

Chairman MANZULLO. That is okay. We are hearing you.

Ms. RATNER. Is that better?

Chairman MANZULLO. We are getting a little bit of a feedback.

Ms. RATNER. Good.

Chairman MANZULLO. Please.

Ms. RATNER. Better? Yes. Okay.

We provide business—I need another minute, you know.

[Laughter.]

Ms. RATNER. Okay, all right.

Chairman MANZULLO. Let us restart the clock.

Ms. RATNER. Good.

Chairman MANZULLO. You do not miss anything either.

Ms. RATNER. No. Since 1986, we provide business assistance to women and men in English and Spanish in the metropolitan area of Chicago and in the collar counties of northern Illinois.

I am also representing the Association of Women's Business Centers as a founding member, and a member of the Association for Economic Opportunity and supportive of their recommendations.

Special thanks, Chairman Manzullo, for your interest in our Women's Business Development Center.

Chairman MANZULLO. Hedy, Manzullo was the alderman for——.

Ms. RATNER. Manzullo, Manzullo.

Chairman MANZULLO. Manzullo was——.

Ms. RATNER. Leader Manzullo, you are absolutely right.

Chairman MANZULLO. This is a bad point, but we will restart the clock. No, you go ahead, please.

[Laughter.]

Ms. RATNER. I said Manzullo. Oh, dear. Only this time. It tells you how old I am, you know, and he is long gone. All right.

[Laughter.]

Ms. RATNER. I would also like to thank the Ranking Member of the Committee, Congresswoman Velazquez, for her tremendous efforts on support of Women's Business Centers.

The Association of Women's Business Centers founded in 1996 represent women business centers and the women business owners they serve. But let me cite a few pertinent statistics in order to provide the context for my testimony, and to support my entreaties to this distinguished Committee.

Women-owned businesses are increasingly recognized as an important economic force. We number 6.2 million, employ 9.2 million, and generate $1.15 trillion in sales nationwide. In 1973, before the Women's Business Centers existed, only five percent of all businesses were run by women. It is now over 28 percent.

There are over 1.2 million women-owned firms, one in five, the fastest growing trend, that are minority-owned businesses, minority women-owned businesses. 1.4 percent of women-owned businesses, 1.4 have over 100 employees. The revenues of women-owned-and-run businesses is only four percent of majority-owned firms. But recent statistics indicate that 35 percent of all women-owned businesses still earn less than $10,000. But 113,000 majority-owned, privately-held women-owned businesses have revenues over a million, but that is only 1.8 percent.

Although we are the fastest growing segment of the economy, we are earning nothing compared to male-owned businesses. We need your help to grow, to be successful, to thrive, to create jobs, to stimulate the economy.

Many, many, many of these women business owners have received and continue to need information, guidance and training from the country's Women's Business Centers. Struggle they do, but empowered they become in child care, construction, technology, design, retailing, manufacturing, finance, agriculture and a multitude of service businesses.

I am here today to talk about the future of the Women's Business Center program. This 15-year-old-program has provided business training and counseling to tens of thousands of women in rural, urban and suburban communities throughout the U.S. In Illinois alone, our Women's Business Development Center served over 35,000 women and men—we do not discriminate—since our inception.

There are now centers in 48 states that receive funding from the SBA Office of Women's Business Ownership at a time when women

are starting businesses at twice the rate of their male counterparts, women who are losing jobs and starting microenterprises to support their family, minority women and low-income women who are establishing businesses in order to sustain their families.

We believe that the contributions of the Women Business Centers has been significant and are potential to make an even greater contribution to this entrepreneurial economy even more promising.

Today, I want to address an important issue which to me is the burning issues facing our Women's Business Centers, and that is sustainability, sustainability.

As you can see by the sheer weight of numbers, demand for the services of the Women's Business Centers has never been higher than it is now. In fact, in the past six months women's participation in the Women's Business Development Centers programs has doubled, doubled, doubled. But we, the supporters of women's business assistance and directors of these successful programs are gravely concerned about the long-term viability of this program and our ability to continue to serve this dynamic, growing, demanding, and needy population of women entrepreneurs.

As you asked, the Women's Business Development Center was founded in 1986. We have served 35,000 women from those seeking to start small businesses as a means to transition off of welfare to those who are launching or expanding high-growth businesses.

All our programs are taught in English and in Spanish in our downtown Chicago and neighborhood and suburban satellite sites. Fifty-five——.

Chairman MANZULLO. You are over by about a minute. Are you about ready to close?

Ms. RATNER. Oh, no, I cannot.

Chairman MANZULLO. Yes.

Ms. RATNER. Oh, God. Well, no, you gave me an extra minute.

Chairman MANZULLO. No, what I will do is part of my questions I will ask you that question. Okay?

Ms. RATNER. Yes, but can I finish?

Chairman MANZULLO. How much time is it going to take?

Ms. RATNER. I want to make some recommendations and then I will end. I promise.

Chairman MANZULLO. I will let you make recommendations on my time.

Ms. RATNER. Your time.

Chairman MANZULLO. Right. All right. Okay, there will come a question time.

Ms. RATNER. Can I conclude at least?

Chairman MANZULLO. Yes.

Ms. RATNER. Oh, good.

Chairman MANZULLO. All right.

Ms. RATNER. A fast conclusion.

Chairman MANZULLO. Go ahead.

Ms. RATNER. I want to thank you for providing us this opportunity to share our passion and our concerns for the future of the program. If we are to succeed in our joint mission to serve and prepare women business owners to run successful businesses, we need your support for sustainability. Give us the resources, let us work together to build on the program's successes, and wisely protect the

investment. To do otherwise is to standby and helplessly watch a great economic trend reversed. Please be that champion for us.

Thank you.

Chairman MANZULLO. Thank you.

Ms. RATNER. You promise I can still give you the recommendations?

Chairman MANZULLO. You bet.

Ms. RATNER. Okay.

[Ms. Ratner's statement may be found in the appendix.]

Chairman MANZULLO. Let me explain something to the witnesses here. Members of Congress come and go from these hearings. We are on multiple Committees. The testimony here goes up on the Internet, up on our Web site, is that right, Barry? And your testimony also filters through a live Internet system that has been accessed across the country, gosh, including my remarks. That must have been great.

[Laughter.]

Chairman MANZULLO. It is good it wasn't televised.

Ms. WHITFIELD. Springfield is listening.

Chairman MANZULLO. What is that?

Ms. WHITFIELD. Springfield is listening.

Chairman MANZULLO. Oh, okay. But I do not want you to be disappointed that there are not a lot of members of Congress here because that testimony, a lot of the testimony is to build support for your programs with the general public, and then it comes back to us again in terms of people contacting the members of Congress, and you know, we have heard this, we have read this information, et cetera, on it. Okay?

Our next witness is Lee Smith. Mr. Smith, you have already been introduced by your congressman. We look forward to your testimony.

STATEMENT OF LEE SMITH, PROGRAM DIRECTOR, SOUTHERN ARIZONA BUSINESSLINC, TUCSON, AZ

Mr. SMITH. Okay, thank you very much for the opportunity. I am excited and honored to have the opportunity to share my experience and some of my perceptions regarding the SBA BusinessLINC program.

I brought some visuals because I think it is important to recognize what we have done with our—at least with our program and the difference between other programs that may exist in the SBA.

Identifying and applying best practice methodology generally improves business operational efficiencies, and in most cases result in a more competitive posture in the marketplace. Facilitating the exchange of knowledge and expertise between large and small manufacturers is in itself a worthy goal of the SBA BusinessLINC program.

Without question, market competitiveness is a key element of business success. However, many small business owners face other equally important challenges such as advertising, marketing and sales. In most cases, we know that small businesses tend to focus critical internal resources on delivery of products and services, and really lack the expertise and the resources to move beyond that.

And what we are saying is in this part of the program the mentor protegee, which again several other programs that are represented today do a terrific job in helping businesses become educated about better practices and how to implement those practices, but we thought, at least in our area, that was not enough for what our small business community was indicating to us where their need went.

To more efficiently respond to the unique needs of and issues of southern Arizona's manufacturing associated businesses, we expanded our BusinessLINC program focus, and we will show that on the next chart, to include and encompass all areas of business operation. Our goal was to maximize small business retention and expansion impact to the region through the leveraging of collective local, state and federal economic development resources, and the utilization of public and private sector expertise to work in concert with us with this effort.

We prioritized areas of program focus and identified tasks and associated resources in our community that could support each of those areas of focus. We also at the same time developed an overall program coordination and accountability system that included tracking and reporting of field staff activity and deliverables. And we used this information for continuous improvement and evaluation, and also for our investment for our partners' consideration.

We engaged southern Arizona economic development community organizations to enlist program support and participation, and we have been very, very successful at doing that.

The areas of focus are, of course, mentor protegee, and our goal there was to identify and apply best practices. Our methodology there was to facilitate access to existing resources that could provide that sort off support, and we certainly have parallel working relationships with our local SCORE, SBDCs, Women Business Centers, and a number of economic development organizations as well as community volunteers.

The second issue which we think is the most important of where we were going is we wanted to maximize product and service awareness of our local resources, and we did that by creating a database at the grass roots level that is much more than a yellow pages directory. We wanted an interactive database that buyers could quickly go in. They could quickly screen on all sorts of levels and only get the pertinent companies that they are looking for. And instead of looking for 50 machine shops on a return, you would get I want woman-owned, I want ISO certified, I want—our database is up and running and we are very proud of that.

We currently have over 1500 companies listed in our database, and please understand that our program started 18 months ago from scratch. We developed this database. We implemented the field staff to promote companies coming in through partnerships throughout the region.

A very important element of what we do is identify needs, and we do that with our field staff that aggressively engages in our big business communities with Mexico, looking at products and services that we can sell in Mexico, and the success of that is the engagement of our staff in those levels of community.

So once we identify those needs, we also want to know why people are making the decision to buy outside of our area, and so that is where we have put a lot of our focus.

I hope that my testimony today has provided you cause to consider larger possibilities for the BusinessLINC program through what we have done in a short amount of time. I urge you to continue funding for the program. It means a lot to our small business community.

Thank you.

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

Chairman MANZULLO. Thank you very much.

Mr. Smith, this database that you developed, could you explain how you developed it and how people access it?

Mr. SMITH. I would be proud to.

I have been in the business for about 2,000 years, both on the government side and the private sector side, and we are very integrated into our small business community in southwest Arizona. We represent five counties in the area in our program.

What I felt was imperative was to be able to create a database that not only we could coach companies to totally profile their capabilities, their products and services, their capacities, all the things that a buyer would be interested in knowing about a company before he made contact, he or she made contact with the company.

There is a lot of—it is kind of counterproductive in the procurement areas. All small businesses want access to buyers. Buyers are overwhelmed with people wanting to get in and do that. And so they sort of shut down when it comes to that interaction.

What we have tried to do through this database is to—we actually go out and train procurement offices how to use that database, how to effectively use it, that it exists. We also provide assistance with staff members to work with procurement people if they do not find those resources to again network in the community. So we actually from scratch developed a database that has—you can search by word capability, you can search by products and services. We have made it very easy for anyone to go in and search and look for products and services that exist.

Chairman MANZULLO. So you get the companies that want to buy. You have about 1500 companies?

Mr. SMITH. That want to sell.

Chairman MANZULLO. I am sorry. That want to sell.

Mr. SMITH. The ones on the database is the sellers.

Chairman MANZULLO. Are those government agencies also or just private companies?

Mr. SMITH. Most of what we, and I will be frank with you, we have several large defense companies in our area.

Chairman MANZULLO. That is okay. They buy.

Mr. SMITH. They are tough to work with. They are very tough to work with, and where we are finding our success is small businesses collaborating with other small businesses or selling to other small businesses. That is the backbone of our program.

What we have done through the database is provided a central place where people can look locally and find opportunities there.

Chairman MANZULLO. And they can be accessed at their home or business?

Mr. SMITH. Anywhere.

Chairman MANZULLO. So they just key into it, and is it done according to NAICS numbers?

Mr. SMITH. We decided not to do that, and I will tell you, and we have had the—the state has been so excited about our model, they want to now move it statewide. We decided to get it to its simplest form so that small—most small businesses cannot tell you what their codes are.

Chairman MANZULLO. What the number is. Go ahead.

Mr. SMITH. Most buyers do not buy by code. Most buyers will go in and say I am looking for machine services. I am looking for plastic injection molding. They do not use the code.

So what we did is tried to take it to the simplest interactive understandable database, and we think we have done a terrific job in doing that. But now the state is coming in and say, well, we need those kind of codes primarily for documenting information on who is using what codes and so forth; not so much what buyers are telling us.

We developed this working with small businesses and working with buyers in concert to bring together something that made sense to everybody.

Chairman MANZULLO. The success of the database, in how many months, how many months has it been up?

Mr. SMITH. Eighteen months from scratch.

Chairman MANZULLO. The success of it, how many hits, how many times——.

Mr. SMITH. We average 20,000 hits a month.

Chairman MANZULLO. Okay.

Mr. SMITH. We average 1500 visits, and the visits are what are really the key number, because those are folks looking for something.

Chairman MANZULLO. And how about completed contracts, actual contracts?

Mr. SMITH. We have had—in 18 months we have had over, a total of about $57 million in new contracts to small businesses.

Chairman MANZULLO. And how many contracts would that be?

Mr. SMITH. We are looking at in excess of 70 companies, 70 contracts that make up those. The majority of those—we had one large defense contractor that came into southern Arizona that was typically buying, and this is probably not good in commerce, but Congressman Colby has been a good mentor for me this, typically came from California because of competitive pricing perception in Arizona, but they continue to buy products and services out of California and offshore.

And what we were able to do through the BusinessLINC program, we go in and work directly with procurement agencies and officers. We do not represent any individual company. We represent whatever is in that database. And what we do is open doors. We want to know why you are not buying it; going back to our small businesses and saying here is some hurtles.

Chairman MANZULLO. So when a small business attempts to get a contract and is rejected, then you can tell them why that happened.

Mr. SMITH. I absolutely go in. I talk the language of procurement.

Chairman MANZULLO. Does anybody else have a computer like this? Hedy?

Ms. RATNER. We have a BusinessLINC project in Illinois with SBA funding.

Chairman MANZULLO. Is it similar to his?

Ms. RATNER. I am not sure if the exact system is similar. But the way the system works, yes. But ours is targeted only to minority and women-owned business, so that is all certified women and minority-owned businesses that are certified in any capacity, either private sector or government sector.

Our program has about 600 minority and women-owned businesses that are registered with a full profile. It is a very, very detailed profile. And our corporations, and we work with corporations as well as local government agencies, so we now have six corporations that we train, and we train their buyers, so we train individual buyers of products and services that minorities and women can provide.

And then we are——.

Chairman MANZULLO. You train the buyers?

Ms. RATNER. Pardon? We train the buyers.

Chairman MANZULLO. You do too?

Ms. RATNER. Yes, we do to.

Mr. SMITH. We absolutely. For example, we have spent, I have a staff person through the funding we have been able to acquire. Thank you for your investment. And we have leveraged that. I have a full-time person, for example, that literally moves throughout Sonora, Mexico, going to the large manufacturing companies, sitting down with their staff, making them aware that the database exists, and working to close deals in terms of introductions between our small businesses and their needs.

Chairman MANZULLO. You have the same thing, Hedy?

Ms. RATNER. We do exactly the same thing, but not just corporations. What we work with is major corporations, with their purchasing departments, but with their specific buyers, but we also work with small—with the City of Chicago, Chicago Housing Authority, Chicago Park District, Chicago Public Schools.

Chairman MANZULLO. Government buyers.

Ms. RATNER. Smaller—yes, the government buyers from the various government agencies who have a commitment to do a certain percentage of their business with minorities and women, and are not reaching their goals.

Chairman MANZULLO. Okay. And then the cost, Mr. Smith?

Mr. SMITH. There is no cost to either participate in the database and there is no cost to use the database to search.

Ms. RATNER. Same thing with us.

Chairman MANZULLO. May have a job for you.

[Laughter.]

Chairman MANZULLO. An additional job.

The cost to set up the system?

Mr. SMITH. We have an investment to date of about, and this would be the—well, we have a two-year approval of about $250,000 each year of federal funding, and we have equally matched that,

and this is significant. The State of Arizona is not rich, and MEPs, for example, have not been able to get one dime out of the state to support an MEP program. We were able to acquire matching funding to the tune of $50,000 each year because of leveraging what you have.

As a matter of fact, this year, as of March, the state has appropriated $200,000 to the City of Tucson to consult with them again to open this database up statewide.

A key that I think we have is we do not focus on government work. Maybe we should. But right now we focus on—our community is saying we need new revenue opportunities regardless where they come from, and we focus on just matching those opportunities. We work very closely with the U.S. Department of Commerce Trade Office and they give us international leads, and we also work with the Arizona Department of Commerce, their international department.

One thing that Congressman Colby has indicated, would it not be wonderful to expand our program to export our products and services, and one small example, we had Bombardier, Ireland, which is an aircraft manufacturer, send out a national seeking for aircraft parts and components. We, in conjunction with their team, had two Tucson companies qualify for those parts. One of those companies was less than 25 employees and was woman-owned.

This program is huge. It is baby steps, but I think it is taking us in the direction where we are delivering, through BusinessLINC we are delivering what the small business community needs. They need training. They need information, but they need opportunity. And I think the City of Tucson, our government, the state, the feds, it carries clout when we go in with a program.

I have in your package, you will see a letter from the machiladores in Mexico saying this is a great program because they are losing trade to China. We are in there trying to bring business solutions at the small business level which requires a lot of collaboration. I have never seen in my tenure with public service so many communities coming together with the same goal as what can we do to get in the next level of manufacturing supplier development.

More so the governor of the State of Arizona, this is one of their top three initiative, is supply chain development based on what we have built in the BusinessLINC program.

Chairman MANZULLO. Next time you are in town I would like to sit down and have coffee with you and discuss further.

Mr. SMITH. It has been 30 years, sir, since I have been in Washington.

Chairman MANZULLO. I will be Strom Thurmond's——.

Mr. SMITH. But I will come anytime. This program has merit.

Chairman MANZULLO. It is great.

Mr. SMITH. And I am available.

Chairman MANZULLO. We will talk to you later on. Thank you.

Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman, and I guess I am going to borrow a page from the other side of the aisle just for two seconds. But it seems to me that the bureaucrats here in Washington do not understand the importance and the rule that

BusinessLINC and microenterprise programs are doing for small businesses in America.

How could you explain with the success that Mr. Lee is explaining to us, that this program is not even mentioned in the legislative package that was submitted by the administration.

So, Mr. Chairman, it is really nice to say you are doing a wonderful thing, but it is another to make sure that this program is put back into the legislative package; that we provide the necessary funding to make sure that it works.

Chairman MANZULLO. If you would prepare a letter to that effect, I would be glad to sign onto it to help restore the funding on that.

Ms. VELAZQUEZ. All we need to do, Mr. Chairman, is to put it in that reauthorization. They did not include it. We are going to send a message back.

Chairman MANZULLO. We will do it.

Ms. VELAZQUEZ. Okay, thank you.

You see, we solved one of your problems today.

Mr. SMITH. Thank you very much.

Ms. RATNER. Ours too.

Ms. VELAZQUEZ. Okay. But we have some people here from the administration, especially from SBA, so Ms. Johnson, you are in the hot seat today. I am sorry. Kaaren?

Ms. STREET. Street.

Ms. VELAZQUEZ. Oh, yes, okay. I am sorry.

Ms. STREET. That is okay.

Ms. VELAZQUEZ. Ms. Street, in your testimony you talk about the numerous achievements of the entrepreneurs development programs, and we all, the members of this Committee, we all recognize that many of these SBA programs have been extremely successful, especially in a district like the one that I represent.

However, as I mentioned before, the legislative package submitted by the administration sends a very different message. The package called for nearly flat funding for all ED programs over the next six years.

Do you recall believe that this program will be able to continue operating effectively if they are continually flat funded, which is effectively a cut with inflation?

Ms. STREET. I think the funds that we have put in the budget for the 2004 budget is adequate in order to meet the needs of the requirements. We have—this year's funding, we have reached 1.5 million small businesses or new pre-start-ups, and that is with the current funding, and that is an increase of about at least over 200,000.

Ms. VELAZQUEZ. When was the legislative package submitted to us?

Ms. STREET. The 2004 legislative package?

Ms. VELAZQUEZ. Yes.

Ms. STREET. I am not sure.

Ms. VELAZQUEZ. When was it submitted?

Ms. STREET. February. February.

Ms. VELAZQUEZ. Okay. Even factoring September 11, the economic recession, unemployment rate, you come here and you tell us that that is sufficient.

Ms. STREET. Yes, because what we have done, even with all that you just mentioned, we were able to increase our numbers with the flat level funding for the previous year. So we are assuming that with flat level funding, and with more technology, using more of the Internet, that we will be able to reach far more than even the 1.5 million with the current existing budget.

Ms. VELAZQUEZ. Ms. Ratner, would you comment on that?

Ms. RATNER. Yes. Is this the time that I can give my recommendations?

Ms. VELAZQUEZ. No, this is on my time.

Ms. RATNER. Oh, sorry.

Ms. VELAZQUEZ. You can give it on his time.

Ms. RATNER. No. Because of the changes in the priorities and the various initiatives, it would be very difficult. Our organization has been in existence for 18 years. The federal funding that we have, for instance, our BusinessLINC project, and Office of Women's Business Ownership is critical to sustain our program, and to continue our program.

We serve thousands and thousands of minorities and women, especially helping women off of welfare, working with low-income people. No, we could not continue our programs.

Ms. VELAZQUEZ. Thank you.

Ms. Hostetter, in your testimony you discussed the success of PRIME in serving low-income entrepreneurs in Colorado. As you know, the administration has again requested zero authorization for the PRIME program.

Can you please tell the Committee what will happen to the MicroBusiness Development Corporation services if PRIME Is not funded again?

Ms. HOSTETTER. Absolutely. Our microbusiness assessment program would not be available for any rural microenterprises in Colorado, and we would have to cut at least in half the businesses that we are serving in the urban area of Denver metro.

Ms. VELAZQUEZ. What would you say to those program critics that say that PRIME is duplicative of exiting services available to low-income entrepreneurs?

Ms. HOSTETTER. I would say that the SBDC programs are important and they are wonderful, but they do not reach microentrepreneurs. Microentrepreneurs have very specific needs and challenges, and need programs that are within their community to serve them.

The PRIME program very specifically targets microentrepreneurs, women, minority-owned businesses, low-income entrepreneurs. And without PRIME, there are microbusinesses all over the country who would not receive very specific individualized services for their business to help them grow and flourish.

Ms. VELAZQUEZ. Thank you. Ms. Street, in your testimony you stated that the Women's Business Center has generated the least revenue per dollar spent in comparison to other entrepreneurial development programs. This seems to suggest that the administration believes that the nature of this program is being called into question.

Can you please clarify your statement for this Committee?

Ms. STREET. Sure. I mentioned that the Women's Business Centers cost per client was higher than other programs within ED; not that they were not doing their—providing the services. They do an excellent job. They have been—in fact, trained and counseled more than 85,000 women-owned businesses. So we are very happy with the Women's Business Program.

We think it is a great program, and certainly reaches the market that is not being reached by other programs. So we are not proposing an end to this program. We think the program——.

Ms. VELAZQUEZ. I hope you are not.

Ms. STREET. No, no, absolutely not. I would not be commit doing it, that is for sure, but that is not our intention at all. Our intention is to expand this service throughout the country. We have so many organizations around the country who want to be part of this network, and to provide those services, and that is what we are looking to do in the reauthorization.

Ms. VELAZQUEZ. The administration has taken the position that sustainability pilot for the Women's Business Centers should be allowed to expire. This could mean that those centers who focus on serving low income and minority populations could be shut down. While the clients are plentiful in this area, it can often be difficult to raise dollars in this area that are necessary to become self-sufficient.

In your testimony you rationalize this cut by claiming that dollars need to be used to set up new centers. My question is, at what cost will these new centers come? Would you agree that if we increase the overall funding that would meet two goals—continuing to serve low-income areas where the program has been successful, as well as expanding the program to serve new areas?

Ms. STREET. We could also reach those same goals by those centers who can sustain themselves beyond. It is not that proven that because sustainability expired that all the centers would close. We do not even know if any of them will close. We have not had that experience yet.

However, with the $3.6 million, which is part of the funding, we could open 24 new centers with those dollars. I am not saying that—I am sorry?

Ms. VELAZQUEZ. How are we going to serve in low-income communities those minority, low-income people who have been on welfare, get off welfare, and raise the money to run the center? How do you think they could achieve that?

Ms. STREET. Well, hopefully, the 24 that would be coming in, there would be also adding more minority and low-income people to those rolls. It is not that there are going to be 24 new centers going into high-income areas. Those areas would also be serving minority that are not being served currently.

Ms. VELAZQUEZ. When we look at the numbers, and we show you the numbers of the clients that come to those centers——

Ms. STREET. Right.

Ms. VELAZQUEZ [continuing]. We know because the numbers are telling us that some of these centers are—for the most part these centers are not reaching out to minority women. So if we have those centers that are reaching out and serving that population that has been neglected, now you are going to tell me that we are

not going to provide the resources for those centers to continue to do their job.

Ms. STREET. Well, no, that is not what I am saying. What I am saying is that with the opportunity to open new centers, you certainly expand the base for minority and women and low-income women to provide that service.

We are not saying that because we are not——.

Ms. VELAZQUEZ. If they are unable to raise the money and they do not get the sustainability grants, how do you think they will continue to operate?

So you are going to open 24 to serve other people.

Ms. STREET. Okay. The congressional intent was for the Women's Business Centers to be able to sustain themselves over a period after the five-year period was up in the first phase. Many of those centers are now in the seventh and eighth year, and part of their agreement with us was that they were supposed to be able to self-sustaining, that the sustainability pilot was just that, a pilot. It is not written into law that it is a continual, and that is what is on the table now——

Ms. VELAZQUEZ. Okay.

Ms. ALEMAN [coninuing]. In terms of for you all to decide.

Ms. VELAZQUEZ. We will decide here.

Chairman MANZULLO. Mr. Beauprez.

Ms. VELAZQUEZ. Thank you.

Mr. BEAUPREZ. Thank you, Mr. Chairman. This has been a good hearing. I am glad I could attend.

From my personal perspective, I want to pursue another, I think, part of the issue, and Ms. Whitfield, I think you brought it up, bank referrals. And I know there is a perception out there, at least by some, that banks do not like to make loans. I would just state for the record that banks are in the lending business. Banks have another obligation. They are not loaning their own money. They are actually loaning the public's money. The public thinks they ought to get that back, so banks tend to like to reduce risk of that.

Sometimes that means that good credits, good characters, good ideas that lack either the historical track record, ability to repay or perhaps collateralization in some cases are not "bankable" but banks nonetheless see them as credit worthy.

I know from my own experience we made a number of referrals to the SBA or appropriate microcredit agency. We worked with Kersten.

I would invite you, Ms. Whitfield, Kersten, Hedy, whomever, to respond to that, and I am wondering if there is anything that maybe this Committee, the network could do to further enhance that relationship, because working the other way too. Banks always like to see more credit worthy borrowers, and there has been a good exchange at least, I think in Colorado, Kersten, of kind of migrating people through that. And Mr. Smith, you spoke of it, growing the business to the next level, where do you go from here.

So can you respond? Is there anything really that we could be doing to improve that whole network arrangement of finding people, and putting people in the right place at the right time?

Ms. WHITFIELD. One of the things that we do, because we are frequently approached by businesses who are in the process of trying

to get a loan, so we develop a comprehensive financial strategy. It is not just let us go to the bank and get an SBA loan. We take a look at all of the possible resources that are available in structuring that loan.

We assist in writing that business plan and reviewing it, and this really assists the bankers because they get a much better prepared client, a client who is more likely to be successful. It makes them a better customer, a better repeat customer as that business continues to grow and to go on.

That is the resources that we offer. One of our challenges is getting that detailed financial analysis. As long as they have got to bring in their existing financials, we could be doing very detailed ratio analysis for them. We have computer-assisted software that we could use if we have the time and the personnel to provide that service.

We are working at absolute capacity at this time. We can help them with break-even analysis, decisions as far as how they are supposed to be pricing their product, but we do not have that ability because of lack of resources.

Mr. BEAUPREZ. Yes, let me pursue that just a little bit if I can.

Chairman MANZULLO. Mr. Beauprez, could I interrupt you a second? Could you mind chairing the rest of the meeting? I have to be at a manufacturing meeting at five o'clock.

Mr. BEAUPREZ. Be glad to.

Chairman MANZULLO. To finish up with the rest of the questions, a couple of suggestions from Ms. Ratner. Do you want to come around here and take this? And I have to leave.

Mr. BEAUPREZ. [Presiding] Thank you, and if I can, I will continue my questioning. I was hoping you would not take this, Mr. Chairman.

[Laughter.]

Mr. BEAUPREZ. That is really the only reason I came up here.

[Laughter.]

Mr. BEAUPREZ. One of, again, my personal observations is that many credits come in my case to the bank that are a great idea, maybe they have even initiated their own business. They know how to make a product or provide the service. Sometimes they get very intent on that because they know it, they love it, they do it well. They kind of, you know, bend over, all you see is elbows and the producing, and some of them work themselves literally to the bone almost to the point of death, and then they raise up some day and say, I have been working very hard but the harder I work, the behinder I get, that phrase.

Talk to me about what you can provide or ought to be providing that somehow is not being done.

Mr. Smith, I was very intrigued by what you are doing with your database, but I think that there is elements even beyond that. I like the mentoring idea. I love that word at least.

And let me start with Ms. Hostetter and then anybody else who maybe wants to jump in because I think the assistance that we need to be providing, and I want to make sure we are in this program, goes far beyond just the credit necessary. Ms. Hostetter.

Ms. HOSTETTER. Thank you.

Through the PRIME program we were able to create a program called the microbusiness assessment, which is a business assessment tool unique and individualized for each one of the businesses that we serve. It looks at nine fundamental elements of business ranging from market plan and sales development, all the way through human resources. There is two hours spent on the site with the business owner, with the business consultant, and a tool that we had developed through PRIME for the business consultant to use while interviewing the client.

After the business consultant meets with the client, they then meet with a group of seven to nine other consultants and staff members from MBA who review the report, review all the materials from the client, and then develop a report to the client specifically looking at the weaknesses and the strengths of the business, looking at the goals of the business owner, and how the business owner can get to their stated goals.

We primarily have developed the program not to receive credit, but to grow business. That is why we developed the program. PRIME asked us to be innovative and to create something that could be replicable throughout the country, and that is what we did, and it is very, very specific to the business owners, and it specifically looks at those stumbling blocks, those barriers that the business owner has created or are happening in the particular sector. But because the business owner is wearing all of the hats of a microentrepreneur, they cannot see. And so it allows them to have an outside view, and it is something that big businesses get often, but they do it for thousands and thousands of dollars. These are low-income individuals who cannot afford that.

So the PRIME program has enabled us to develop this unique program for business owners, and then we track that. We get in touch with them within two weeks after receiving their report to make sure that they have understood it, and that they agree with it, and that they know what their next steps are. And then six months, 12 months and 18 months, we continue to get together with the business owner, review the report, and make sure that they are implementing the plan.

Mr. BEAUPREZ. I think that is critically important, and I applaud you for that, and I think it important that we got it in the record, because that is part of the resources that are being expended in this program that I think bear good fruit. It goes well beyond, again, just the credit part.

Mr. Smith?

Mr. SMITH. May I give an example of how our program works in concert with these type of programs, exactly this type of thing?

We had a local company that was in the recycling business. Their product was taking plastics, believe it or not, plastics and sawdust, recycling that, and turning it out in products. They needed to buy a large piece of equipment that could greatly improve their efficiency to do that, and of course we're looking for where do we go to find loans, where do we go to find grants.

BusinessLINC is not so much in that area of where we direct our attention. We are more in the area of can we deliver commerce for your company. But in working with this company and finding other resources, as a matter of fact we found companies that were taking

sawdust to our city landfills, and they were paying to do that. And we networked them with this company that was looking for that raw material, and so now they are not paying, he is not buying raw material.

We have large pecan orchards south of our city. They heard about the program, and said how can we get rid of all of our shells. They indicated, the guy that does the environmental stuff said, hey, let us try it, and it actually made the new product look like wood, red. So now he gets free there.

He builds components. We built is revenue up. The pecan orchard is now buying containers of this new environmental material to ship their product, and we have helped direct them to a PRIME organization now because they have the revenue, now because they have potential sales, it looks like they are going to be able to get loans for that equipment.

So that is a great example of how the programs that you see do work in concert when I think they are done well, when we do not try to duplicate what we are doing. And I think each of us on the panel would agree, we work very hard to make sure that we are not duplicating because it is everything in terms of funding consideration. It is everything in terms of investors looking at us and saying, well, why should we pay three places for the same thing.

Mr. BEAUPREZ. Well said, sir.

Mr. SMITH. So there is an example for that.

Mr. BEAUPREZ. Ms. Ratner, memory serves me that you had some recommendations you wanted to enter into the record.

Ms. RATNER. Yes, I do. Yes, exactly.

Mr. BEAUPREZ. This would be a good time.

Ms. RATNER. Thank you very much. I appreciate that.

Mr. BEAUPREZ. You can call me Manzullo or whatever you want to call me.

Ms. RATNER. I would also like to just comment on something that Congressman Velazquez said, and some estimate of numbers of programs that would not continue if they were not continually funded.

We are estimating that approximately 50 to 75 percent of all Women's Business Centers would close or severely curtail their operations if the SBA in its business centers grants were eliminated, 50 to 75 percent.

And without the strong network of experienced sites, we are doomed to repeat old mistakes. The centers that have been funded under the sustainability grants pilot project have developed the resources, contacts, relationships, and support systems to sustain the women business owners.

Some of the newer centers that will be developed and the ones that have been developed will have a very difficult time being able to provide the services and programs that the existing centers currently have.

So my recommendations are that the sustainability program be made permanent, and allow all compliant Women's Business Centers to be evaluated for federal funding every five years.

The second recommendation would be what seemed to us in the testimony that sustainability was obviously not a priority, but to make sustainability a priority for the Women's Business Center

program and a plan for the program's future. Sustainability grants support Women's Business Centers with a demonstrated capacity to meet the goals of the Women's Business Center program.

Some of the comments you were saying about how do we have bankable businesses, that is what we are about. We are here to build the capacity of microenterprises, small minority and women-owned businesses to be able to be bankable, and we provide the technical assistance to build their capacity so that they are, and we develop partnerships with banks to do just that.

We can do that because we have been in business a long time. Some of the smaller centers that are just getting started cannot build those relationships because they have not established their credibility.

There are currently Women's Business Centers in 48 states. We urge, the Association of Women Business Centers, Congress to invest in what it has already created. In fiscal year 2004, when the 25 Women's Business Centers funded in 1999 are eligible for sustainability grants, the funds allocated under this program will not be adequate. Experienced programs with capacity will not be funded. This does not make good business sense.

My third and last recommendation is to increase the authorized funding levels for the Women's Business Center program to $14.5 million for fiscal year 2004, $16 million in 2005, $17.5 million in 2006.

Over the past 15 years, Congress and the SBA and the Federal Government have invested in the development of an infrastructure for Women's Business Centers. It now provides essential training and technical assistance. The fiscal years 2003 appropriation for the program stands at 12.5. It is inadequate if the program is to cover the country.

Thank you. Thank you very much.

Mr. BEAUPREZ. Thank you, Ms. Ratner.

This has been an exceptionally good hearing. I thank all of the witnesses that have come. Thank you for your patience with bells of tyranny that we had to deal with in the middle, and I especially appreciate your testimony. It has been most helpful and I look forward to a good appropriations season, and certainly this Committee will be advocating on your behalf.

Thank you all very much.

Ms. RATNER. Thank you.

Mr. BEAUPREZ. This hearing is adjourned.

[Whereupon, at 5:34 p.m., the Committee was adjourned.]

DONALD A. MANZULLO, ILLINOIS
CHAIRMAN

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Statement of Donald A. Manzullo
Chairman
Committee on Small Business
United States House of Representatives
Washington, DC
June 11, 2003

Good afternoon and I would like to welcome everyone to the Committee's second hearing on reauthorization of SBA programs. Since our last hearing, fruitful discussions have taken place with the minority staff, Administration, and small business community. I look forward to continuing this dialogue and presenting to the House floor a reauthorization bill that rationalizes the management of the SBA and reorients many of its programs to help small manufacturers and the depressed economic communities in which they are located.

The economic news concerning America's manufacturers remains bad. Factory production contracts and manufacturing employment spirals downward. The 33-month downturn represents the longest such decline since the Great Depression. April saw another 53,000 jobs in manufacturing disappear. Every time I drive through my district, I see the suffering of the families that used to rely on good-paying manufacturing jobs now struggling to make ends meet.

Replacing these jobs with new service sector jobs will not help stabilize the American economy. According to a University of Michigan study, 6.5 spin-off jobs are created for every new job created in manufacturing. Service sector jobs simply cannot generate that type of economic activity. And the reason for this – manufacturing jobs typically pay $5 more per hour

than service sector jobs; that works out to about $10,000 more per worker per year. The additional income would give families greater purchasing power to spend on consumer goods, travel, dining, and investing for the future. With a revitalized manufacturing sector, depressed communities will rebound creating opportunities for our children and grandchildren. Manufacturing then represents true economic security for America.

America's small manufacturers will be at the forefront of creating that economic security. The key question remains whether we in Congress and the government are doing enough to ensure the vitality of America's small manufacturers. If the SBA wants to have an impact on the American economy, then it must ensure that its programs provide the help required by America's small manufacturers and economically-depressed communities.

Today's hearing will examine how the SBA business and enterprise development programs can help America's small manufacturers. These programs assist small businesses in obtaining federal government prime contracts. They also provide advice on the day-to-day management of a small business from its initial creation to the development of sophisticated marketing plans. Do they provide the right type of assistance? Can they do more? If the programs are not helping small manufacturers, what changes need to be made?

Let me make it clear that the Committee remains open to any suggestions that will help focus the SBA business and enterprise development programs on small manufacturers and their economically-depressed communities. The actions that the Committee will take as it completes work on drafting reauthorization legislation may represent the most important legacy of this Committee.

Now I will recognize the ranking member of the full committee, the distinguished gentlelady from New York, for her opening statement

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SMALL BUSINESS COMMITTEE
SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS

Small Business Committee Hearing on "Revitalizing America's Manufacturers: SBA Business Development Programs"

I would like to thank the members of today's panel for sharing their knowledge and expertise. I also want to thank the Members of the Committee on Small Business that signed my letter to Rear Admiral Patrick Dunn, of COMNAVMAR Naval Base on Guam just prior to the Memorial Day recess. In the letter, I requested that, in considering bids for the multimillion-dollar Naval Base Operation Service Contract, that Rear Admiral Dunn allocate the minimum federal standard of 23% to small businesses on Guam. I was humbled by the support by Members on both sides of the aisle, a great many of whom serve with me on this committee. I want you to know that the letter was well received by Rear Admiral Dunn, and your support will help the many small entrepreneurs in my district.

Much help is needed. I look forward with interest in how today's hearing will address federal assistance and opportunities for the small businesses struggling to get by in Guam, where unemployment is more than twice the national average. Thank you for giving me the opportunity to make an opening statement.

Statement of Darryl Hairston
Deputy Associate Deputy Administrator
Office of Government Contracting and Business Development
U.S. Small Business Administration
SBA Reauthorization
June 11, 2003

Good afternoon, Chairman Manzullo, Ranking Member Velazquez, and distinguished Members of this Committee. Thank you for the opportunity to discuss the Office of Government Contracting and Business Development's (GC/BD) Programs. The U.S. Small Business Administration (SBA) is committed to maximizing opportunities for all of the Nation's small businesses and the millions of people they employ. The re-authorization of GC/BD Programs set forth in the Small Business Act would help to ensure that small businesses receive their fair share of Federal prime and subcontracting opportunities.

GC/BD is responsible for several non-credit programs that should be considered during the re-authorization process. These programs include the Small Business Innovation Research (SBIR) Rural Outreach Program, the SBIR Federal and State Technology (FAST) Partnership Program, the 7(j) Technical Assistance Program, the HUBZone Program, and the Procurement Marketing and Access Network (PRO-Net).

GC/BD's main objectives are (1) to increase prime and subcontracting by securing top level commitment from the agencies to achieve their goals, promote procurement opportunities through Nationwide Matchmaking Events, and improve customer service; ((2) modernize the 8(a) Business Development Program through a program restructuring, the development of an automated on-line 8(a) application, and the implementation of a Procurement Academy); (3) facilitate community economic development and job creation through the HUBZone Program; and (4) facilitate commercialization and manufacturing opportunities of Federal research and development performed by small businesses.

Government Contracting Programs

The prime and subcontracting programs benefits small businesses by assisting them to obtain procurement opportunities. Federal agencies spend about $50 billion in prime contract awards to small businesses. Each $133,500 dollars spent supports one small business job. Thus, small business procurement supports approximately 375,000 U.S. jobs.

Through the Government Contracting (GC) prime and subcontracting programs, SBA provides policy direction and guidance to Federal agencies and works with them to develop acquisition strategies that will help to increase opportunities for small businesses

in Federal procurement. The GC Headquarters staff provides policy direction, establishes size standards, provides policy oversight for the SBIR/ STTR Programs and the FAST and Rural Outreach Grant Programs, and manages the six GC Area Offices. The GC Headquarters staff also negotiates prime contracting and subcontracting goals with Federal agencies, monitors progress and submits reports to the President and Congress. Additional GC functions include providing contract assistance to women-owned small businesses; managing the Natural Resources Sales Assistance Program; performing formal size determinations on firms in connection with Federal government prime contracts; and administering the Certificate of Competency (COC) Program that allows an apparent successful small business offeror to demonstrate that it has the capability to perform on a specific Federal prime government contract.

Our GC Area Offices deliver the prime and subcontracting small business programs. A staff of Procurement Center Representatives (PCRs), located at major Federal buying activities are responsible for reviewing all unrestricted and bundled procurements and assisting small businesses to participate in Federal procurements as both prime contractors and subcontractors. We also have a staff of Commercial Market Representatives (CMRs), also located in the GC Area Offices, that implement the Subcontracting Assistance Program by conducting compliance reviews of large business prime contractors and various other activities, such as counseling small businesses and matchmaking. CMRs monitor the large prime contractors to ensure that they are meeting the small business goals in their subcontracting plans, and make recommendations to prime contractors on how to strengthen their small business programs.

Through our prime and subcontracting program, we also leverage our PCR and CMR resources by working with the OSDBU Directors to identify unnecessary contract bundling and develop acquisition strategies that will provide maximum opportunities for small businesses. We will use technology to help provide broader coverage of our resources.

Federal and State Technology Partnership (FAST)
SBIR Rural Outreach Program (ROP)

The Federal and State Technology Partnership (FAST) and the SBIR Rural Outreach Program (ROP) are extensions of the Small Business Innovation Research or SBIR Program and the Small Business Technology Transfer or STTR Program.

The SBA, in partnership with the FAST award recipients, helps to create and increase the growth of each state's small business population. SBA has been successful in working with the states through the Rural Outreach Program. This program provided 25 states an opportunity to receive grant funding to support statewide efforts to increase their participation levels in the programs. These states met the criteria established in Public Law 105-135 as states receiving less than $5 million in funding during fiscal year 1995. They also showed a low participation rate in the SBIR and STTR programs. Attached to my written testimony is a list of the FAST and SBIR Rural Outreach awardees, along with examples of program success stories as reported by the states.

Through the FAST and SBIR ROP programs, state commercialization workshops deliver technology innovation and commercialization solutions directly to the small business owners. The workshops consist of highly focused modules taught by subject matter experts with small business experiences. In addition, the FAST and SBIR ROP grantees are partnering with experienced mentors and manufacturers who will guide the small business owner through the commercialization process, serving as a resource for a full year following the workshop. The result will be a strong knowledge base backed up by a network of professionals who will support and enable small businesses to become expert researchers and innovators that can successfully commercialize and manufacture their innovations. In effect, we are bringing together several areas; Research and Development, Technical Development and Manufacturing through a common understanding of business acumen and reinforcing those skills through access to a network of mentors and experienced based professionals.

The intent and purpose of the Department of Commerce's Manufacturing Extension Partnership (MEP) program is significantly different from that of the FAST and SBIR ROP programs. MEP centers are funded by federal, state, local and private resources to serve manufacturers. They provide expertise and services tailored to their most critical needs, which range from process improvements and worker training to business practices and applications of information technology. However, through these centers, small businesses serviced by the FAST, SBIR ROP grantees, SBIR and STTR programs can benefit from the services from the MEP program. Many of the FAST and SBIR ROP grantees have engaged the MEP center within their respective states, establishing partnerships that can support the needs of those technology firms who require manufacturing services to get their technologies to the marketplace.

8(a) Business Development Program

The 8(a) Business Development Program assists firms owned and controlled by socially and economically disadvantaged individuals. SBA helps eligible small businesses in a structured developmental process over a 9-year program participation term. SBA provides access to business development opportunities authorized under section 8(a) of the Small Business Act including access to sole source and limited competition Federal contract opportunities. SBA works with Federal agencies to develop contract opportunities for program participants and assist firms with partnering, teaming, and joint venture arrangements in support of their business development plans.

Since the inception of the Program in 1968, there have been more than 600,444 contracting actions worth about $94 billion. The 7,585 current 8(a) firms provided employment for an estimated 171,524 people during FY 2002, an average of 23 employees per company compared to the 23.7 million small businesses which employed an average of 2 people per firm. While 71 percent of new businesses fail within 8 years, 42 percent of 8(a) firms are still independently operational 10 years after they enter the program.

The only change SBA is proposing for this program is cosmetic. While the statutory title of the program is "Minority Small Business and Capital Ownership Development" we propose changing that to reflect common usage and the goal of the program - "8(a) Business Development Program". This change will not affect any program goals or eligibility requirements, but it will more accurately reflect the goal of the program – building 8(a) businesses. This name has been used in the government contracting arena, and in Congress for years; we propose to make it technically correct.

7(j) Technical Assistance Program

Section 7(j) (l) of the Small Business Act authorizes SBA to enter into grants, cooperative agreements or contracts with public and private organizations to pay all or part of the cost of technical or management assistance for individuals or concerns eligible for assistance under Sections 7(a)(11), 7(j)(10) or 8(a) of the Small Business Act. Qualified service providers deliver management and technical (business development) assistance to eligible clients.

The 7(j) Program is an important component of the "Business Development" portion of the 8(a) Business Development Program. Program recipients network amongst themselves to form strategic alliances and partnerships that would otherwise not have occurred.

SBA has had to leverage our resources to provide assistance to as many of the approximately 7,585 firms in the 8(a) Program. Through our Nation-wide matchmaking events, we encourage agencies and prime contractors to use 8(a) firms. We are also developing a Procurement Academy that will provide on-line training to 7(j) eligible participants.

HUBZone Program

The HUBZone Program promotes job growth and economic development in Historically Underutilized Business Zones (HUBZones) through contract assistance to firms that locate in and hire residents from these areas. HUBZones are distressed urban and rural areas characterized by chronic high unemployment and/or low household income, or are designated as Indian Lands. SBA certifies firms as qualified HUBZone small business concerns if they are small, 100% owned and controlled by United States citizens, have their principal offices in HUBZones, and hire at least 35% of their employees from HUBZones. Through award of such contracts, funds flow to distressed communities to promote job growth, capital formation, and economic development. In addition to determining initial and continuing eligibility of firms, SBA issues program regulations, publishes a list of certified firms, adjudicates status protests, conducts program examinations to verify program eligibility, and engages in program marketing and outreach to small businesses and Federal agencies.

The Headquarters HUBZone Program Office has nine permanent staff and is responsible for management and oversight of the Program. There are approximately 70 District

Office HUBZone Liaisons who conduct local program marketing and outreach to Federal agencies and small business communities and perform program examinations.

The Program has been 'virtual' since its inception by using an Internet-based application process that has a highly automated decision support feature for determining eligibility. The Program Office uses a customer friendly website for small business concerns and contracting officers which includes state of the art geo-coding technology which allows the public to identify HUBZones, a simple web-based electronic application, and links to CCR/PRO-Net and FedBizOpps.

The Program Office has outsourced professional services to the maximum extent practicable, allowing it to certify more than 2,000 firms annually, with no more than four full time equivalent staff assigned to determination of eligibility.

Although agencies have not achieved the HUBZone goals, each dollar spent on the Program yields a return of $288 dollars in contract awards. Based on FY 2001 data from the Federal Procurement Data System, the Program helped to support 12,782 U.S. jobs, of which approximately 8,974 were located in distressed areas.

Procurement Marketing and Access Network (PRO-Net)

The Procurement Marketing and Access Network (PRO-Net) is an internet database of small firms seeking to do business with Federal, state, and local governments, and government prime contractors. It is a marketing vehicle for small businesses and a market research tool for the acquisition community.

PRO-Net has profiles on approximately 183,000 small businesses. The system serves as the authoritative source of information on firms certified by SBA as 8(a) Program participants, qualified HUBZone small business concerns, and small disadvantaged businesses.

On December 17, 2003, PRO-Net was integrated with the Department of Defense's Central Contractor Registry (CCR), as part of the President's Electronic Government Initiative for an Integrated Acquisition Environment (IAE). In brief, for each registrant in CCR/PRO-Net, common data elements are collected in the CCR database, and are transmitted to the PRO-Net database. Data elements unique to SBA are captured at a PRO-Net 'supplemental page' residing at SBA. Therefore, the integration eliminated redundant data entry for small businesses.

The use of PRO-Net is mandated in Federal Acquisition Regulation (FAR) for identification of eligible firms under procurement preference programs. Each week, Internet users visit PRO-Net approximately 21,321 times. The PRO-Net database is managed collaboratively by GC/BD and SBA's Chief Information Officer.

GC/BD Initiatives

In closing, GC/BD continues to use the best practices of the marketplace to improve and modernize our programs. Some of our current initiatives include:

- Launching a Nationwide Matchmaking event that will match the capabilities of small businesses with the needs of Federal agencies, state and local agencies, and Federal prime contractors
- Implementing the President's Strategy to avoid unnecessary contract bundling
- Automating the 8(a) application to streamline and simplify the process
- Simplifying the size standards to make them more useful to small businesses and agencies
- Automate and centralize the 8(a) annual review process to achieve consistency and efficiency.
- Developing a Procurement Academy to provide training on Marketing and Federal Procurement to 7(j) eligible companies

When fully implemented, these initiatives should help to create an environment where small businesses will have better access to Federal procurement opportunities. This concludes my remarks, and I will be able to respond to any questions that you may have.

U.S. House of Representatives
Committee on Small Business

Revitalizing America's Manufacturers: SBA Business Enterprise Development Programs

JUNE 11, 2003 HEARING

WRITTEN TESTIMONY

Anthony W. Robinson
President
Minority Business Enterprise Legal Defense and Education Fund

Chairman Manzullo and members of the Committee, thank you for this opportunity to speak with you at today's hearing regarding the Small Business Administration's (SBA) 8a program. I asked that my written testimony be included in the hearing record.

Over the past 23 years, the Minority Business Enterprise Legal Defense and Education Fund Inc., (MBELDEF) has monitored barriers to market entry and growth, which prevent talented small business owners to exist and thrive. MBLDEF serves as a national advocate and legal representative for minority business enterprises (MBEs) by promoting policies affecting equitable and full participation of minority enterprises in the mainstream marketplace.

For many years, our country attempted to assist every segment of small business. This has not been an easy task as government must constantly change with the marketplace and manage its fiscal policy to keep up with the demands of our society. This is the great challenge; one that requires government to adapt to new consumer requirements and constantly reevaluate its programs. SBA and its components (the subject of today's hearing) can help meet this goal.

In general, I would say there is a major disconnect between the manufacturing industry sector and minority economic programs. Today, I will address 4 ways MBEs are effectively prevented from participating in the country's manufacturing sector and how SBA can boost the capacity of MBEs, followed by 3 specific points regarding SBA's programs, structure, and operation. [1]

[1] In March of this year, MBELDEF provided written testimony to the Senate Committee on Small Business & Entrepreneurship. The hearing's focus was the harmful effects of federal agency bundling and consolidation of multiple goods and service contracts on small businesses and MBEs. Panelists discussed the Small Business Federal Contract Safeguard Act (senate bill 2466), and the SBA's proposed amendments to the Federal Acquisition Regulation, commonly known as FAR. The same issues raised in that debate also surface here.

Manufacturing Concerns

1. SBA's 8(a) program net worth limitations prevents disadvantaged businesses from ever succeeding in the manufacturing sector. The program places a cap on net worth, which functions as a penalty on success and is not good business sense. Under the 8(a) program, an economically disadvantaged business can enter the program with $250,000 of net worth. However, once it reaches a net worth of $750,000, it is terminated from the program. In many industries, this limit prevents MBEs from obtaining equipment and supplies for worry their net worth would exceed the limit. This represents a barrier for MBEs from entering the manufacturing sector and inhibits their growth. Furthermore, the $750,000 limit is based on 1988 dollars and is not set according to industry sectors. By setting individual limits based on particular industries or fields, SBA can better tailor its 8(a) program to maximize business development.

2. SBA relies too heavily on assessing the "number of firms" in various manufacturing sectors versus gauging firms' actual capacity to compete for larger contracts. SBA has gone from its past practice of setting M/WBE participation goals to its current policy of conducting statistical compliance analyses to see what level M/WBEs are included in the marketplace. In this way, SBA looks to reach its perception of appropriate market share for MBEs by assessing whether contractors can prove their outreach to small businesses that meet set ownership and control criteria. This is not reflective of actual marketplace realities, particularly in manufacturing areas. Of the $6.3 billion awarded to 8(a) firms in 2001, 6% were to 8(a) firms in the NAISC manufacturing code areas.[2] Similarly, of the 6,602 small to medium manufacturing enterprises (SMEs) assisted throughout the NIST Manufacturing Extension Partnership during the period Q3 00 to Q2 01, less than 1% (or 66 nationally) is projected to be minority SMEs.[3] This signals to me the ever-present need of outreach to MBEs and support programs.

SBA must similarly shift its focus away from viewing success in terms of statistical participation. For example, in its Survey of Minority-Women Owned Businesses, SBA relies on census linked numbers of manufacturers. This fails to gauge the production capacity of MBEs and how each contributes quality, performance, and value in a particular industry. In addition, SBA should look at the totality of the "supply chain" and whether or not the entire supply continuum reflects diversity.

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[2] See SBA report to Congress, 2001.
[3] David Burton, president, SCDC Management Corporation.

3. SBA's 8(a) program does help small businesses secure contracts. However, manufacturers see a limited number of potential contracts from which to compete. Even when firms leave the 8(a) program, this "pool of contracts" remains the same. There has been a reduction in 8(a) contracting by at least 1 percent while federal procurement dollars are going up. This creates an enormous problem, as firms must strike out on their own to seek out contracting opportunities, which may or may not exist. Furthermore, when the "pool of contracts" remains the same, Congress's goal of giving the maximum practicable opportunities for small business and M/WBEs can never be reached.[4][4] The success and failure rates for firms that leave the 8(a) program must be analyzed to see if the program indeed helped firms in the long run.

There is a push by members of Congress and the administration to "debundle" federal agency contracts, i.e. separate individual contract components into segments that are desirable and manageable for small businesses. The responsibility to contract with small businesses and initiate procurement has now been delegated to individual agencies. We are seeing these agencies securing from small and disadvantaged businesses that which is expected, rather than that which is possible. This abdicates SBA's statutory obligation for business development of 8(a) firms. Even if SBA were to take back this responsibility, there is not enough staff to accomplish this goal. There are low staffing levels at agency's small and disadvantaged business utilization offices and there has been a reduction in contract officers and SBA procurement center representatives (PCRs). Currently, PCRs comprise 11.6% of procurement centers and are able to help with 60% of all government contracting dollars. This leaves a vast gap of approximately $90 billion in contracting that is not reviewed by PCRs, which will undoubtedly hurt small businesses' chances to participate as contractors and subcontractors.

SBA's Programs, Structure, and Operation

4. The two-year moratorium on SBA's Small Disadvantaged Business (SDB) set-aside program should be lifted so that MBEs have a greater chance of entering and remaining in industries where they are underrepresented. Set asides are legal and proper if they meet Adarand guidelines and may be the only means to building MBE capacity across the broad spectrum of the economy. Federal law states that disadvantaged businesses be given the "maximum practicable opportunity" to participate and perform federal contracts and it is the purpose of the 8(a) program to foster SDB ownership and competitive vitality. SBA and federal agencies should reinstitute set-asides so that this statutory goal is met.

[4] This goal is found in the Small Business Investment Act of 1958 and subsequent laws and regulations.

5. MBELDEF has long advocated expanding teaming opportunities between two or more small businesses so that together they can secure large contracts. We need SBA's assistance and hope that its BusinessLINC program is not eliminated from SBA's reauthorization as suggested by the administration. Whereas other offices assist in federal contracts, BusinessLINC links private sector businesses together.

6. SBA proposes Small Business Development Centers (SBDCs) compete for funding. However, this program also is not slated for additional funds. Another proposal would eliminate the need for the Governor's endorsement of the SBDC. Without a governor's endorsement, a state could reduce matching funding to SBDCs, which will surely effect area small businesses.

On behalf of MBELDEF and its members, I respectfully recommend the Committee carefully consider the above concerns. We are happy to work with you and committee members to achieve the goal of greater inclusion of small businesses and their successful retention in the marketplace. Thank you once again for the opportunity to address this Committee.

TESTIMONY

BY

LONNIE SANDERS, PRESIDENT

C & S TRADING, LLC.

ON

HUBZONE LEGISLATION

HEARING OF THE COMMITTEE ON SMALL BUSINESS OF THE UNITED STATES HOUSE OF REPRESENTATIVES

HEARING ENTITLED:

"REVITALIZING AMERICA'S MANUFACTURERS: SBA BUSINESS AND ENTERPRISE DEVELOPMENT PROGRAMS"

JUNE 11, 2003

C & S TRADING, LLC TESTIMONY ON HUBZONE LEGLISTLATION
(2:00pm., June 11, 2003 – 2360 Rayburn House Office Building)

TESTIMONY – Hearing of the Committee on Small Business of the United States House of Representatives.

HEARING ENTITLED: "Revitalizing America's Manufacturers: SBA Business and Enterprise Development Programs"

MY NAME IS LONNIE SANDERS. I AM PRESIDENT OF C&S TRADING.

WE ARE A CERTIFIED HUBZONE BUSINESS LOCATED IN WASHINGTON, DC.

OUR PRIMARY BUSINESS IS THE EXPORTING COMMODITIES INTERNATIONALLY.

1. MY PURPOSE TODAY IS TO BRING TO THE COMMITTEE'S ATTENTION A PROVISION IN THE STATUTE THAT PRECLUDES ANY HUBZONE SUPPLIER FROM DOING BUSINESS WITH THE DEPARTMENT OF AGRICULTURE'S (USDA) BULK GRAIN PROGRAM.

2. **THE STATUTE STATES IN ESSENCE, THE PRIME CONTRACTOR CANNOT PURCHASE THE COMMODITY THRU A SUBCONTRACT IN SUBSTANTIALLY ITS FINAL FORM AND SUPPLY IT TO THE GOVERNMENT.**

C & S TRADING, LLC TESTIMONY ON HUBZONE LEGLISTLATION
(2:00pm., June 11, 2003 – 2360 Rayburn House Office Building)

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WE BELIEVE THERE MAY HAVE BEEN SERIOUS VIOLATIONS OF THE ADMINISTRATIVE PROCEDURE ACT, AS IT RELATES TO THIS MATTER.

IF THIS STATUTE IS LEFT TO STAND AS IT IS, THERE WILL BE NO HUBZONE SUPPLIERS ELIGIBLE TO DO BUSINESS WITH THE USDA BULK GRAIN PROGRAM.

USDA HAS INTERPRETED THE STATUTE TO PRECLUDE HUBZONES FROM PURCHASING BULK GRAIN COMMODITIES, BY STATING: ANY SUCH PURCHASE CONSTITUTES SUBCONTRACTING. THAT INTERPRETATION OF "SUBCONTRACTING" GOES TOO FAR. USING THE USDA INTERPRETATION, EVERY BULK GRAIN SUPPLIER ENGAGES IN SOME FORM OF SUBCONTRACTING, UNLESS, THE SUPPLIER IS THE FARMER.

WE SHOULD ALL PLAY BY THE SAME RULES.

3. WE SUBMITTED OUR APPLICATION FOR APPROVAL IN "USDA'S" BULK GRAIN PROGRAM IN **SEPTEMBER 2000.** THE STATUTORY LANGUAGE I MENTIONED EARLIER WAS **INSERTED** IN THE HUBZONE LEGISLATION IN **DECEMBER 2000.**

C & S TRADING, LLC TESTIMONY ON HUBZONE LEGLISTLATION
(2:00pm., June 11, 2003 – 2360 Rayburn House Office Building)

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HEARING ENTITLED: "Revitalizing America's Manufacturers: SBA Business and Enterprise Development Programs"

WE WERE FINALLY ALLOWED TO PARTICIPATE IN EARLY **APRIL OF 2002** AND SUBMITTED OUR FIRST OFFER THAT SAME MONTH.

4. AFTER SEVERAL SUBMISSIONS AND NOT BEING SUCCESSFUL, WE APPLIED FOR HUB ZONE CERTIFICATION WITH THE SMALL BUSINESS ADMINISTRATION (SBA) AND BECAME A CERTIFIED HUB ZONE BUSINESS IN **SEPTEMBER 2002**.

WE INFORMED USDA ABOUT OUR CERTIFICATION AND WERE TOLD THAT WE COULD NOT PARTICIPATE BECAUSE OF THE "NON MANUFACTURING RULE."

THIS RULE STATES A SMALL BUSINESS CONCERN MUST BE THE MANUFACTURER OF THE END ITEM OR QUALIFY AS A SMALL BUSINESS NON-MANUFACTURER.

C & S TRADING, LLC TESTIMONY ON HUBZONE LEGLISTLATION
(2:00pm., June 11, 2003 – 2360 Rayburn House Office Building)

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THE SBA HELD THAT THE "NON-MANUFACTURING RULE" DOES NOT APPLY TO FIRMS SUPPLYING RAW AGRICULTURAL PRODUCTS. THEREFORE, WE QUALIFIED AS A SMALL BUSINESS NON-MANUFACTURER.

AGAIN, WE INFORMED USDA. **THEY TOLD US,** THAT TWO ADDITIONAL REQUIREMENTS WERE NEEDED.

1. AN INCREASE OF OUR GUARANTEE FROM 15% TO 30% OF THE CONTRACT PRICE ON ALL CONTRACTS THAT EXCEEDED $550,000.
2. A LETTER FROM OUR SUB-CONTRACTOR STATING THAT WE HAD USE OF AN APPROVED EXPORT FACILITY.

THESE REQUIREMENTS DID NOT EXIST PRIOR TO OUR BECOMING A CERTIFIED HUBZONE BUSINESS.

WE SUBMITTED OUR OFFER, AS A HUBZONE SUPPLIER ON JANUARY 7, 2003 AND **AWARDED A CONTRACT THE NEXT DAY, JANUARY 8, 2003**

C & S TRADING, LLC TESTIMONY ON HUBZONE LEGLISTLATION
(2:00pm., June 11, 2003 – 2360 Rayburn House Office Building)

TESTIMONY – Hearing of the Committee on Small Business of the United States House of Representatives.

HEARING ENTITLED: "Revitalizing America's Manufacturers: SBA Business and Enterprise Development Programs"

AFTER WE HAD SUBMITTED OUR GUARANTEE TO **USDA** AND PURCHASED THE GRAIN **TO BE SOLD TO USDA, USDA CANCELLED OUR CONTRACT FOR "THE CONVENIENCE OF THE GOVERNMENT".**

THE MOST DISTURBING PART ABOUT THIS WHOLE PROCESS IS THE FACT THAT USDA MENTIONED, **FOR THE FIRST TIME**, THE WORD **"SUBCONTRACTING"** IN THEIR DECEMBER 2002 LETTER, AFTER WE RECEIVED OUR HUBZONE CERTIFICATION. THEY THEN TURNED AROUND AND USED THE SAME SUBCONTRACT WORDING, THE LANGUAGE THAT WAS INSERTED IN THE HUBZONE LEGISLATION IN DECEMBER 2000 TO CANCEL OUR CONTRACT.

C & S TRADING IS THE ONLY HUBZONE COMPANY QUALIFIED TO DO BUSINESS WITH THE USDA'S BULK GRAIN PROGRAM.

WHY WOULD USDA APPROVE US IN 2002 WHEN THEY KNEW IN 2001 THAT THEY WOULD NOT ALLOW C & S TRADING HUBZONE PARTICIPATION?

C & S TRADING, LLC TESTIMONY ON HUBZONE LEGLISTLATION
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HEARING ENTITLED: "Revitalizing America's Manufacturers: SBA Business and Enterprise Development Programs"

WE HAVE WORKED WITH TWO OF THE LARGEST AND MOST RECOGNIZED FOOD AND GRAIN COMPANIES IN THE WORLD, ADM AND CARGILL.

WE BID USING CARGILL'S EXPORT FACILITIES AND PURCHASED WHEAT FROM ADM. AFTER USDA CANCELLED OUR CONTRACT, WE HAD TO SELL OUR WHEAT BACK TO ADM, **AT A LOST**.

OUR QUESTION IS: WHY THE RESISTANCE FROM USDA?

WE DO NOT THINK THAT CONGRESS INTENDED TO PENALIZE HUBZONE BUSINESSES BY PRECLUDING THEM FROM PARTICIPATING IN THE COMPETITIVE MARKET PLACE IN THE SAME MANNER AS ANY OTHER BUSINESS.

WE RECOMMEND THAT THE PROVISION INSERTED IN THE HUBZONE STATUTE IN DECEMBER 2000 BE REMOVED IMMEDIATELY.!

THANK YOU, LONNIE SANDERS

Cairo Corporation is an 8a/SDB/WOB. The company was started in April of 1999 by myself and my business partner, Raymond Roberts. The combination of my business partner's passion for business and my passion for excellence differentiates Cairo from most small businesses. Prior to starting Cairo, we both worked for a large Fortune 500 company providing model based development and enterprise architecture services to the Government – both Federal and State. I have been providing technology consulting and training services to the Federal government since 1992. Raymond and I served as Principal Consultants, Services Sales Manager, Education Manager, and Resource Manager for a number of years. Our knowledge of operating and managing a government services practice was extensive prior to starting Cairo. We had experience supporting the creation and modification of GSA Schedules; experience with the creation, modification, customization and delivery of highly technical courseware; a number of strong relationships with Government agency and large prime contractor personnel; and a strong reputation as CASE tool experts, facilitators and data/process modelers. Raymond and I have very different personalities and approaches, but we share (and have always shared) a common set of values, including a strong work ethic, perseverance, a commitment to superior performance, a passion for delighting our customers, and the desire to build something remarkable. We are both creators of our own destiny. We are both immigrants, come from very poor families and were raised by entrepreneurial fathers and businessmen. I tell you this because this explains our never say die attitude. Our employees kid us about dropping us into an episode of Survivor.

I knew about some of the advantages of the 8a program prior to starting the company. As a Government services contractor for a large Fortune 500 company, I had worked with a handful of very successful 8a's in the early to mid 90's and felt that the 8a program was a real opportunity for us to get a couple feet in the door. I wasn't looking for or expecting a handout. I was only looking for a handful of doors to open so that we could begin to make our own way in the world. It would then be up to us to make good of those opportunities and leverage them into more opportunities. Past performance is essential to government contracting and I needed the 8a program to allow us the opportunity to establish past performance with a brand new agency, where we did not already have relationships or past experience.

With as much as I knew back then, there was still a lot that I did not know about the program. I had no idea that the 8a application process would be so onerous and invasive. I also had no idea that the annual re-certification process would be as paper intensive as it is. I also never imagined that it would take us over 2 years to land our very first 8a contract. Everyone kept saying, "But you guys are so good at what you do. I can't believe you're having this difficult a time landing an 8a contract". To give you a sense of just how prepared we were to conduct business with the Federal government, we had built and negotiated our very first GSA schedule all by ourselves in only 5 weeks – practically unheard of in the IT Schedule 70 world. We were awarded our GSA schedule with 7 labor categories and rates less than 5 months after starting the business. We received the first contract using that schedule just 6 months later. We currently conduct

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millions of dollars in business using the schedule and now have over 80 labor categories and rates, including proprietary courseware and product.

We spent the first year of the Company's life struggling with the effects of Y2K and taking advantage of that very dead period when all budgets were frozen and the only thing that was on people's mind was Cobol and the end of the world. We didn't despair. Instead, we took advantage of the opportunity to attend every outreach session, SBA/SBDC training session, and PTAC counseling session. We hired a part-time MBA student to do Internet research and register us to every government procurement database on the planet. We also took the time to set up our infrastructure: GSA Schedule, payroll, insurance coverage and some very meager benefits. We read all about the different SBA Programs and made several failed attempts to secure a line of credit.

Our vision is to be a $100M company by 2010. Our passion is to be a $100M company by 2010. There is no lack of effort, will or sacrifices that we are willing to commit in order to get there. Our country and our national economy needs us – and companies like us – to be successful. We have grown over 7000% percent since inception and over 90% last year. We have had 15 profitable quarters in a row and aggressively reinvest the profits of the company every day into its employees, its customers and its growth. We currently employ over 60 people of all walks of life, skills and ambitions – many of whom were sitting at home anxiously waiting by the phone the day that we called to interview them.

With as competent as we are and as successful as we have been, we are still small and still very fragile. We are typically the first ones that large primes cut loose when budgets are cut and the last ones to be called upon to staff a program that we have won alongside them. It is not unusual or unexpected to receive the hard to fill slots on a contract or the low-end labor categories and rates – even when our core competencies and experiences strongly suggest otherwise. We are expected to provide the very best of our best at bargain basement prices in exchange for the privilege of work. They scrutinize our competence every step of the way and yet they lose our invoices and forget to renew our contracts. They apply themselves prompt payment discounts even when payment is made over 90 days late and they threaten to replace us if we even think about assessing late charges or interest penalties on severely late invoices. In the words of a large prime contractor Contracting Officer, it would mean "hasta la bye-bye, Cairo".

Large primes often use the qualifications and certifications of small, minority owned businesses to win contracts, but they are rarely encouraged by their management or their corporate incentive compensation structures to distribute the work to their small business partners once a contract is awarded. Their performance is measured by their own internal growth and it then becomes a struggle for survival. Ironically enough, we need to win again the very work that we already worked so hard to win in the first place. I have a number of empty champagne glasses and a host of empty promises from large primes that have fundamentally amounted in little or no work for us. We therefore need and rely on a

certain percentage of prime contracts to ensure our long-term growth and survival. The 8a program gives competent minority and disadvantaged owned organizations, such as ours, the protection that we need during our early years of development to grow and be successful.

I am immensely grateful for the few exceptions to the rule within large companies – the few people who recognize our talents, our hard work and sacrifices, and defy the internal structures of their own larger organizations to honor their commitments to their small business partners. I am grateful for the existence of the 8a program – with its many flaws and the many challenges that lay before it.

I think that my biggest mistake with the 8a program was in believing the hype that an Agency would want to do business with us as a result of that status. I often regret certifying as early as I did considering the amount of time it took us to obtain our first 8a contract. Even when I found folks that wanted us to work with them for compelling business reasons, they refused to go the 8a route – too difficult, too time consuming, and so on.

With respect to the Personal Net Worth issue, I feel strongly that we must raise the cap on economic disadvantage at entry into the program and eliminate it's re-certification cap altogether. The entry-level cap should minimally be raised with inflation and cost of living for the last 15 years. Additionally, we need to eliminate the income cap for 8a business owners.

Business owners make incredible personal and financial sacrifices to start their businesses. In our case, we went without income for 14 months, we cashed in all of our assets, put the dream of home ownership on the back burner, mortgaged my family's home, consumed every last penny in our savings accounts, and juggled credit card balances from one bank to another. It was clear that we were financially disadvantaged upon entry into the program. What value does it provide the program on requiring us to remain disadvantaged year after year for an additional 9 years? How is the success of the program congruent with our lack of personal financial development and growth? How have you taken into consideration the devastating financial impact that starting the business has had and continues to have on the owners of the business? At the rate that I was making money prior to starting my business 4 years ago, coupled with the overwhelming financial burden and indebtedness incurred to finance the business, I still have a long way to go before I can be made whole.

We make the ultimate sacrifices to create jobs, revitalize the economy and ensure the financial prosperity of a growing number of individuals in our own community. The odds of success and survivorship in business are low to begin with. In what way is the program served or does our economy benefit by continuing to restrict a business owner's personal financial success? It seems in direct conflict with the goals and objectives of a capitalist society. Personal wealth stimulates the economy, whether through personal

investments or business investments. It was our personal wealth that financed the startup of our business. Money in the hands of businesspeople means money reinvested into the community. This fact, coupled with the lack of parity and imposition of these same restrictions on all other SBA programs, such as the Hubzone Program, makes these caps unjust, unfair and counterproductive.

With respect to the Hubzone Program, it concerns me gravely that we continue to water down the strength of the 8a program by layering and prioritizing other programs in its stead. The Hubzone program is a resource intensive program to administer that requires constant monitoring in order to ensure compliance. The continued drain on the SBA's resources is hurting the 8a program. We have already experienced considerable drops in 8a procurement dollars since 1995, despite the fact that Federal procurement dollars have increased steadily.

The Hubzone program preferences certain types of businesses and is only appropriate for certain NAICS codes. In the high-pay, high-tech services field, for instance, qualified technologists are difficult to find living in a Hubzone. The attraction to becoming a skilled technologist is to enter a job market that ensures employment and hopefully make a great deal of money. The natural progression and intent of people who make a great deal of money is to spend that money on their surroundings. All of which is great for the economy, but none of which does anything for the intended Hubzone community long-term if the technologists move out of the Hubzone area.

The intent of the Hubzone program is community development. If a well-to-do business owner starts a high-tech services business in a Hubzone, but yet never hires more than a handful of clerical (low-income) staff and proceeds to subcontract all the rest of the meaningful, high-paying work to non-disadvantaged, non-Hubzone residents, has the program truly achieved its objectives? Is it fair to allow an experienced and wealthy businessperson access to protected competition? It is critical to analyze the types of jobs that a Hubzone business is offering and the true impact of that business' employment in a Hubzone community. We need to look at pay grades and more closely scrutinize the variables that lead to community development.

For those of us attempting to build viable $100M high-tech companies, this approach would be devastating. In order for us to become Hubzone certified, we would have to replace over 30% of our current staff, relocate our headquarters to a Hubzone and make a significant investment in re-training our team. These types of changes would impose a devastating financial burden on our organization and eventually become the cause of our own destruction. Why is the burden of community development imposed on small and disadvantaged businesses? Why aren't we imposing this burden on larger, financially stable organizations that have the resources to provide the employment and training necessary to achieve the goals of the program? Our businesses have enough obstacles in place without the creation of parity with programs that don't carry the same level of scrutiny, compliance and monitoring.

Statement of Kaaren J. Street
Associate Deputy Administrator
U.S. Small Business Administration
Office of Entrepreneurial Development
House Small Business Committee
June 11, 2003

Thank you for the opportunity to submit testimony on behalf of SBA's Entrepreneurial Development programs and the Administrations proposals for the Small Business Act Reauthorization.

SBA is committed to serving America's small business men and women as an effective and efficient 21st century organization. SBA is reforming its programs and management to be dynamic and responsive, and to aggressively reach out to those entrepreneurs who need its services. SBA particularly seeks to expand its reach into emerging markets. Above all, SBA is working hard in the Office of Entrepreneurial Development (ED) to integrate its services and programs into a client-based organization that answers the needs of entrepreneurs whether they come to SCORE, SBDCs, WBCs, or any other SBA program.

An example of an innovative and adaptive program is SCORE. SCORE operates in a dynamic, innovative fashion and leverages its grant funding with strategic alliances and seasoned small business volunteers. These volunteers annually donate more than a million hours of hands-on, real-life experience to the pre-venture and start-up entrepreneur market segment. SCORE works aggressively to deliver its services to entrepreneurs wherever they may be. In fact, SCORE pioneered small business e-mail counseling in 1997, which now accounts for approximately 25% of SCORE's total counseling.

Innovation requires flexibility, and many ED programs simply do not have the flexibility they need to improve efficiency, institute new ideas, and reach out to emerging markets. One

example in particular is the Women's Business Center (WBC) program, and its "sustainability" pilot, which is about to expire. The WBC program provides valuable services to an underserved community, but its costs per client are the most expensive program within the ED programs, and this program reaches a smaller number of women than any of the other programs, including SCORE, which operates for half the cost.

Currently, there are 52 centers receiving WBC grants. The sustainability pilot requires SBA to spend 30.2% of the program budget ($3.6 million in 2003) on WBCs that have already graduated from the original 5-year program. Under this formula SBA is awarding grants to 81 centers leaving little or no budget resources available for new centers, innovation, marketing, or outreach. As a result, SBA will be unable to fund new WBCs in some of our largest urban areas which are not now served; including Cleveland, Miami, Los Angeles, San Diego, Pittsburgh, Tampa, Little Rock, Minneapolis, Las Vegas, and more. By redirecting the $3.6 million allocated to the sustainability pilot SBA could instead offer grants to a number of new centers.

Unfortunately, with the sustainability pilot in place, the budget will be entirely accounted for. There will be little expansion into larger markets like Los Angeles, Miami and elsewhere. All WBC funding will be concentrated on simply maintaining the status quo. SBA is requesting that this pilot program be allowed to expire. Our goal is not to close or hinder existing centers, but to encourage growth and innovation in the current program.

Another important ED program is the Small Business Development Center (SBDC) program. The SBDC program is the largest non-credit program at SBA, and provides a wide array of information and services to new and existing entrepreneurs - counseling hundreds of thousands of small businesses and start-ups every year. Like the WBC program, however, SBA believes that the SBDC program could benefit from a new sense of innovation. The agency

proposes a competitive grant process to select the lead center in each state on a 5-year basis. This competition would affect only the lead center. It would not threaten the networks of individual centers themselves. Current lead centers would, for the first time, be asked to find new and better ways of serving small business, or face the possibility of being replaced. The resulting competition would ensure dynamic administration of the program at the critical, lead center level, and result in better service to our clients - America's entrepreneurs. SBA's proposal does not mandate a change in lead center administration rather it introduces the potential for competitive leadership concepts. Competition is the backbone of American society and leads to efficiency and innovation. This process will not result in a wholesale turnover of lead centers despite the dire predictions of certain parties. Lead centers that perform well will continue to be successful.

Finally, I want to bring you up to date on our recent activities within SBA's Office of Native American Affairs. SBA appointed Thelma Stiffarm to head this office and lead our Native American initiative. Recently, the Agency received approval from the Committee on Appropriations on its proposal for allocating the $2 million received in FY 03 for the Native American initiative. To develop the initiative, SBA gathered input and support from tribal leaders, and is currently working with the Bureau of Indian Affairs and other government and tribal agencies to maximize its effectiveness. The initiative is not based in any one office, building, or organization. Instead, SBA will reach underserved communities using all possible means: tribal colleges, correspondence courses using mail, e-mail or CD-ROM, collaboration with tribal and private organizations, e-government initiatives, and more. The goal is not merely to deliver government funds to Indian country. The initiative is to bring new investment, jobs, and skills to Native American entrepreneurs – building economic growth within the Indian

community. A dynamic, innovative approach will be the rule in the new Office of Native American Affairs.

To conclude, small businesses create over two-thirds of all new jobs in the American economy. That is what the President's Management Agenda is all about – creating jobs and growth for the American people, while protecting the assets of hard working taxpayers.

The changes we propose to the Congress in this reauthorization share a common goal: success through innovation. To achieve innovation, SBA must be able to invest in the marketplace of new ideas, and the agency asks for your support in its efforts.

Thank you for your leadership and support in the small business community. SBA looks forward to continuing to work together.

Testimony before the House Small Business Committee
Kersten Hostetter, Executive Director
MicroBusiness Development Corporation

Wednesday, June 11, 2003

Thank you, Mr. Chairman, Ranking Member Velazquez and members of the Committee, for the opportunity to testify before you today. My name is Kersten Hostetter. I am the Executive Director of the MicroBusiness Development Corporation, a microenterprise development organization in Colorado as well as a Director of the Association for Enterprise Opportunity, the national association of microenterprise development organizations. I am here to testify today on the Program for Investment in Microentrepreneurs, PRIME, and in support of the Women's Business Centers program. Before I discuss those program specifically, I would like to tell you a little bit about microenterprises and their important role in the U.S. economy.

Americans have always cherished the idea that they can build better lives for themselves and their children through hard work and sacrifice. Many people are trying to achieve this ideal by starting their own microbusiness. They have daycares, corner grocery stores, small manufacturing companies and other products and services. These microenterprises are small business with five or fewer employees and initial capital needs of $35,000 or less. They are located in both urban and rural communities. Many of these microentrepreneurs are low income, women, minorities, or disabled individuals.

Unfortunately, hard work and sacrifice is not always enough. Two of the biggest obstacles these individuals face are lack of capital and the need for technical assistance. With capital and technical assistance, microentrepreneurs can grow their business, increase their personal income and support economic revitalization by providing jobs and commerce in economically distressed communities.

In Colorado there are more than 412,000 microenterprises – providing nearly one-fifth of the state's total employment.[1] In some rural communities these entrepreneurs create over 40% of the total employment. In other states, these figures are even higher.

Locally based microenterprise development programs provide access to credit, training, and technical assistance. Clients receive assistance in business plan development, market analysis, financial management, business assessments and other support services working with a provider for 10 or more hours of service in a given year. Microenterprise development programs are able to provide these services due in large part to several federally funded programs, including the Office of Women's Business Ownership and PRIME.

The SBA's Office of Women's Business Ownership (OWBO) is the only federal office that specifically targets women business owners. Its Women's Business Centers provide training and technical assistance to women starting or expanding businesses. The Centers are required to target services to economically and socially disadvantaged women, some of whom are microentrepreneurs. Last year alone, Women's Business Centers provided consulting, training and technical assistance to more than 80,000 women. The Women's Business Centers are one of AEO's top priorities. We echo the testimony of the Association of Women's Business Centers – particularly on the issue of sustainability grants.

The PRIME program provides grants to microenterprise development organizations to offer training and technical assistance to entrepreneurs, regardless of whether they seek access to capital. Governing legislation stipulates that 50% of PRIME funds be used to support training and technical assistance for very low-income entrepreneurs.

PRIME was developed in concert with the microenterprise development industry, which saw the incredible unmet demand for services among very-low-income populations and

[1] County by county analysis of microenterprise and employment. The methodology for this analysis was developed by Professor James McConnon, along with Thomas Allen, both of the University of Maine

the impact these services had on them. PRIME is unique among federal programs in that it specifically targets the needs of very-low-income clients, who may not need or want to borrow funds, but require a longer time frame for assistance.

The PRIME program, along with private matching dollars, supports the work of MicroBusiness Development Corporation. Through the program, we were able to develop a business assessment tool that provides the small business owner with a clear technical assistance strategy to meet both short and medium range goals. It encompasses a quick, yet thorough and practical, appraisal. Starting with an interview covering nine areas of fundamental business functions as well as strategic discussions to clarify short to moderate term goals and objectives, a team of five to seven business consultants then collaborate to review the information and provide suggestion specific to the unique needs of each business owner. The results are formulated in a written report with actionable recommendations and referrals for implementation. We then work with the client over an 18 month period to review the use of recommendations, set goals, develop and implement an action plan.

Like you, the microenterprise industry believes in demonstrable outcomes for federal programs. In the first seventeen months of the PRIME program, MBD has served 168 clients, using less than $700 of federal funds per client. 88% of clients are low-income, 50% are women, 51% are minority and 18% are from rural areas in Colorado.

For the microenterprise industry more broadly, a five-year longitudinal study by an independent research organization found that low-income entrepreneurs receiving microenterprise development organizations had highly favorable outcomes in household income and assets, business income and assets and reduced reliance on federal benefits.

The PRIME program is currently authorized to receive $15 million per year – this needs to be increased. Last year's $5 million appropriation underfunded the program. The budget request to eliminate the program would have dire consequences for real businesses in Colorado and throughout the United States. Demand for microenterprise

business assistance is on the rise, as many more families are turning to business ownership. Without your support, organizations like mine will have to reduce services to rural entrepreneurs like Roberto, who with time and consistent business development will change an industry, save lives and support his family and his community through a microenterprise.

I am here today representing Karen and Doug Harbaugh from rural Colorado who, by developing organizational management skills, are finally able to take a vacation with their girls, and the Vitel's whose restaurant in one of Denver's most distressed neighborhoods just hired their first employee after intensive cost analysis training. I represent them and thousands of other microentrepreneurs in asking the committee to support the PRIME program through reauthorization. Please continue to support the microenterprise field in growing America's dream in all of our communities.

Thank you very much for this opportunity. I would be happy to answer any questions at the appropriate time.

House Committee on Small Business

"Revitalizing America's Manufacturers:
SBA Business and Enterprise Development Programs"

June 11, 2003

Prepared Remarks of Susan R. Whitfield
McHenry County College Small Business Development Center

Chairman Manzullo, Ranking Member Velazquez, and Members of the House Committee on Small Business: I am Susan Whitfield, Director of the Small Business Development Center (SBDC) at McHenry County College located in Crystal Lake, Illinois. Thank you for the opportunity to share with you the critically strategic role of Small Business Development Centers in renewing our country's economy, particularly in assisting manufacturers.

The committee has suggested that I use a format of a typical day with an SBDC to describe some of the services that SBDCs provide to manufacturers, due to my ability to speak from the daily experience of delivering an SBA program to your constituents. We strongly support continuing the strict confidentiality rules that protect the identity of SBDC clients. I am presenting the clients and contacts as case studies by blurring and interchanging details, but I assure you that there is a real constituent behind each example. I am sure that you can appreciate how devastating it would be to reveal a small manufacturer's plans to expand into a new market, seek a new location, or overcome a potential bankruptcy.

The Small Business Development Center Network consists of nearly 1,000 service centers in all 50 states, District of Columbia, Puerto Rico, Guam, the Virgin Islands, and Samoa. While all SBDCs offer a common set of services and training programs, SBDC services are customized to the needs of the constituents of the individual geographies that each center serves. My comments will be based on the services, resources, and experiences of the McHenry County College SBDC. I will be presenting a 12-hour day, which actually happens at our center at least once or twice a month. In any given year, up to 20% of our clients are manufacturers, so we will cluster a week's worth of manufacturing clients into one day. So please join me for "A Typical Day with the SBDC".

The day begins at 7:30 am with a Committee for Business Support meeting at one of the local Chambers of Commerce. An SBDC is recognized as an integral component of the business and economic development community of their service geography. The news from the city planning staff indicates that a long vacant building in the Main Street Downtown has been contracted for purchase for a restaurant, a developer announces that plans have been approved for two spec buildings for the new industrial park, and a community banker says that they will be opening a branch office in a neighboring town. The SBDC Director requests that the city staff refer the building purchaser to the SBDC for help with their business plan and loan proposal, gets the industrial park layout sheet from the developer for consideration by an SBDC client that is looking for a new location, and is pleased to find out that the bank is adding a commercial loan officer. Since all of this information has been disclosed publicly, the SBDC will contact clients that specialize in manufacturing custom cabinetry and furniture to give them the leads on the restaurant and bank buildouts. The average business owner does not have the time or ability to collect and use the local "news on the street" and to find local resources. The excellent resources of the SBA website, for example, only provide information on a national level. This is an exceptionally good start to the day.

Arriving at the office, a fast media scan of local and regional newspapers confirms a nationwide study that fast growing McHenry County has the largest population without access to an interstate. This is a critical cost issue for both manufacturers and service companies who need to move raw materials, finished goods, and employees through congested intersections and roads. These costs can be minimized if small business suppliers can be located near major customers, and the McHenry County Economic Development Corporation has developed a strategy to retain, attract and cluster certain industries to create local jobs for workers that are commuting out of the county. For this reason, I serve on both the Transportation and New Business Committees of the EDC. The marketing and financing strategy resources of the SBDC and the employee training programs of the SBDC's host, the Center for Commerce and Economic Development of McHenry County College, often are the deciding factor for a small manufacturer to locate or expand in the area.

The incoming email list is long and the phones start ringing with existing clients and new referrals from the SBA website, SCORE, our Congressional

Representatives', State Representatives, State Senators, banks, city halls, the county clerk's office, chambers, EDC's, libraries, the college's counseling center, and a wildly advertised book on free government services. Increasingly, many referrals are coming from the website and a 1-800 number that the statewide Illinois Small Business Development Center Network has developed to refer small business inquirers to their local SBDC center. In Illinois and several other states, our clients benefit from a statewide delivery system, rather than having several lead centers duplicating services and competing for both funds and providing fragmented information. In a seamless and efficient delivery of service, we send out a packet of information about our local services, seminars, and credit courses so that callers now have both state and local resources. Callers frequently act surprised to be talking "to a real live person", at long last. SBDCs provide the empathetic and high touch service that is not usually associated with governmental bureaucracies.

Our office provides free counseling to approximately 250 clients per year. They sign a "Request for Counseling Form" that assures them of complete confidentiality. About half of our clients are already in business, representing a full range of manufacturers, service, construction, retail, wholesale, and technology. These proportions are similar to the business demographics of our area, as are the proportions of women and minority clients. Existing business clients are usually contacting us for assistance with expansions, loans, and marketing, which means that we assist with the simultaneous review of at least 12 individual business plans or loan proposals in various stages of development each week.

On any given day, our phone calls and emails can be summarized as follows: There will be four "I'm starting a business and don't know where to start", two "Do you have any seminars or classes to help my business?", one question pertaining to either Women Business Enterprise Certification, Minority Business Enterprise qualifications, or an inventor who may have Small Business Innovation Research grant potential, and one "How do I get a government grant or loan for my small business?". Our office tracks over 40 governmental business assistance programs at the federal, state, and local level. These programs are constantly changing their size, qualifications, purposes, mission, and how to be contacted. Increasingly we are receiving inquiries about purchasing an existing business from a retiring owner. As businesses transition from SIC codes to NAICS, we also are requested to look up NAICS codes for marketing to the government, prime contractors,

and listings in manufacturer's directories. With the help of our part time assistant and student worker, all of these contacts are rapidly assessed. Seminars, Entrepreneurship courses, websites, and books are suggested and if needed, appointments for counseling are made. Additionally, existing clients call us with questions and updates. If our office or staff does not have the answer to a unique question, as a part of a true network, we can contact neighboring SBDCs, experienced statewide colleagues, or our nationwide resources.

Our contractual counselor that specializes in loan strategies calls about a client that was within 30 days of becoming insolvent. An unemployed business executive purchased a manufacturing firm that supplied Motorola. When she first contacted us, she was eliminating some jobs and wanted a working capital loan to continue operations after Motorola's downturn. After analysis of her situation, we suggested that she should instead try to renegotiate the terms of purchase with the original owner. Not only did that strategy work, she avoided additional debt. Although she did have to lay off some valued employees, her improved debt ratio will make her better able to get a loan to hire them back when she finds new customers. Shortly after the downsizing, the business owner was afraid that a disgruntled former employee might call OSHA. We were able to call the client to recommend the free OSHA consultation available from the state that allows sufficient time to make improvements without penalties. SBDCs can sometimes save companies, if we can get to them soon enough.

We fit in these phone and email contacts around our counseling sessions. On this day, we are meeting an existing client in our offices in the morning and traveling for a site visit in the afternoon. Our morning client is stopping by after attending a Quickbooks bookkeeping seminar cosponsored with our host institution. In the electronic component industry, he wants to take advantage of the currently low interest rates to purchase his building, and is in the process of writing a loan proposal that we will review. Our close relationship with the SBA 504 Certified Development Corporation will link him with a bank that is aggressively pursuing commercial loans. In addition, he has excess production capacity and needs to expand his sales. We demonstrate how to use the state manufacturer's directory to find new customers, and check his business' listing which shows an incorrect email address. We also urge him to develop a basic website and demonstrate how a search engine is bringing up his competition. One of his competitors recently won a large subcontract with a large aerospace firm doing defense

work, and our own client has done work for a government research lab in the past. We immediately call our Procurement Technical Assistance Center Director to arrange an appointment to get him on the governmental bid lists. We also urge the client to attend the SBA Business Matchmaking event in Chicago this month. Most manufacturers are very busy, highly insulated and don't have the time or inclination to discover this valuable assistance. Two months ago, this client had absolutely no knowledge of these resources until a bank recommended that he call the SBDC. Even though this company has been in business for ten years, they don't know what they don't know.

Lets have lunch and I will describe some of the challenges that our SBDC is facing. The SBDC program is unique among federal programs in that it has a Congressionally mandated accreditation program. For our local center, this means that both the SBDC Director and the SBDC Assistant have achieved and maintained professional credentials as Certified Business Specialists, and our most recent statewide professional training was in the analysis of business financial statements. As long as this last client has to gather together his financial statements for the loan, we could provide some incredibly detailed management suggestions. But at our small center, we are working at full capacity. This level of counseling is available at larger SBDCs, especially those at universities that can use graduate student workers or have additional local cash match to hire additional staff. In Illinois, the state budget crisis has also caused a crisis in the community colleges that provide cash match for the SBDCs. Several of my colleagues have already been forced to reduce their staff. We are awaiting the final draft of our college budget to see our status for the next fiscal year.

In the case of manufacturers and retailers, we try to visit their facilities, so let us go on the site visit. Seeing a manufacturing operation is invaluable to assessing the needs of the company and to suggest assistance. Our afternoon visit is to a high precision metal fabricator that has the opposite problem of our morning client. This company has recently won some defense government contracts, and is also producing a component for a product destined for export. We congratulate them on doing what is proving to be an essential strategy for manufacturing survival, but their manufacturing floor is so crowded that it is obvious they need to expand their facilities. They are considering moving some of their work to a foreign subcontractor. We work on a financing strategy to expand their current facility that may include an Industrial Revenue Bond, SBA and the local revolving loan fund. We refer their NAFTA question to our neighboring SBDC International Trade Center

and also recommend our host college's International Trade department for their quarterly networking group for local exporters.

Like many of our successful manufacturers, this client is ISO certified, but we are shocked to find out that they have spent nearly double the amount to achieve that certification than if they would have used the excellent consultants available through our host institution, McHenry County College. The company is also paying nearly twice as much for noncredit employee training. But by using the resources of the SBDC host college, these cost savings alone may make the difference in keeping the jobs in the USA. While the advanced consulting and employee training does not provide direct program income for the SBDC, it will produce modest profits to our host institution to provide for the SBDC cash match. I am aware that on a nationwide basis, many SBDCs are collocated with Manufacturing Extension Program Centers (MEP or MEC). We may recommend Manufacturing Extension services for highly technical engineering questions, but our host institution has developed resources for handling most other requests. Coordination between the programs can enhance service to meet the specialized needs of the manufacturer.

As we drive back to the campus, I am reminded to call our college's purchasing director. Last month in the local newspaper I read an announcement that he presented a "Doing Business with McHenry County College" seminar to local businesses. About a year ago, our SBDC helped cosponsor a similar event with other local school districts and municipalities. Even though they usually work through catalogs and distributors, this would be a good opportunity to get the purchasing officer's perspective on how the college can find local suppliers of goods and services. Is there some way to provide an incentive for the smaller colleges and universities to locate and source small businesses for their purchasing needs?

We end the day with presenting a two-hour evening seminar. Every SBDC presents a "Starting a Business" seminar, and we do ours every month. Recently our attendees have included at least one or two engineers and production managers that are concerned about the future of their existing jobs and are exploring the possibility of opening their own facilities. There have also been a number of airline employees and software designers that are already unemployed. They are starting to realize that they may have to develop their skills and talents to start their own business to provide for their families. It's a very serious group tonight.

This Director enjoys doing this startup presentation for two reasons. First, it provides us the opportunity to urge clients to use the many resources of the SBDC, SBA, State of Illinois, and our host institution, McHenry County College. They are delighted to find out that at long last, they can get something back for their hard-earned tax dollar. They can avoid many mistakes and start their businesses on a solid foundation. We can brag about the benefits of using SBDC services. We know that long-term SBDC clients create ten times the number of jobs, grow four times faster, and are twice as likely to survive five years than non SBDC businesses. SBDCs are the very image of the legendary goose that lays the golden eggs - SBDCs create more revenue than they cost the taxpayer – generating $2.09 in tax revenues for every $1 spent on the program. The SBDC system is the envy of other nations who are trying to replicate the SBDC program in their own countries.

Second, the startup seminar reconnects and reenergizes this Director to the real reason why SBDCs exist. As with our clients who are already in business, I see both the fear and excitement in the eyes of these potential small business owners. As a small business owner myself, I have been in their shoes, as were my immigrant grandparents, my father, my inlaws, and my husband. These seminar attendees are on the verge of making a life changing decision to achieve one of the great American Dreams – the dream of owning their own business. It is the role of the SBDC to support their efforts that their business will be successful. It is also the Dream of America to have a prosperous economy that is based on those small businesses, and SBDCs play a crucial role in supporting the small business basis of our free enterprise system.

I will be happy to respond to your questions as I close this presentation to you in the same manner that I always close the seminar, "We consider it to be our great privilege and our great pleasure to work with you who seek success in small business." Thank you.

Sue Whitfield INTRO

Sue Whitfield has been the Director of the Small Business Development Center and Chair of the Entrepreneurship Department at McHenry County College since February, 1994. She has counseled over 1900 business owners and entrepreneurs on issues including startup, business plans, loan programs, marketing plans, and referral to over 40 business assistance programs available from community, county, state, and federal resources. **Sue holds rare professional certification as one of three Certified Business Consultants in the State of Illinois recognized by the Illinois Small Business Development Association and is also one of their Certified Business Specialists.** Personally trained by futurist Dr. Joel Barker, Sue achieved certification as one of the first Joel Barker Implications Wheel trainers in the United States and is also a Strategy Matrix trainer. **Sue hires and coordinates instructors and faculty for both non-credit seminars and credit courses that over 6,000 potential and existing business owners have taken.**

Sue is a member of the Board of Directors for SomerCor 504, Inc., the Certified Development Corporation for this region, and is able to advise clients and banks as a Certified SBA Loan Preparer. Sue is the Vice President for Business Development on the Board of Directors of the Crystal Lake Chamber where her participation includes the Committee for Business Support. **Sue received the coveted Athena Award in 2001 for her leadership in business and service to the community, and was elected to the Crystal Lake Ambassadors in 2002. With a strong background in economics** (BA from Lawrence University) **and economic development, Sue also is on the McHenry County Economic Development Corporation New Business Committee and the Transportation Committee.** She previously served on the McHenry County Planning Commission.

Sue is a third-generation serial entrepreneur, starting her first business at age 6. She sold pumpkins at her roadside stand after proving to her father that she could count change. Sue and her family have started several businesses in consumer services and products, computer software and services, an innovative educational co-op, the entertainment industry, and the development of an invention. She has also worked for a wide variety of manufacturers and business corporations.

Sue has been married to her husband Dean for over 30 years, with 19 years of that in Crystal Lake. In 1997, they established Crossfire Associates, Inc., a multi person sales representation agency and consultancy group to business, government, education, and not-for-profits. Their current focus is in the sales and auditing of deregulated energy and telecom. They have three married daughters with another still in college, and have two grandchildren.

Having lived and breathed the entrepreneurial lifestyle, Sue says that it is her privilege and pleasure to work with others who are seeking success in owning their own small business.

GROWING SMALL FEMALE OWNED BUSINESSES:
THE ROLE OF SBA
Testimony before the
COMMITTEE ON SMALL BUSINESS OF THE
U.S. HOUSE OF REPRESENTATIVES
Public hearing on
Tuesday, June 10, 2003
At
Rayburn House Office Building-2360
By
Hedy M. Ratner, Co-President
Women's Business Development Center
And on behalf of the
Association of Women's Business Centers

INTRODUCTION

Thank you Chairman Manzullo, the distinguished legislator from my home state of Illinois, and esteemed members of the Small Business Committee. I appreciate this opportunity to present testimony to you today at this public hearing on small business development and growth and the support of the SBA.

My name is Hedy Ratner. I am the co-founder and co-President of the Women's Business Development Center in Chicago, Illinois. The WBDC provides business assistance to women…and men…in the metropolitan area of Chicago and in the collar counties of Northern Illinois.

We helped to establish an SBA funded women's business center in Rockford but without sustainability funds, that center unfortunately closed.

I am also representing the Association of Women's Business Centers as a founding member and representing women business owners and women's business assistance centers throughout the U.S.

I would also like to thank the Small Business Committee for your support of women's business ownership and women's business centers. Special thanks, Chairman Manzullo, for your interest in our Women's Business Development Center during your recent visit.

You saw first hand how your investment in this program is working to help launch new enterprises and strengthen existing businesses.

Thank you for listening to the concerns of our clients and showing your interest in this program. I would also like to thank the ranking member of the Committee, Congresswoman Velazquez, for her tremendous efforts on behalf of Women's Business Centers.

I ask that my written statement be submitted as part of the record.

The Association of Women's Business Centers (AWBC) is a national non-profit organization representing the growing industry of Women's Business Centers and the women business owners they serve. The AWBC was founded in 1996 to support entrepreneurial development among women as a way to achieve self-sufficiency, create wealth and to expand participation in community economic development through educational, training, technical assistance, mentoring, development and financing opportunities.

WOMEN'S BUSINESS MARKET OVERVIEW

Let me cite a few pertinent statistics in order to provide context for my testimony that follows. And to support my entreaties to this distinguished committee.

In countless towns across the United States, economic vitality and civic leadership are now the responsibility of men and women. Fifty-four percent of women now have fulltime jobs, up 46 percent from 10 years ago; earnings rose correspondingly in the decade by nearly 16% while men's median earnings nationwide dropped by 2 percent.

Women-owned businesses are increasingly recognized as an important economic force. In the United States, they are growing in number at twice the national average and their economic contributions are growing at an even faster rate. There are 6.2 million majority-owned, privately held women-owned firms, with 9.2 million employees and generating $1,15 trillion in sales nationwide. In 1973 less than 5% of businesses in the U.S. were run by women. As of 2002, there are more than 28% women-owned businesses.

In 2002, 22% of all US firms had paid employees. 13% of women-owned firms have employees.

Yet, 9,000 majority-owned, privately-held women-owned firms have 100 or more employees and 113,000 majority-owned, privately-held women-owned firms have revenues over $1 million.

A woman of color owns 1 in 5 women owned firms in the U.S. The number of minority women owned firms increased by

153% between 1987 and 1996—three times faster than the overall business growth rate.

In Illinois 85 percent of all businesses are small businesses. The number of African American owned firms had the largest percentage increase—almost 50% in 5 years--followed by women owned businesses. In the Chicago area Hispanic-owned businesses have shown steady growth. The number of Hispanic businesses has grown by over 400% from 1972 to 1995.

However, revenues of women and minority owned businesses are far less than white male owned businesses. From the 1997 census, Women-owned firms represent only 4% of the revenues compared to 96% male-owned firms.

35% of all firms in the U.S. earn less than $10,000 in revenues annually, but 48% of women-owned firms generate less than $10,000 in revenues.

Between 1997 and 2002, employment in women-owned firms increased by 30%, and revenues grew by 40% – indicating that as more and more women are starting and growing businesses, their economic clout is increasing.

Many, many of these women business owners have received information, guidance and training from one of the country's Women's Business Centers (WBC's).

Diverse women, educated and experienced women, economically disadvantaged women—Hispanic, African-American, Asian, Caucasian, older women, young women, poor women, divorced women and women raising their families alone are finding their way to real economic empowerment and

independence through business ownership through the assistance of the Women's Business Centers.

Struggle they do but empowered they become! In childcare, construction, technology, design, retailing, manufacturing, finance, agriculture and a multitude of service businesses.

Women business owners are the most dynamic and fastest growing segment of our economy. Yet we are earning nothing compared to male-owned businesses.

We need your help to grow, to be successful, to thrive, to create jobs, to stimulate the economy.

I'm here today to talk about the future of the Women's Business Center Program. This fifteen-year-old program has provided business training and counseling to tens of thousands of women in rural, urban and suburban communities throughout the United States. In Illinois through the Women's Business Development Center, we have served over 35,000 women and men since our inception.

Today there are 83 women's business centers in 48 states that receive funding from the Small Business Administration's Office of Women's Business Ownership (OWBO). At a time when women are starting businesses at twice the rate of their male counterparts, we believe that the contribution of these centers has been significant and our potential to make an even greater contribution to this entrepreneurial economy even more promising.

Today, I want to address an important issue, which to me is the burning issue facing our women's business centers – sustainability.

Since the passage of HR5050 in 1988, with the support of our congressional champions and the Small Business Administration, we have built a fabulous infrastructure of Women's Business Center throughout the country. Demand for our services has never been higher than it is now due to the economic climate. In fact, in the past six months, the women's demand for the WBDC's entrepreneurial training and counseling has doubled!

But we, the supporters of women's business assistance and directors of these successful programs, are gravely concerned about the long-term viability of this program and our ability to continue to serve this dynamic, growing, demanding and needy population of women entrepreneurs.

In my testimony today, I will offer some suggestions to ensure that this important program continues to meet the needs of more and more of the nation's developing businesses and the 10 million women entrepreneurs, not just this year but well into the future.

The Women's Business Development Center in Illinois

The WBDC's mission is to provide services and programs that support and accelerate women's business ownership and strengthen the impact of women on the economy. It is a not-for-profit educational organization based on demand and need, providing courses, workshops, one-on-one consulting and access to financing for women who are starting and/or growing businesses. The WBDC is also the largest and most successful intermediary for the SBA's Pre-Qualification pilot loan program.

I founded the organization with Carol Dougal in 1986. We have since served over 35,000 women. We serve a range of clients from those seeking to start small businesses as a means to transition off of welfare to those who are launching high growth biotech and technology-based businesses and need our help to attract equity investment and venture capital. We serve the mature women-owned businesses who, because of our economy are struggling to survive.

All our programs are taught in English and in Spanish at our downtown and neighborhood and suburban satellite sites in

the Hispanic community. We conduct classes in areas of greatest need. While the WBDC's programs and services are open to everyone, we make special efforts to target low to moderate-income women. That's where the greatest yield is….creating self-reliance, and independent earners.

The WBDC currently serves over 3,000 women annually. Business revenue created by the clients we serve accounts for millions of dollars of economic activity in Illinois including job creation, increased revenues and precious tax dollars in a state facing a $5 billion deficit.

The WBDC has developed a unique Child Care Business Initiative—in English and in Spanish-- to provide accessible, affordable quality home- and center-based child care businesses in economically disadvantaged communities in Northern Illinois. That program was initiated 3 years ago. We have served over 2,000 women including 600 Latinas who are developing and expanding their child care businesses in communities of greatest need.

The WBC Program Nationally

In fifteen years, the SBA's WBC program has created a national infrastructure providing unique services and programs to women who aspire to launch and/or grow their own businesses. Time and again the clients of the WBC's have reinforced how much they appreciate the opportunity of learning from successful women. There are now 83 SBA-funded WBC's in 48 states. Many new centers have been opened in the last five to seven years, in particular. The majority of these new non-profit centers have started from scratch and have begun to build the partnerships necessary to sustain their programs and provide their communities with much needed business training and counseling. Yet, they risk losing their primary source of funding if the sustainability legislation is not renewed and strengthened.

The AWBC estimates that approximately 50-75% of all WBC's would close or severely curtail their operations if the SBA's Women's Business Center grants were eliminated.

In a time of scarce resources, maintaining and sustaining the infrastructure of women's business centers nationwide is the best investment of federal funds. Without a strong network of experienced sites to share knowledge and resources, the newly funded sites are doomed to repeat old mistakes. In addition, it doesn't make sense to spend new money funding centers in cities where we already have a proven WBC. In order to grow and expand this important national program it is imperative that we not "recreate the wheel", but build upon our successes.

Here are my and the Association of Women's Business Centers recommendations to further strengthen the U.S. SBA's Women's Business Center Program.

1. *Make the Women's Business Center Sustainability Program permanent. Allow all compliant WBC's to be evaluated for federal funding every five years.*

Creating a strong national network of women's business centers that reaches women in every state of the US should be the priority of the Women's Business Center Program. The best way to achieve this goal is to establish a core group of WBC's and sustain them at a base level so that they can grow and expand, rather than to mandate withdrawal of funding at a predetermined time so that they must retrench and struggle to survive.

Seed funding from the federal government leverages state and private funding for women's business programs and serves as a powerful incentive for these funding sources to continue to invest in women's business training at the state level. In addition, the

withdrawal of federal funding leaves WBC's in those states or regions with few private sector resources particularly vulnerable to closure; unfortunately, these are often the areas that are also in most need of the economic stimulus that the WBC program brings.

We recommend that every five years each women's business center will undergo a peer programmatic and financial review to certify that it meets the program criteria, that it is achieving the program criteria and that is worthy of the resources that it receives. Each refunded women's business center will have the proven ability to serve as a regional hub providing resources for women starting and growing businesses. The AWBC should be the entity to conduct the evaluations.

2. Make sustainability a priority for the Women's Business Center Program and plan for the Program's future.

Congress, in its wisdom, has seen the need to make several improvements in this program. Most recently, in 1999, the Women's Business Centers Sustainability Act was passed to allow centers to recompete for funding once the original grant ran out.

Sustainability grants, which support WBC's with a demonstrated capacity to meet the goals of the WBC Program, should be the first priority for funding under the WBC Program. There are currently WBC's in 48 states. The AWBC urges Congress to invest in what it has already created, moving the program from "startup" phase to a more mature phase of development. The Women's Business Centers Sustainability Act of 1999 created a funding formula to ensure that funds were allocated to sustainability centers, centers in their first five years of funding and new centers. Under this formula, 30.2% of appropriated funds are awarded to sustainability centers. This formula no

longer addresses the needs of the program. In FY2004, when the 25 WBC's funded in 1999 are eligible for sustainability grants, the funds allocated under this formula will not be adequate. Experienced programs with capacity will not be funded, while the formula would require that new centers are opened, perhaps in the very same states.

This does not make good business sense. With the time and the money that it takes to start and establish a women's business center, to establish trust and a connection to markets, to build effective partnerships and to attract non-federal funds, existing WBC's should be understood as a resource and an investment to be nurtured and supported. Areas of the country that lack women's business center coverage should be identified and a plan should be put in place to open WBC's in those areas as soon as the resources are available, rather than simply opening as many new centers as a formula allows. The AWBC would welcome the opportunity to work with the SBA to develop such a plan.

3. Increase the Authorized Funding Levels for the WBC program to $14.5 million, $16 million, and $17.5 million in FY2004, 2005, and 2006.

Over the past 15 years, the federal government has invested in the development of an infrastructure of Women's Business Centers, which now provides essential training and technical assistance to new and existing women business owners in 48 states. The FY03 appropriation for the program stands at $12.5 million, which is inadequate if the program is to cover the country. The AWBC requests that funding be authorized at levels adequate to sustain the current infrastructure, to ensure the establishment of one strong center in every state, and to increase access to services to underserved regions.

Further, Congress should examine the funding levels for new grants and sustainability grants and increase them to reflect inflation over the last 15 years. There has been no increase in the per-site funding since the program was launched in 1988, yet the requirements of the centers has increased each year.

4. Support the Development of the Association of Women's Business Centers and make AWBC the entity to evaluate sustainability centers for grant renewal.

The Association of Women's Business Centers (AWBC) was incorporated in 1998. For the past five years, the AWBC has worked effectively on behalf of its members to strengthen the national infrastructure, deliver annual peer-to-peer training at the OWBO Post Award Briefings, and work with the OWBO administration to strengthen the Women's Business Center Program. We request that the AWBC be recognized in statute as a partner of OWBO in creating and maintaining the Women's Business Center Program. If the AWBC represents the majority of women's business centers, then OWBO should be required to consult with the AWBC in any significant program decisions and changes.

We also feel it is critical for the AWBC to coordinate and oversee the ongoing evaluation of the existing WBC's. WBC's should not be expected to submit a comprehensive proposal similar to the original grant every three years. A proposal of this sort should be reserved for the first application as it takes hundreds of hours to prepare. To adapt and advance a streamlined evaluation process, we would recommend Congress provide a small amount of funding ($25,000 - $50,000) to the AWBC to develop an updated evaluation process. We would also like to see a small amount of funds go to the AWBC each year to conduct the evaluation ($50,000 - $75,000). Wherever possible, AWBC would use prepared documents such as annual CPA audited

financial statements that most WBC's use and programmatic information from SBA to determine performance. Site visits would be limited to centers that were believed to have a problem. We would welcome independent women's business center experts join AWBC members to sit on the review panels.

5. The statutory requirement for a full-time Executive Director for the Women's Business Center Program should be clarified.

The Women's Business Center Sustainability Act of 1999 states that: "To be eligible to receive a sustainability grant, an organization shall submit an application that shall include a certification that the applicant... employs a full-time executive director or program manager to manage the center."

The AWBC recommends that the statutory language regarding the full-time executive director or program manager be clarified to ensure that it is interpreted to mean that the executive director or program manager will be a full-time employee of the organization, but not necessarily paid 100 percent from the sustainability grant or the attendant matching funds. The SBA has interpreted the statute as the latter.

Conclusion

Female entrepreneurs have created more new jobs in stunning numbers over the past decade than any other sector. This phenomenal growth has been fueled by a network of Women's Business Centers which have provided small business training, counseling, financial assistance and networking opportunities for tens of thousands of emerging and existing women-owned businesses. Equally as important, these Women's Business Centers have provided essential support, which has heightened self-confidence and self-esteem levels among their low-income clientele.

These businesses in turn provide the true payoff…new jobs and tax revenues that sustain and build communities.

In conclusion, I want to thank the committee again for providing me this opportunity to share my passion and concerns for the future of this vital program.

If we are to succeed in our joint mission to serve and prepare women business owners to run successful businesses, we need your support. It is life or death critical. Our continued effectiveness and the strength of this program, as we bring in new centers, demand that attention.

Give us the resources and let us work together to build on the program's successes and wisely protect the investment which has been made in this all-important contributor to the nation's economy. To do otherwise, is to stand by and helplessly watch a great economic trend reversed for want of a champion.

Be that champion. Please.

Thank You.

Respectfully submitted by
Hedy M. Ratner, Co-President
Women's Business Development Center
And representing the ***Association of Women's Business Centers***

Appendix

The WBDC offers the following programs and services:

In Illinois, the WBDC, which is the oldest, largest and most comprehensive women's business assistance center, has successfully implemented its programs for 18 years. The Women's Business Development Center has served over 35,000 women through counseling, training, financial assistance, child care business development, new marketing opportunities, certification of women business enterprises, private sector and government procurement and advocacy for economic empowerment of women through business ownership.

And now in Illinois, there are over 336,000 women owned businesses employing 23% of all Illinois workers and generating 15% of the state's business sales

Methodology:
The Women's Business Center's methodology is based upon economic empowerment and transfer of knowledge and the utilization of experienced business owners as counselors and trainers and former bankers as loan packagers. We encourage women to take our single classes, our multi-week courses and participate in counseling where we guide them through the process of business development and expansion. We teach developing businesses to do their own business assessments, business plan development, market research, financial thereby increasing their skill base.

An overview of who we serve:

The majority of the WBC's clients (approximately 60%) are women who are at the early stages of starting a business. They usually have a business idea, but do not know how to proceed. Some are unemployed or expecting to be laid off. Others have been or are currently receiving public assistance. Many of our clients are single mothers. Many are working at full or part-time jobs and therefore most WBC's provide training and counseling and other assistance evenings and on weekends.

They are seeking to start businesses for a variety of reasons:

- ***Need for more control over their economic life***
- ***Unhappy with dead end jobs in other companies***
- ***Tired of being laid off***
- ***They hit the glass ceiling in corporate jobs***
- ***Need to be at home with their children***
- ***They have a dream and the entrepreneurial spirit!***

The remaining 40% of the WBC's clients are women who have existing businesses and need the resources and support to lay a foundation for growth, get financing or develop particular business skills

Success Stories (see attached success stories)

Alethea Johnson, an African-American woman, opened Sunshine Child Day Care Center in 2002 with assistance from the WBDC. She participated in counseling, training and the WBDC helped her with a $25,000 microloan to help her purchase equipment, furnishing and complete renovation for a building to house the center. She created 6 jobs in a difficult economy. Sunshine is now thriving in the most economically disadvantaged community of Phoenix in Illinois.

Mary Mastricola, a Cordon Bleu trained chef, came to the WBDC in early 1997 to open a fine dining restaurant in Chicago. WBDC helped her with her business plan and financials and helped her obtain an SBA Women's PreQual loan for $250,000 in February 1998. She has opened the La Petite Folie restaurant and has 12 full time and 10 part time employees. She is now presenting in WBDC seminars on how to develop and be successful in a Chicago restaurant.

Thuyyen, with the technical and business plan assistance and financial help of the WBDC, opened a Vietnamese restaurant in downtown Chicago employing 17 full time workers. She emigrated from Vietnam. WBDC got her pre-qualified for a bank loan.

Jean Cueva came to the WBDC to expand Cyberworks Media Group with an SBA loan. WBDC helped to prepare financial projections and the loan package to successfully obtain the loan needed to sustain the business.

June 9, 2003

Congress of the United States
House of Representatives
Committee on Small Business

BusinessLINC Perspective and Overview

Presented By: Lee J. Smith
Program Director, Southern Arizona BusinessLINC
City of Tucson/Office of Economic Development

I am excited and honored to have this opportunity to share my experience and insight regarding the SBA BusinessLINC program. It is with great pride that I speak on behalf of the City of Tucson's Office of Economic Development and my dedicated BusinessLINC team and program partners.

Identifying and applying "Best Practice" methodology generally improves business operational efficiencies and in most cases result in a more competitive posture in the market place. Facilitating the exchange of knowledge and expertise between large and small manufacturers is in itself a worthy goal of the SBA BusinessLINC program. Without question, market competitiveness is a key element to business success. However, small business owners face other equally important challenges such as advertising, marketing and sales. In most cases, small businesses focus internal resources on delivery of products or services and lack adequate capital, staff and expertise to effectively address these other important areas of business activity. Being ready is not enough!

To more effectively respond to the unique needs and issues of Southern Arizona's manufacturing associated businesses; we expanded BusinessLINC program focus and support to encompass all areas of business operations including: application of best practices, advertising, marketing and sales. Our goal was to maximize small business retention/expansion impact to the region through the leveraging of collective local, state and federal economic development resources and the utilization of public and private sector expertise to work in concert with this effort. We prioritized areas of program focus and identified implementation tasks and associated resources that would be required to support each area of focus. We developed an overall program coordination and accountability system that includes the tracking and reporting of field staff activity and deliverables for team "continuous improvement evaluation" and for "return on investment" consideration. We engaged Southern Arizona economic development community organizations to enlist program support and participation.

Southern Arizona BusinessLINC Program Areas of Focus:

- **Mentor/Protégé**
  Goal: Identify and Apply Best Practices

  Method:
  - Facilitate access to and utilization of public/private sector business assistance expertise including: SCORE, SBDC, WBC, regional ED organizations and business community volunteers
  - Create and document a "project" file describing area of need, resource, timeline and expected outcome

- **Business Database**
  Goal: Maximize Product and Service Awareness

  Method:
  - Identify and document available Southern Arizona products and services
  - Develop interactive internet accessible BusinessLINC website and business profile database with extensive search capabilities
  - Partner organizations contact and encourage "Sellers" to profile products, services and a statement of capabilities in database
  - BusinessLINC field staff educates regional "Buyers" regarding awareness and use of the database including Mexican manufacturing industry firms
  - BusinessLINC field staff conducts workshops regarding program benefits and demonstrate the effectiveness of the website to participating groups
  - Utilize media coverage of program events or projects of interest when ever possible to promote awareness of available resources

- **Identify Needs**
  Goal: Pursue New Sales Opportunities

  Method:
  - Survey regional manufacturing companies to identify what products and services are currently purchased from Southern Arizona suppliers (2002 University of Arizona survey indicates 88% of local procurement goes outside Southern Arizona region)
  - BusinessLINC field staff meets directly with buyers to identify specific products or services not currently being purchased locally and to understand reasons for decision (not aware of local resource, not cost competitive, inadequate local production capacity, etc.)
  - BusinessLINC field staff interacts with the U.S. Department of Commerce Export Assistance Center and the Arizona Department of Commerce International Trade Office working leads and pursuing International sales opportunities for Southern Arizona suppliers

- BusinessLINC field staff regularly visit and assess Mexican manufacturing plants to promote BusinessLINC database awareness and to identify products and services that could be purchased locally

- **Buyer Selling Matching**
  Goal: Facilitate New or Expanded Sales Contracts

  Method:
  - Direct buyer database access, search and match
  - Buyer requested BusinessLINC field staff search and matching assistance
  - BusinessLINC field staff facilitate and promote collaborative business response when no single match is found for unique need(s)
  - BusinessLINC field staff network with partners to seek out needed resources when those resources are not present in database

- **Jobs/Sales**
  Goal: Generate New Tax Revenues

  Method:
  - Accountability and reporting of program activity and performance
  - Deliverables (New jobs and sales)

The Southern Arizona BusinessLINC team and partners have successfully facilitated numbers of Mentor/Protégé relationships resulting in higher levels of business readiness. BusinessLINC team efforts have effectively promoted expanded awareness of available regional products and services. BusinessLINC team efforts have provided access to new regional and international market opportunities and leads, many of which have produced new sales revenues and jobs for rural and urban small businesses throughout Southern Arizona including minority owned businesses.

Program Impact (18 months):

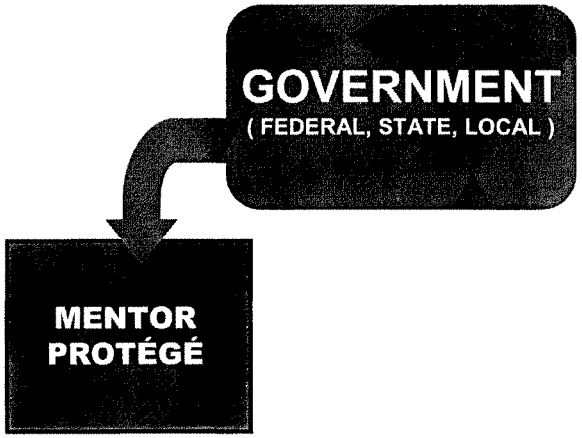
- **$ 54.2 million** – New Regional Contracts
- **$ 2.7 million** – New International Contracts
- **680** – Estimated New and / or Retained Jobs
- **28** – Mentor / Protégé Projects Completions
- **1,550** – Business Profiles on Website
- **$ 3.1** million – Estimated New Tax Revenue

I hope that my testimony today has provided you cause to consider the future possibilities and potential of the BusinessLINC program. From my perspective, BusinessLINC is certainly a program that can directly impact small business growth and economic stability in many areas throughout our country and certainly merits continued funding.

www.AzBusinessLINC.com

Southern Arizona

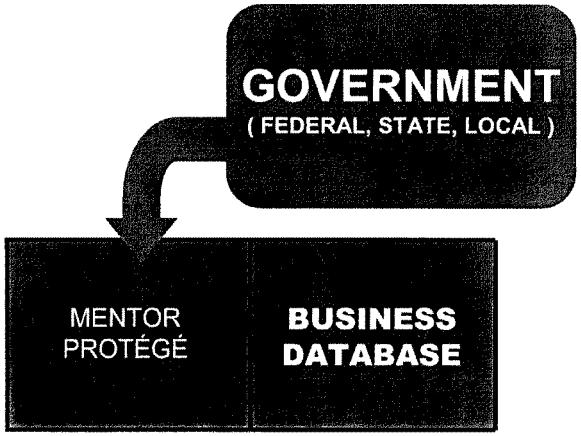
BusinessLINC Program



GOAL:
Identify and Apply Best Practices

Southern Arizona

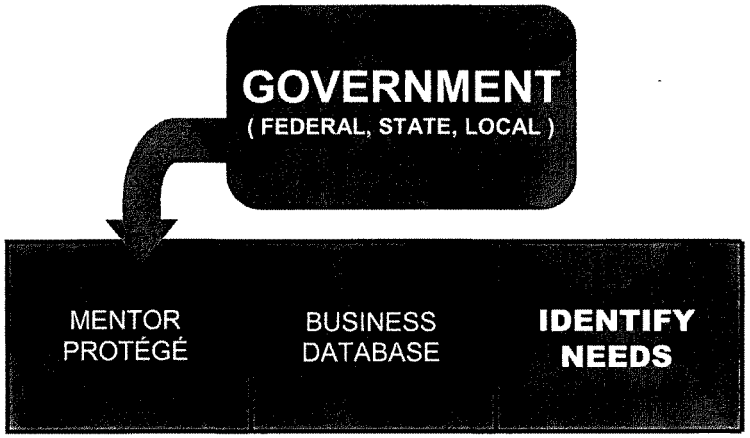
BusinessLINC Program



GOAL:
Maximize Product and Service Awareness

Southern Arizona

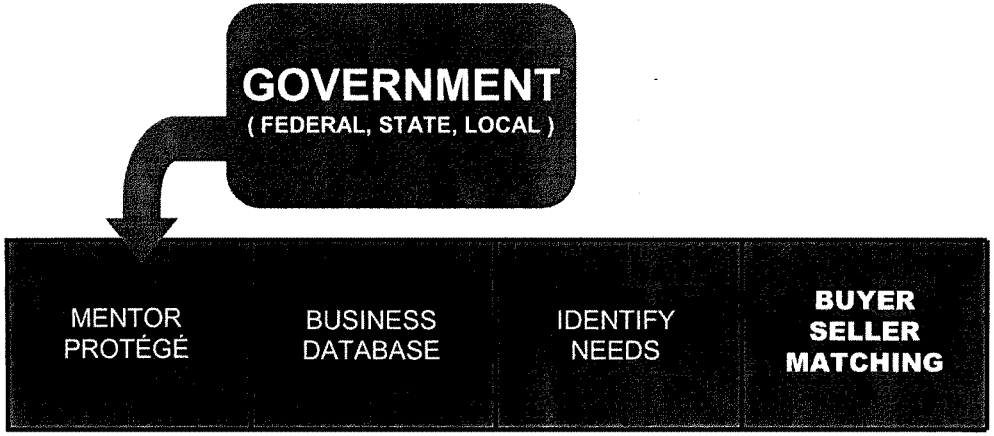
BusinessLINC Program



GOAL:
Pursue New Sales Opportunities

Southern Arizona

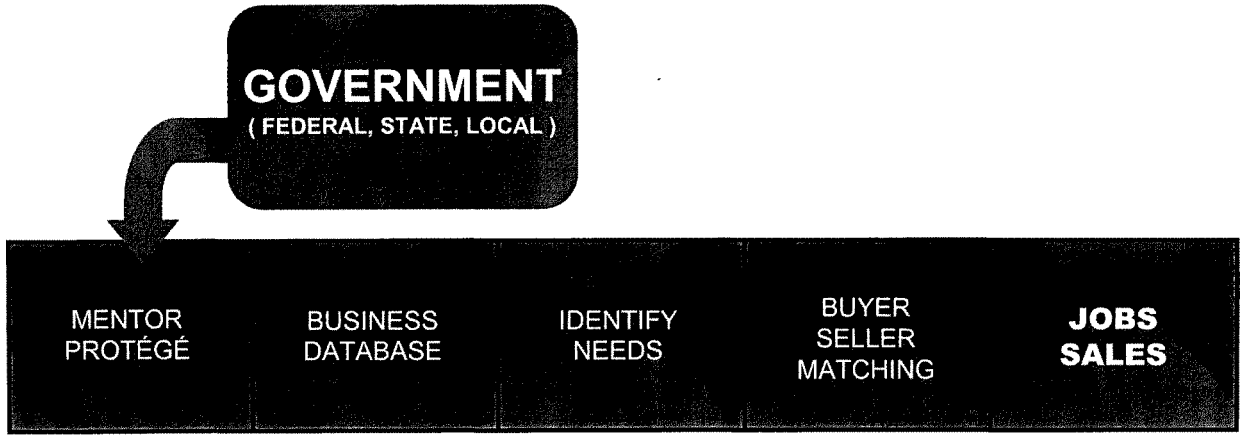
BusinessLINC Program



GOAL:
Facilitate New or Expanded Sales Contracts

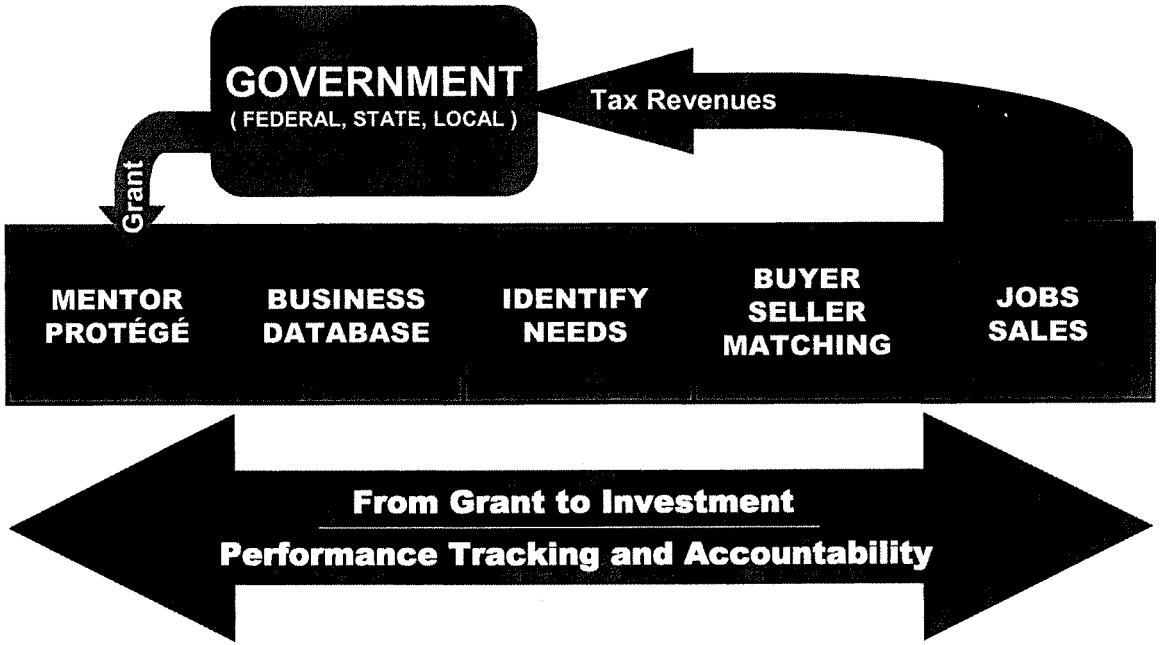
Southern Arizona

BusinessLINC Program



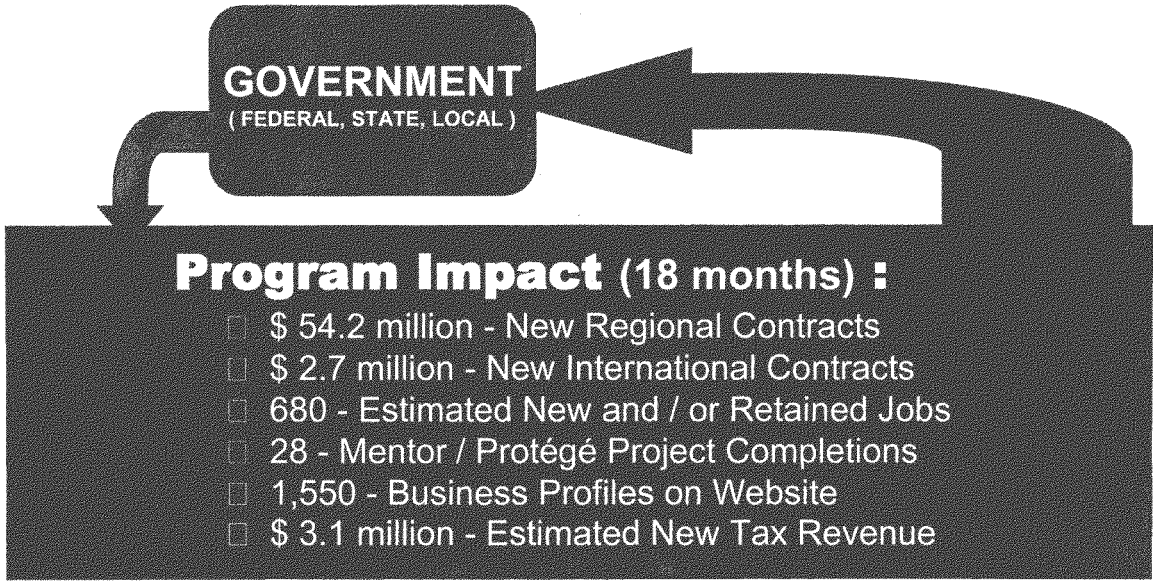
GOAL:
Generate New Tax Revenues

Southern Arizona
BusinessLINC Program



Southern Arizona

BusinessLINC Program



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- 1,550 - Business Profiles on Website
- $ 3.1 million - Estimated New Tax Revenue

TESTIMONIALS

"Cybernetic Research Laboratories experience with BusinessLINC has been unparalleled in both performance and results, exceeding our expectations in every aspect. BusinessLINC provided opportunities to our company that resulted in excess of $375,000 in sales and created 3 new jobs for our community. I highly recommend BusinessLINC as an unprecedented success."

John Rix, President
Cybernetic Research Laboratories, Inc.
Tucson, Arizona [Pima County]
"Seller and Protégé" Participant

"As a small business, it is often difficult to get in the door of the large companies. You, and others, at BusinessLINC have certainly opened the door for that to change. The type of work that we are talking about with both TRW and Raytheon are high level engineering jobs requiring highly paid engineers to fulfill the contracts - exactly what is needed to keep Tucson's economic engine moving forward."

Jane Poynter, CEO
Paragon Space Development Corporation
Tucson, Arizona [Pima County]
"Protégé, Seller and Buyer" Participant

"I just wanted to thank you for referring Matt Pobloske of ACR to me. With ACR's help, we were able to submit a very complex proposal within a short period of time. I believe we have a good chance of being awarded the contract due in no small part to the help we received from ACR. The Mentor Resource Project [of BusinessLINC] is a terrific program and provides a tremendous service to small businesses like mine. Thanks again for your help."

Sean Oseran, Director of Sales & Contracts
K-Tech Aviation, Inc.
Tucson, Arizona [Pima County]
"Protégé" Participant

"You introduced us to TRW - Sierra Vista who had a pallet requirement. We have since filled their pallet needs and have established a mutually beneficial relationship."

Mike Wattis, President
Pallet Recyclers, LLC
Tucson, Arizona [Pima County]
"Seller" Participant

"I am writing to commend the BusinessLINC Program. . . . BusinessLINC has done a great job connecting me with two companies (so far). I think the BusinessLINC program has tremendous potential for matching up companies with revenue and profit-building resources."

Gary Baraff, Consultant
Tucson, Arizona [Pima County]
"Mentor" Participant

"BusinessLINC has been extremely instrumental in the identification and selection of Arizona suppliers with capabilities to meet our product design specifications and requirements."

"The detailed information provided by BusinessLINC for local suppliers was highly useful as the basis for the initiation of a TRW Supplier Database. The information was organized into distinct supplier disciplines, with detailed data (e.g. phone numbers, websites, key contacts, quality system, and core competencies) relative to each supplier."

G. David McCaleb
Manager, Production Operations
TRW, Sierra Vista, Arizona [Cochise County]
"Buyer" Participant

"BusinessLINC was able to align us with a company that we had previously called on with no success. Reliance now has an opportunity to do business that should yield six-figure sales."

Lorena Valencia, President
Reliance Wire & Cable, LLC
Nogales, Arizona [Santa Cruz County]
"Seller" Participant

"Thank you very much for your support and help in locating manufacturers, suppliers, and all the components needed to get us up and walking. As you put it at the end of each meeting, "Now, let's go make some money". Now that we are getting a contract from QVC, we will."

Ken Dowers, President
Two Bro Industries, LLC
Tucson, Arizona [Pima County]
"Buyer and Protégé" Participant

"Without your program's efforts and support, we probably would not have been given the opportunity to bid. Although not successful this time, it has brought our company's name to the attention of people in upper management [at that company]."

Bill Morris, President
Roadrunner Fastening Systems, Inc.
Tucson, Arizona [Pima County]
"Seller" Participant

"The BusinessLINC program has pushed aggressively to connect suppliers with customers. Their efforts help retain and expand business in the plastics and advanced composite materials industry, as well as all other high-tech industries in Southern Arizona."

Wayne Lundeberg, President
Catalina Tool & Mold
Tucson, Arizona [Pima County]
"Seller" Participant

"This letter is to advise you of the positive effect BusinessLINC has had on our company, The Software Firm, Inc. [Through BusinessLINC], a mentor with national/international marketing expertise was introduced to mentor my company, and assist us in finding solutions to marketing obstacles we have faced with one of our product lines. After the time dedicated as mentor, we offered to contract [him] as our marketing/communications company."

"The Mentor-Protégé network provides many opportunities for business procurement/contracting and protégé relationships throughout Southern Arizona. Please do all you can to assure this funding does not end next year."

Antonio Procopio, Vice President
The Software Firm, Inc.
Tucson, Arizona [Pima County
"Protégé and Seller" Participant

"I just wanted to take a minute to thank you for working so hard to try to help us get our recent project done here in Tucson. I hope that you are able to continue your work, which has been a great help in introducing us to several companies which we were unaware of before we met you."

Tim Kenyon, Chief Sr. Mechanical Designer
Sigma Technologies International, Inc.
Tucson, Arizona [Pima County]
"Buyer" Participant

U.S. Department of Commerce
Tucson Export Assistance Center
166 West Alameda Street
Tucson, Arizona 85701
Tel. 520-670-5540
Fax 520-791-5413

June 5, 2003

Mr. Lee Smith
Project Manager
BusinessLINC
City of Tucson Office of Economic Development
Post Office Box 27210
Tucson, Arizona 85726

Dear Lee,

On behalf of the Tucson Export Assistance Center, allow me to commend your team on the continued success of the BusinessLINC program. In little more than a year, BusinessLINC has not only come to be recognized by the local business community as one of the most innovative and promising economic development programs the region has seen in years, but the entire state of Arizona has taken notice too.

The Tucson Export Assistance Center, a division of the U.S. Commercial Service, is dedicated to helping local enterprises meet their international business development goals. We accomplish this through a variety of programs and initiatives, including the targeted distribution of trade leads. Since the launch of BusinessLINC, our organizations have successfully collaborated to share a number of particularly promising international business leads with capable local manufacturers. This included aerospace leads from Europe and a number of Mexican opportunities. Moreover, BusinessLINC team members and I visit local companies on a regular basis to counsel them about developing new supplier relationships, both locally and abroad. This cooperative relationship makes BusinessLINC one of the Tucson Export Assistance Center's key strategic partners in southern Arizona.

I look forward to helping BusinessLINC maintain its impressive momentum and working with your talented team to support the expansion efforts of our local SMEs in Arizona and beyond.

Sincerely,

Eric Nielsen
Manager

THE CITY OF DOUGLAS
425 Tenth Street, Douglas, Arizona 85607
Telephone (520) 805-4047
Fax (520) 364-1585

J. Art Macias, Jr. ***Community and Economic Development Director***

June 5, 2003

Mr. Lee J. Smith
Program Director
BusinessLINC Program
City of Tucson – Office of Economic Development
PO Box 27210
Tucson, AZ. 85726-7210

Dear Mr. Smith

This letter is to inform you that the City of Douglas supports your BusinessLINC Program. The program has made a positive impact on the Economic Development efforts of the community. It provides a critical link in developing relationships with businesses in the community and the surrounding area. The BusinsessLINC staff is very helpful in providing business improvement and expansion resources by means of frequent personal visits to businesses in our community.

The Douglas community will gain many benefits from the BusinessLINC program. Please feel free to contact me if we can provide you with additional assistance.

Sincerely,

Art Macias, Jr.
CED Director

AM:car

June 5, 2003

Mr. Lee J. Smith, Program Director
BusinessLINC Program
City of Tucson-Office of Economic Development
P.O. Box 27210
Tucson, AZ 85726-7210

Dear Lee,

It is a real pleasure to write a letter of support to you for the BusinessLINC Program. The BusinessLINC Program is a welcome addition to our area. It has made a positive impact on our economic development efforts for Safford, Thatcher and Pima.

The BusinessLINC Program provides a critical link in developing relationships with businesses in our community and the surrounding area. You and your staff have been so helpful in providing business improvement and expansion resources by means of your frequent personal visits to businesses in our community.

We look forward to your continued participation in the building of business for our community in the future.

Sincerely,

Sheldon Miller, Executive Director
Graham County Chamber of Commerce

June 5, 2003

Lee J. Smith, Program Director
BusinessLINC
Office of Economic Development
City of Tucson
Tucson, AZ 85701

Dear Mr. Smith:

The Greater Yuma Economic Development Corporation endorses the efforts put forth by the BusinessLINC program. The communities in Yuma County, Arizona need this supply chain development program to enhance the exposure of our manufacturing industry. Furthermore, the BusinessLINC program has provided GYEDC with an opportunity to add this tool to our Business Expansion and Retention efforts. The BusinessLINC program has played a critical role in helping us develop stronger relationships with our manufacturers.

The staff of the BusinessLINC program is always looking to assist our staff and industry. GYEDC maintains very high levels of communication and information sharing with the BusinessLINC staff. Mr. Bourland from the BusinessLINC team regularly visits our region and has been instrumental in introducing GYEDC to maquiladora management in San Luis Rio Colorado, Mexico. These "maquiladora" visits have produced the discovery of a number of procurement needs that may be satisfied by Arizona companies. This is just an example of the effectiveness of the BusinessLINC program.

GYEDC looks forward to continuing our relationship with the BusinessLINC team to further our Economic Development efforts for Yuma County. BusinessLINC and the supply chain development program will continue to play a major role in our efforts to attract new industry to our area.

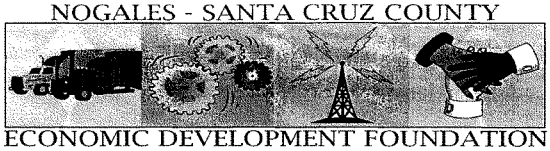
Sincerely,

Miguel Bravo
Business Development Representative

Jim Ferguson
President/CEO

Greater Yuma Economic Development Corporation
377 S. Main Street, Suite 202 * Yuma, AZ 85364 * (928) 783-0193 * FAX (928) 782-2551
www.gyedc.org

NOGALES - SANTA CRUZ COUNTY



ECONOMIC DEVELOPMENT FOUNDATION

1790 N. Mastick Way, Suite E, Nogales, Arizona 85621 • P.O. Box 1688 Nogales, Arizona 85628
Phone (520) 377-2055 • Fax (520) 377-2054 • web site www.nogales.com • e-mail: nsccedf@nogales.com

VIA E-MAIL

June 5, 2003

Mr. Lee Smith, Program Director
BusinessLINC Program
City of Tucson- Office of Economic Development
P. O. Box 27210
Tucson, Arizona 85726-7210

Dear Mr. Smith:

The Nogales-Santa Cruz County Economic Development Foundation ("NSCCEDF") is pleased to support your program's efforts and look forward to our continued collaboration. EDF is a private non-profit organization charged with improving the quality of life for our residents through business retention, expansion and attraction efforts. In this US-Mexico border and rural Arizona area where high levels of unemployment and poverty are challenges to our economic growth, every new job created through business expansion benefits the entire community. The City of Tucson Office of Economic Development BusinessLINC program is a viable part of our community's efforts towards economic sustainability.

In the past two years, the BusinessLINC program has provided local businesses with expansion opportunities that they would not have had otherwise allowing for additional capital investment to expand their business and creating additional jobs. As a major additional benefit, BusinessLINC has proven to be the most productive tool for regional economic development, offering local companies to enter into business arrangements with their regional counterparts.

Please also allow me the opportunity to commend you and your team members for providing us with such high and diversified levels of expertise in areas of international trade, business administration and marketing, and facilitation. You have allowed our community to receive the benefit of this professionalism for which we are grateful.

I look forward to our continued collaboration towards improving the regional economy.

Yours truly,

Susan Clarke Morales
Executive Director

June 9, 2003

Mr. Lee Smith, Program Director
BusinessLINC
City of Tucson OED
P. O. Box 27210
Tucson, AZ 85726-7210

Dear Lee:

The Pima Community College Small Business Development Center is pleased to submit this letter of support for the City of Tucson's BusinessLINC program.

BusinessLINC, from its inception, has been a driving economic force in our community. The program greatly facilitates regional business-to-business relationships, thereby increasing supply chain activities and hence revenues for many of our local companies. As you are aware, the PCC Small Business Development Center is a business resource center dedicated to helping businesses in Pima and Santa Cruz counties succeed through business counseling and training. Thanks to the collaboration that has taken place between our two staffs, we have been able to maximize our efforts in assisting our local businesses. The frequent referrals between the two entities enable both programs to best coordinate limited resources and help businesses to grow and prosper.

The PCC Small Business Development Center heartily endorses the continued funding of the BusinessLINC program. It has truly been an economic success in our region, and serves as an outstanding example of how federal dollars, when combined with local resources, can be utilized to the maximum effectiveness.

Sincerely,

Nancy L. Russell
Director
Pima Community College SBDC

June 9, 2003

Mr. Lee Smith, Program Director
BusinessLINC Program
City of Tucson- Office of Economic Development
P. O. Box 27210
Tucson, Arizona 85726-7210

Dear Mr. Smith:

The Sierra Vista Economic Development Foundation (SVEDF) is pleased to support your program's efforts and look forward to our continued collaboration. EDF is a private non-profit organization charged with improving the quality of life for our residents through business retention, expansion and attraction efforts. The largest employer in southern Arizona, Ft Huachuca, resides here in Sierra Vista and with it brings thousands of high technology jobs within the defense industry. The Business Link program has directly impacted new high Technology programs by providing cost competitive suppliers to these prime defense contractors that has resulted in millions of dollars in new contracts for Southern Arizona. The partnership with the SVEDF and the City of Tucson Office of Economic Development BusinessLINC program is a viable part of our community's efforts towards economic diversity and has been implemented into our long range economic development strategy.

Allow me to commend you and your team members for providing us with such high and diversified levels of expertise in making this program a success through clear and measurable economic results.

I look forward to our continued collaboration in building this new low cost environment that impacts the emerging product lines that our soldiers and sailors are using today and in the future.

Barry Albrecht
Executive Director/CEO
Sierra Vista Economic Development Foundation

June 10, 2003

Chairman Donald Manzullo
Ranking Democratic Member
Nydia Velazquez
2361 Rayburn House Office Building
Washington, DC 20515

Re: Letter of Support SBA BusinessLINC Program

Dear Chairman Manzullo:

Thank you for the opportunity to submit this information concerning Enterprise Development Corporation's ("EDC") implementation of the BusinessLINC program in South Florida and to share with you the results of almost two years of program implementation. EDC leads a coalition including the Broward Alliance and the Small Business Development Center to provide BusinessLINC services to our area. As a non-profit organization that facilitates the creation and growth of emerging companies, EDC is deeply committed to the growth and economic viability of our region. We are a public/private partnership actively engaged with the local business community including noteworthy companies such as Office Depot, Citrix, AutoNation, PricewaterhouseCoopers and KPMG who serve as members of our Board of Directors.

One of the most important and impressive accomplishments of this initiative is our ability to effectively reach out to the underserved, economically disadvantaged business community. This coalition is comprised of many varied and geographically dispersed service and educational organizations through out the South Florida area. Working together through this initiative we were able to reach a broader and more diverse audience. This program has resulted in a blurring of geographical lines within the South Florida economic development community and has allowed for a regional approach to assisting these young companies.

We have been administering this program since September 2001 and received a second year of funding in September 2002. Through March 31, 2003 we have established 112 linkages between mentors and protégés. Protégé companies have increased their revenues $4.1M, created and retained 464 jobs, raised 4.5M in capital, received one government contract. Additionally 3 contracts have been entered into between mentors and protégés total dollar value of $950,000. This information reflects traditional economic development indictors we use to measure our program performance. EDC has also made several referrals to our local SBDC regarding 8(a) certification and SBA loan application for protégés who had no prior knowledge of these resources.

There has been a dramatic response to this program from the small/entrepreneurial business community as well as the large/established business community. No one else in this region has a program such as this to offer these emerging companies. The value of this program cannot just be measured in traditional economic indicators but in the intrinsic value of these relationships and what they mean on a broader scale. Some of these relationships will never equate to a measurable outcome but the future success of the entrepreneur began with the assistance, time and dedication their mentor provided during this critical stage of growth.

3701 FAU Boulevard
Suite 210
Boca Raton, Fl 33431

Building Science and Technology Enterprises

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Please see below some examples of relationships;

Cornerstone Paving -The protégé was successful in being awarded 2 contracts with Broward County through their minority certification program totaling $800,000 as a sub contractor of their mentor.

J&J Lamar Construction – This protégé's mentor, Centex Rooney has tapped the protégé as a subcontractor for one of their contracts dollar amount $150,000.

Florida Aquatic Therapy Their mentor Starmark International has aided the protégé in growing their business by 150%. The mentor was instrumental in finding pools located in hotels and other commercial establishments that the protégé could use. This has resulted in swifter business expansion and lower overhead.

The successes above could be measured numerically however there are many other non-numerical benefits of this program. In many cases protégé companies are in need of business services that they cannot afford. Through this program we are able assign them to mentors that will provide their services free of charge. These service providers include some of the most prestigious legal and accounting firms in the South Florida area.

Best Care Giver Info.com -This protégé is a woman owned 8(a) certified business that provides elder care information to family caregivers. During recent negotiations she was asked to provide a valuation of her company. EDC contacted Mentor Edward Rowan of RSM MCGladrey. Mr. Rowan met with the protégé and brought along an expert in valuation. They were able to provide the protégé a reasonable and sound valuation of her company. She resumed negotiations and the other party was duly impressed that RSM McGladrey provided her valuation. As a result this put the protégé in a much more favorable negotiating position.

Some of the more traditional and promising mentoring relationships include.

C-Webb - The Director of Vendor Diversity of Office Depot is their mentor. They are in the process of putting his product in the store on a trial basis.

Zyanne Corporation – Zyanne Corporation (black woman owned 8(a) certified business) has invented a multi-tool for the marine industry. The US Navy and Coast Guard have shown interest. But to become a GSA schedule contract provider he had to have sales in excess of $25,000. Their mentor, The Langley Group, a consulting firm with ties to the marine industry told the protégé that they needed a business plan immediately. With no funds to hire someone to write it for them, and through collaborative efforts of the mentor, EDC and SCORE, a business plan was put together. Their mentor then found a manufacturer would produce a small quantity of the tool gratis. They have begun test marketing.

EDC and their coalition partners have demonstrated the value of the BusinessLINC program and are proof of the impact it has made upon the South Florida business community. We wholeheartedly believe that further funding should be allocated to this program. So that South Florida can compete in the global marketplace. We see the success everyday in large and small ways. We hope this information aids you in your endeavor to continue funding for this program. EDC looks forward to continuing our participation in the BusinessLINC program on behalf of the entrepreneurs of South Florida.

Sincerely,

Lori Metcalf
Director of Operations
Enterprise Development Corporation

NORTHROP GRUMMAN
Mission Systems

Tactical Systems
4067 Enterprise W
Sierra Vista, AZ 85

February 11, 2003

Mr. James Keene
City Manager, City of Tucson
P.O. Box 27210
Tucson, AZ 85726

Dear Mr. Keene,

I wish to take this opportunity to commend the City of Tucson's Office of Economic Development and the BusinessLINC team for their help and support over the past year. Each time that we requested assistance in identifying specific types of suppliers, your BusinessLINC team came through for us. I am pleased to inform you that a number of orders have been placed with several Tucson suppliers that your BusinessLINC team matched to our needs. Future anticipated orders should involve even more local awards due to the comprehensive list of suppliers provided through the BusinessLINC program.

The program's innovative approach to connecting buyers with sellers certainly appears, at least from our perspective, to provide an important service that expands awareness of existing products and services available in Southern Arizona. Several months ago, while in the process of preparing quotations for the Department of Defense, we were concerned by our lack of knowledge regarding local suppliers needed to support the bid. I contacted Barry Albrecht with Sierra Vista Economic Development and he referred me to Lee Smith of BusinessLINC. Mr. Smith provided a list of regional suppliers that could provide the expertise we needed. Several of these firms provided cost estimates that were included in our proposals. Last year, we received in excess of $50 million Department of Defense contract awards and I believe that the BusinessLINC support effort was a factor in receiving the awards and successfully performing on the contracts.

BusinessLINC certainly deserves our thanks for a job well done and we look forward to a continued and valued relationship.

Respectfully,

Kevin R. Goates
Manager, Finance & Business

Greater Casa Grande Valley
ECONOMIC DEVELOPMENT FOUNDATION

201 E. 3rd St.
Casa Grande, AZ 85222
(520) 836-6868
1-888-211-6868
(520) 836-4898 FAX
casagrnd@cybertrails.com

12 July, 2002

Mr. Lee J. Smith
Program Manager
BusinessLINC
City of Tucson
P.O. Box 27210
Tucson, AZ 85726-7210

Dear Lee:

Thank you for the opportunity to meet and discuss BusinessLINC with you and your staff. During our meeting, I was particularly impressed with the depth of planning and work that has already gone into the program.

After learning more about the program and your current activities, I believe business opportunities for local companies in Casa Grande, Coolidge and Eloy could potentially be enhanced through our cooperation and participation. BusinessLINC could have a substantial positive impact to bring additional commerce to our tri-city area.

I look forward to continuing our discussions and potentially increasing our involvement in the program.

Sincerely,

Lori M. Gary, CED
Executive Director

Parque Industrial de Nogales
Carretera Industrial de Nogales Km. 6
Apartado Postal #76-A
Tel. (011-52-631) 4-01-11
Fax (011-52-631) 4-01-12
Email: amsnogal@prodigy.net.mx
Nogales, Sonora, México

P.O. Box 893
Nogales, AZ. 85628

June 5, 2003

Mr. Lee Smith, Program Director
Business LINC Program
City of Tucson- Office of Economic Development
P.O. Box 27210-7210
Tucson, AZ.

Dear Mr. Smith:

Please accept these supportive comments on behalf of the Business LINC Program services.

Your program has served as a very helpful service to many of the major manufacturers that are members of our organization.

By introducing Business LINC supply chain resources to our local manufacturers, they are able to consider and purchase more materials and services regionally and thus help them take more advantage of NAFTA benefits as well as assist in contributing to our regional and local economies.

We continue to look forward to working with your program and its representatives.

Sincerely,

Luis Peralta
Executive Director

Beatriz Díaz
President

ROBERT E. WALKUP
MAYOR

CITY OF TUCSON
OFFICE OF THE MAYOR

255 WEST ALAMEDA
P.O. BOX 27210
TUCSON, ARIZONA 85726-7210
PHONE: (520) 791-4201
FAX: (520) 791-5348

July 11, 2002

Mr. Martin Gold
SBA Technical Representative
U. S. Small Business Administration
409 Third Street, SW – 8th Floor
Washington, DC 20416

RE: The new BusinessLINC Program

Dear Mr. Gold:

As the Mayor of Tucson, my challenge is to cultivate a more vital and dynamic city that provides for all of our people. It is particularly important that Tucson continue to develop a strong commercial sector.

Many programs are developed to stimulate commercial expansion. However, the new BusinessLINC Program has proven that it "gets down to business" right from the start. Mentorship opportunities are being fulfilled, large contracts have been awarded, and the unique database is a reality. This is a very exciting new program for Tucson.

I am elated that the SBA selected Tucson as a worthy grant site and look forward to continued funding for BusinessLINC to maintain the momentum of its success. BusinessLINC is good for Tucson because it is good for business.

Respectfully,

Robert E. Walkup
Mayor