

SBA PROGRAMS TO ASSIST VETERANS IN READJUSTING TO CIVILIAN LIFE

JOINT HEARING
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT PROGRAMS
OF THE
COMMITTEE ON SMALL BUSINESS
AND THE
SUBCOMMITTEE ON EDUCATION, TRAINING,
EMPLOYMENT AND HOUSING
OF THE
COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
SECOND SESSION

WASHINGTON, DC, JULY 31, 1996

Printed for the use of the Committee on Small Business and the Committee on
Veterans' Affairs

SBC Serial No. 104-91
VAC Serial No. 104-28



U.S. GOVERNMENT PRINTING OFFICE

26-486 CC

WASHINGTON : 1996

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-053996-X

COMMITTEE ON SMALL BUSINESS

JAN MEYERS, Kansas, *Chair*

JOEL HEFLEY, Colorado	JOHN J. LaFALCE, New York
WILLIAM H. ZELIFF, JR., New Hampshire	IKE SKELTON, Missouri
JAMES M. TALENT, Missouri	NORMAN SISISKY, Virginia
DONALD A. MANZULLO, Illinois	FLOYD H. FLAKE, New York
PETER G. TORKILDSEN, Massachusetts	GLENN POSHARD, Illinois
ROSCOE G. BARTLETT, Maryland	EVA M. CLAYTON, North Carolina
LINDA SMITH, Washington	MARTIN T. MEEHAN, Massachusetts
FRANK A. LOBIONDO, New Jersey	NYDIA M. VELAZQUEZ, New York
ZACH WAMP, Tennessee	CLEO FIELDS, Louisiana
SUE W. KELLY, New York	DOUGLAS "PETE" PETERSON, Florida
DICK CHRYSLER, Michigan	KEN BENTSEN, Texas
JAMES B. LONGLEY, JR., Maine	WILLIAM P. LUTHER, Minnesota
WALTER B. JONES, JR., North Carolina	JOHN ELIAS BALDACCI, Maine
MATT SALMON, Arizona	JESSE JACKSON, JR., Illinois
VAN HILLEARY, Tennessee	JUANITA MILLENDER-MCDONALD, California
MARK E. SOUDER, Indiana	EARL BLUMENAUER, Oregon
SAM BROWNBACK, Kansas	
STEVEN J. CHABOT, Ohio	
SUE MYRICK, North Carolina	
DAVID FUNDERBURK, North Carolina	
JACK METCALF, Washington	
STEVEN C. LATOURETTE, Ohio	

JENIFER LOON, *Staff Director*

JEANNE M. ROSLANOWICK, *Minority Staff Director*

SUBCOMMITTEE ON GOVERNMENT PROGRAMS

PETER G. TORKILDSEN, Massachusetts, *Chairman*

JOEL HEFLEY, Colorado	GLENN POSHARD, Illinois
SUE MYRICK, North Carolina	CLEO FIELDS, Louisiana
SUE W. KELLY, New York	JUANITA MILLENDER-McDONALD, California
DICK CHRYSLER, Michigan	JESSE JACKSON, JR., Illinois
DAVID FUNDERBURK, North Carolina	KEN BENTSEN, Texas
STEVEN C. LATOURETTE, Ohio	

Laurie Rains, *Subcommittee Staff Director*

COMMITTEE ON VETERANS' AFFAIRS

BOB STUMP, Arizona, *Chairman*

CHRISTOPHER H. SMITH, New Jersey	G.V. (SONNY) MONTGOMERY, Mississippi
MICHAEL BILIRAKIS, Florida	LANE EVANS, Illinois
FLOYD SPENCE, South Carolina	JOSEPH P. KENNEDY II, Massachusetts
TIM HUTCHINSON, Arkansas	CHET EDWARDS, Texas
TERRY EVERETT, Alabama	BOB CLEMENT, Tennessee
STEVE BUYER, Indiana	BOB FILNER, California
JACK QUINN, New York	FRANK TEJEDA, Texas
SPENCER BACHUS, Alabama	LUIS V. GUTIERREZ, Illinois
CLIFF STEARNS, Florida	SCOTTY BAESLER, Kentucky
BOB NEY, Ohio	SANFORD BISHOP, Georgia
JON FOX, Pennsylvania	JAMES E. CLYBURN, South Carolina
MIKE FLANAGAN, Illinois	CORRINE BROWN, Florida
BOB BARR, Georgia	MIKE DOYLE, Pennsylvania
JERRY WELLER, Illinois	FRANK MASCARA, Pennsylvania
J.D. HAYWORTH, Arizona	COLLIN PETERSON, Minnesota
WES COOLEY, Oregon	
DAN SCHAEFER, Colorado	

CARL D. COMMENATOR, *Chief Counsel and Staff Director*

SUBCOMMITTEE ON EDUCATION, TRAINING, EMPLOYMENT AND HOUSING

STEVE BUYER, Indiana, *Chairman*

BOB BARR, Georgia	BOB FILNER, California
WES COOLEY, Oregon	MAXINE WATERS, California
TIM HUTCHINSON, Arkansas	JAMES E. CLYBURN, South Carolina
DAN SCHAEFER, Colorado	FRANK MASCARA, Pennsylvania

CONTENTS

Hearing held on July 31, 1996	Page 1
-------------------------------------	-----------

WITNESSES

WEDNESDAY, JULY 31, 1996

Bechet, Leon, Assistant Administrator for Veterans Affairs, United States Small Business Administration, Washington, DC	33
Byrd, Cecil, National Association of Concerned Veterans, Washington, DC	21
Camacho, Paul, University of Massachusetts, Boston, Massachusetts	11
Hanely, Paul, Defense Conversions, Alexandria, Virginia	27
Hladky, Michael, U.S. Army, Hampton, Virginia	9
Lopez, John, Association for Service Disabled Veterans, Washington, DC	4
Naschinski, Emil, The American Legion, Washington, DC	7
Sniffen, Robert, San Diego Veterans Services	24
Stephan, James, Veterans Small Business Association, Alexandria, Virginia ...	26

APPENDIX

Opening statements:	
Torkildsen, Hon. Peter	42
Buyer, Steve	46
Prepared statements:	
Bechet, Leon	49
Byrd, Cecil	60
Camacho, Paul	69
Hanely, Paul	72
Hladky, Michael	74
Lopez, John	82
Naschinski, Emil	93
Sniffen, Robert	104
Stephan, James	114
Additional material:	
Questions to Mr. Lopez from Chairman from Torkildsen	124
Response to follow-up questions by Mr. Lopez	126
Questions to Chairman from Mr. Bechet	129
Response to questions by Chairman Torkildsen	133
Questions to Mr. Hanley from Chairman Torkildsen	141
Answers to questions from Mr. Hanley	143

SBA PROGRAMS TO ASSIST VETERANS IN READJUSTING TO CIVILIAN LIFE

WEDNESDAY, JULY 31, 1996

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON GOVERNMENT PROGRAMS, COMMITTEE ON SMALL BUSINESS, JOINT WITH THE SUBCOMMITTEE ON EDUCATION, TRAINING, EMPLOYMENT AND HOUSING, COMMITTEE ON VETERANS' AFFAIRS, WASHINGTON, DC.

The Subcommittees met, pursuant to notice, at 10 a.m., in room 2359, Rayburn House Office Building, Hon. Peter Torkildsen, (Chairman of the Subcommittee on Government Programs) and Hon. Stephen E. Buyer, (Chairman of the Subcommittee on Education, Training, Employment and Housing) presiding.

Chairman TORKILDSEN. Good morning. The hearing will come to order. As you may guess by the two bells that just sounded, Members are being summoned to the House floor for a roll-call vote. So, before we begin with testimony, I think we will recess and hopefully get back here very, very soon; but we thank all the witnesses for their patience.

The hearing will stand in recess subject to the call of the Chair, and we hope to be back within 15 minutes. Thanks very much.

[Recess.]

Chairman TORKILDSEN. The joint hearing will reconvene. Also, so the witnesses are aware, we've been told to expect that we could have roll calls perhaps as frequently as every 30 minutes. We apologize for future interruptions, but we'll do the best we can to make sure that every witness has a chance to testify and also has a chance to respond to questions from members of the Subcommittee.

Good morning and welcome to this joint Subcommittee hearing on what efforts the Small Business Administration is making to assist veterans.

I'd like to begin by welcoming my good friend from Indiana, Chairman Steve Buyer, of the Subcommittee on Education, Training, Employment and Housing of the Committee on Veterans' Affairs. I also noted that earlier, and we expect them to join us again with the Ranking Minority Members of both the Small Business Subcommittee on Government Programs as well as the Veterans Subcommittee; Mr. Filner, also Congressman Sonny Montgomery, who is here as well, and we expect him to return shortly.

The issue we are looking at today is of the utmost importance to any American who has served or will ever serve in the U.S. Armed Forces. Readjusting to civilian life is difficult for many veterans,

because they find themselves inexperienced in a competitive work force.

The self-reliance of owning a small business, provides a great opportunity for veterans. However, many veterans face the disadvantage of having little of the experience or capital needed to succeed in running their own small business.

The Federal Government has a wonderful opportunity to assist those who have served our country through SBA programs that specifically assist veterans in networking with experienced entrepreneurs in helping them obtain low-interest loans.

In 1974, President Nixon signed legislation into law directing the Small Business Administration to, "give special consideration to veterans of the Armed Forces of the United States and their survivors or dependents." Despite this directive, the SBA has done little to expand its programs to focus specifically on veterans' interest.

During the Clinton administration the Office of Veterans Affairs at SBA has shrunk from six staffers to three, and SBA regional offices are no longer required to have a Veterans Affairs officer on full-time staff.

According to their own data, in 1995, the SBA directly lent over \$23 million and guaranteed another \$5.5 billion in loans for small business. Of these, \$822,000 of the direct loans and \$724 million of guarantee loans went to veterans.

This translates into less than 4 percent of all direct loans and about 13 percent of all guaranteed loans for a sector of the small business community which comprises 20 percent of all American entrepreneurs.

Today the Subcommittees will explore the efforts of the SBA to assist veteran owners of small businesses. What has the SBA done in the past to assist veterans, and what is it doing presently? Has there been any cooperation between the SBA and the Veterans Administration to assist veteran entrepreneurs? We will be looking at these and many other questions.

At this point, I'd like to yield to the Chairman of the Veterans Affairs Subcommittee, Mr. Buyer, for any opening statement he may wish to make.

Mr. BUYER. Thank you, Chairman Torkildsen, I am pleased that we are able to work this out and to do this hearing. I think that the 104th Congress maintains and grows its commitment and honor to the veterans in this country. Not only have we increased our veterans' budget, yesterday we passed eligibility reform by—under suspension on the House floor, which is very important. We also took on the issues of veterans' preference, and I made sure that applies to all branches of Government. What a radical concept for me to come up with in my office with Jim Lariviere in fact, he was really shocked that veterans' preference was not being applied to all branches. So, if it upsets the judiciary, so be it.

I'm also pleased that we're able to work through the Davenport versus Brown and come up with \$230 million. I know the President wanted to place all those monies of the Davenport versus Brown repeal, towards deficit reduction, but I said, "No," in the Veterans Committee and we actually applied \$230 million to grow veterans' benefits.

This is another hearing that reflects the 104th Congress and its commitment to veterans and our concerns with regard to veterans' matters in small business.

I believe it exemplifies our concern that both Subcommittees have about veterans' opportunities in business. It's a concern that cuts through party lines, and I'm appreciative of the bipartisan spirit of today's hearing. It's one of the nice and unique qualities about serving on the Veterans Affairs Committee, Mr. Torkildsen, is we have a very strong bipartisan tenor and tone and we are sincere and it's led by Chairman Stump and Sonny Montgomery.

It was nearly a year ago that Mr. Bechet of the Small Business of Veterans Office was before my Subcommittee to testify about the potential transfer of the Office of Veterans Affairs at the Small Business Administration to the Department of Veterans Affairs. We suggested the merger because I believe that we have determined the fact that the status quo is not meeting the standards and levels of services that veterans rightfully expect. I emphasized then and still maintain that it is important to seek all stakeholders' views on such issues, and I want to have the freest of possible exchanges of ideas; and that's the purpose of today's hearing.

I am committed to seeing to it that veterans get a fair treatment in pursuit of business opportunities. To that end, I feel that the development of business entrepreneurial unit at the VA under strong leadership of the Secretary of Veterans Affairs is a way to increase veterans' opportunities in the business world. Some 20 percent of all of this country's small businesses are owned by veterans. Nearly 4 million veterans lend to this country business climate what they lent to the military service, a stable foundation upon which the spirited men and women built businesses that employ other Americans.

We come here to receive suggestions on how to create an effective program in a cost effective manner. Our colleagues at the Senate Committee on Veterans Affairs recently moved out of Committee S. 1711, a bill that would create a commission to review various readjustment programs for veterans including the veteran small business programs. I look forward to your comments on that portion of the bill to review the veterans small business.

Most importantly, I hope to hear from each of the witnesses their suggestions on making improvements to a system that is not functioning in the best interest of the veteran. Our Subcommittee has effectively worked with other Committees to improve services for veterans, most notably with the Civil Service Subcommittee on a bipartisan—excuse me, on a bill to strengthen veterans' preference a measure, obviously which I mentioned, just passed yesterday. I look forward to similar cooperative effort here with the Small Business Committee, and hopefully we can have a successful conclusion. I thank you, Mr. Chairman, and I yield back my time.

Chairman TORKILDSEN. Thank you, Chairman Buyer, and I'd like to recognize our Ranking Member of the Veterans Affairs Subcommittee, Mr. Filner, for any statement he may wish to make.

Mr. FILNER. Thank you, Mr. Chairman, I appreciate you're leadership in moving us in this direction with you and Mr. Buyer, and two Subcommittees working together ought to have some good impact.

Many veterans from my own district, and at least one is here today, have told me that they are interested in establishing their own businesses; and many veterans who own small businesses, obviously, would like increased opportunities to contract with the Federal Government. These are not unreasonable goals for them, and we in Congress must do what we can to enable veterans to achieve these goals.

I would like my colleagues and those who are here at the hearing today to look at the back table before you leave. There's a draft bill that we've been working on, and hope to introduce in the near future, would establish a veterans small business loan program and provide entrepreneurial training and counseling for veterans. It would also assist certified veteran owned small businesses to receive Federal procurement contracts.

Many of you may remember H.R. 1404, which was introduced a couple congresses ago by our former colleague, Tim Penny, and this is a similar bill to what Congressman Penny was trying to do.

We are trying to streamline the bill, refine it, and if you have any comments on the draft that is in the back, I would appreciate it very much.

Let me also just take advantage of having the mike for a second and urge you all, my colleagues, to join me in cosponsoring the Veterans Training and Bill of Rights Act of 1996, which all of you have a copy of. We hope to introduce that this week, and if you would like to join us on that, please let me know.

Mr. Chairman, I'm looking forward to the hearing. Appreciate, again, your leadership on this, and looking forward to working with you.

Chairman TORKILDSEN. Thank you very much, Congressman Filner. Now I'll introduce our panel of witnesses. Our first witness is John Lopez, the Association for Service Disabled Veterans in Washington DC. Our next witness is Emil Naschinski from the American Legion, also in Washington DC. Our third witness is Michael Hladky from Hampton, Virginia. Our fourth witness is Dr. Paul Camacho of the University of Massachusetts in Boston.

I do want to note that the idea for having this hearing began when I talked with Dr. Paul Camacho and others at the conference on the concerns of veterans held earlier this year in Washington, DC. From that, we decided it was long past due to have this hearing and point out what needs to be done to assist veterans through the SBA.

Mr. Lopez, if you could start with your testimony. Please let all witnesses know that you're entire written statement will be included in the record. If you could summarize your remarks to within 5 minutes, that would be appreciated by the Subcommittee, and we'll leave time for questions. Thank you. Mr. Lopez.

**TESTIMONY OF JOHN LOPEZ, ASSOCIATION FOR SERVICE
DISABLED VETERANS, WASHINGTON, DC**

Mr. LOPEZ. Thank you. Good morning, Subcommittee members. I'm John Lopez, Chairman of the Association of Service Disabled Veterans. We're a National Association in service disabled and prisoner of war veterans that are owners and operators of smaller businesses.

I'd like to thank you for this opportunity to address the concerns of service disabled veterans that have chosen to enhance their rehabilitation by participating in the Nation's enterprise system.

Of the over 43 million disabled persons in the United States, 2.6 are disabled veterans. Of that number, 2.2 million are service connected disabled veterans. That group of persons disabled while protecting the interests of the free world's citizens.

Although the Governments of the free world are quick to expose American veterans to death, disability, and torture; they are not so responsive when requested to indemnify and rehabilitate those that have sacrificed for their well being.

Over 635,000 men and women have died in the wars of the United States of America, including 17,634 who died in prison camps, and an estimated 10,414 persons that remain classified as "missing in action/prisoners of war." An additional 343,000 veterans have subsequently died from their service connected disabilities.

The surviving 28 million veterans of our Nation includes over 100,000 who were prisoners of wars, and 2.1 million who were disabled in service. I do not want to bore you with statistics, but it's important to understand, in my particular comments, who I am talking about.

As the products of direct and deliberate actions of our Government, these 2.2 million service disabled veterans are entitled to unique indemnification.

In the words of Justice Rehnquist, "Veterans have been obligated to drop their own affairs and take up the burden of the Nation, subjecting themselves to the mental and physical hazards as well as the economic and family detriments which are peculiar to military service, and which do not exist in normal civil life.

"Our country has a longstanding policy of compensating veterans for their past contributions by providing them with numerous advantages. This policy has always been deemed to be legitimate."

In one area of opportunity, access to participation in our Nation's economic system through small business ownership, the Service Disabled and Prisoner of War Veterans of the United States have been the victims of discrimination.

Although disabled persons are twice as likely to be in business as nondisabled persons, they are not a priority assistance population in the programs of the U.S. Small Business Administration.

Disabled workers are almost twice as likely to be self-employed as were members of the nondisabled population, finding it difficult to secure gainful employment from others. Persons with disabilities may elect to become self-employed. Disabled women were self-employed twice as often as were nondisabled women. Among men, 16.8 percent of disabled veterans as against 10 percent of nondisabled individuals were self-employed.

New medical advances in prosthetics, medications, and care techniques have now made it possible for service disabled and prisoner of war veterans to pursue and enhance their rehabilitation by being owners and managers of smaller businesses.

Also, the 2.2 million service disabled veterans of this Nation are entitled by law to rehabilitation benefits, not subject to scrutiny, and directed to specific and adjudicated individuals for the compelling interests of the Government, that is, to maintain the loyalty

and patriotism that preserves the interests of the United States of America. Although service disabled veterans are not a priority in the programs of the Small Business Administration, the Small Business Administration plays a critical role in the success of service disabled veterans that are pursuing and maintaining their rehabilitation as owners and operators of smaller businesses.

The direction of assistance legislation has been that the SBA be the Agency that determines small business eligibility for benefits. Those agencies of the Federal Government that wish to provide special business assistance to service disabled veterans are directed by legislation to conform to the determinations and guidelines of the Small Business Administration.

The U.S. Defense Department, the Federal Agency that created service disabled and prisoner of war veterans has absolved itself of responsibility for the aspirations of these service disabled veterans. It is diverted action on their behalf to the U.S. Department of Veterans Affairs. The Department of Veterans Affairs has declined to support and implement programs assisting service disabled veterans to pursue self-employment in a small business, as was codified in Veterans Benefits Act 38 USC 1517. The Department of Veterans Affairs has instead further referred that responsibility to the U.S. Small Business Administration. The disabled veteran has been funneled back to the Small Business Administration.

Although the Americans with Disabilities Act codifies, "that the disabled as a group are to be considered socially, economically, educationally, and vocationally disadvantaged;" Federal Agencies such as SBA choose to ignore that intent of Congress.

In program administration, the SBA has ignored advocacy for disabled veterans programs, and as evident by the size of the staff they have now. However, SBA not only ignores the intent of the U.S. Congress; but additionally, the SBA has requested that the U.S. Congress discontinue direct loans to the handicapped and veterans. Given the established and legal right of private letters to refuse loans to obvious and extraordinary risks, especially to service disabled veterans, that discontinuances, would remove the last source of reasonable financial assistance to the service disabled veteran business.

I see that I'm being clocked, so I will summarize the rest of my testimony.

In my written testimony, I give examples of the disparity of what SBA is doing for others and what it's doing for disabled veterans.

When we surveyed nine other Federal agencies, they kept telling us that they had no authorized ability to assist us. That if we were going to get special assistance in pursuing business goals, it is the Congress' responsibility to direct SBA to assist us and SBA has not done so.

When we sampled disabled veterans and asked them what their real SBA experience is, they say they are always told they are not considered to be a special group. They have no—"special consideration" special consideration is an empty phrase. As applied, it means "nothing."

Special assistance benefits for service disabled veterans have been an issue before both of these Subcommittees for a long time. Congressman Montgomery has been one of the leaders in appealing

to the Small Business Committee and to the Small Business Administration to provide some assistance for the disabled veteran business. Members McDade, Ramstad, Solomon, and Congresswoman Meyers in a draft of November 10, 1993, to the House Report 4263 said that SBA's policy of defining disadvantage as only that related to social discrimination was totally wrong and should be corrected. What this means is that then we should be looking at disability as an included disadvantage in the small business programs.

Service disabled veterans who experience violent disability and are sentenced to long periods of rehabilitation and subsistence living do not have the opportunity to accumulate the necessary capital, nor the lengthy experience that business resources require when they're selecting what businesses that will receive assistance. We need legislated assistance.

The U.S. Congress must quickly establish a legislative program for service disabled veterans that clearly states that actions and results, not special "consideration efforts," are the required objectives of the legislation.

They must detail in language that those who sacrificed their well being for the benefit of all the free world's economic benefit, are the primary priority in the business assistance programs of the Federal Government.

One more specific thing that this Subcommittee or the Congress can do is to amend the Small Business Act to add the directive that, "For purposes of this act, service disabled and prisoner of war veterans are to be considered a socially and economically disadvantaged population or group or individual."

If the U.S. Congress, on behalf of the Nation, is unwilling to provide special assistance to service disabled and prisoner of war veterans that choose to use the Nation's enterprise system as a means of enhancing their rehabilitation then they send a terrifying message to those who will be called upon to defend that system in the future. Thank you.

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

Chairman TORKILDSEN. Thank you, Mr. Lopez, for your testimony. Now we'll hear from Mr. Naschinski.

TESTIMONY OF EMIL NASCHINSKI, THE AMERICAN LEGION, WASHINGTON, DC

Mr. NASCHINSKI. Chairman Torkildsen, Chairman Buyer, and distinguished members of both Subcommittees, the American Legion appreciates having this opportunity to comment on the SBA, the assistance—the small business assistance needs of disabled and recently discharged veterans, and the provisions of S. 1711.

Chairman TORKILDSEN. Mr. Naschinski, if you could pull the mike closer to you, so we can hear you. Thank you.

Mr. NASCHINSKI. I'm sorry. In your letter of July 22, 1996, Messrs. Chairmen, you stated that the purpose of this hearing was to ascertain how Federal programs and agencies are assisting veterans. Frankly, gentlemen, with respect to SBA, the American Legion's response can be summed up in two words, "what assistance?"

Between 1980 and 1989, SBA and its Office of Veterans Affairs demonstrated a sincere commitment to serving veterans. However,

when a new administrator was appointed in 1989, SBA's support for its Office of Veterans Affairs and its commitment of veterans evaporated. Unfortunately, subsequent administrators have shown absolutely no interest in assisting veterans.

By October 1995, the American Legion had become so frustrated by SBA's obvious lack of interest in fulfilling its responsibility to veterans; its unwillingness to implement Public Law 93-237 which requires that it provides special consideration to veterans; and its refusal to discuss the concerns of the veterans community, that our National Executive Committee rescinded all of the Legion's long-standing policy resolutions mandating our organization to support the continuation of SBA.

Attached to our written statement is a copy of our current resolution on the Office of Veterans Affairs, which was adopted last September at the American Legion's 77th Annual National Convention. It authorizes the Legion to support any legislation or administrative proposal, up to and including moving the Office of Veterans Affairs to another Federal Agency, that will increase and improve Federal assistance to America's veteran entrepreneurs.

As you know, Messrs. Chairmen, over the last few years, there has been a great deal of a discussion about eliminating the SBA. By virtue of resolution Number 147, and the American Legion's experience with SBA over the past 7 years, we will not oppose Congress if it chooses to eliminate that Agency. Provided, of course, that the Office of Veterans Affairs is moved to another Agency and is given the resources it needs to accomplish its mission.

Having said that, we would now like to turn our attention to Veterans Small Business Assistance needs. The American Legion believes that if this country is to improve the quality of assistance that is currently being provided to veterans, it must begin by providing the resources the Office of Veterans Affairs needs to accomplish its mission.

During fiscal year 1996, the office was given a mere \$7,000 to initiate and run its programs. Furthermore, despite the fact that the Office of Veterans Affairs has never been adequately staffed, its staff was reduced by one-third last year.

We also believe that the Office of Veterans Affairs must increase its outreach to veterans; reestablish and expand its veterans entrepreneurial training program; and form a strong alliance with the VA's Vocational, Rehabilitation, and Counseling program. Furthermore, we believe that Congress must establish a Government set aside for service disabled veterans and increase the loan guarantee to 100 percent for veterans

Messrs. Chairmen, the American Legion has reviewed the provisions of S. 1711, which seeks to establish a commission that will review the efficiency and effectiveness of veterans transitional and assistance programs, evaluate proposals to improve those programs, and make recommendations to Congress on how to improve the programs. We fully support the intent of this bill.

Again, Messrs. Chairmen, thank you for holding this very timely hearing and for allowing the American Legion to comment on America's small business assistance to our veteran entrepreneurs. The Subcommittee can count on having the Legion's complete sup-

port and corporation as we work together to rectify the many problems that have been discussed today.

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

Chairman TORKILDSEN. Thank you for your very frank and forthright testimony, Mr. Naschinski. Now we'll hear from Mr. Hladky.

**TESTIMONY OF MICHAEL HLADKY, U.S. ARMY, HAMPTON,
VIRGINIA**

Mr. HLADKY. Chairman Torkildsen, Chairman Buyer, and distinguished members of both Subcommittees. My name is Michael J. Hladky. I reside in Hampton, Virginia, and am presently awaiting a medical discharge from the U.S. Army. I am speaking here today for two main reasons. First, a Veterans Administration benefit that I was doing research on; the Disabled Veterans Small Business Loans. Second, the present system of dissemination of information to veterans, disabled and nondisabled, present and future.

On the subject of Disabled Veterans Small Business Loans in February 1996, I was notified that I was going to be medically discharged. In April, I began to plan for me and my family's future. I didn't know what I would be doing for a living. Between 8 years in the U.S. Merchant Marine and 14 years in the U.S. Army, the only occupation I've ever known is water transportation.

I didn't know how much my income would be, and I certainly didn't know how much my disability pension would be. A service member must receive at least 30 percent disability to medically retire to be able to keep all military benefits: Military ID card for myself, my dependents, commissary, and PX privileges, et cetera.

This fact did frighten me to a point, but I must say that I found myself in a rather unique position, starting over. So, I began to explore the possibilities. The only occupation I had ever known was about to be over. Several questions loomed over my head. What would I do? What job would I have? Would I make enough money to support my family and pay my creditors? A scary feeling, as I stated before, but nonetheless exciting and I welcome the challenge.

So, I started my research. Due to the nature of my disability, I was limited as to what I could do. I did have a desire to go into business for myself. I had known from previous conversations with other veterans in transition briefings, disabled veterans had a small business guaranteed loan. This really interested me.

I began to have that desire to succeed that you hear so many people talking about. So, I figured the best way to start my research was at the library. Not having much success in the way of finding what benefits disabled veterans have in small business loans, I decided to go to the source.

I located a Congressional directory and looked up the Committee on Veterans Affairs and decided to call them and get that information firsthand. I inquired about the disabled veterans small business loan and was informed that this particular benefit was no longer available, and that my only option was go through the Small Business Administration to apply for a small business loan.

When I inquired as to why the Disabled Veterans Small Business Loan was no longer available, I was informed that it wasn't being

used. This, needless to say, floored me. I also asked if there was a possibility that it would be reinstated, and I was told that it may.

I was then given instructions on how to apply for a small business loan through the Small Business Administration. Several phone conversations and many channels led me to the local SCORE office, where I met with a counselor for about 2 hours. The gentleman seemed very knowledgeable about business and veterans affairs. He gave me several leaflets, pamphlets and the like on how to start a small business.

More information and text were available, but they were for sale. This put a real sour taste in my mouth. I felt as if I could have done just as well in the public library and probably would have been better off. I left with the impression that I was on my own, leaflets and pamphlets in hand to fend for myself. I was very dissatisfied and became somewhat discouraged, but I wasn't going to give up that easily. I decided to let things go for a couple of months.

In June, I called back to the Committee on Veterans Affairs to see if the Disabled Veterans Small Business Loan was going to be reinstated. I was told that there was a strong possibility that it would and left my name and phone number if I could do anything to assist in any way. I hung up the phone with a feeling of hope and renewal of my goal of owning my own business.

After giving this information much thought and doing more research to include numerous conversations with veterans, the answer was simple. Veterans were not aware to any degree that this benefit even existed, and those that did thought it would take some sort of miracle to get approved for a loan from the Government.

Two things in my opinion need to be accomplished. First, reinstate the Disabled Veterans Small Business Loan and make it available for all veterans. In as much as disabled veterans may have a disability, which may prevent us from doing some thing we wish we could do, we must remember that all veterans come under the same family. That any one of us at any time could have become disabled during our service to this great country in which we live in today. So, in fairness to our comrade in arms, let us not differentiate ourselves.

Second, we must inform and make veterans aware of this valuable benefit. Some would ask in today's climate of downsizing and budget cuts why should veterans receive a special benefit in receiving a guaranteed loan to start a business? Their answer is simple. Veterans would not be receiving special benefits. This would be an investment in an untapped resource. The returns would be limitless: Job creations, opportunities, tax revenues, role models, mentorship and much, much more.

Veterans don't want handouts, handups, or special benefits; just point the way, and we'll do the rest. We spend most of our adult lives serving our country, so let us continue to serve by owning our own business. Let us set up veterans for success, not failure. Veterans are disciplined. They meet deadlines, and they don't need their hand held when a challenge confronts them. These attributes alone, learned through our careers, should constitute at least 50 percent of the training needed to run a small business.

Additionally, veterans should not have to go through Small Business Administration to obtain a small business loan. The SCORE office I visited informed me that banks require as much as 25 percent of their own capital or collateral before a bank will approve a loan. Veterans don't have that kind of capital, especially if they've been medically discharged. I haven't met a veteran yet who had that kind of extra cash at hand. If they did, they wouldn't need a loan to begin with.

The following pages contain ideas and suggestions for the Subcommittee. These are to meet three objectives. First, establish a Veterans Small Business Administration. Second objective, to make more veterans aware of the benefits so they may take advantage of small business opportunities—and I'll just summarize the rest of the ideas and suggestions in close—third objective, to streamline the procedures on obtaining a small business loan.

In the following pages, I've detailed somewhat more, but I'll go ahead and close. In closing, I have intentionally kept this testimony short and to the point. My ideas and suggestions have much more detail to them and still need much more work and refinement. I hope my testimony, ideas, and suggestions have been proven to be helpful by giving a view that some may not be aware of.

Veterans throughout the United States can contribute in small business, just as they have in so many other ways in the civilian sector: Police officers, fire fighters, teachers, mayors, and congressmen. Small business needs veterans. It needs their discipline, their ideas, enthusiasm, and most of all, it needs to employ the people, all people.

I cannot speak for all veterans, but I can say for myself that I would not hesitate to use the experience I've gained to help veterans achieve the same dream that I have, owning my own small business.

I would like to thank this Subcommittee for allowing me the honor and privilege of speaking before you here today. It has been an experience that I will treasure forever.

With the Subcommittee's permission, I would like to make one final statement. For the prisoners of war, to all those missing in action, you are not forgotten. Thank you.

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

Chairman TORKILDSEN. Thank you for your testimony, Mr. Hladky. Dr. Camacho.

TESTIMONY OF PAUL CAMACHO, UNIVERSITY OF MASSACHUSETTS, BOSTON, MASSACHUSETTS

Dr. CAMACHO. I want to thank you gentlemen for allowing for this hearing. It's very important. I'd also like to request that the record will remain open for a week or 2. I would have submitted more materials. As some of you know, I had a fire in my house about 5 weeks ago. I'm still fighting my insurance company. It's crazy.

Chairman TORKILDSEN. Without objection, the record remain open for witnesses to submit additional material and also for Members to submit statements if they choose. Thank you.

Dr. CAMACHO. I had about four things that I really wanted to hit on. First, probably and foremost is to do something immediately

and language that would get us into—at least service disabled veterans into the procurement process, whether that's through 8(a) or whether somebody separates a comma somewhere and puts "veterans" in there as John Lopez mentioned.

Chairman TORKILDSEN. Dr. Camacho, if you could pull the mike a little close to you. Thanks.

Dr. CAMACHO Second, some version of the old H.R. 1404 should be submitted. That was a nice comprehensive piece as it was designed. There were a couple of things in it that reminded me of a 1981 bill, H.R. 1139, that they tried to put forward. In that hearing—before the Subcommittee on Oversight and Investigation of the Committee on Veteran's Affairs, House of Representatives, March 31, 1981—they talked about shifting the office over to the VA, and the VA said, "Well, the SBA has the expertise," but we never got the commitment from those people at SBA.

So, I almost want to agree with the Legion. If you had shifted then, the VA would already have the expertise. But it's in SBA, and you can't be running back and forth. Somebody's got to make a decision; and if the decision is to stay with this in the SBA, then the SBA really has to kicked in the pants to get the commitment.

One way they could have gotten this commitment or helped fulfill this commitment at a cost effective way, was through the community-based organizations. In the 70's, there were networks of community-based organizations built up through the National League of Cities U.S. Conference of Mayors and through the VET center program established in 1979. But a lot of those were independently started and the VA got on-line with the VET center idea after much kicking and dragging. That's the history of that. I could detail that for you at any point in time.

Following this there was the Vietnam Veterans Leadership Program, which established the network of VET centers. Many of those are still around and grubbing for dollars as community-based agencies, but they have the best chance to do the outreach. You have one in your district, Michael King's up in Beverly. There's one in Roxbury. There's about eight in Massachusetts, and there's—Missouri has one, Pine Bluff, Arkansas, has one. They all are struggling—but the veterans will go there.

The SBA could have gotten much more "bang" for 20 percent of their dollar in outreach, had they gotten into some contractual arrangement with those CBO's. They just could have. There's no doubt about that. I was the executive director on the commission in Massachusetts, and we did a lot of hearings, and that sort of gets me to quickly talk about Senate 1711.

You're going to have a problem with the composition of S. 1711. I ran a similar commission in Massachusetts, which was much smaller, obviously, in terms of size; but we looked at everything. The Senate report—I happen to have copy of it here—it took 2 years to do this. We had 13 hearings in the State of Massachusetts. We also did a major survey.

The trouble is the composition of the board has to really be divergent, cut across generations, and be reflective of the demographics of the veteran population that's out there now; otherwise, you're not going to get the broad scope. That's the problem that I saw with it immediately.

So, those were the main pieces that I wanted to get out there. The data that we had from three or four studies that we did in Massachusetts shows about 15 percent of the population want to be—are in small business. There's another additional 7 to 10 percent who want to get into small business. Some of that's nebulous. You don't—you don't know what a real commitment to get in is or is not, but we did find out that there is a significant interest in programs.

So, some program through community-based agencies in league with university structures would work; but how they're set up is very important in the details. We'd have to have—maybe back in the District we could have a meeting with veterans that are in your area so you could get a more detailed look at that.

The last time any research was done on veterans in small business was 1982 or 1983. The SBA commissioned 13 studies. I know—I was the senior investigator on one of them, "Vietnam Veterans and Entrepreneurship"; There's a lot of data out there, and the bottom line, I guess, in summary, is to, first, get something in the language that gets us into the procurement process at least for service disabled veterans. Do that right away.

Second: H.R. 1404 or the version of H.R. 1404 that's going to come out now, that's a nice comprehensive piece to be looked at. Third, S. 1711, you've got—if you think you're going to do what you want to do in a year, I think you're mistaken. That's a long process, if you want to do it right. I know—I'm sure I know what I'm talking about on that. Finally the veteran community-based service organizations, veterans community-based agencies that are out there in everybody's district, virtually in everybody's district, are really one of the ways to go with a outreach and program development. Thank you.

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

Chairman TORKILDSEN. Thank you, Dr. Camacho. I'll start off the questions for Mr. Lopez and Mr. Naschinski.

In the past you've been told by individuals that there is no special preference or consideration for veterans, even though the law very clearly states that. Did any of these individuals give you any reason why they were not complying with the requirements of the law in establishing some special consideration for veterans? Did you ask them? Did they offer any explanation at all as to why they were not complying with the way the law's written? If you could speak into the mike, please.

Mr. NASCHINSKI. Yes. The American Legion has never received a satisfactory answer to that, Mr. Chairman. We have asked time and time again, and we just cannot get a straight answer.

Chairman TORKILDSEN. Mr. Lopez.

Mr. LOPEZ. In my remarks I mentioned that we did a sample inquiry of 287 service disabled veterans. What the Small Business Administration officers do when they are asked to provide services is they challenge the individual applicants definition of what "special consideration" is. They say, "What are you looking for?"

The disabled veteran says, "Well, I'm looking for some help."

"Well, we're only allowed to give you that certain amount of help that we give everybody else. All 'special consideration' means is that we're going to talk to you maybe a little longer, maybe we'll

put your file on top of the daily pile, maybe we'll give you some special social remarks that we give to veterans."

But as far as legislative entitlement or specific instruction to support and process that individual in a certain way, that does not occur. It has never occurred in any of those 287 disabled veterans that we surveyed.

Chairman TORKILDSEN. Thank you, Mr. Hladky, just to follow-up in part of your testimony where you mentioned that when you were meeting—I believe you said it was with a SCORE executive—and after some discussion he said he could give you some material, but if you wanted more extensive material, it was available for purchase. Did he say why you had to purchase that? Was it to be purchased from a Government Agency? What were the logistics of that?

Mr. HLADKY. Mr. Chairman, the best way I can answer that question is it kind of caught me off guard when he said that. I mean, he did give me some information that was very helpful. But the steps got up to a certain point, and then it would end.

I believe it got up to making a small business plan, instructions, very general instructions on how to do that. Then about the leaflets I said, "Well, do you have anything more that goes in detail?" I mean, I don't mind doing the work myself, as long as I'm pointed in the right direction. Then he mentioned they were for sale, and it just completely—I just kind of ended the appointment politely and thanked him for his time.

Chairman TORKILDSEN. I'm sure we'll be trying to pursue that, because it certainly doesn't seem right that information that you would need would have to be purchased that way.

Mr. HLADKY. Mr. Chairman, also additionally, this information I do not know whether it was Government or nongovernment; but the gentleman who was a counselor—and I don't know if he was a paid employee or a volunteer, but the information was just xeroxed type of pamphlets and the like.

Chairman TORKILDSEN. Thank you, Mr. Hladky. Dr. Camacho, in following up in some of your testimony, certainly the veterans outreach center in my district in Beverly, even though it's only been there a short period of time, has shown a major presence. It is very active in the community.

Could you talk a little bit more about perhaps integrating functions like that for outreach? Clearly, we have to see that the SBA fulfills the obligations of the public law. But using these centers to perhaps help spread the word about that, do you see that helping to get the word out?

Dr. CAMACHO. There's a lot of ways to do it. I can give examples of—the SBA's spent a lot of money on some fancy brochures, and they couldn't really reach the veterans population with them. For less than the cost—half the cost of those brochures, they could have gotten into a—I don't know what the legalities are—of an arrangement, a contractual arrangement with a community-based organizations; but a "fee for service," I don't know how you describe that part, the legal part of that. But they could have gotten much bigger "bang" for their outreach dollars going through the community-based agencies.

I know Bill Elmore is from Missouri, and they have a Saint Louis—a VET center that was part of the old VVLP, Vietnam Veterans Leadership Network, that started under the Reagan administration.

So, for a while there was a project to do entrepreneurial training that came out of, I believe, it came out of Leon Bechet's office when they had more money back then. The university was going to give these classes, and they were in an arrangement with the VVLP; but it didn't work out that way. They bypassed the VVLP, and they did it directly, and it was not—it did not work out correctly. They wanted the veterans agencies—community-based agencies to do all kinds of work with no compensation. People got involved through the word of those community-based service agencies.

They have a much better track record. There's a lot of anecdotal stories about it. We do have some data from our 1988 study that show that those agencies have a higher rate of veterans going to them.

Chairman TORKILDSEN. Thank you, Dr. Camacho. I have a number of additional questions, but in the interest of allowing as many Members to ask questions as possible, I'll now turn to the Ranking Minority Member of the Veterans Affairs Subcommittee, Mr. Filner, for questions he might have.

Mr. FILNER. Thank you. Just a brief follow-up to the Chairman's first question about the relationship between the law and what you all were told. Have there been any suits filed by individuals to make that point that agencies were not complying with the Americans With Disability Act or any other legislation? Have anybody, do you know, filed a suit on that?

Mr. LOPEZ. No. Most of the ADA suits have been based on individual violations to individuals who felt specific harm. It's a mystery to me why the U.S. Department of Justice takes no action. I've asked the agencies individually and specifically, and the legal counsels have always responded with circuitous replays.

The fact that the ADA says that disabled persons are to be socially and economically disadvantaged presumes to put them in the eligibility for service area of the small business 8(a) Program. SBA says that Congress did not "specifically" say that disabled persons were to participate in "specific" programs. Consequently, they don't not apply it.

They almost always say, "your problem's with Congress," that Congress was not specific enough. They're always complaining about micromanagement. But at the same time, every time you say something to them, they say, "Well, the problem's with Congress."

Mr. FILNER. Well, it could be both. Paul, if you might just take a couple minutes, you had some really good ideas. If you were designing the immediate thing that you had in mind, you said H.R. 1404 had a comprehensive approach, and I took that little bit that it—because it was comprehensive, it might not get enacted right away; and you wanted something immediately. What would you like to see right now the ideal assistance program look like that we could do immediately?

Dr. CAMACHO. The ideal assistance program, probably have a great deal more managerial training. The data that we had not only would have loans—it would have access to loans, managerial

training, but it would have a way to get the capital to put up. But the managerial training was significant in all—in the study that I did in the SBA with a guy named Jerry Boren, we did for the SBA back in 1983 on entrepreneurship and the findings of our '88, '90 study in Massachusetts.

They're really small businesses. They employ under 5 to 15 people. They know their roofing. They know their furniture stripping. They know their computer software development, but they don't really have management business—general management skills.

Is that for you? Should I continue?

Mr. FILNER. Yeah, please.

Chairman TORKILDSEN. We'll try to do a few more minutes of question and answer before we have to go over to the House floor for the vote.

Dr. CAMACHO. I'd say also including into the arrangements, including outreach efforts, and using the community-based organizations as a way to develop and carry out technical assistance; they really can do the outreach, and they do it much better.

In every Agency they could do it—the VET centers were started because of that—and the VA VET centers were started because of that, and now they've been a little too sanitized. Under Art Blank they got a little too clinically professional and less drop-in in terms of the atmosphere.

So, the community-based agencies have picked up the traffic on some of that, like Ralph—Mr. Montgomery knows Ralph Cooper up in Boston. That's the key Agency. I don't think a minority veteran goes anywhere else in the metropolitan Boston area without first going through the Roxbury Veterans Benefits Clearinghouse, which is completely separate from the VA. It's their own community-based Agency. They just can do an outreach job.

I could sit down and look at a lot of data and everything, but we don't have that kind of time here, but those would be the key points. But getting something immediately for service disabled veterans would be very, very good to have done, if you can.

Mr. FILNER. Maybe you can help us write that section of the bill looking at CBO's. I yield back.

Chairman TORKILDSEN. Thank you, Mr. Filner. General Montgomery.

Mr. MONTGOMERY. Thank you very much, Mr. Chairman. I will be very brief. Welcome to our witnesses. I know both you personally accept the Army, gentleman, and thank you for being here today. I saw John in church, Saint John's Episcopal Church Sunday, so we're not all bad up here when we come to town.

Special consideration loans, as I understand it, have fallen off. Direct loans have almost been eliminated, and guaranteed loans have been coming back making more guaranteed loans. The problem is, Mr. Chairman, guaranteed loans that I find in my district, if you don't have a bank that wants to make them, then it's very, very hard to get those loans.

But this is a great hearing, and it's just—these loans have just fallen off, except the guarantee in some areas where the banks don't want to make it, they've fallen off. Thank you.

Chairman TORKILDSEN. Thank you, General, for your comments; and, again, we greatly appreciate you being here today—

Ms. MILLENDER-MCDONALD. Mr. Chairman, may I just say a few words, too, being that I met with some of my disabled veterans this past weekend. They intimated to me that the ADA is not being responsive to them at all, in terms of employment or trying to seek employment or any other services that we deem important for them to see.

Further, I have given small business work jobs and have had disabled veterans come along with minority and women, and they are in the same categories as all of the rest of them. They are not—their needs are not being met. The contracts that they have applied for were not being given the, I guess, priority or the sensitivity that I would expect them to give to our veterans.

So, there is a critical need for us to really review and look into this area, and I thank you for this hearing.

Chairman TORKILDSEN. Thank you, Congresswoman Millender-McDonald. Congressman Chrysler, did you want to make a brief statement or ask a question before you go for the vote? Could you use the microphone, Congressman?

Mr. CHRYSLER. Michael Hladky, how can we make veterans more aware of our benefits?

Mr. HLADKY. Well, sir, I had some ideas and suggestions in my testimony, but it just seems to me, and this is just personal opinion, we have stacks and stacks and stacks of pamphlets and text and leaflets; but the word is not getting out.

The media needs to be utilized, in my opinion, the newspaper. We can't use them, if we don't know about them. As far as the small business goes, that's a subject that's brought up every day.

I'm here as a private citizen, but I—the reason I brought this up about the medical discharge is that you have to plan way ahead, and when the small if your goal is small business, you've got to get to work. But the facts aren't getting out. They need to be put out, and you would have—I can't even guess how much participation or inquiries you would have if the word was getting out about this particular program.

Mr. CHRYSLER. Thank you.

Mr. LOPEZ. Mr. Chairman.

Chairman TORKILDSEN. Mr. Lopez.

Mr. LOPEZ. May I have the Subcommittee's indulgence. I think that Congressman Filner's draft legislation package is an excellent start. I've been pursuing this for over 10 years, and I think that's an excellent start, and really deserves the consideration and attention of the both Subcommittees.

Chairman TORKILDSEN. Thank you very much. At this point, we will take another break for the vote on the floor, and then come back. The Subcommittee will stand in recess subject to the call of the Chair.

I would ask this panel to remain here. I'm hopeful that Chairman Buyer will be able to return from the Judiciary Committee, and he may have some questions for you.

The Subcommittee stands in recess.

[Recess.]

Chairman TORKILDSEN. The hearing will come to order. Congressman Buyer is still between the Judiciary Committee Markup

and the House floor. In the interest of time, I will ask one of the questions he wanted to ask himself.

This is for Mr. Lopez. Mr. Buyer's question is: Since the Americans with Disabilities Act already codifies that "Disabled as a group are to be considered socially, economically, educationally, and vocationally disadvantaged."

Is this language, in your opinion, sufficient to allow the SBA to adopt that provision for disabled veterans to participate in the 8(a) Program? Mr. Lopez.

Mr. LOPEZ. Yes, it is. I will read from the Small Business Committee's 1994 report on H.R. 4263. It says clearly that, the Committee notes with respect to the severely disabled that some agencies, including SBA, by regulation, for example, for the program under Section 8(a) of the Small Business Act have identified discrimination as the only type of social disadvantage they would recognize.

The Committee does not agree with this overly narrow interpretation and wants to emphasize that severe disability is a social disadvantage in itself, whether or not it's been accompanied by discrimination.

The previous Small Business Committee in that report, made it very clear that they considered disabled persons to be socially and economically, disadvantaged; and that was a consensus of the entire Committee.

Chairman TORKILDSEN. Thank you for that response. Obviously, that point will come up later in the hearing as well. But I appreciate your direct response.

At this point I would like to thank you all for your testimony and ask that you be available to answer written questions from Members for up to a 2-week period. Some Members were not able to attend the hearing. Thank you for your contribution to the hearing, and we will be in touch in the future. I would ask the second panel to please step forward.

Before we proceed with the second panel, Chairman Buyer has been able to return from the Judiciary Committee and would like to ask Mr. Lopez further questions. Dr. Camacho, if you could return to the panel. No apology necessary, Mr. Chairman. It's one of those days on Capitol Hill.

Mr. BUYER. Dr. Camacho, I know you've written me several times about separate testimony before my Subcommittee, and I answered to you that I'd be more than happy to hear from you at the time we had a hearing; and we got it, and I'm glad you're here.

Dr. CAMACHO. Thank you.

Mr. BUYER. What I wanted to cover with both of you—and I appreciate you staying, is there is political gamesmanship occurring on the House floor. It happens. When we were the minority, we did it, too.

Are you aware that there is a bill pending in the Judiciary Committee, in the Full Committee Mark, matter of fact as we speak—I don't know if we're going to get to it today or not—known as the Equal Opportunity Act of 1996, H.R. 2128.

What this bill does, it would prohibit Federal Government or any officer, employee, or agent from the Federal Government from intentionally discriminating against or granting a preference to any

person or group based in whole or in part on race, color, national origin, or sex.

Under the amended version of the bill, this provision applies only to Federal contracting and subcontracting. So, basically, this wipes out Section 8(a). Are you aware of this bill?

Mr. LOPEZ. Yes. We have maintained and there is similar types of legislation in California; but as I said before, Justice Rehnquist has pointed out very clearly that veterans' benefits are not subject to strict scrutiny, what that legislation's about, veteran's benefits are directed to specific and adjudicated individuals for a compelling interest of the Nation; and that is to maintain patriotism and loyalty.

So, we are not subject to those scrutiny constraints. Benefits given to disabled veterans are not presumed to be given on a race basis, we are a race neutral, ethnic neutral, gender neutral population.

Mr. BUYER. Here's what I see. This sort of opens the door that says, what about if we take disabled American veterans and place them as a "presumptive" into this group of 8(a) at the same time we may be removing 8(a)?

Do you see what I'm saying? Two things may be happening here at once, so let's be very up front here.

Mr. LOPEZ. You're very right.

Mr. BUYER. That there is a strong recognition that the group—the group preference programs are fraught with fraud and abuse, and there's also a great question whether or not they're working; when 50 percent of the contracts end up in this town.

It's wonderful to stand up and give a speech about how they're working in the innercities of whether it's Detroit, Indianapolis, or Chicago or wherever in the country; when most of the contracting occurs right here in Washington DC That's why they call it the "Beltway Bandits." Right? They keep running around the Beltway.

Also when you got 1 percent of the contractors taking 25 percent of the contracts, 1 percent out of the 8(a) are taking a billion dollars worth of contracts. So, I just want you to know here—up front—I have some hesitations here about saying, OK, we're going to take disabled American veterans, and we're going to treat them as a presumptive class and place them into 8(a). I want to address this to you, Dr. Camacho, too because—

Dr. CAMACHO. To me, that was just the current vehicle to do something now for service disabled veterans that can be implemented quickly, then try to do more comprehensive work down the road with the bill Mr. Filner put in, or with Senate 1711.

I am voicing a sense of frustration of over 20 years. Let's get something, anything, get it out there, put service disabled veterans in there. They're not trapped in there forever. It's a vehicle. If there's another quick vehicle, if you can part a comma, stretch it, and stick in "service disabled veterans," do that; but do something—to me it was a practical vehicle.

If you can do something for service disabled veterans now, quickly, this session, and say this isn't the be- and end-all. This quickly sets a precedent, and we'll work on something better down the road—in the near future. But this is good for right now, and it sets a precedence that we're serious about doing something for veterans

here and not procrastinating anymore or not letting these agencies drag it out anymore.

That's what it meant to me. I didn't see it as "the answer," because I wanted to say 8(a) was an immediate—some version of H.R. 1404 or the old H.R. 1139 as a mid-range. What you were talking about in Senate 1711 with Dan, was more like a long-range look, A more real comprehensive long-range look. My worry about that is you're really—if you're trying to do something in a year with a major study, I find it problematic. I just don't see the timeline, and who's going to be on this commission? The composition's got to be demographically representative.

We have these generational problems. The Vietnam generation has to remember that the generation after it doesn't look like the Vietnam generation at all, just like the World War II guys forgot that. They thought we were supposed to be like them. We suffered from that. I don't want the new men and women to suffer that from us.

Mr. BUYER. Well, as I run back and forth between Judiciary, I'm not sure this bill's going to come up today. In my support of a bill that seeks to treat people equally, equal opportunity, I mean, that's what this is supposed to be about. Not to say that we're going to give you preference—and actually, there's some discrimination in regard to the treatment of the preference that somehow you, by just by the color of your skin, we're going to say that you're disadvantaged; therefore, we give you a better opportunity.

So, when I vote, either it's today or some time this week, to say, no, to 8(a), I want you to know I'm not saying "no" here to the treatment with regard to veterans. Because what I'm going to search for—recognizing that about a third of all homeless are veterans. So, when you have veterans that give unto their country their service, place themselves economically disadvantaged to others within their peer groups, then when they emerge from active duty, or is like this gentleman that was here earlier, I guess he's left by now, gentleman from Fort Eustice as a disabled veteran, how—he doesn't have the capital to go out there and get something.

So, I'm kind of in a "Catch 22" here. Supporting legislation that says "no" to these discriminations, but then how are we going to set some preferences here for veterans?

Mr. LOPEZ. If I may, Congressman. Everything you say is true. But remember we're talking about fruit, and we are also talking about apples and oranges.

Disabled veterans benefits are based on indemnification and rehabilitation. They are a benefit given for a specific purpose. They are not based on cultural, ethnic, racial, religious characteristics. That doesn't apply. The definition of who's to receive the benefit is a direct—it's almost like a workman's compensation case. It's the Government's responsibility to restore this disabled veteran person to a whole being as much as it possibly can.

Mr. BUYER. I think that probably if this legislation passes this year, what we would have to do is to craft that legislation no differently than what we do for VA Housing. Right? We create our own separate program based upon an earned benefit and expectancy based on the service.

Dr. CAMACHO. As soon as you said that, sir, years ago, we said, "Where are the vets going to get the capital for the small business?" A couple of people said, "The GI home loan will guarantee \$26,000." A house in Boston is about \$170,000. It's not even going to make it, but it could be the down payment for their franchise or small business, and they wanted to apply their GI home loan. In a hearing held on June 11, 1984, the then Chairman, Parren Mitchell, said, "Nice idea, but it's never going to fly. The legal beagles will eat it up."

That was a lot of little versions of that—the idea of using the GI home loan for a business venture—that in the testimony from the past. But, again, I wanted to see veterans in 8(a) as a vehicle to get something done for the procurement process for the service disabled veterans immediately, and second, that doing that shows that Congress is now serious about veterans in small business.

Mr. LOPEZ. If I may add something else, Congressman. Remember for the homeless, self-employment as business people may be their last chance. Most of these people have such bad histories and such bad paper, they cannot be employed by Governments: Many homeless are people with criminal records who no employer will take. You're talking about people with severe backgrounds. Self-employment, you can enter with a \$5 license in most States and you are on your own to prove yourself and support yourself. Self-employment in business may be their last hope. I firmly believe that.

Mr. BUYER. Thank you both, gentlemen, for coming back; and waiting. I look forward to working with you too and your ideas.

I guess we have another vote, Mr. Chairman. What it is, gentlemen, is that we want to bring Welfare Reform out, and the other side has said, "Well, we haven't had a chance to look at it sufficiently," and that's why there's all this delay. I yield back.

Chairman TORKILDSEN. Thank you, Chairman Buyer. Again, thank you, Dr. Camacho, and, Mr. Lopez, for returning and for your testimony and answers.

We'll now proceed with the second panel and, ambitiously, I think we should be able to hear from at least one of our witnesses before we do have to break again to go back to vote on this second motion to adjourn. Our witnesses today are Mr.—is it Cecil or Cesil Byrd?

Mr. BYRD. English, say "Cesil."

Chairman TORKILDSEN. So, you must be Cecil.

Mr. Cecil Byrd from the National Association of Concerned Veterans in Washington, DC. Mr. Paul Hanely from Defense Conversions in Alexandria, Virginia. Mr. James Stephan, from Veterans Small Business Association in Alexandria, Virginia. We do expect to hear from Robert Sniffen who was here earlier from San Diego Veterans Services in Escondido, California.

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

Mr. Byrd, if we could start with your testimony, please.

TESTIMONY OF CECIL BYRD, NATIONAL ASSOCIATION OF CONCERNED VETERANS, WASHINGTON, DC

Mr. BYRD. Thank you, sir. Chairman Torkildsen, Chairman Buyer, Honorable Subcommittee members. My name is Cecil Byrd.

I would like to thank you for the opportunity to come before you on behalf of the National Association of Concerned Veterans, one the oldest Vietnam Veterans Organizations in the country. As the volunteer director of the Office of Veterans Affairs for the District of Columbia—which I might add, the previous mayor abolished. Every State in the country has an Office of Veterans Affairs in most territories. The District of Columbia does not have one.

My purpose today is to call you to action and to attempt to convince you to take special action on behalf of those men and women who serve this country and have not become well-adjusted contributing citizens.

I believe my first testimony before Congress was 22 years ago before the House Committee on Veterans Affairs under the leadership of Chairman Olin "Tiger" Teague and Ray Roberts. One of the hindsight I had was, I rationalized not using the legislative process at that time because it was too slow. Here I am 25 years later, questioning how much we've accomplished in that period of time.

The National Association of Concerned Veterans has never asked the Congress nor this country for anything in a greedy or selfish way. We have asked that our fellow veterans be treated justly and respectively for who and what they are and what they did. They served their country and gave of themselves.

NACV has a long history of committed service to those who served. Much of our long-term efforts to bring about change in the treatment to veterans was neutralized when administrations during the 1970's hired many of the more active and vocal members of NACV. In fact, many of those individuals, who are still very close friends, are getting ready to retire after 20 years of good Government service.

Still NACV left its mark along with other veterans groups in working with Congress to create many needed and successful programs for our Nation's veterans. Those programs included Due Veterans Cost and Instructions Payments program, Veterans Employment and Training Services, Vet Centers, Agent Orange Legislation, Discharge Review, Vietnam Veteran Leadership program. Programs for veterans have always paid dividends many times over. Such programs as the GI Bill, the VA Home Loan, the Veterans Small Business Loan.

There are numerous reasons for continuing to invest in veterans. Neither Congress nor the administration have demonstrated a real commitment to reach out for those who have not made that successful reentry into civilian life.

Many of us believe that if something is not done to bring the plight of our veterans to the forefront prior to this election, veterans will be swept away for many years to come. Neither the VA, HUD, HHS, nor the Department of Defense appear to be serious about making homelessness among veterans a priority. If they were, NACV feels that we could end homelessness among veterans within a few short years.

Our belief is we're very supportive of legislation that will address some of the issues that you, Mr. Chairman, are concerned about. But our real concern is what can be done today, and what can be done now. Our feeling is that economic development, small business enterprise, microenterprise, focusing on businesses is the key.

There are programs today that exist legislatively that I think have the potential and that are ideally suited for reclaiming our veterans. These programs are the VA's comprehensive work—Comprehensive Work Therapy Program, HUD's Resident Initiative Program, and HHS's Economic Development and Job Creation Program operated out of the offices of Veterans Affairs. These programs have the potential for revamping, totally revamping not only veterans programs, but our social and welfare systems across the board.

Crucial to the success of these programs and their impact on veterans and the poor is the proactive involvement of the SBA, the Department of Labor, and the Department—Department of Defense, and other Federal agencies as well. This involvement must focus on small business incubation and address bonding, insurance, financing as well as guarantee access to contracts, procurement, and set asides to those most in need. We must move to a right to work mentality and demand that everyone learn to and be expected to carry their own weight as much as possible.

NACV is prepared to work with the Congress and the administration to develop a demonstration model here in the District. NACV would like your support to reestablish the DC Office of Veterans Affairs as well as your backing to establish those model veterans' programs in the Nation's Capitol.

There are 60,000 veterans and over 200,000 dependents in DC without a representative office, that other States and territories, as I said previously, have. The District has one of the highest per capita veteran populations in the country. Veterans here in the Capitol receive almost \$1 billion annually in pension disability and composition benefits.

A properly staffed and funded office for veterans, could become a self-sustaining entity within 2 years while expanding programs to include housing, employment, rehab, health care, social services, economic development, and senior services.

Veterans groups within the District with the support from the VA plan to host its Winterhaven effort for homeless veterans on the 20th of November at the DC Armory. In September this year, NACV hopes to dedicate the Veterans' Living Memorial Business in Comprehensive Services Center, a Drop in Center, and a Traditional Housing Program. We'd like to invite you to come to that dedication.

NACV's goal with support from other veterans' service organizations and providers is to provide over 1,500 jobs and housing opportunities for homeless vets in the DC metro area over the next 12 to 18 months.

As an aside, NACV has developed a proposal for the deteriorating demise of the Walter Reed Army Medical Center Annex at Forest Glen, using homeless veterans designed to turn the Annex or the site into a National Academy and Rehab Center.

Finally, veterans are not joiners, but they do want to belong. They want respect, and they want to be given an opportunity to contribute. The veterans we work with do not vote, for the most part, write, or call. They cannot delay gratification and are not necessarily represented by those testifying, at hearings such as this one.

They fight every day for their next meal, for a place to lay their head, and with the demons that they may or may not have conjured up or upon who they are dependent. Unless we do something drastic to end their plight, the cancer will spread to us all, and the price will be more than we've ever bargained for. NACV feels—

Chairman TORKILDSEN. I'm going to have to—we're not going to get through this. We're under a 5-minute rule. If you have written testimony, please, you can submit it, and then we wish you'd give us a summary. Otherwise, we're not going to get it in—

Mr. BYRD. I have submitted written testimony. The point—the point, Mr. Chairman, is that there are programs in place today that could alleviate the problems that we are concerned with as far as small business employment, job opportunities, and housing. We would like to work with you and the other Subcommittee members to help you see what those programs are. Just by contracting with veterans and just by making procurements available to veterans in this country, we could solve a lot of the problems that we have. Thank you.

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

Chairman BUYER. [Presiding] You are now recognized for 5 minutes.

TESTIMONY OF ROBERT SNIFFEN, SAN DIEGO VETERANS SERVICES

Mr. SNIFFEN. Mr. Chairman, Members of the joint Subcommittees, my name is Robert Sniffen. We run a 501C3 nonprofit organization in Oceanside, California; and we are one of those Community Based Veterans Organizations that Paul Camacho had talked about.

We run a center where all veterans can get any service from homelessness to small business. So, the idea of Congress working with the CBO's is an important one.

I commend you, Mr. Chairman, for holding this hearing. It's been a 25-year plus struggle. I think I've got about 5 more years on Cecil, as far as testifying on veterans small business issues and other veteran issues. I'd like to also commend Sonny Montgomery and Bob Filner, especially for Bob's current legislative efforts.

We hope both sides of the political aisle can work together on that. I would title that bill the "Veterans Business Ownership Act." A few important points we would like to make today. As we sit here today, SBA's Office of Veterans Affairs doesn't have a budget, and did not have one last year either. The SBA Office of Veterans Affairs are being run out of a general fund of SBA.

Please do not give us anymore special consideration. Before you ask the next question, "why not?" We've had too much special consideration. What we need, what we want is equal consideration. Veterans have been shortsheeted and left out of the small business community over the past two decades.

So, if you can do one vital thing here today, that is to come up with a national policy that recognizes veterans as a legitimate subset of the entire small business community. That's, to me, very important. In my mind, SBA, in spite of all the efforts, the 1980's and even Mr. Bechet's efforts today, SBA has failed. They've had this responsibility for 2½ decades.

We must, and I repeat, we must move the responsibility for procurement, outreach, training, counseling to the Department of Veterans Affairs. That is my strongest recommendation here today. The loan programs can stay in SBA; but if veterans are going to get any kind of service in outreach, entrepreneurialship training and the other issues I just mentioned, we must give the Department of Veterans Affairs the responsibility and opportunity that the SBA has had for the past two decades.

When you look at SBA's supposed budget over the past decade or so, that budget's been raided by successive administrators for their own needs. So, there's never been a "special consideration" program for veterans that has worked.

We think another key important point is that loans to veterans are considered riskier than nonveteran loans. That was illuminated in the March 1993 hearing, where it was felt by veterans that the banking institutions, or lending institutions, wouldn't be able to handle a veteran business owner getting a loan, because the perception is that veterans' loans are riskier.

A gentleman by the name of Frank O'Terril testified in front of the March '93 hearing that he didn't know why, but he did know that the banking institutions of this country viewed veteran loans as a greater risk. We need to interface, and I guess from the Small Business Committee side, with those banks to let them know that they might be a little more riskier, but we have to make them anyhow, within reason. Not just simply exclude them.

We need a National Business Advisory Counsel. We need to get the Department of Commerce, Department of Veterans Affairs, DOD, and other agencies involved in the small business issue.

We don't know how a massive Agency like Commerce hasn't been given any responsibilities for veterans business assistant efforts, when like every other Federal Agency, they have programs for other special consideration groups.

On S. 1711, we say, pass it. Pass it now. But please don't confuse it with the needs of the current crop of veteran business owners. S. 1711, as I read it, is only for transition. I don't know if that's going to be a 3- or 4-year period of transition. But S. 1711 shouldn't be at the expense of the veteran business owners who have waited 2½ decades to have something done.

I would like to summarize my testimony by saying do something. In fact, do anything. Simply put, funds for veteran businesses is an investment in our futures, like the GI Bill. The GI Bill cost our Government nothing in the end, and \$8 for every dollar invested into the GI Bill was returned to the U.S. Treasury, eight times for every one.

We're asking for \$15 million to be attached to the Department of Veterans Affairs. For outreach, training, et cetera, the Department of Veterans Affairs, would have \$3 million a year for 5 years to conduct such programs. As veterans, as business owners, they deserve no less. Where would that \$15 million come from if you were to allocate that or a similar figure? Well, I have a suggestion. The U.S. Department of Commerce today has a program where \$135 million is allocated in the Department of Commerce budget for the mega corporations to advertise their products overseas.

That doesn't help anybody here in the United States. It helps other countries, and to slash \$15 million from their budget, in my mind, would be appropriate.

Thank you, Mr. Chairman. I'm available for any questions your colleague may have.

Chairman BUYER. It's an interesting debate about corporate welfare, and I can assure you that we didn't create it.

Mr. SNIFFEN. I understand.

Chairman BUYER. Thank you, sir. You're now recognized for 5 minutes.

Mr. HANELY. Mr. Chairman, I'm here along with Mr. Stephan in section with the veteran small business association. If you don't mind, we'll split our 5 minutes and he'll go first.

Chairman BUYER. That's fine.

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

TESTIMONY OF JAMES STEPHAN, VETERANS SMALL BUSINESS ASSOCIATION, ALEXANDRIA, VIRGINIA

Mr. STEPHAN. Chairman Torkildsen, Chairman Buyer, members of the Subcommittees. It's a privilege to appear before you this afternoon. I'm James Stephan, President of the Veterans Small Business Association, we have submitted a written testimony.

I will discuss the nature of our association and why we founded it. With me is Paul Hanely, like me, a founder and member of the Board of Directors of the VSBA. He will address what Federal Programs might do to help veterans in small business.

VSBA was incorporated this year as a nonprofit 501C6 association. We are dedicated to assisting veterans and to startup operational small businesses without competing with or duplicating other veterans support organizations. The association started as an informal network of veterans helping veterans in business. The success of this network resulted in a formal organization. We feel that veterans have some distinct advantages when they go into business. They have a high level of personal discipline, integrity, organizational skills, team orientation, and loyalty. Of course, these qualities exist in a society at large, but their virtually guaranteed in the person with success of military experience.

Unfortunately veterans have some disadvantages. They frequently have no experience in a world of profit and loss. Many are unaccustomed to common business practices. They are often unfamiliar with business law and regulation, and very few have had an opportunity to develop a business network.

The VSBA capitalizes on a natural tendency of veterans to seek advice from other veterans with whom they share the bond of a common experience. By establishing a framework from veteran-to-veteran networking, we help new veteran entrepreneurs discuss their problems and opportunities with our veterans who have already established themselves and who understand our unique strengths and differences.

The SBA promotes veteran-to-veteran partnering and exchange of business opportunities, and encourages the hiring of veterans. We have planned a wide range of member services. These member services will include detailed reference materials for startups, a

personal advisory program to answer specific questions, and seminars coordinated through regional and local chapters.

We will provide consulting services to assist with preparation of business plans and compile a national catalogue of VSBA businesses broken down by location and height. We will also provide a full range of products and services, which we out source acting as a quality control mechanism to ensure our members get the best value at the least cost.

These will include commercial insurance, evaluating business opportunities, human resource benefits packages, legal accounting, public relations assistance, telecommunications, support, and others.

We're committed to full financing before commencing operation, and we're currently in the fund raising States, and present plans project a kick-off in the spring.

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

**TESTIMONY OF PAUL HANELY, DEFENSE CONVERSIONS,
ALEXANDRIA, VIRGINIA**

Mr. HANELY. Good afternoon, gentlemen. It's a pleasure to address these Subcommittees. Mr. Stephan has given you a brief synopsis of what our association is and what it intends to do. We believe this effort comes at a historically critical moment when it will be increasingly difficult to find public money to help veterans.

The VSBA strongly supports the initiative of S. 1711 and applauds the examination of ways to streamline and consolidate Veterans Assistance Programs to get the most from available funds.

Frankly. It's our view that the lion share of assistance to veteran entrepreneurs is better done in the private sector than by any Federal Agency. That's why we founded VSBA.

Of the areas where Government can help, the most important is loans to veteran entrepreneurs. Many lenders now require at least 2 years business experience for a loan, which penalizes veterans. After all, multiple years of military service ought to count for 2 years of business.

A Veteran Small Business Loan Guarantee program would go a long way toward leveling the playing for veteran entrepreneurs. Congress could designate which banks or agencies would grant the loans. Such a program would cost little and would achieve great leverage per dollar spent.

Each successful venture results in at least one and frequently dozens of additional jobs. Many of them for other veterans. Thank you.

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

Chairman **TORKILDSEN**. [presiding] Thank you, Chairman Buyer. I'd just as soon allow you to take the first round of questioning and proceed from there.

Mr. **BUYER**. Very good thank you. You know what we ought to do—Jill, do you have some questions you want to ask?

Why don't we—is that all right? We'll yield and let Jill ask a couple questions on behalf of the Veterans Affairs Committee.

Chairman **TORKILDSEN**. That would be fine.

Ms. **COCHRAN**. Thank you, you're very gracious. Cecil, first, Mr. Filner was very impressed with your excellent testimony and par-

ticularly with your suggestions regarding instructive changes that could be made—existing programs, and said he'd appreciate it if you would work with his staff to see if we can come up with some legislative language that would move this along.

It sounds as if there are opportunities that we were unaware of, and he'd like to follow up on that with your help, if that's all right.

We're interested in NACV's plan for the office building in DC. How many staff will you need to run that program, and how many veterans do you expect to help over the next year or 2?

Mr. BYRD. We have been staffing the Office of the Veterans Affairs since October. We have been doing it strictly with volunteers. When you ask how many, the office was previously staffed with individuals, but we would be certainly happy—any help we can get.

We really feel that by using economic development in small business approaches, we can show how that office.

Ms. COCHRAN. Are you working with the VSO's at all on this?

Mr. BYRD. We work with a number of the VSO's and VBA is considering assisting us in—well, we've met with Tom Davis on several occasions regarding—

Ms. COCHRAN. Good luck.

What do you think it would cost to end veteran homelessness in 2 years? And then the more important question following on, what would it save?

Mr. BYRD. Well, the savings—how do you put—how do you put a dollar value on the savings of lives that we're talking about. I guess I oversimplified things. But I would challenge the Congress and the administration to give us opportunities here in the Capitol to demonstrate that we could—some figures are 3,000 homeless veterans in the District of Columbia.

I would say that for—we're \$5,000 for an individual. We could certainly end homelessness. That's pretty high, but when you look at \$35,000 a year to keep somebody incarcerated and the other money for child support and welfare programs—but, the programs that I'm talking about that already exist like the housing—the HUD's Resident Initiative Program has plenty of money to take veterans and single female heads of household, and put them together in a microbusiness or a small business situation, and you're not talking about any money.

All you're talking about is taking money that's already available for the public housing, and enabling them to work together—yes, the veterans have the skills, the veterans have the know how, you put them together with the residence in public housing and you do the training and medical assistance, all you have to do is—give them an opportunity to work.

When I came to DC in 1978, I got tired of begging people to hire the vet. We set up our own companies. We focused on asbestos, environmental clean up; and in 1 year, because we had bonding and insurance, in 1 year we had \$1.7 million in contracts with no money. We got—we financed our operations strictly using contracts, procurement process contracts, and we never defaulted on one single job.

We placed over a 1,000 veterans in jobs, trained them, certified them, and placed them in jobs in the city over a 10-year period; and we got little or no money from anybody else other than the

contracts themselves, and you can do that. The pieces are all there. The VA's compensated Work Therapy Program, it's a gold mine. But VA doesn't understand business in my opinion, but maybe they can learn, but the pieces are all there.

It's just a matter of bringing the various groups together, letting them demonstrate. I would challenge you all to give us here in the Nation's Capitol the opportunity to demonstrate what we're talking about.

Ms. COCHRAN. Thank you. Mr. Sniffen, old friend, your comments about Federal Government Procurement Policy were interesting, and Mr. Filner would like you to know that he's thinking about a provision in this—in the bill that he hopes to have in soon. That would require 5 percent or some specific percent of Federal contracts to go to small businesses owned by service connected disabled veterans and those who have earned campaign medal.

Can you support this provision?

Mr. SNIFFEN. Of course I can support that provision. But, I think we need to be careful here. We never divided the World War II veteran into the "World War II era". We never divided the Korean veteran into subgroups

If we just served disabled veterans, then those veteran business owners who are out there for all these years, who have been denied access. As I said before, "please don't give us anymore special consideration." We need equal consideration.

I believe procurements should be for every veteran owned business. If you look at other subgroups Government does deem worthy of procurement assistance. We don't require those groups to have combat, disabilities, or we don't require them to be disabled; whether it's women's groups or the minorities groups.

Following on your thinking here, if we say only disabled veterans should get help; than the next thing we know, there will be that kind of thinking on education benefits and home loan benefits. We say that veterans as a class need to be included in the procurement process. With the bill that's currently in front of your Subcommittee here, that Congressman Filner's working on—and I hope the other majority Chairs will work on also. It is imperative that we give procurement opportunities to all veterans.

Now, if you want to say that disabled veterans and combat veterans should get some special services, such as more intensive technical training for disabled veterans business owners, they might need more of that. Any program we do create, we would love to see, and always have advocated that disabled go to the front of the line. A disabled veteran should be at the front of the line of any bill that you do enact.

But if we start cutting the class say this subgroup deserves it and this subgroup doesn't deserve it, we'll do less procurement for veterans. Just remember procurements are better than loans. Procurements fuel the economic engines. What would you rather have a \$100,000 loan or \$100,000 business procurement contract? So we say that for all veterans, regardless of place of service, era of service, or disability, they should be in the procurement pie.

Now, our organization strongly advocates that SBA should keep the loan activities and other loan provisions. But, outreach counseling, training they need to move over to the DVA. Some people say,

well, the VA doesn't have any experience. Well, they have experience in every other complex issue regarding veterans. Such as home loans, insurance training, et cetera.

Memorandum understandings between the DV and SBA can be worked out, or maybe Leon Bechet goes over to DV. We do know that we're never going to get what we need out of the SBA.

Ms. COCHRAN. Thank you. Appreciate your comments. Thank you so much.

Chairman TORKILDSEN. Thank you Ms. Cochran. Chairman Buyer did you—

Mr. BUYER. Thank you. I have several. Actually I'm sitting here with a very peculiar feeling that I hear these themes about veterans being first. I always get this strong sense that it's veterans last.

I had a hearing where we found out that when the dollars were being passed out over a 10-year budget, the administration for the Department of Labor, veterans were last, at the very bottom. That's why we have our discussions of taking part of the VETS out of Department of Labor and putting them into the VA. Now we're here facing the SBA and taking that function and put it into the VA.

We had the debates and passage of the veterans' preference bill because we keep talking about this bureaucratic cultural and discriminatory bias against veterans. There's a peculiar sense at the moment, and I'm just speaking of my own emotion here, which is very disappointing.

I also don't believe that Government is always the answer. I am impressed by your testimony here today, that you are filling a void and exercising some leadership. I'm not one to sit here and say, I'm all anxious and excited to create Government Programs. If I pour more money Government programs, I pound my chest and say, what a great thing I'm doing for people. It allows me to define compassion by the dollar, when, in fact, it may not be doing any good at all.

I appreciate your testimony. I look forward to working with you. This would be very helpful to me—share with me what did costs to run your organizations? I mean, obviously, you filled this void; but what does it cost? I mean, you're a nonprofit.

Mr. STEPHAN. Well, for the Veterans Small Business Association, we—of course, as we stated, a new organization—however, because we are in business, we have slaved away and made a pretty comprehensive business plan; and that requires \$5 million over the first 3 years. It's actually 3.1 year 1, and then as we get membership in and some of our other services in place—so anyway \$5 million over a 3-year period. However, remember, our purpose is to repay this within 7 years.

So, we feel that we will be up and operational and really start paying off within year 1½ to 2, according to our business plan. However, full payment off of the loan at the 7 year plan at least.

Mr. SNIFFEN. Mr. Chairman, because veterans have been denied equal consideration, we feel if we had a program that lasted for 5 years at \$3 million a year for outreach, that that would give those veterans who have been denied the opportunity a fair chance. S. 1711 will help with the transition. But as to community-based or-

ganizations, I think Cecil can testify—most of us can testify—as to the monetary aspects of DBO's—how we do it is with great difficulty. Many times the CBO's can't change a dollar bill.

If there's an employment grant, or if there's a VA grant for homelessness, we apply for those. Through that, some people could be on staff doing that particular job. But Dr. Camacho hit on a key point. We need some migrants to go out to these community-based organizations. In fact, the only thing that has worked is veterans helping veterans. You're right on target there, sir. You're in the right groove, sir.

Mr. BUYER. Well, your sincerity is true. It comes right from the heart. So, in fact, are your energies and your drive. Why I have these hesitations here, you have to recognize we come at a we come at a moment where Government is being paired down, and we're moving toward empowerments of individual community-based organization all across America. The same applies here—or can apply here. How we can be helpful to organizations, such as yourself, and actually can spring organizations is what I am more interested—

Mr. SNIFFEN. You're right on the mark, sir.

Mr. BUYER. The issues of access to capital is one the banking Committee struggles with all the time. Whether it's from the innercities or in the rural areas, access to capital is an issue. So, it's not—it's not a foreign issue, nor is it just peculiar to veterans.

Even if it's a more difficult issue, if we're going to talk about loan guarantees to high risks. That's why I agree with you. I lean more toward procurement side, because we're actually talking about a job and employment and that's real empowerment.

Mr. SNIFFEN. Creation of two or three more jobs.

Mr. BUYER. Pardon?

Mr. SNIFFEN. There, of course, you're talking about putting veterans in a position where you're channeling them toward Government contracts, and with the deepest respect, Government contracts are probably going to get smaller as time goes on.

Mr. BUYER. There's also conversion. I mean, you can't go into Government contract. If I go out there and I build all my presses and I've got a widget I'm going to pump out, I got to make sure that that's also one that applies to the commercial sector. Because, otherwise, my business goes under.

Mr. HANELY. Mr. Chairman. I'm on acquisition for defense. I just want—anybody that thinks they can get into Government contracting and only contract with the Government, has set themselves up for a big fall.

Mr. BUYER. But that's the Government experience. Most Government contractors have a terrible time getting out of Government contracting. It's a tar baby.

Mr. BYRD. Mr. Chairman, in 1984 when our organization went into the asbestos abatement business, our initial contracts were with the Department of Defense. But from that point on, and the way we got there was with individual sureties; which were greatly abused and were not accepted after a while.

But that's the only way that we could get to the bid table. That's the only way that we could bonding, that's the only way that we could get financing and insurance, that's the only way that we could step up to the trough and be competitive.

However, after that, the majority of our work has been in the private sector, and we made that transition. I'm just suggesting that the procurement process would be a jump start, or it would be a way to get us up and running and move. Maybe that's one of the faults of the 8(a) Program, which the 8(a) program did not properly wean contractors quickly enough to survive in the competitive private sector. Our focus is private sector.

In this city, I would say out of every five over a 10-year period or 8-year period, out of every five asbestos abatement jobs in this city our organization was probably involved in two of them.

Mr. BUYER. This will be my last question. Give me your sense—you're out there. You're working it—about the 8(a). There are so many hundreds of Federal laws involving racial or gender quotas to set asides to preferences. What is your sense? Whether we got Department of Defense required to set aside 5 percent, Department of Transportation sets aside 10 percent, Energy sets aside 10 percent; is there a sense in the veterans community that you've got a disabled American veteran who's being discriminated against because of these actual set asides?

Mr. SNIFFEN. If you're going to have set asides at all, then we should have them for veterans. As long as the Government does have set asides, then we should have them for veterans. I'm not so sure it's set asides alone that will help. I think that if we had a national procurement policy, OK, that veterans would be part of the "inclusion" rather than the "exclusion;" that we may not need actual set asides forever.

We believe that veterans can compete fairly with the other companies; and if given the opportunity to participate, they'll fare well. You might want to have a set aside for the first couple of years to get it up to par and then let everybody compete on an equal playing field forever.

I'm not so sure that we need set aside amounts again, but as long as they do have them, then I think veterans should participate in any legislation that may come out of this hearing or future hearings. We think there should be some migrants to the Community Based Centers. Whether they was \$25,000, \$50,000 or some other amount, the CBA's would help us be able to deliver the services, if we deliver them every day, all day.

Some people come in for homelessness some, people come in for small business issues; so migrants to CBO's are important. I think it is important in getting direct services out of the hands of Government. A lot of veterans will say, oh, the SBA, or oh, the VA. But they come into our centers and there's a instant trust and an instant bonding, and they know they're going to get straight information.

Mr BUYER. Thank you, sir. Thank you very much for your testimony, and I appreciate what you do on behalf of our comrades. Thank you. I yield back to the Chairman.

Chairman TORKILDSEN. Thank you, Chairman Buyer. I think that most of the questions that could have been asked have been, and I thank all the gentlemen for your testimony and also ask that you remain available to answer any questions in writing from any member of the Subcommittee for the next 2 weeks. The record will

remain open for that time. Thank you very much for your testimony.

Now, I would like to ask Leon Bechet, the Assistant Administrator for Veterans Affairs from the Small Business Administration, to come forward for his testimony. Thank you, Mr. Bechet. Welcome to this joint hearing and please proceed with your testimony.

**TESTIMONY OF LEON BECHET, ASSISTANT ADMINISTRATOR
FOR VETERANS AFFAIRS, UNITED STATES SMALL BUSINESS
ADMINISTRATION, WASHINGTON, DC**

Mr. BECHET. Thank you, Mr. Chairman. Mr. Chairman and members of the Subcommittees, my name is Leon Bechet, and I'm the Assistant Administrator for Veterans Affairs at the Small Business Administration. Thank you for inviting the SBA to discuss our programs and how they work in helping the veteran community and to comment on S. 1711.

I request that my written statement be made part of the record and also request permission to submit for the record a statement correcting any factual inaccuracies in other testimony that I've heard today.

Chairman TORKILDSEN. Without objection so ordered.

Mr. BECHET. The SBA's mission is to help get small businesses established, to help them stay in business, and to help these small businesses grow. We have five primary goals to increase access to capital; to reinvent and reinvigorate the SBA based on customer needs; to reduce burdensome regulations; to enhance small business counseling and education; and finally to serve as a strong advocate for the interests of the small business community.

It was not by accident that Congress chose to link efforts to promote veterans business ownership with the SBA. When the Small Business Act created the SBA, an older business loan program for veterans that existed in the Veterans Administration, now the Department of Veterans Affairs, was discontinued. Why? Because the SBA could offer a broader array of services to help customers with business planning, business financing, and assistance in addressing the problems of operating businesses.

SBA's specialized resource partners are funded through the SBA budget. No other Federal Agency has the resources that the SBA has to assist small businesses. In order to implement Public Law 93-237, the Office of Veterans Affairs was created. Currently, OVA is a component of the Office of Economic Development.

The OED umbrella includes the Offices of Financial Assistance, investment surety bond guarantees, business initiatives and training, International Trade, and Small Business Development Centers.

The SBA has thus consolidated into one division the programs and resources vital to create and sustain economically strong and viable small businesses. OVA, with a small staff of professionals, is able to utilize this existing delivery system to promote and coordinate to our veteran customers. In the process, the SBA leverages taxpayer dollars by using private resources and existing professional staff to offer quality services to our Nation's veterans.

I would like to share with you some examples of what we have been able to do under existing resource restraints in our veterans' loan program.

Since 1992, there has been a dramatic increase in the number of SBA guaranteed loans to veterans. In 1995, the SBA guaranteed 8,580 loans to veterans, up 130 percent from 1992 when only 3,710 loans were made.

During the period 1992 to 1995, the SBA guaranteed a total of 156,751 Section 7(a) loans for \$28.5 billion. Of that number, 22,462 7(a) loans for over \$3.8 billion went to veterans, including 14,844 loans for over \$3 billion to Vietnam veterans.

The Department of Veterans Affairs estimates the veteran population at 26.2 million or around 10 percent of the U.S. population. Yet the figures above show that last year veterans received over 15 percent of the numbers of loans, and over 16 percent of the dollar amount of loans supported by the SBA.

Let me comment on the SBA's other veterans programs and how they work in assisting the veteran community.

The Transition Assistance Program enables us to get the word out to military personnel leaving the service. The Veterans Entrepreneurial Training Program, which Dr. Camacho spoke about, has enabled us to provide long-term indepth training to over 2,800 veterans and their spouses.

Business Opportunities Conferences enabled businesses in areas impacted by base closings to receive training on doing business with other agencies, and to meet one-on-one with procurement officials to discuss their services or products. We do this in conjunction with the Department of Veterans Affairs.

The Office of Veterans Affairs is currently developing measurable performance criteria to ensure that our field offices are meeting the needs of veterans in the areas they serve.

The Small Business Administration is also considering revitalizing the Advisory Committee on Veterans Business Affairs to improve our communication with veterans organizations.

The Defense Loan and Technical Assistance Program, DELTA, which provides both financial and technical assistance to help defense dependent small firms adversely affected by defense cutbacks diversify into the commercial market, was developed in the Office of Veterans Affairs. Many of these firms are owned by veterans.

SBA is working with the Census Bureau to develop statistical data on veteran owned businesses. This is a long-range process started several years ago which will finally give us data on the status and needs of veteran owned businesses throughout the United States. We expect a report from the Census Bureau probably by the end of this year, which will enable us to compare prior statistics that we received from them with the current status of veteran-owned small businesses.

It's important to note that while the President's fiscal year 1996 budget for SBA contained a request for \$485,000 for veterans outreach efforts, no funds were appropriated. In addition, the President's fiscal year 1997 budget requested \$432,000 for these programs, which would only maintain them at the current level of operation; and yet support for this request, is still uncertain. No

funds were provided in the recently passed House Commerce, Justice, and State Appropriations Bill.

Although the SBA has no official position on S. 1711, we're always pleased to cooperate with any statutory body to better serve veterans. We would strongly recommend that any commission dealing with the needs of veteran businesses, include a representative number of successful veteran business owners.

In addition, the head of every Agency affected by the action of the Commission, including SBA, should receive copies of the final report and have the opportunity to provide comments.

Mr. Chairman, this concludes my testimony. I will be glad to answer any questions.

Chairman TORKILDSEN. Thank you very much, Mr. Chairman. As you can tell—it's happened all morning, and now in the afternoon—we are being summoned for a vote. I would like to recess the Subcommittee, and I know we'll have many questions for you when we return. But thank you for your understanding.

The Subcommittee stands in recess subject to the call of the Chair.

[Recess.]

[The Prepared Statement of Leon Bechet Follows:]

Chairman TORKILDSEN. The hearing will reconvene. Mr. Bechet, thank you for your testimony. To start off the questions, I have to note that you had asked earlier to submit a response to some of the comments made previously, and perhaps it would be best if you would like to respond now to anything that you may disagree with which was stated by either of the earlier panels. Would you care to do so at this time?

Mr. BECHET. Thank you, Mr. Chairman. One of the things was the reference to the uncooperativeness of the Small Business Administration in dealing with the veterans organizations. Specifically, the American Legion testified that for the past number of years the administration has refused to meet with the organizations; this is inaccurate. On February 16, 1996, I arranged a meeting between Jim Hubbard, the head of the American Legion's Economic Commission here in Washington, with then acting Administrator, Dayton Watkins.

Subsequent to that, Phil Lader, our current Administrator, did an interview with the American Legion Magazine. Subsequent to that, I had an informal meeting with the veterans organizations on October 31 to discuss what SBA is doing.

At that meeting, Administrator Phil Lader introduced himself to everyone who was there. If any individual or any of the veterans organizations want to meet with the Administrator, it would be easy for us to set up a meeting. He has been responsive, as his appearance at the meeting indicates.

There were some other things, but I haven't noted them right now, Mr. Chairman.

Chairman TORKILDSEN. It's one thing to have the Administrator available for a meeting in 1993, and certainly I applauded that, shortly after the administration took office. It's another thing to have the actual response of a veteran going into an office. At least two witnesses today said that the response they have received from individuals is that when they go in and ask for special consider-

ation, they're told it means varying things, sometimes nothing more than we'll sit and talk to you, and that's all the special consideration you get.

I noted from your own statement, at least in the written statement I have, you did state the Public Law 92-237 requires that SBA give special consideration to veterans and all of its programs, but I don't believe you read that when you were reading your statement.

Now, I don't know if that was just because you were summarizing, but clearly there's a very, very strong difference of interpretation here between what veterans are entitled to under their law, and whether or not the SBA is indeed administering it.

Can you talk about any programs to actually instruct the people who are in the offices, as I mentioned earlier? There's not nearly as many people dedicated to veterans programs as there used to be. But what is being done so that people who come in contact with actual veterans know that there is some special consideration that is supposed to be there? What is the SBA doing for that?

Mr. BECHET. Thank you, Mr. Chairman. There are two different areas that I'd like to bring out in that connection. In the first area, we talk about special consideration and the SBA loan programs.

One of the problems we encounter is that, by statute, in order to make a loan, SBA must be sure that the loan can be repaid from the earnings of the business. That means that there are certain criteria imposed by statute that must be met and cannot be waived.

In connection with what might be termed "special consideration for veterans," we have, over a period of the years, attempted to come up with a number of programs that would afford special consideration and deliver special consideration to veterans.

For example, we had the Vietnam era and Disabled Veteran Loan Program, which was something that benefited no one else. That was something exclusively for the benefit of veterans. Additionally, we have our business opportunities conferences. The business opportunities conferences, as I mentioned, are conducted primarily for veteran-owned businesses in areas that have reduction in forces or base closings.

The reason why we do these with the Department of Veterans Affairs is we would like to reach those veterans' businesses that are in the areas and assist them by training them to do business with the Government and other agencies, other than Department of Defense. We also put them in touch on a one-on-one basis with contracting officers from those Federal agencies and nonfederal agencies that will still be in the area, so that they can establish some sort of liaison with those offices and be able to continue in business.

Additionally, we have our Veteran Entrepreneurial Training Program. Again, Dr. Camacho spoke in detail about that. This program is something special because it's a long-term indepth training offered only for veterans. That was a very special program that was designed to help veterans step by step through the process of putting together a business plan and obtaining financing for their businesses.

It had the indirect effect of establishing bonds between the participants in the program, so that they were able to assist one an-

other and reinforce the resolve of one another. When times became hard they might think, well, maybe this isn't what I should do. Maybe I should really do something else. That was a special program, and only veterans could take advantage of that particular program with the SBA.

Admittedly, there are a million and one other things that we could do. But the above are some examples of things that we do that are special as far as veterans are concerned.

Chairman TORKILDSEN. Is that the extent of what you would say that special consideration merits right now under the SBA, as it currently is interpreting that?

Mr. BECHET. When a veteran applies for a loan, that loan application goes to the top of the stack as far as processing of that loan. The veteran gets some degree of priority, as far as getting his or her loan processed.

Additionally, the SBA regulations require indepth counseling. Some might interpret that as simply talking to the veteran for 10 or 15 minutes longer, but it should involve a comprehensive review of the veteran's needs and then formulation of an action plan to get that veteran all the services that the veteran needs.

Chairman TORKILDSEN. There are a lot of other areas I wish to pursue, but I know that we're going to have another role call shortly. I don't want to monopolize the time. So, at this point, Chairman Buyer, if you would like to ask any questions.

Mr. BUYER. Yes, I would. Let me ask one. I listened to your testimony carefully and felt as though it was a difference between light and dark, darkness and light in the testimony between the first two panels and your testimony.

There were some pretty harsh criticisms made of your program and how it's being administered and handled within the SBA.

How many years have you worked in the SBA?

Mr. BECHET. Congressman, I've been with SBA since September 20th, 1965, in various capacities.

Mr. BUYER. Well, you've been around a while.

Mr. BECHET. I've been with the Veterans Program since 1975.

Mr. BUYER. How do you feel about being at the end when it comes time to passing out money and a budget? How do you feel about getting the pittance?

Mr. BECHET. Congressman, it really isn't a matter of only getting a pittance, if you look at the whole picture. The Administrator has in each of the past years asked the Congress for dollars in accordance with what we requested to maintain at least the then current level of our program operations. We have not received those dollars from the Congress. Somehow in the budget process, the money just doesn't come through.

Now, the Administrator has gone beyond that, and actually allocated some of the general funds available to SBA to enable us to continue the program at the level that we now do.

Mr. BUYER. Let me ask you for your personal opinion. Your personal opinion says, since you've been around now a while worked to this, about taking the Veterans Office from the SBA and putting it under the VA. I'm not asking for your professional, I'm asking—

Mr. BECHET. Without money, it doesn't make any difference where the office is located.

Mr. BUYER. Right. But if I assure you if you put it under jurisdiction that I have, it's going to be well run. I mean, we're going to get your money. Do you feel more comfortable?

Mr. BECHET. Not really. I feel more on the spot.

Mr. BUYER. Well, that's what you get paid the big bucks for.

Mr. BECHET. Really, it's a matter—from my standpoint—

Mr. BUYER. If I get you the money and the support, you're going to turn it down so you can remain in SBA where they put you last?

Mr. BECHET. I'm interested in providing services to veterans. Those services are currently, by statute, to be provided by the Small Business Administration. Should the Congress change that, I have no say about it.

Mr. BUYER. I'll let you off. The Administrator spoke to Congress, described the SBA in terms of four primary functions. It provides to the Nation's entrepreneurs, providing access to capital, advocating on behalf of the small businesses, providing disaster relief, and business education and training.

What is common among the veteran constituent contacts—and we heard some of that testimony here this morning—are the complaints on three things, not enough Government assistance to veterans, lack of access to capital, and lack of access to Government contracts procurements. Dr. Camacho even testified to that and gave some recommendations.

So, the common to both of these lists is the access to capital. So, let me talk a little bit about the lack of access to capital, just for a moment.

There was a recent article in the Baltimore Sun—I don't know if you had seen it or not. I'll make sure you have it here today. The article of July 16, 1996, addressing an SBA loan program designed especially for women. It's called a women's prequalification pilot loan program that provides female entrepreneurs with an intermediary consultant who helped prepackage loan applications before the applicant approaches a bank.

The process includes everything from formulating a business plan, to analyzing markets, assembling personal financial data. Once the package is ready, the SBA reviews the package and issues a prequal letter and lending its support behind the project.

Banks appear to enjoy such SBA backing, and have approved 521 of 713 applications, for a total of 500—\$53.9 million since June 1994. The intermediaries are generally nonprofit women's trade organizations or small business development centers, and they do most of the leg work.

You're familiar with the program?

Mr. BECHET. I'm familiar with that program, yes.

Mr. BUYER. Would your office be able to develop such a program with regard to veterans, or disabled American veterans; have you ever considered or even thought about that line. I mean, we had—the panel that just testified before you are intermediaries that are out there in the private sector who appear to be doing what they can.

Share with me some of your own thoughts about how we can move in that direction; should we or shouldn't we?

Mr. BECHET. The prequal program is a very, very good program. It was being operated as a pilot program, and, unfortunately, the Office of Women's Business Ownership piloted it before we got a chance to take it. But while it was operating as a pilot, we felt that we couldn't latch onto it at that particular stage.

I might say, sir, that recently in talks with the Deputy Administrator, Ginger Lew, I seem to get a very different view of where we're going from here on out. As a matter of fact, in my latest discussion with her, we talked about the veterans program and the things that need to be done to address the complaints that these Subcommittees hear about SBA's responsiveness to veterans.

So, the answer is, yes. I am at a position now where I feel that I can confidently approach the Deputy Administrator about that type of program, and perhaps get a "yes."

Mr. BUYER. Well, good. As an idea, moving that to them, using some intermediaries within the veterans organizations, whether it's American Legion or other VSO's or even in the private sector itself.

Mr. BECHET. There is a resolution pending with the Veterans of Foreign Wars. I had talked with one of the directors in their employment division, and he had suggested that perhaps they would try to work on a resolution that would enable us to work closer with each other, as far as creating or helping people go into business. Creation of these businesses is an excellent source of employment for veterans. Hopefully we can work that out with the American Legion also.

Mr. BUYER. I know American Legion is sitting there in the back room. Mr. Naschinski, is that something that the American Legion would be kind of open to?

Mr. NASCHINSKI. [The witness is in the back of the room. I am unable to hear him.]

Mr. BUYER. Mr. Chairman, what we ought to do rather than saying that there's been open access with the VSO's, it was in 1993, maybe the two of us could invite—in conjunction with the Ranking Members—the SBA Administrator to sit down and meet with the VSO's and the four of us and whoever of the other Members.

Chairman TORKILDSEN. I think that's an excellent idea, Chairman Buyer. It is something that is much needed.

Mr. BUYER. At this moment, I yield back my time.

Chairman TORKILDSEN. Thank you, Chairman Buyer. Mr. Bechet, to follow-up on this line here, you heard the representative of the American Legion testify that if there was an effort to eliminate the SBA, they would not object. Their only concern is that what little veterans support that was at the SBA be transferred somewhere where it could at least continue and hopefully grow. I mean, that's an enormously strong statement.

I don't know if you realize it, but there are quite a few Members who advocate abolishing the SBA. We were able to—when I say "we," I mean those of us who think the SBA does fill an important function—we were able to prevail and keep it in existence, but it is not by any means guaranteed from year to year, especially when the Administrator came here and asked for a massive increase in the subsidy.

I mean, it's very much out of touch with reality. Give any organization a reason to say we don't care if you abolish the organization

or not, I would say should be enough of an alarm to you to say what needs to be done is not being done. The American Legion is well known and well established. It is not a fringe organization, by any means, but rather, it is very much a mainstream veterans organization, which has been advocating for veterans for decades, and think that you should take that statement with the up most seriousness. I think Chairman Buyers' suggestion is excellent and I am certainly willing pursue it.

To follow in that line though, you know what would make a difference. Concerning the budget for veterans programs, are you saying that Congress should fence off money for veterans so that money could not be used elsewhere by the SBA? Is that what you're saying you need to do the job? Is that an alternative?

Mr. BECHET. Well, Mr. Chairman, actually, the SBA has never used money appropriated or intended for the veterans program for any other use. As a matter of fact, it's been just the opposite.

The SBA has requested funding for the SBA's veterans program, but we have not received any funding from the Congress. The requested funding was not to increase the level of operations, but only to maintain the current level of operations in line with budget cutbacks and trimming Government and things like that.

It's really not a matter of protecting the money. It's just a matter of whether the dollars are appropriated to operate the program.

Chairman TORKILDSEN. Well, clearly, the SBA is not in dire straits. Like all organizations, they have taken some reduction over the years. They certainly have not taken a 50 percent reduction, and there's no reason why the office should have gone from a staff of six to three. At least from my perspective, and clearly that's one thing we can look at.

Unfortunately, this hearing is being held just a little too late for this year's authorization, because we've already dealt with that on the House side, but it is something I will be conveying to our colleagues in the Senate to see if there is something that can be done so that we don't see this reason being offered for what clearly is a very pronounced lack of consideration for veterans as required by law.

I don't know any other—any kinder way to say it than that. I don't think the law is being implemented as written and as intended. I think any veteran who goes into a SBA office has a right to expect something more than just a conversation and just having their loan application put on top of the file.

For me the law meant far more than that when it was enacted. It was enacted long before I arrived on the scene, but clearly, it is not being fulfilled, and the point of this hearing is to see how can we make sure it is fulfilled in the future, and what steps are necessary, perhaps, by Congress. However, I think, mostly, the SBA should make that happen.

Mr. BECHET. Yes.

Chairman TORKILDSEN. Chairman Buyer.

Mr. BUYER. Mr. Chairman, we have a custom in the Veterans Affairs Committee.

If Jill Cochran has any questions, since the Ranking Member's not here, I yield to her at this time.

Chairman TORKILDSEN. Ms. Cochran.

Ms. COCHRAN. We heard reports in years' past that the paperwork for SBA's loans was all but overwhelming and burdensome, particularly for small businesses.

Has SBA taken steps to reduce that burden of paperwork?

Mr. BECHET. The answer to that is, yes. Of course, I think the Subcommittee might be familiar with the Low Dok Program. Actually, SBA has reduced the application to 1-page for loans up to, I think it's \$100,000.

Ms. COCHRAN. In your view, what SBA program has been most useful to veterans over the past 4 or 5 years?

Mr. BECHET. Although I don't have the statistics with me right now, I would say that probably the Surety Bond Program has been the most useful to veterans. The Surety Bond Program has enabled veterans to obtain contracts, which I think one of the earlier witnesses testified was much better than obtaining a loan.

Ms. COCHRAN. I think Mr. Byrd mentioned that in his testimony.

What's the VA position relative to potential change of location of veteran Small Business Responsibility?

Mr. BECHET. I don't know what their current position is.

Ms. COCHRAN. Thank you very much. Thank you.

Chairman TORKILDSEN. Thank you, Ms. Cochran. Chairman Buyer do you have any additional questions?

Mr. BUYER. We have some additional questions, we will submit them to you in writing. Appreciate you coming, and I'm sorry that you had to give up on your vacation in New Orleans.

Mr. BECHET. I was beginning to feel guilty down there. Really it wasn't a vacation. I had planned on attending the Disabled American Veteran Conference. But since the President went in my place, I thought it would be OK.

Mr. BUYER. Well, I was just down there Monday.

Mr. BECHET. It was hot.

Mr. BUYER. Thank you very much.

Mr. BECHET. Thank you, sir.

Chairman TORKILDSEN. Yes. Thank you, Mr. Bechet, for your testimony. As we've asked other witnesses, please be available to respond to other questions from members of the Subcommittee. We'll put a time limit on getting them to you within the next 2 weeks.

We appreciate your testimony and also look forward to working with you to straighten out some of the problems that have been discussed today.

Mr. BECHET. Thank you very much.

Chairman TORKILDSEN. Thank you.

[Whereupon, at 1:50 p.m., the Subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

PETER G. TORKILDSEN, MASSACHUSETTS
CHAIRMAN

GLENN POSHARD, ILLINOIS
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
104th Congress
Committee on Small Business
Subcommittee on Government Programs
6-305 Rayburn House Office Building
Washington, DC 20515

STATEMENT
OF
CONGRESSMAN PETER G. TORKILDSEN
CHAIRMAN, GOVERNMENT PROGRAMS SUBCOMMITTEE
HOUSE COMMITTEE ON SMALL BUSINESS

JOINT SUBCOMMITTEE HEARING ON
SMALL BUSINESS ADMINISTRATION'S PROGRAMS TO ASSIST
VETERANS IN READJUSTING TO CIVILIAN LIFE

Good morning and welcome to this joint subcommittee hearing on the Small Business Administration's efforts to assist veterans in readjusting to civilian life. I would like to begin by welcoming my good friend from Indiana, Chairman Steven Buyer of the Subcommittee on Education, Training, Employment, and Housing of the Committee on Veterans' Affairs. Welcome to the Small Business Committee and thank you for joining me on the dais today.

The issue we are looking at today is of the utmost importance to any American who has served or will ever serve in the United States Armed Forces. Readjusting to civilian life is difficult for many veterans because they find themselves inexperienced in a competitive work force searching for fewer and fewer available jobs. The self-reliance which small business provides is a great opportunity for veterans. However, veterans often face the disadvantage of having little of the experience or capital needed to succeed in the private sector. The Federal government has a wonderful opportunity to assist those who have served our country, through SBA programs that specifically assist veterans in networking with experienced entrepreneurs and helping them obtain low-interest loans.

In 1974, President Nixon signed legislation into law directing the Small Business Administration to “give special consideration to veterans of the Armed Forces of the United States and their survivors or dependents.” Despite this directive, the SBA has done little to expand its programs to focus specifically on veterans’ interests. During the Clinton Administration, the Office of Veterans’ Affairs at SBA has shrunk from six staffers to three and

SBA regional offices are no longer required to have a Veterans' Affairs Officer on full-time staff.

According to their own data, in 1995, the SBA directly lent over \$23 million and guaranteed another \$5 and ½ billion in loans for small business. Of these, \$822,000 of the direct loans and \$724 million of the guaranteed loans went to veterans. This translates into less than 4% of all direct loans and about 13% of all guaranteed loans for a sector of the small business community which comprises 20% of all American entrepreneurs.

This is extremely unfair to the 27 million American veterans who have served their country so well. They deserve better from the government which accepted their service.

Today the committees will explore, in a very broad sense, the efforts of the SBA to assist veteran-owners of small business. What has the SBA done in the past to assist veterans and what is it doing presently? Has there been any cooperation between the SBA and the Veterans' Administration to assist

veteran entrepreneurs?

With that, I yield to my colleague, Mr. Poshard, for any statement he may wish to make.

**STATEMENT OF
CHAIRMAN STEVE BUYER
SUBCOMMITTEE ON EDUCATION, TRAINING,
EMPLOYMENT AND HOUSING**

JULY 31, 1996

10 A.M.

2359 RAYBURN

VETERANS SBA PROGRAMS

*A JOINT HEARING WITH
THE SBA SUBCOMMITTEE
ON GOVERNMENT PROGRAMS
CHAIRMAN PETER TORKILDSEN*

Good morning. I appreciate the chairman calling this hearing to highlight veterans' matters in small business. I believe it exemplifies the concern that both committees have about veterans opportunities in business. It's a concern that cuts through party lines, and I am appreciative of the bi-partisan spirit of today's hearing.

It was nearly a year ago today that Mr. Bechet [[[Ba-shay]]] of the Small Business veterans office was before my subcommittee to testify about the potential transfer of the Office of Veterans Affairs at the Small Business Administration to the Department of Veterans Affairs. We suggested the merger because I believe that we have

determined the fact the *status quo* is not meeting the standards and levels of services that veterans rightfully expect. I emphasized then, and still maintain that it is important to seek all stakeholders' views on such issues and I want to have the free-est possible exchange of ideas.

I am committed to seeing to it that veterans get fair treatment in pursuit of business opportunities. To that end, I still feel the development of a business entrepreneurial unit at the VA--under the strong leadership of the Secretary of Veterans Affairs--is a way to increase veterans' opportunities in the business world. Some 20 percent of all of this country's small business are owned by veterans. Nearly 4 million veterans lend to this country's business climate what they lent during their military service, a stable foundation upon which the spirited men and women build businesses that employ other Americans.

We come here to receive suggestions on how to create effective programs in a cost effective manner. Our colleagues at the Senate Committee on Veterans' Affairs recently moved out of committee S.1711, a bill that would create a commission to review various readjustment programs for veterans--including veteran small business

programs. I look forward to your comments on that portion of the bill to review veterans small business.

Most importantly, I hope to hear from each of our witnesses their suggestions on making improvements to a system that is not functioning in the best interest of the veteran. Our Subcommittee has effectively worked with other committees to improve services for veterans, most notably with the Civil Service Subcommittee on a bill to strengthen veterans preference, a measure which was passed by this House just yesterday. I look forward to a similar cooperative effort with the Small Business Committee.

Thank you Mr. Chairman.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

TESTIMONY OF

LEON J. BECHET
ASSISTANT ADMINISTRATOR
FOR VETERANS' AFFAIRS
SMALL BUSINESS ADMINISTRATION

before the

HOUSE COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON GOVERNMENT PROGRAMS

and

HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON EDUCATION, TRAINING, EMPLOYMENT AND HOUSING

JULY 31, 1996

Mr. Chairman, my name is Leon Bechet, and I am the Assistant Administrator for Veterans' Affairs at the Small Business Administration (SBA). Thank you for inviting the SBA to testify before you here today to discuss our programs and how they work in helping the veteran community. We also are pleased to have an opportunity to comment on S. 1711, which establishes a commission to evaluate the programs of the Federal Government that assist members of the Armed Forces and veterans in readjusting to civilian life. I request that my written statement be made part of the record.

I am a career government employee and during my entire career I have served in various legal and management positions with the SBA. I have been associated with SBA's veterans' program since its inception in 1975.

The SBA's mission is to help get small businesses established, to help them stay in business and help these small businesses grow. The SBA is focused on five primary goals: (1) to increase access to capital for small business owners; (2) to reinvent and reinvigorate the SBA to focus more effectively and efficiently on customer needs; (3) to reduce burdensome regulations and unnecessary paperwork requirements that inhibit the growth of small businesses; (4) to enhance small business education, counseling, and information; and (5) to serve as a strong advocate for the interests of the small business community.

It was not by accident that Congress chose to link efforts to promote veteran business ownership with the SBA. An older business loan program for veterans that existed in the Veterans Administration (now the Department of Veterans Affairs) was discontinued when the Small Business Act created the SBA. That law gave the SBA program authority which included training, business counseling, and procurement authority in addition to lending authority. This resulted in a broader array of services to help customers with business planning, as well as assistance to meet problems that might arise with operating businesses.

The SBA, which includes specialized resource partners, is organized to work as a team. This team's goal is to assist entrepreneurs in every possible area of business expertise. For example, the Small Business Investment Companies (SBIC) provide equity capital. The Small Business Development Centers (SBDC) provide classroom instruction as well as business counseling and advice. The Service Corps of Retired Executives (SCORE) provide specialized training seminars, as well as one-on-one counseling to individuals. The appropriations to operate these programs are included in the SBA budget. At this time, no other federal agency has the broad array of resources that the SBA has available to assist small businesses.

Public Law 93-237, approved in 1974, requires that SBA give special consideration to veterans in all of its programs.

Initially, veterans matters and the implementation of P.L. 93-237 were assigned to SBA's Office of Field Services. Subsequently, the function was transferred to the Office of the Chief Counsel for Advocacy. In March 1981, a task force was established to examine and redefine "special consideration" for veterans. In 1982, upon submission of the task force's final report, the Administrator issued a policy statement that created the Office of Veterans' Affairs (OVA) within SBA. It was expected that a small office, working in close cooperation with the SBA's program specialists, field staff, and resource partners, could leverage the talents of those resources to effectively address the needs of veterans involved or interested in the small business sector.

Within SBA, OVA is a component of the Office of Economic Development (OED). OED includes the Office of Financial Assistance, the Investment Division, Surety Bond Guarantees, Business Initiatives, International Trade, Small Business Development Centers, Office of Women's Business Ownership and Office of Native American Affairs. The SBA has consolidated into one division many of the programs and resources necessary to create and sustain economically strong and viable small businesses. OVA, because its unique placement within SBA, is able to coordinate SBA services to our veteran customers through the use of this existing delivery system.

SBA leverages taxpayer dollars by using private resources and existing professional staff to offer services to our nation's veterans. All SBA programs and services are available to veterans who meet the statutory and regulatory eligibility requirements.

While resource constraints place limits on the size and scope of OVA, I would like to share with you some of the things we have been able to accomplish. Since 1992, there has been a dramatic increase in the number of SBA guaranteed loans to veterans. In 1995, the SBA guaranteed 8,580 loans to veterans, up 130 percent from 1992 when 3,710 loans were made.

During the period 1992-1995, the SBA guaranteed a total of 156,751 section 7(a) loans for \$28.5 billion. Of that number, 22,462 7(a) loans for over \$3.8 billion went to veterans, including 14,844 for over \$3 billion to Vietnam-veterans. While the Department of Veterans Affairs estimates the veteran population at 26.2 million, or around 10 percent of the U.S. population, the figures above show that last year veterans received over 15 percent of the number of loans and over 16 percent of the dollar amount of loans supported by the SBA.

In addition to commenting on the large number of loans made to veterans, you requested that I comment on the SBA's other veterans programs and how they work in assisting the veteran community.

The SBA has been involved in more than 90% of the Department of Defense's Transitional Assistance Programs (TAP) conducted throughout the country. This program alerts separating service personnel to the services that are available to them if they are interested in starting businesses of their own. We have used the resources of our nationwide network of field offices, using either our Veterans Affairs Officers (VAO) or the Service Corps of Retired Executives (SCORE) to make presentations on services available through the SBA and how to access these services.

Also, using funds appropriated for veterans outreach, SBA piloted the Veteran Entrepreneurial Training (VET) Program, which provides long-term, in-depth training to veterans and their spouses. These training programs, generally conducted by an educational institution, last six or more months and provide classroom and hands-on training for veterans interested in going into business. The training, which costs less than \$900 per veteran, takes the veteran through the process of preparation, business plan preparation, obtaining financing and operating a business. The program also has the benefit of creating support teams that offer encouragement to participants during the crucial and challenging process of setting up their businesses and obtaining financing. To date, nearly 2,800 veterans have participated in the VET Program.

SBA also recently entered an agreement with the Office of Small and Disadvantaged Business Utilization of the Department of Veterans Affairs to jointly sponsor business opportunities conferences for small businesses, including those owned by veterans, in areas impacted by base closings. These conferences will provide training on doing business with agencies other than the Department of Defense. The conferences will provide the opportunity for participants to meet one-on-one with government and non-government procurement staff who can be valuable contacts for those doing business in the affected area.

OVA is currently developing a standard operating manual for our field staff and is establishing measurable performance criteria to ensure that our field offices are meeting the needs of veterans in the areas they serve. SBA also is considering revitalizing the Advisory Committee on Veterans Business Affairs, which has been inactive for several years. We are proud of the fact that we have developed the Defense Loan and Technical Assistance Program (DELTA), which provides both financial and technical assistance to help defense-dependent small firms adversely affected by defense cutbacks diversify into the commercial market. Many of these firms are owned by veterans.

In addition, SBA has worked with the Census Bureau to develop statistical data on veteran-owned businesses. This census data is the result of an effort started several years ago

to identify statistical data on the nature and condition of veteran-owned businesses throughout the United States. This data should provide useful information to assess the status and needs of veteran-owned business. The data is expected to be available by the end of this year.

It is important to note that while the President's FY 1996 budget for SBA contained a request for \$485 thousand for veterans outreach efforts, no funds were appropriated for this year. In addition, the President's FY 1997 budget requested \$422 thousand for these programs. Congressional support for the request is still uncertain at this time but no funds were provided in the recently passed House Commerce, Justice and State appropriations bill.

As for S. 1711, the SBA, as always, would be pleased to cooperate with any statutory body examining how veterans can be better served. We would strongly recommend that any commission dealing with the needs of veteran businesses include a representative number of successful veteran business owners. In addition, the head of every agency affected by the action of the commission, including SBA, should receive copies of the final report and have the opportunity to provide comments.

Mr. Chairman, that concludes my testimony. I will be glad to answer any questions.

LOANS TO VETERANS

YEAR	TOTAL NUMBER SBA LOANS	TOTAL AMOUNT SBA LOANS (000)	TOTAL NUMBER LOANS TO VETERANS	TOTAL AMOUNT SBA LOANS TO VETERANS (000)
1992	26,495	\$5,614,943	3,710	\$750,758
1993	29,498	\$6,442,482	4,129	\$854,896
1994	40,486	\$7,965,381	6,043	\$1,096,616
1995	60,272	\$8,511,005	8,580	\$1,117,224

Prepared by OVA
073096

SBA 7(a) and 504 BUSINESS LOANS TO VETERANS

STATE	FY 1992 # OF LOANS	FY 1992 \$ AMOUNT	FY 1993 # OF LOANS	FY 1993 \$ AMOUNT	FY 1994 # OF LOANS	FY 1994 \$ AMOUNT	FY 1995 # OF LOANS	FY 1995 \$ AMOUNT
Alabama	75	\$16	63	\$12	78	\$21	90	\$15
Alaska	18	\$3	23	\$3	37	\$6	59	\$6
Arkansas	45	\$3	63	\$17	92	\$19	153	\$17
Arizona	49	\$11	60	\$16	117	\$32	168	\$36
California	489	\$160	527	\$163	710	\$242	906	\$224
Colorado	129	\$32	89	\$24	137	\$33	211	\$35
Connecticut	20	\$7	32	\$11	77	\$26	103	\$35
Delaware	10	\$4	5	\$2	15	\$2	14	\$1
Florida	83	\$23	116	\$30	167	\$48	317	\$48
Georgia	119	\$40	113	\$36	163	\$47	202	\$42
Hawaii	9	\$1	16	\$3	18	\$21	10	\$12
Idaho	58	\$11	78	\$19	67	\$14	143	\$22
Illinois	41	\$10	53	\$15	91	\$20	248	\$34
Indiana	65	\$13	53	\$14	75	\$20	92	\$16
Iowa	99	\$17	129	\$25	125	\$29	170	\$21
Kansas	103	\$20	119	\$22	127	\$23	141	\$21
Kentucky	25	\$6	21	\$6	28	\$6	57	\$9
Louisiana	52	\$15	71	\$16	129	\$21	103	\$18
Maine	44	\$11	28	\$8	39	\$7	60	\$5
Maryland	27	\$4	37	\$9	85	\$13	147	\$18
Massachusetts	86	\$20	98	\$23	105	\$28	169	\$27
Michigan	29	\$8	38	\$14	73	\$20	202	\$20
Minnesota	55	\$11	93	\$26	186	\$35	259	\$27
Mississippi	57	\$12	48	\$11	73	\$19	135	\$19
Missouri	141	\$27	152	\$27	214	\$40	221	\$28
Montana	64	\$10	99	\$18	116	\$24	192	\$26
Nebraska	49	\$9	35	\$9	40	\$7	70	\$8
Nevada	24	\$5	17	\$2	31	\$7	58	\$7
New Hampshire	103	\$26	124	\$30	134	\$26	137	\$21
New Jersey	33	\$8	44	\$13	56	\$18	104	\$20
New Mexico	40	\$11	58	\$16	81	\$17	111	\$13
New York	204	\$40	185	\$36	303	\$60	402	\$60
North Carolina	41	\$6	45	\$12	64	\$16	99	\$12
North Dakota	20	\$3	25	\$4	30	\$6	55	\$9
Ohio	95	\$21	103	\$21	131	\$26	218	\$34
Oklahoma	78	\$18	78	\$17	140	\$30	190	\$29
Oregon	34	\$7	36	\$5	91	\$18	121	\$24
Pennsylvania	116	\$29	63	\$13	133	\$33	280	\$32

STATE	FY 1992 # OF LOANS	FY 1992 \$ AMOUNT	FY 1993 # OF LOANS	FY 1993 \$ AMOUNT	FY 1994 # OF LOANS	FY 1994 \$ AMOUNT	FY 1995 # OF LOANS	FY 1995 \$ AMOUNT
Rhode Island	27	\$7	24	\$7	54	\$12	60	\$11
South Carolina	37	\$9	49	\$13	61	\$14	98	\$14
South Dakota	49	\$9	47	\$7	54	\$9	41	\$6
Tennessee	51	\$15	55	\$15	85	\$19	130	\$18
Texas	347	\$83	485	\$127	833	\$149	896	\$130
Utah	15	\$4	14	\$4	38	\$10	70	\$9
Vermont	18	\$3	15	\$3	35	\$5	60	\$6
Virginia	72	\$17	68	\$16	89	\$20	152	\$20
Washington	122	\$31	161	\$40	230	\$47	374	\$63
West Virginia	21	\$4	15	\$5	15	\$3	43	\$6
Wisconsin	3	\$1	7	\$2	5	\$1	6	\$2
Wyoming	14	\$2	11	\$2	33	\$5	67	\$6
District of Columbia	3	\$1	10	\$2	10	\$1	18	\$3
Puerto Rico	39	\$5	50	\$11	54	\$10	77	\$9
TOTALS	3647	\$869	4048	\$1,005	5874	\$1,385	8509	\$1,362

*Dollars in Millions

*Does not include direct loans

TESTIMONY BEFORE THE SUB COMMITTEES OF GOVERNMENT
PROGRAMS AND EDUCATION, TRAINING, EMPLOYMENT, &
HOUSING

31 July 1996

Chairman Turkildsen, Chairman Buyer, Honorable Committee Members. My name is Cecil Byrd. Thank you for the opportunity to testify before you on behalf of the National Association of Concerned Veterans, the Incarcerated Veterans Organization of Jessup Maryland, and the volunteer Office of Veterans Affairs for the District of Columbia. I believe my first testimony before Congress was 22 years ago before the House Committee on Veterans Affairs under the leadership of Chairman Olin "Tiger" Teague and Ray Roberts. I doubt that any of my testimony in behalf of our nation's veterans over the past two decades has ever resulted in Congressional action. My purpose today is to call you to action and convince you to take specific action in behalf of those men and women who served this country.

NACV has not come before the Congress year after year crying the blues for veterans. We have come before the Congress asking only that veterans be given a chance to not only help ourselves and our comrades but an opportunity to contribute and give back to America once again. Perhaps the thing that frustrates us the most is to know what we have to do but not be given the opportunity to do it.

Many Vietnam era veterans felt that an important part of their lives was taken from them by the military. For years they have tried to get that piece back or make up that loss. Many felt that when Clinton was elected it was finally our time. This was someone from our era. We would finally get a chance to show what we can contribute. It did not happen. This Administration has not given us that chance. Many of us feel we have been passed over once again and will never have "our chance".

Actually, NACV, and not Cecil Byrd, has played major roles in behalf of veterans programs over the years. In fact, NACV was so formidable in the early '70s that the rumor was that the way to neutralize NACV was to hire many of the more active and vocal members away. It

worked. Many are still "lifer" bureaucrats with over twenty years in government service.

NACV was a major player in many of the programs that have benefited not only Vietnam veterans but veterans of all eras. Due to the strong efforts of NACV, the Veterans Cost of Instruction Payments program within HEW, now HHS, enabled educational institutions around the country to assist literally hundreds of thousands of Vietnam era veterans to use their GI Bill, get an education and support services, readjust to civilian life and return to society as productive contributing citizens. In fact, many of the Vietnam era vets on the Hill and those working successfully today within the private and public sectors can thank the GI Bill and the VCIP program for their success today. NACV was instrumental in the establishment of what is now the VETS office in DOL. NACV took the lead in discharge review and DUP under the leadership of veterans such as David Addlestone and Dean Phillips; in working with incarcerated veterans; in the precursor of the VA Vet Centers; in carrying the torch for the disabled vet; and those exposed to Agent Orange and many other issues.

Twenty years later, it seems veterans are a dying and forgotten breed. Hopefully the need for us is diminishing, but I doubt we will become extinct. This country will always have to call on our young men and women to put on that uniform and swear that oath of allegiance and put their lives on the line for the freedoms Americans enjoy but often take for granted. We can not keep treating the veteranas though his or her sacrifice was meaningless. We must stop using armed forces personnel and when we are through discard them like garbage, not even like glass, plastic, cans or paper, just trash - non recyclables.

What is confusing is why successful programs are not continued and why the Congress and Administration has stopped betting on a winner. Veterans have proven themselves winners. Why the country does not feel the responsibility to make a special effort in behalf of the vet is not clear to us.

What is clear to many veterans today is that the Department of Defense has never accepted its responsibility to assist members of the Armed Forces to readjust to civilian life. Meeting that responsibility would not cost much. Helping to match military training with the civilian job

market would help. A proactive effort to contract and employ veterans would be a major start.

What is clear is that the VETS office in DOL is spending lots of money on staff and the records show they are doing little more than making referrals and those referrals cost about \$300 each. They need to figure out how to turn those referrals into jobs and more incentives to those companies who hire veterans. What is clear is that the VA continues to fish for veterans often rewarding dependency rather than teaching veterans to fish for themselves and allowing them to do that.

What is clear is that SBA is not committed to veterans and that SBA has done little for veterans over the years and appears to be doing less and less with no budget. Veteran owned businesses need bonding, insurance, and financing. They need assistance in obtaining contracts and contacts with procurement officers and other successful business owners and resources. Vets need to be stimulated and assisted to develop micro enterprises and to pursue self employment. The Vietnam Veterans Leadership Program had tremendous potential and should be revived.

What is clear is that homelessness is not a top priority for the VA, HUD, HHS, or any other agency in this Administration. If it were, homelessness among our nation's veterans could be virtually wiped out in a couple of years. Cisneros has been a real disappointment spending large amounts of money attempting to woo the veteran community through advertising a big veterans initiative for homeless veterans programs when in reality veterans, for the most part, could not even get to the table at the local level where the funding decisions are being made. Veterans supposedly make up thirty percent of the homeless. Veterans programs will be lucky to get ten percent of the HUD super NOFA funds this fall.

What is clear is that Congress is so busy with partisan chess that the veterans continue to suffer along with the rest of the disenfranchised and poor. The truth is that both sides are guilty of perpetuating an ineffective wasteful and poorly run system.

What is also clear is there has not been one veterans program that has not been a success and paid for itself many times over. Why then, do

we not continue to invest in those who sacrificed for their country and have proven to pay back big dividends.

Mr. Chairmen and Committee members, what I am going to propose today will cost you and this country very few dollars. Moreover, it will pay huge dividends. Veteran programs are major pieces to the solution puzzle of health care, welfare reform, our economic and employment problems, homelessness, and even education, crime and drugs. Veterans can be key players in leading the way to solving many of those problems.

NACV's proposal postulates several assumptions. One, veterans have skills and discipline that is not being tapped and that remain with them after their service time. Two, veterans can be mobilized and energized, thereby capitalizing on the esprit de corps and camaraderie of their military experience. Three, veterans can perform under stress and pressure and in an emergency. Four, veterans bring to the table a higher level of education and training which can be a major resource. Five, many veterans are not joiners and will not benefit or respond to normal approaches to bring them back into the mainstream. Six, our country has a responsibility to go the extra mile to help rehabilitate and assist veterans to re enter society as productive citizens. Seven, the best therapy is employment and the best employment is that which includes support systems that slowly enable transition to self sufficiency. Eight, it is more economical to invest five thousand dollars a year in successful re entry than to pay \$35,000 a year in incarceration, hospitalization or public assistance. Nine, small business and economic development is an essential ingredient in any solution.

The programs that I would like to recommend that you consider are already in place to day. What is required is your support and backing to see that the Administration uses veterans to enable those programs to work. Three of those programs are: VA's Compensated Work Therapy Program; HUD's Resident Initiative Program; and, HHS's OCS Grants program which includes job creation and economic development opportunities for low income.

Partnerships revolving around these programs and including support from DOL, SBA, and DOD could allow this Congress to leave a legacy that will change America's social system forever while giving veterans

an opportunity to regain some of their pride, sense of belonging and being needed.

The VA's Compensated Work Therapy Program is a gold mine. It needs to be expanded and focus on small business and economic development. It should begin establishing linkages with colleges and universities and SBA Small Business Development Centers and begin establishing incubators to assist vets in setting up businesses, in pursuing contracts and in learning the procurement process. The CWT program provides the environment in which a veteran can move from dependency to self sufficiency. Use the program to foster new businesses, micro enterprises and to create jobs. It brings together the support systems for a holistic transitional rehab strategy.

The VA, SBA, and DOL must focus on job creation and helping vets to get into business and obtain contracts. Congress could help most by creating the mechanisms which enable vets to obtain bonding, insurance and financing. Set asides for homeless, disabled and disadvantaged veteran owned businesses and those who hire veterans could assist veterans to help themselves to become productive citizens. America needs needs to commit itself to taking care of those most in need and do every thing possible to enable them to reach their fullest potential. The cost of not doing so will be ten times as much in drugs, crime, violence, and destruction.

Seventy five percent of new businesses fail for a reason. With your support and that of the Administration and the private sector, I am confident that we could turn that figure around to 75% success for veteran owned businesses. A solid mentoring program, small business incubators, insurance, bonding and financing, along with veteran and disadvantaged contract set asides capitalizing on existing opportunities could revitalize and rebuild America.

The programs already exist to meet the needs of veterans and the low income and disadvantaged in this country. We just need to implement those programs. Every state should be a "right to work state." Every state should require individuals receiving public assistance to work. HUD and HHS should make sure that child care is available and that fathers work and support their children. Incarcerated should pay their way. Since when does it infringe on someone's rights to teach them a

skill and let them work. We violate a person's rights when we release an individual from prison or school without a trade or a skill. Veterans could be a model for this approach.

HUD has a super program that they seem unable to implement. It is the Resident Initiative Program, Title III, I believe, which allows the local housing authority to contract directly with resident-owned businesses. NACV is recommending that partnerships be established with veterans and public housing residents wherein the veterans would provide the training and technical assistance to the residents to set up businesses and obtain contracts for any and all services needed in public housing. This would include construction, building and grounds maintenance, child care, environmental clean up, exterminating, cosmetology, transportation, counselling, recreation, cosmetology, catering, hauling, seamstress, security, etc.

NACV has just purchased a 35,000 square foot warehouse office building in northeast D.C. where it plans to operate a small business incubator, provide training and employment services, counselling, establish a drop in center, and maybe offer some transitional housing. The businesses will include a reuse facility which will refurbish furniture, repair appliances, electronic equipment and computers; a construction company; an environmental clean up company; a cabinet making plant; a modular housing factory; and a labor pool. The facility will run the technical assistance program for the Resident Initiative Program from there as well.

NACV is also in the process of finalizing a contract with the DC Housing Authority to perform occupied unit rehab in several hundred senior citizen apartments and hopes to expand to vacant unit rehab and also get the VA to contract with homeless vets to rehab VA and HUD foreclosures.

The Office of Community Services within HHS has a grants program which encourages communities to assist the poor to become self sufficient by helping them to set up businesses and create jobs. OCS is attempting to develop a veterans initiative in the environmental clean up (lead based paint) industry.

There are also some very exciting opportunities in the international

market place where veterans can play major roles while getting out of their old environments. The Black Veterans Braintrust and the World Veterans movement is moving quickly in that direction.

Tomorrow I plan to leave for Vietnam to conduct some research and begin establishing contacts with the Vietnamese in business and economic development opportunities for veterans. NACV was in the process of soliciting Ron Brown's support in this venture prior to his untimely and tragic death.

The opportunities are numerous. NACV will support S1711 providing the House and Senate Veteran Affairs Committees do not wait on the findings of the Commission before implementing some of our recommendations. The veterans we serve can not delay gratification and wait patiently. They have waited long enough. Every day they fight for their very survival. Every day they fight to maintain a small piece of who they are or were. We can not let them down. Many of us believe if something is not done to bring the plight of our veterans to the fore front prior to this election veterans will be swept away for many years to come. We must not allow that to happen.

Jesse Brown met with members of our organization over a year ago. His big two questions to us were how many members does NACV have and what are our annual revenues. The veterans we represent are have never joined veterans organizations, primarily because the veterans organizations are not meeting their needs. Second, there are approximately 26 million veterans in this country and less than a fourth are members of any veterans organization. I guess what I am saying is do not be lulled into believing that the testimony you are receiving from those of us who have been preparing testimony before you for years necessarily represent the veterans who need us the most.

Every week I facilitate a PTSD Rap Group for incarcerated "lifer" vets because the VA says they can spend their resources on inmates until they are really for work release or close to parole. These men believe society has written them off and many of them believe they have something to contribute.

HRI404 could prove valuable if it concentrated on involving the DAV and PVA and traditional vets organizations to begin supporting small business and economic development ventures. Any small business bill

for veterans should encourage, if not require, local, state and federal agencies to contract a percentage of their contracts to formerly unemployed and homeless veterans and veteran owned businesses who hire that population. Simply by contracting with our own we can solve many of the issues involving our nation's veterans.

If America wanted to end homelessness in this country we could do so among our nation's veterans in about two years. The supportive services are there we just need to match them with the case management, the follow up, the drug and alcohol treatment, the employment and small business opportunities.

NACV wants to demonstrate the viability of what is being proposed today by calling on the Congress to support our efforts to develop a model here in the nation's Capitol. To do this would require some seed capital to re establish the D.C. Office of Veterans Affairs the previous Mayor shut down. The present city Administration does not have the money to fund or staff the Office. The office has been staffed for the past eight months by volunteers. Sixty thousand veterans in this city, an estimated ten thousand potentially homeless and unemployed veterans with no D.C. Office of Veterans Affairs. Please tell me that the top priority for Secretary Brown is homeless veterans. We have been unable to convince the Secretary of the Department of Veterans Affairs who claims to be committed to serve "those who have born the battle" to recognize and support this office.

There are more than 60,000 veterans and over 200,000 dependents in the nation's Capitol without representation. Veterans in this city receive almost a billion dollars a year in compensation, pension, and disability checks. Veterans and their dependents generate more than a billion more dollars per year in earned income revenue. Surely when virtually every state and most territories have an office of veterans Affairs the Capitol our country should have one. And where better to showcase our appreciation and demonstrate how we take care of those who served our country than here in Washington D.C..

In closing I would like to formally invite each of you to the dedication of the Veterans Living Memorial Business and Service Center sometime in September, as well as our Drop In Center on 12th and M Sts. NW on Veterans Day and Project Winterhaven to be held at the D.C. Armory on

the 20 of November.

NACV's goal is to provide over 1500 jobs and housing opportunities for homeless vets in the D.C. metro area over the next twelve to eighteen months and continue the same numbers for the next two years until we end homelessness and unemployment as we know it today . With your support and that of the veterans service organizations in this city we will reach that goal.

Finally, I would like to urge the Joint Committee to support NACV's proposal for the deteriorating demise of the Walter Reed's Army Medical Center Annex at Forest Glen which seeks to restore this historic site using skilled homeless veterans who will turn the site into a national academy to train military and veteran personnel in dealing with base closures, disaster relief, environmental clean up, historic preservation and restoration, health care, drug and alcohol rehab, and the PTSD, AIDS, Agent Orange and other related CBR illnesses.

If you do nothing else please give D.C. the backing and support it needs to demonstrate the wisdom of giving veterans the opportunity to help themselves.

The constituents we serve do not vote, do not write or call, and if they did they would probably receive what I do, either nothing or a form letter. As stated previously, these vets fight every day for their next meal, a place to lay their heads, and with the demons that they may or may not have conjured up. Unless we do something to end their plight the cancer will spread to us all and the price will be more than we ever bargained for.

I thank you for this opportunity to appear before you today and will answer any of your questions at this time.

Almost twenty years ago, I co authored an article in the DAV magazine advocating that the VA could and should be the "avante garde" of health care in this country by moving toward prevention, ambulatory and outpatient care. The VA has taken a defensive posture when it should be going on the offensive. Open the VA hospital doors and begin serving all veterans. Although many traditional vet organizations may not approve, the VA must then begin serving dependents and the poor.



University of Massachusetts Boston

*The William Joiner Center
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617-287-5850

Fax 617-287-5855

July 25, 1996

The Honorable Peter G. Torkildsen, Chairman
Subcommittee on Government Programs
Room B - 363
Rayburn House Office Building
Washington, D.C. 20515

The Honorable Steve Buyer, Chairman
Subcommittee on Education, Training, Employment and Housing
Room 337 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Torkildsen and Chairman Buyer:

Thank you for providing for this joint hearing on veterans opportunities in small business. It is an honor to provide you with this testimony. I would like to provide you with some background and then briefly discuss several points.

Since the 1960s veterans have been passed over as constituents by the Small Business Administration. In my opinion the Office of Veterans Affairs for the SBA has been bureaucratically choked in terms of both funding and initiative. I believe many administrative officials across all the agencies and the Congress are unresponsive because they labor under the misperception that the Department of Veterans' Affairs provides similar services. For example, a few years ago a number of us were trying to get veterans included as "multiple barrier" participants in the (re-authorization) language of the Federal Job Training Partnership Act. We had advocates from the appropriate states call those members on the relevant committee. We failed to achieve the goal. I called and asked why. The staff person replied ... "Oh those veterans ... they have their own agency you know!" This was the response and attitude despite the fact that the Department of Labor sent a memo out to everyone pointing out that these recently discharged veterans were an under-served population and that the (then) VA was not an employment agency. In my opinion this is still the case at both the federal and state level.

I would like to mention findings and activities of three efforts I have been involved with in Massachusetts. The first effort was a project of the 1982-1983 Massachusetts Special Commission on the Concerns of the Vietnam Veterans (Senator Francis D. Doris, Chair). One of the research efforts of that Commission was a profile (self selection) survey of all the Vietnam and Vietnam-era veterans of the Commonwealth. Some 931 (5.6%) of the 16,636 veterans who responded indicated that they were engaged in a small business endeavor. Another 2,500 (15%) indicated they desired some level of small business participation. Those figures and percentages were actually increasing, as we found out later.

In 1986-1987 our center ran a small business development program with the Massachusetts Department of Veterans Affairs. As a first time effort, it was quite successful. For the next three years we had calls of inquiry asking whether this program would be implemented again. We also conducted a survey then as well. We found that among the total number (407) of veterans that enrolled in our program there was an appalling lack of knowledge of SBA/SCORE, or SBDC programs, and even less participation.

Based on the Joiner Center's 1989-1990 follow-up study (of the original Commission study) in Massachusetts, 2,679 (15.0%) of the Vietnam/Vietnam-era veterans who responded were engaged in full or part-time small business ventures. The total taxable income generated by these small business ventures from just the 2017 (who provided financial information) of the 2679 small business respondents answering the survey was \$74,340,511.64.¹ The message in the data was that veterans contributed and could contribute much more if they were provided procurement opportunities and managerial assistance and training.

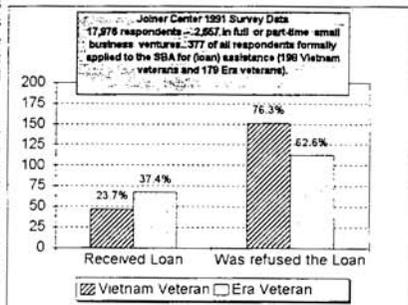
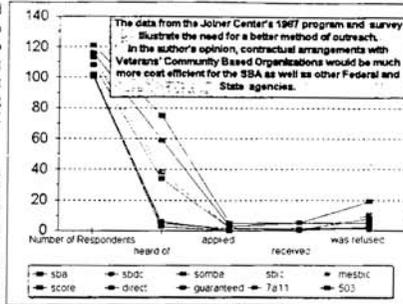
To the best of my knowledge, it has been over a decade since any research concerned with veterans' entrepreneurship in small business has occurred. Those studies in the early 1980s were conducted by independent researchers who were recipients of a dozen small business projects funded by the SBA. The down side was that few of the various recommendations made in those studies were implemented.

Perhaps the best approach to take at this particular time is to list several points/ recommendations:

The language defining socially and economically disadvantaged for the purposes of all SBA programs should be amended to include theater veterans and service disabled veterans.

A modified version of HR 1404 should be proposed and passed before the end of the current session. Even if only service disabled veterans are targeted, that would be a huge advance.

¹ Numbers and percentages varied a bit due to rounding, the combination of questions being examined, and the fact that late returns were added into the original data table.



Modify the 8(a) Minority Business Development and Procurement Assistance, and the 7(j) Management and Technical Assistance Programs to include theater and disabled veterans. In a zero-sum game, other groups could see their members who have veterans status as getting additional preference. Disabled veterans should be at the front of the line for procurement opportunities.

During the Small Business Committee's Hearing on small business opportunities for Vietnam veterans which was held in Boston on June 11, 1984, Ralph Cooper, director of the minority community's Veterans' Benefits Clearinghouse, suggested that veterans be allowed to use their home loan guarantee as their pool of capital in the SBA loan process - instead of buying a house, the veteran buys or starts a business or franchise.

There should be a veterans specialist at each SBA and SBDC office, not just someone with collateral duties, no time and no budget.

The SBA (and VA) should be forming public /private partnerships with veterans' community based organizations to provide services to veterans in small business and those who desire to enter into small business.

The SBA should make veterans a real priority and adequately fund the Office of Veterans Affairs for research and services in partnership with veteran oriented community based organizations around the nation. This would greatly improve outreach efforts in terms of disseminating knowledge of SBA programs, if not increasing participation.

The SBA should develop a veterans business council/task force which really works and assists in the development of a veterans business network linking large, medium, small, and micro companies for contracting and subcontracting in the private sector.

In my judgement the composition of the commission which would be implemented under S 1711 would simply have to have wide representation from the veterans community I specifically refer here to inclusion of those knowledgeable advocates from the community based organizational groups, minority and women veterans' community. The key point is that the nature of the demographics of the veterans population are changing, as is the structure and nature of our economy.

In conclusion I would like to thank you again for the opportunity this hearing has afforded the veterans' community. Hopefully, action benefiting at least the service disabled veterans population will be implemented.

Sincerely,



Dr. Paul R. Camacho
 (617) 287-5850 voice
 (617) 287-5855 fax
 Camacho@umbsky.cc.umb.edu

**STATEMENT OF
 RONALD W. DRACH
 NATIONAL EMPLOYMENT DIRECTOR
 DISABLED AMERICAN VETERANS
 BEFORE THE
 SUBCOMMITTEE ON GOVERNMENT PROGRAMS OF THE
 COMMITTEE ON SMALL BUSINESS
 AND
 SUBCOMMITTEE ON EDUCATION, TRAINING, EMPLOYMENT OF THE
 COMMITTEE ON VETERANS AFFAIRS
 U.S. HOUSE OF REPRESENTATIVES**

JULY 31, 1996

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the more than one million members of the Disabled American Veterans (DAV) and its Women's Auxiliary, I am pleased to provide this testimony today to convey our views on issues relating to small business initiatives for veterans, especially disabled veterans.

Mr. Chairman, at the outset, let me state the DAV is supportive of efforts to establish initiatives for veterans who wish to start their own business or for those already in business seeking to do work with the federal government through contracts.

On Monday, July 29, 1996, our National Convention assembled in New Orleans, Louisiana, unanimously passed the following resolution:

PROVIDE DIRECT LOANS AND "SET ASIDES" FOR DISABLED VETERANS

WHEREAS, America's veterans have fought to protect the social, political and economic freedoms enjoyed by all Americans; and

WHEREAS, many disabled veterans would like to start their own business but cannot obtain the needed loan; and

WHEREAS, many disabled veteran-owned businesses would like to do business with the federal government; NOW

THEREFORE, BE IT RESOLVED that the Disabled American Veterans in National Convention assembled in New Orleans, Louisiana, July 27 - August 1, 1996, supports legislation that would authorize direct loans be provided by the federal government to qualified disabled veterans. AND;

BE IT FURTHER RESOLVED that the federal government provide "Set Asides" for disabled veteran-owned businesses that are the same as, but separate and apart from, the Small Business Administration Disadvantaged Business 8(a) Set Aside Program.

Mr. Chairman, we understand that because of the high rate of business failures, banks may be reluctant to provide loans for the start up of small businesses. This is true for veterans and non-veterans. We believe that direct federal government loans or loan guarantees provided to veterans would be a big step toward assisting qualified veterans to start their own business.

About three years ago, consideration was given to a bill to provide \$25 million to provide direct loans and loan guarantees for our nation's veterans to be administered by the Department of Veterans Affairs (VA). Regrettably, that legislation was never enacted and veterans today still do not have any meaningful programs to assist them in establishing or maintaining their small business. In spite of legislation dating back to 1975, we believe veterans attempting to start their own business and those who already own their own business have not received the attention from the Small Business Administration (SBA) they need and deserve. A direct loan and loan guaranty program administered by the VA would be a major step toward assuring these veterans receive the assistance they so richly deserve.

Veterans are unique in many ways. Because of their unselfish dedication to this nation and through their military service, they are in many ways a product of the federal government, and deserve assistance in establishing or maintaining a small business. For many years, other deserving groups in this country have benefited from SBA programs through receipt of procurement contracts and certain benefits of management and technical assistance targeted to individuals belonging to a particular class. Incredibly, veterans have not enjoyed equal status. As a group, veterans are no less deserving than any other.

Section 8(a) of the Small Business Act provides that type of assistance to certain minority and other "disadvantaged" business owners. Our request to establish similar programs or status for disabled veteran-owned businesses has met with reluctance and opposition because of the belief such a program would negatively impact on the 8(a) Program. Our proposal would not impact because we are suggesting a separate and distinct program for disabled veteran-owned businesses that would be in addition to the 8(a) "Set Aside" Program.

In conclusion, we are pleased to provide our views and would be happy to answer any questions you or other members of the Committee may have.

TO: Congress of the United States

31 JULY 1996

House of Representatives
104th Congress
Committee on Small Business
Subcommittee on Government Programs
B-363 Rayburn House Office Building
Washington, DC 20515

FROM: Michael J. Hladky
404 Raleigh Avenue
Hampton, VA 23661-2121

SUBJECT: Testimony on Small Business

Dear committee members,

My name is Michael J. Hladky. I reside in Hampton, Virginia and am presently awaiting a medical discharge from the U.S. Army. I am speaking here today for two main reasons; first a Veterans Administration benefit that I was beginning research on, the Disabled Veterans Small Business Loan, second the present system of dissemination of information to veterans, disabled and non-disabled, present and future.

On the subject of the Disabled Veterans Small Business Loans, in February 1996 I was notified that I was going to be medically discharged. In April, I began to plan for me and my family's future. I didn't know what I would be doing for a living. Between eight years in the U.S. Merchant Marine and fourteen years in the U. S. Army, the only occupation I've ever known is water transportation. I didn't know how much my income would be. And I certainly didn't know how much my disability pension would be (a service member must receive at least thirty per cent disability to medically retire to be able to keep all military benefits, i.e. Military ID card for

myself and my dependents, commissary, PX privileges, etc.). This fact did frighten me to a point, but I must say I found myself in a rather unique position, starting over. So I began to explore the possibilities. The only occupation I had ever known was about to be over. Several questions loomed over my head. What would I do? What job would I have? Would I make enough money to support my family and pay my creditors? A scary feeling as I stated before, but nonetheless exciting. I welcomed the challenge.

And so I started my research. Due to the nature of my disability, I was limited as to what I could do. I did have a desire to go into business for myself. I had known from previous conversations with other veterans, and transition briefings, that disabled veterans had a small business guaranteed loan. This really interested me. I began to have that desire to succeed that you hear so many people talking about. And so I figured the best way to start my research was at the library. Not having much success in the way of finding what benefits disabled veterans have in small business loans, I decided to go to source. I located a congressional directory and looked up the Committee on Veteran's Affairs and decided to call them and get my information first hand. I inquired about the Disabled Veteran's Small Business Loan and was informed that this particular benefit was no longer available and that my only option was to go through the Small Business Administration to apply for a small business loan. When I inquired as to why the Disabled Veterans Small Business Loan was no longer available, I was informed that it wasn't being used. This, needless to say, floored me. I also asked if there was a possibility that it would be reinstated. I was told that it may.

I was then given instructions on how to apply for a loan through the Small Business Administration. Several phone conversations and many channels led to the local SCORE office

where I met with a counselor for about 2 hours. The gentleman seemed very knowledgeable about business and veteran's affairs. He gave me several leaflets, pamphlets and the like on how to start a small business. More information and text were available, but they for sale. This put a real sour taste in my mouth. I felt as if I could have done just as well in the public library and probably would have been better off. I left with the impression that I was on my own, leaflets and pamphlets in hand, to fend for myself. I was very dissatisfied and became somewhat discouraged, but I wasn't going to give up that easily. I decided to let things go for a couple of months.

In June I called back to the Committee on Veteran's Affairs to see if the Disabled Veteran's Small Business Loan was going to be reinstated. I was told that there was a strong possibility that it would and left my name and phone number if I could do anything to assist in any way. I hung up the phone with a feeling of hope and renewal of my goal of owning my own business.

After giving this information much thought and doing more research to include numerous conversations with veterans, the answer was simple. Veterans were not aware to any degree that this benefit even existed, and those that did thought it would take some sort of miracle to get approved for a loan from the government.

Two things, in my opinion, need to be accomplished. First, reinstate the Disabled Veteran's Small Business Loan and make it available for all veterans. In as much as disabled veterans may have a disability which may prevent us from doing some things we wish we could do, we must remember that all veterans come under the same family, that any one of us at any time could have become disabled during our service to this great country we live in today. So in fairness to our comrades in arms, let us not differentiate ourselves. Secondly, we must inform

and make veterans aware of this valuable benefit. Some would ask in today's climate of downsizing and budget cuts that why should veterans receive a "special benefit" in receiving a guaranteed loan to start a business? The answer is simple. Veterans would not be receiving "special benefits". This would be an investment in an untapped resource. The returns would be limitless. Job creations, opportunities, tax revenues, role models, mentorship, and much, much more. Veterans don't want hand outs, hand ups, or "special benefits". Just point the the way and we'll do the rest. We've spent most of our adult lives serving our country, so let us continue to serve by owning our own business. Let us set up veterans for success, not failure. Veterans are disciplined. They meet deadlines, and they don't need their hand held when a challenge confronts them. These attributes alone learned through our careers should constitute at least fifty per cent of the training needed to run a small business.

Additionally, veterans should not have to through the Small Business Administration to obtain a small business loan. The SCORE office I visited informed me that banks require as much as twenty five per cent of their own capital or collateral before a bank will approve a loan. Veterans don't have that kind of capital especially if they've been medically discharged. I haven't met a veteran yet who had that kind of extra cash at hand. And if they did, they wouldn't need a loan to begin with.

The following pages contain ideas and suggestions for the committee. These are to meet three objectives:

First Objective: To establish the " VETERAN'S SMALL BUSINESS ADMINISTRATION ".

Second Objective: To make veterans more aware of benefits so they take advantage of small business opportunities.

Third Objective: To streamline the procedures on obtaining a small business loan.

First Objective: Establish the "Veteran's Small Business Administration".

I. A network of counselors who are employers, bankers, attorneys, and business executives who will volunteer their expertise to assist veterans achieve their dream of owning their own business.

- A. Establish satellite offices in the state Veteran's Administration offices already in force.
- B. Seek out experts in the small business arena.
- C. Provide counseling and mentoring for prospective veterans at least three days during the week .
- D. Provide an incentive for counselors who volunteer their time.
- E. Provide information at no cost to the veteran.

Second Objective: To make veterans more aware of benefits so they can take advantage of small business opportunities.

I. VETERAN'S BENEFITS " They can't use them if they don't know about them".

A. Advertise on television, put regional and state VA offices addresses and phone numbers on TV several times week and highlight a certain benefit every every week.

- 1. Have a "Did you know that ... ?" spot.
- 2. Use closed captioning for hearing impaired.
- 3. Advertise how to order forms and publications by telephone.

B. Advertise on radio, announce regional and state VA offices addresses and phone numbers on radio several times each week, and highlight same benefit as on TV.

- 1. Have the same "Did you know that...?" spot as on TV.

2. Announce how to order forms and publications by phone.
- C. Advertise in Newspapers on Sunday with full page ad with regional and state VA offices addresses and phone numbers each week and highlight same benefit as on TV and radio.
1. Have the same " Did you know that ...?" ad.
 2. Advertise how to order forms and publications by phone.
- D. Advertise in public places with " HOW TO" information.
1. Banks
 2. Division of Motor Vehicles
 3. Grocery stores
 4. Libraries
 5. City, County, State, and Federal Office buildings

Third Objective: Streamline the procedures for obtaining a small business loan.

- I. Veterans applying for a small business loan can be made easier.
- A. Develop specific instructions:
1. Create " How to " packets.
 2. Make them available by ordering over the phone.
 3. Have assistance available (Objective # 1).
 4. Take the fear of meeting with bankers away.
 5. Encourage veterans already in business to assist others.

B. Develop specific points of contact:

1. Veteran needs to know who and where to contact.
2. Veteran needs one on one counseling prior to applying to eliminate misconceptions.
3. Make the small business a " Mission" for the veteran.

C. Other ways to streamline procedures:

1. Utilize Vocational Reahabilitation training for small business for those who desire it.
2. Instead of requiring collateral for a loan, use a funding fee like a VA home loan.
3. Develop list of lending institutions who are sensitive to the needs of the veteran.
4. Utilize incentives for lending institutions who assist veterans in small business loans.

In closing, I have intentionally kept this testimony short and to the point. My ideas and suggestions have much more detail to them and still need much more work and refinement. I hope my testimony, ideas, and suggestions have proven to be helpful by giving a view that some may not be aware of. Veterans throughout the United States can contribute in small business just as they have in so many other ways in the civilian sector, police officers, firefighters, teachers, mayors, and congressmen. Small business needs veterans. It needs their discipline, their ideas, enthusiasm, and most of all, it needs to employ the people, all people. I can not speak for all veterans, but I can say for myself that I would not hesitate to use the experience I have gained to help veterans achieve the same dream that I have, owning my own business.

I would like to thank this committee for allowing me the honor and priviledge of speaking before you today. It has been an experience that I will treasure forever. With the committee's permission, I would like to make one final statement, To the Prisoners of War and to all those Missing in Action, You are not forgotten. Thank you.

BIOGRAPHY

My full name is Michael John Hladky. I was born on June 24, 1955 in Virginia Beach, Virginia. I am the son of Chief Petty Officer (Ret.) U. S. Navy and Virginia Beach Police Lieutenant Robert J. Hladky and Beatrice K. Hladky of Virginia Beach, Virginia. I am the seventh of eleven children. I am a 1973 graduate of First Colonial High School. I entered the U.S. Merchant Marine in September, 1974 where I worked my way up from ordinary seaman to Captain of Ocean-Going Tugboats. For professional reasons I decided to enlist in the U.S. Army in July, 1982 and stayed in the maritime field. From October 1992 until present, I have been an instructor in the Marine field and Operations Non-Commissioned Officer. I am presently waiting on a medical discharge from the U.S. Army.

TESTIMONY OF JOHN K. LOPEZ
CHAIRMAN, ASSOCIATION FOR SERVICE DISABLED VETERANS
TO
JOINT HEARING OF THE SMALL BUSINESS SUBCOMMITTEE ON GOVERNMENT
PROGRAMS AND THE VETERANS AFFAIRS SUBCOMMITTEE ON EDUCATION,
TRAINING AND EMPLOYMENT OF THE U.S. HOUSE OF REPRESENTATIVES

JULY 31, 1996
WASHINGTON, D.C.

**WRITTEN TESTIMONY OF JOHN K. LOPEZ
TO JOINT HEARING OF THE SMALL BUSINESS
SUBCOMMITTEE ON GOVERNMENT PROGRAMS
AND THE VETERANS AFFAIRS SUBCOMMITTEE
ON EDUCATION, TRAINING AND EMPLOYMENT**

OF THE OVER 43 MILLION DISABLED PERSONS (DP) IN THE UNITED STATES, 2.6 ARE DISABLED VETERANS (DV). OF THAT NUMBER, 2.2 MILLION ARE SERVICE CONNECTED DISABLED VETERANS (SDV); THAT GROUP OF PERSONS DISABLED WHILE PROTECTING THE INTERESTS OF THE FREE WORLD'S CITIZENS.

ALTHOUGH THE GOVERNMENTS OF THE FREE WORLD ARE QUICK TO EXPOSE AMERICAN VETERANS TO DEATH, DISABILITY AND TORTURE, THEY ARE NOT SO RESPONSIVE WHEN REQUESTED TO INDEMNIFY AND REHABILITATE THOSE THAT HAVE SACRIFICED FOR THEIR WELL BEING.

OVER 635,000 MEN AND WOMEN HAVE DIED IN THE WARS OF THE UNITED STATES OF AMERICA, INCLUDING 17,034 WHO DIED IN PRISON CAMPS AND AN ESTIMATED 10,414 PERSONS THAT REMAIN CLASSIFIED AS MISSION IN ACTION/PRISONERS OF WAR. AN ADDITIONAL 343,000 VETERANS HAVE SUBSEQUENTLY DIED FROM THEIR SERVICE DISABILITIES.

THE SURVIVING 28 MILLION VETERANS OF OUR NATION INCLUDES OVER 100,000 WHO WERE PRISONERS OF THE WARS AND 2,100,000 WHO WERE DISABLED IN SERVICE (SDV).

AS THE PRODUCTS OF DIRECT AND DELIBERATE ACTIONS OF OUR GOVERNMENT, THESE 2.2 MILLION SERVICE DISABLED VETERANS ARE ENTITLED TO UNIQUE INDEMNIFICATION.

“VETERANS HAVE BEEN OBLIGATED TO DROP THEIR OWN AFFAIRS AND TAKE UP THE BURDENS OF THE NATION, SUBJECTING THEMSELVES TO THE MENTAL AND PHYSICAL HAZARDS AS WELL AS THE ECONOMIC AND FAMILY DETRIMENTS WHICH ARE PECULIAR TO MILITARY SERVICE AND WHICH DO NOT EXIST IN NORMAL CIVIL LIFE.

“OUR COUNTRY HAS A LONG-STANDING POLICY OF COMPENSATING VETERANS FOR THEIR PAST CONTRIBUTIONS BY PROVIDING THEM WITH NUMEROUS ADVANTAGES. THIS POLICY HAS ALWAYS BEEN DEEMED TO BE LEGITIMATE.”

(Supreme Court Justice William H. Rehnquist in a decision reaffirming the special rights of veterans, May 23, 1983)

IN ONE AREA OF OPPORTUNITY, ACCESS TO PARTICIPATION IN THE NATION'S ECONOMIC SYSTEM THROUGH SMALL BUSINESS OWNERSHIP, THE SERVICE DISABLED AND PRISONER OF WAR VETERANS OF THE UNITED STATES HAVE BEEN THE VICTIMS OF DISCRIMINATION.

DISABLED PERSONS ARE TWICE AS LIKELY TO BE IN BUSINESS AS NON-DISABLED PERSONS , YET THEY ARE NOT A PRIORITY ASSISTANCE POPULATION, IN THE PROGRAMS OF THE U.S. SMALL BUSINESS ADMINISTRATION (SBA).

“DISABLED WORKERS WERE ALMOST TWICE AS LIKELY TO BE SELF-EMPLOYED AS WERE MEMBERS OF THE NON-DISABLED POPULATION. FINDING IT DIFFICULT TO SECURE GAINFUL EMPLOYMENT FROM OTHERS, PERSONS WITH DISABILITIES MAY ELECT TO BECOME SELF-EMPLOYED. DISABLED WOMEN WERE SELF-EMPLOYED TWICE AS OFTEN AS WERE NON-DISABLED WOMEN; 10.8% VERSUS 5.3% AMONG MEN, 16.8% OF DISABLED PERSONS AS AGAINST 10.1% OF NON-DISABLED INDIVIDUALS WERE SELF-EMPLOYED.”

(U.S. Bureau of the Census, Presidents Committee for the Employment of the Disabled)

NEW MEDICAL ADVANCES IN PROSTHETICS, MEDICATIONS AND CARE TECHNIQUES HAVE NOW MADE IT POSSIBLE FOR SERVICE DISABLED AND PRISONER OF WAR VETERANS (SDV) TO PURSUE AND ENHANCE THEIR REHABILITATION BY BEING OWNERS AND MANAGERS OF SMALLER BUSINESSES.

THE 2.2 MILLIONS SDV VETERANS OF THIS NATION ARE ENTITLED BY LAW TO REHABILITATION BENEFITS; NOT SUBJECT TO SCRUTINY AND DIRECTED TO SPECIFIC AND ADJUDICATED INDIVIDUALS FOR THE COMPELLING INTERESTS OF THE GOVERNMENT; THAT IS, TO MAINTAIN THE LOYALTY AND PATRIOTISM THAT

PRESERVES THE INTERESTS OF THE UNITED STATES OF AMERICA. ^{ALTHOUGH} SDV ARE NOT A PRIORITY IN THE PROGRAMS OF SBA, THE SBA PLAYS A CRITICAL ROLE IN THE SUCCESS OF SDV THAT ARE PURSUING AND MAINTAINING THEIR REHABILITATION AS OWNERS AND OPERATORS OF SMALLER BUSINESSES (SDVB).

THE DIRECTION OF ASSISTANCE LEGISLATION HAS BEEN THAT THE SBA BE THE AGENCY THAT DETERMINES SMALL BUSINESS ELIGIBILITY AND BENEFITS. THOSE AGENCIES OR THE FEDERAL GOVERNMENT THAT WISH TO PROVIDE NECESSARY SPECIAL BUSINESS ASSISTANCE TO SD V ARE DIRECTED BY LEGISLATION TO CONFORM TO THE DETERMINATIONS AND GUIDELINES OF THE SBA.

THE U.S. DEFENSE DEPARTMENT, THE FEDERAL AGENCY THAT "CREATED" THE SERVICE DISABLED AND PRISONER OF WAR VETERAN HAS ABSOLVED ITSELF OF RESPONSIBILITY FOR THE ASPIRATIONS OF THESE SDV. IT HAS DIVERTED ACTION ON THEIR BEHALF TO THE U.S. DEPARTMENT OF VETERANS AFFAIRS (DVA). THE DVA HAS DECLINED TO SUPPORT AND IMPLEMENT LEGISLATION ASSISTING SDV TO PURSUE SELF-EMPLOYMENT IN A SMALL BUSINESS (*Veterans Benefits Act 38 USC 1517*). THE DVA HAS INSTEAD FURTHER REFERRED THAT RESPONSIBILITY TO THE U.S. SMALL BUSINESS ADMINISTRATION (SBA).

ALTHOUGH THE AMERICANS WITH DISABILITIES ACT (ADA) CODIFIES THAT "THE DISABLED, AS A GROUP, ARE TO BE CONSIDERED SOCIALLY, ECONOMICALLY,

EDUCATIONALLY AND VOCATIONALLY DISADVANTAGED," THE FEDERAL AGENCIES CHOOSE TO IGNORE THAT INTENT OF CONGRESS.

IN PROGRAM ADMINISTRATION, THE SBA HAS IGNORED ADVOCACY FOR DISABLED VETERANS' PROGRAMS. IN THE JULY 14, 1994 REPORT OF THE RECOMMENDED "SMALL BUSINESS AND MINORITY SMALL BUSINESS PROCUREMENT OPPORTUNITIES ACT OF 1994" (H.R. 4263) THE HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS CLEARLY STATED THAT "THE COMMITTEE NOTES, WITH RESPECT TO THE SEVERELY DISABLED, THAT SOME AGENCIES, INCLUDING SBA, BY REGULATION; E.G., FOR THE PROGRAM UNDER SECTION 8(a) OF THE SMALL BUSINESS ACT, HAVE IDENTIFIED 'DISCRIMINATION' AS THE ONLY TYPE OF SOCIAL DISADVANTAGE THEY WOULD RECOGNIZE. THE COMMITTEE DOES NOT AGREE WITH THIS OVERLY NARROW INTERPRETATION AND WANTS TO EMPHASIZE THAT SEVERE DISABILITY IS A SOCIAL DISADVANTAGE IN ITSELF, WHETHER OR NOT IT HAS BEEN ACCOMPANIED BY DISCRIMINATION."

THE SBA NOT ONLY IGNORES THE U.S. CONGRESS BUT ADDITIONALLY, THE SBA HAS REQUESTED THAT THE U.S. CONGRESS DISCONTINUE DIRECT LOANS TO THE "HANDICAPPED" AND "VETERANS." GIVEN THE ESTABLISHED AND LEGAL RIGHT OF PRIVATE LENDERS TO REFUSE LOANS TO OBVIOUS AND EXTRAORDINARY RISKS, SUCH AS SERVICE DISABLED VETERANS, THAT DISCONTINUANCE WOULD REMOVE THE LAST SOURCE OF REASONABLE FINANCIAL ASSISTANCE TO THE SDV.

FOR EXAMPLE, OF THE 40,488 OF THE FISCAL YEAR 1994 SMALL BUSINESS LOANS MADE NATIONWIDE BY THE U.S. SMALL BUSINESS ADMINISTRATION (SBA) ONLY 3 WERE TO SERVICE DISABLED VETERANS. ALSO, SBA DOES NOT OFFER 8(a) CONTRACT PROCUREMENT ASSISTANCE AND OTHER "EXCEPTIONAL" BENEFITS TO SDV AS A GROUP, ALTHOUGH IT DOES SO FOR SELECT ETHNIC AND RELIGIOUS GROUPS. OF 1 994 PARTICIPANTS IN THE 8(a) PROGRAM NONE (0) ARE SERVICE DISABLED VETERANS.

SADLY, A SURVEY OF NINE (9) OTHER FEDERAL AGENCIES REVEALS THAT THESE ORGANIZATIONS DO NOT EVEN RECORD THE INQUIRY INCIDENCE OR AWARD SHARE OF PROCUREMENTS TO SERVICE DISABLED AND PRISONER OF WAR VETERAN OWNED BUSINESSES (SDVB) THEREBY PRECLUDING SPECIFIC TABULATED EVIDENCE OF THE LACK OF ASSISTANCE TO SDVB.

A SAMPLE INQUIRY OF 287 SDV WHO ARE STARTING OR EXPANDING A SMALL BUSINESS IN CALIFORNIA REPORTS THAT OVER 231 HAD "NEGATIVE" AND "DISCOURAGING" EXPERIENCES WHEN ATTEMPTING TO SOLICIT FEDERAL, STATE AND LOCAL GOVERNMENTS FOR EQUAL CONSIDERATION IN BIDDING FOR PROCUREMENTS.

THERE HAVE BEEN NUMEROUS EFFORTS BY INDIVIDUAL MEMBERS OF THE SMALL BUSINESS COMMITTEE AND THE VETERANS AFFAIRS COMMITTEE TO ESTABLISH

SPECIAL ASSISTANCE BENEFITS FOR SDV SINCE 1980. DRAFT BILLS HAVE BEEN SUBMITTED BY MEMBERS McDADE (*HR 1404*) AND RAMSTAD (*HR 794*) SOLOMON (*800 and 802*) AND MEYERS (*HR Draft 111093 and HR 4263 Report*) AND NUMEROUS LETTERS HAVE BEEN WRITTEN BY MEMBERS MONTGOMERY, STUMP, HEFLEY, SKELTON, SPENCE, BILIRAKIS, EVANS, J. KENNEDY II AND CHET EDWARDS REGARDING THE NEED FOR SPECIAL ASSISTANCE FOR SDV.

THESE ACTIONS HAVE STRESSED THE UNIQUE CIRCUMSTANCES OF THE SDVB NEED FOR FINANCIAL, PROCUREMENT AND TECHNICAL ASSISTANCE.

SDV WHO HAVE EXPERIENCED VIOLENT DISABILITY AND ARE SENTENCED TO LONG PERIODS OF REHABILITATION AND SUBSISTENCE LIVING DO NOT HAVE THE OPPORTUNITY TO ACCUMULATE THE NECESSARY CAPITAL NOR THE LENGTHY EXPERIENCE THAT BUSINESS RESOURCES REQUIRE, WHEN SELECTING WHAT BUSINESSES WILL RECEIVE ASSISTANCE.

AS INDICATED IN THE MASSIVE TESTIMONY THAT ACCOMPANIED THE PASSAGE OF THE AMERICANS WITH DISABILITIES ACT OF 1990, THE REVULSION AND DISCRIMINATION ACTIVE AGAINST DISABLED PERSONS, ESPECIALLY THE PRESUMPTION OF "LACK OF CAPABILITY," PREVENT THE TRADITIONAL ASSOCIATIONS NECESSARY FOR SDVB TO ACQUIRE TECHNICAL SOPHISTICATION IN THE DEVELOPMENT OF THEIR BUSINESS.

RECENT LEGISLATIVE INITIATIVES SUCH AS U.S. SENATE BILL 1711, ADDRESS THE QUANTIFICATION OF THE SDVB NEEDS AND ARE COMMENDABLE OBJECTIVES, BUT FOR THE SDVB THE WINDOW OF OPPORTUNITY IS A SMALL AND CLOSING ONE, AS DISABILITIES WAIT ON THE HORIZON TO ONCE AGAIN ATTACK THE AGING VETERAN.

RECOMMENDATIONS

THE U.S. CONGRESS MUST QUICKLY ESTABLISH A LEGISLATED PROGRAM FOR SERVICE DISABLED VETERAN BUSINESSES THAT:

- (1) CLEARLY STATES THAT ACTION AND RESULTS, NOT CONSIDERATION AND EFFORTS, ARE THE REQUIRED OBJECTIVE OF THE LEGISLATION;
- (2) DETAIL IN LANGUAGE THAT THOSE WHO SACRIFICED THEIR WELL BEING FOR THE BENEFIT OF ALL THE FREE WORLD'S ECONOMIC BENEFIT ARE THE PRIMARY PRIORITY IN BUSINESS ASSISTANCE PROGRAMS OF THE FEDERAL GOVERNMENT;
- (3) AMEND THE SMALL BUSINESS ACT TO ADD THE DIRECTIVE THAT "FOR PURPOSES OF THIS ACT, SERVICE DISABLED AND PRISONER OF WAR

VETERANS ARE CONSIDERED TO BE CONSIDERED A SOCIALLY AND
ECONOMICALLY DISADVANTAGED POPULATION AND/OR GROUP AND/OR
INDIVIDUALS."



STATEMENT

BY

EMIL NASCHINSKI, ASSISTANT DIRECTOR
NATIONAL ECONOMIC COMMISSION
THE AMERICAN LEGION

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT PROGRAMS
COMMITTEE ON SMALL BUSINESS
AND
SUBCOMMITTEE ON EDUCATION, TRAINING, EMPLOYMENT
AND HOUSING
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

ON

SMALL BUSINESS ADMINISTRATION ASSISTANCE TO VETERANS

JULY 31, 1996

STATEMENT OF EMIL W. NASCHINSKI, ASSISTANT DIRECTOR
NATIONAL ECONOMIC COMMISSION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT PROGRAMS
COMMITTEE ON SMALL BUSINESS
AND
SUBCOMMITTEE ON EDUCATION, TRAINING, EMPLOYMENT
AND HOUSING
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
SMALL BUSINESS ADMINISTRATION ASSISTANCE TO VETERANS

JULY 31, 1996

Chairman Torkildsen, Chairman Buyer and distinguished members of both Subcommittees: The American Legion appreciates having this opportunity to comment on the Small Business Administration (SBA); disabled and recently discharged veterans' needs with respect to small business assistance; and the provisions of S. 1711 which, among other things, seeks to establish a commission to evaluate federal programs that assist recently discharged veterans in their readjustment to civilian life.

Messrs. Chairmen, The American Legion salutes the Subcommittees for holding this very timely hearing. America's veterans appreciate your interest in addressing the many problems that currently exist with the assistance this country is, or is not, providing its veteran-entrepreneurs. The American Legion is prepared to work with Congress to resolve these problems.

The American Legion views small business as the backbone of this nation's economy. It has been one of the driving forces behind America's past economic growth and will continue to be a major factor as we move into the 21st century. Currently, small business is the largest employer in the country with over 30 percent of all small businesses being owned and operated by veterans.

Before commenting on The American Legion's experience with the SBA, we would like to take a moment to review the history of this country's assistance to its veteran-entrepreneurs.

The first federal entrepreneurial assistance program for veterans dates back to 1944 when Congress passed the Servicemen's Readjustment Act (GI Bill). Among other things, that monumental piece of legislation established a small business loan program for World War II veterans that was administered by the Veterans Administration (VA). The program's first eight years were so successful that Congress made it available to Korean War veterans.

In 1953 Congress passed legislation that created the SBA and provided for the transfer of the veterans' loan program to the new agency. Despite the 1974 passage of PL 93-237, which mandated the SBA to provide "special consideration to veterans of the Armed Forces of the United States and their survivors and dependents," little, if anything, was done until 1980 to initiate and promote veterans' programs.

Following enactment of PL 93-237, it was nearly two years before the regulations implementing "special consideration" were printed. Even then, nothing in the regulations established veterans as a special or priority agency concern.

During oversight hearings that were held in the House and Senate in 1980, the SBA was presumably embarrassed into taking steps to implement the law. As its first step, SBA appointed part-time Veterans' Affairs Officers in each of its district offices and gave them responsibility for providing "special consideration" to veteran-entrepreneurs. Its second step was to initiate an outreach campaign to ensure veterans were aware of their rights and to provide to them information and assistance.

Over the next few years a genuine partnership was formed between the SBA's Office of Veterans Affairs (OVA) and the veterans' service organizations (VSOs) as they worked together to develop a meaningful veterans' program.

In 1981, Congress established a task force consisting of representatives of SBA, VA, the VSOs and the Department of Labor. That task force was charged with the responsibility of thoroughly defining SBA's responsibilities to veterans and with making recommendations for future actions. In May of that year, James Sanders, the SBA's Administrator at that time, issued a policy statement that detailed the agency's mission regarding veterans.

Over the next eight years the SBA demonstrated a sincere commitment to veterans. Unfortunately, when a new Administrator was appointed in 1989, SBA's support for its OVA and its commitment to veterans evaporated. Because of that Administrator's interest in promoting other programs within the SBA, veterans were all but forgotten by the agency.

The next Administrator not only continued the policies of her predecessor, but also went so far as to refuse to reconstitute SBA's Veterans' Advisory Committee. As a result, the advocates for this country's 27 million living veterans have not had a formal voice at the agency since June of 1992. In fact, Messrs. Chairmen, every SBA Administrator since 1989 has refused to meet with representatives of the veterans' community to discuss their concerns. In all fairness, however, we must point out that the current Administrator did consent to be interviewed by an American Legion reporter. The results of that interview subsequently appeared in a 1995 issue of a Legion publication

entitled *The Dispatch*. I request that that article be made part of the record.

During the past seven years, OVA has suffered from a complete lack of resources and support while other SBA programs have flourished. Messrs. Chairmen, SBA was funded by Congress for fiscal year (FY) 1996. Tomorrow marks the beginning of the eleventh month of FY 1996. OVA received a mere \$7,000.00 to develop and run its programs during this fiscal year. As a result, OVA has been unable to accomplish anything significant with respect to its mission during FY 1996. OVA's ability to provide meaningful assistance to America's veterans during FY 1996 was further compromised by inadequate staffing.

Another problem stems from the fact that OVA has never been adequately staffed. Despite that fact, OVA's staff of six was reduced by one-third during SBA's recent reorganization.

While The American Legion fully understands the need to reduce the size of government, we question the wisdom of cutting programs that can assist Americans in finding and maintaining meaningful employment. Today, more than ever before, entrepreneurship is taking on new meaning. In view of the downsizing of the military, the reinvention of government and cutbacks by many of our national corporations, The American Legion believes this is precisely the time to strengthen programs such as OVA and not reduce or eliminate them.

Messrs. Chairmen, The American Legion finds the SBA's attitude towards this country's veteran-entrepreneurs to be intolerable and inexcusable. Furthermore, we believe it is unconscionable that a federal agency would knowingly circumvent the intent of Congress as SBA did with PL 93-237.

In your letter of July 22, 1996, Messrs. Chairmen, you stated that the purpose of this hearing was to "ascertain how federal programs and agencies are assisting veterans." With respect to the SBA, The American Legion has become so frustrated by that agency's obvious lack of interest in fulfilling its responsibility to veterans, unwillingness to implement special consideration and refusal to discuss the concerns of the veterans' community that The American Legion rescinded all of the long-standing policy resolutions mandating support of SBA.

Attached to this statement is a copy of the current resolution on OVA which was adopted last September at The American Legion's Seventy-seventh Annual National Convention. It authorizes the Legion to support any legislation or administrative proposal, up to and including moving OVA to another federal agency, that will increase and improve federal assistance to America's veteran-entrepreneurs. We respectfully request that Resolution #147 be made a part of the record of this hearing.

Messrs. Chairmen, over the last few years there has been a great deal of discussion about eliminating SBA. By virtue of Resolution #147 The American Legion will not oppose Congress if it chooses to eliminate that agency provided OVA is moved to another federal agency and is given the resources it needs to accomplish its mission.

The American Legion believes that if this country is to improve the quality of assistance that is currently being provided to veterans, OVA must be given resources to accomplish the following: outreach, entrepreneurial training, set-asides for the service disabled, a 100% loan guarantee for veterans and a program that would incorporate vocational rehabilitation into the veterans' program.

Outreach to veterans is crucial. OVA must provide outreach to all military discharge centers, VSOs, State Directors of Veterans Affairs, SBA district offices, and other such facilities, so that veterans will know what kind of programs and assistance are available through OVA. Once veterans are interested in going into small business have been identified, most will need some type of training and technical assistance.

The American Legion firmly believes the best assistance OVA can provide is entrepreneurial training. At one time OVA operated a grants program known as the Veteran Entrepreneurial Training (VET) program. Participants received training in such areas as accounting, financial management, small business law and marketing. One success story occurred a number of years ago when The American Legion of Utah and Weber State University obtained a \$91,477 grant from SBA to provide VET training to 50-70 Utah veterans.

Representatives of seven different lending institutions attended the VET graduation ceremony. They were so impressed with graduates' business plans that all of those veterans received the loans they needed to get their businesses off the ground.

Another program should be a government set-aside program for service-connected veterans. That program should be modeled on the set-aside program that currently exists for minority businesses.

Currently, the percentage of guarantee on veterans' small business loans fluctuates between 85-90 percent. The American Legion believes the guarantee amount should be raised to 100 percent. Such an increase would make loans to veteran-entrepreneurs more attractive to lenders.

Since disabled veterans are twice as likely to go into business as non-disabled veterans, The American Legion believes OVA must form a strong alliance with the VA's Vocational Rehabilitation and Counseling Service. Currently, there is no structure for

providing entrepreneurial and loan assistance for veterans who have graduated from this VA program.

Messrs. Chairmen, The American Legion has reviewed the provisions of S.1711, which seeks to establish a commission that will review efficiency and effectiveness of veterans' transitional and assistance programs; evaluate proposals to improve those programs; and make recommendations to Congress on improving those programs. The American Legion fully support the intent of this bill.

Thank you for holding this timely hearing and for allowing The American Legion to comment on America's small business assistance to veteran entrepreneurs. We look forward to working with both Subcommittees on correcting the problems discussed today.

attachment

SEVENTY-SEVENTH NATIONAL CONVENTION
OF
THE AMERICAN LEGION
INDIANAPOLIS, INDIANA
SEPTEMBER 4,5,6, 1995

RESOLUTION NO.: 147

SUBJECT: SUPPORT EFFORTS TO INCREASE AND IMPROVE
FEDERAL ASSISTANCE TO AMERICA'S VETERAN-
ENTREPRENEURS

WHEREAS, Federal assistance to America's veteran-entrepreneurs dates back to the passage of the Servicemen's Readjustment Act of 1944; and

WHEREAS, That legislation established a small business loan program for World War II veterans that was to be administered by the Veterans Administration; and

WHEREAS, The first eight years of that program were so successful that Congress later opened it to Korean War veterans, and

WHEREAS, In 1953 Congress passed legislation that created the Small Business Administration (SBA) and provided for the transfer of the veterans' loan program to the new agency; and

WHEREAS, Despite the 1974 passage of PL 93-237, which mandated the SBA to provide "special consideration to veterans of the Armed Forces and their survivors and dependents," little has been done by SBA to fulfill that mandate or to promote its veterans' programs, and

WHEREAS, In spite of a lack of resources and support, SBA's Office of Veterans' Affairs (OVA) has, in recent years, made a valiant effort to meet its mission and continue an ongoing dialogue with the veterans' community; and

WHEREAS, During SBA's recent reorganization, OVA's staff was reduced from six to three, and

WHEREAS, That reduction in staff has seriously compromised OVA's ability to provide effective and efficient services to America's veteran-entrepreneurs; and

WHEREAS, The American Legion views the reduction in OVA's staff and the elimination of its field staff as yet another indication of SBA's total lack of concern for veterans; and

WHEREAS, Congress has drafted a discussion bill which provides for transferring OVA to the Department of Veterans Affairs (VA) and combining it with that agency's Office of

Small and Disadvantaged Business Utilization, thus creating the Veterans' Entrepreneurial Business Service; and

WHEREAS, The American Legion believes that such a move would improve OVA's ability to provide entrepreneurial services to veterans; now, therefore, be it

RESOLVED, By The American Legion in National Convention assembled in Indianapolis, Indiana, September 4, 5, 6, 1995, that The American Legion fully supports any legislative or administrative proposal that would increase and improve federal assistance to America's veteran-entrepreneurs

This Is Not Your Father's SBA

Owners of small businesses are the backbone of the U.S. economy – and many are veterans. The Small Business Administration can help them realize their share of the "American Dream," says the head of that agency.

Owning one's business always has been part of that vast spectrum of the so-called "American Dream." But small business is anything but small. Today, small business in America appears to be big business, with more than 21 million small businesses in operation. That's where the Small Business Administration comes in.

The SBA has a secondary mission and that is to serve as an advocate, coordinating with other federal agencies and the Congress to provide opportunities for small-business owners. And like some of the federal government, the SBA still promotes its many roles, but also is changing the way it operates under its new administrator, Philip Lader.

Lader is a former deputy director of the Office of Management and Budget and part of the team Vice President Al Gore has led in the reinventing government initiative. Lader, who hails from South Carolina, has a diverse background in business, law and education.

An Army veteran, Lader oversees a variety of programs, including government contract procurement, disaster relief and counseling for small-business owners. The SBA also provides direct loans for qualified applicants and guarantees loans made to small businesses by private lending institutions.

Lader's office also is responsible for ensuring that veterans get a fair deal in the small business landscape – but that may change somewhat in the wake of reinvention within the SBA. He recently was interviewed by DISPATCH editor Joe Stuteville on the programs SBA offers to veterans and non-veterans. Following are excerpts from the interview:

DISPATCH: About 60 percent of the American workforce is employed by small businesses. Yet, you look at the statistics and see that up to 40 percent of businesses are destined to fail. Why do they fail?

PHILIP LADER: Let me correct a couple of points in this area. There are 21 million small businesses in America and they employ one out of every two workers in the workforce. They generate 44 percent of the gross domestic product. Businesses range from highly successful muffin shops to software development firms, from barber shops to sophisticated research organizations. The point of entry for many is sole proprietorship and there many reasons for one to recognize why not to continue in business. Sometimes an individual may only be testing the waters. It's hard to figure out that a third of new businesses will fail or are destined to fail. In fact, a recent *Wall Street Journal* article pointed out that the staying power of small businesses is stronger and the rate of bankruptcies is lower over the last year. It's a very healthy environment for small businesses today and the SBA is seeing an unprecedented demand for assistance.

DISPATCH: What particular areas are growing?

LADER: Across the board. Retail, farm products, high tech. There are several reasons for this. One, there's a downsizing of major corporations, so there are more individuals looking to go into business. Second, we have a very healthy economy. More than 6.5 million new jobs have been created the last two years, compared to the 2 million in the previous four years. We're also seeing a phenomenally high number of women and minorities owning their own small businesses. Finally, the entrepreneurial spirit is alive and well in this country.

DISPATCH: You mention more women and minorities are entering the small business field. How about veterans?

LADER: As a former sergeant in the U.S. Army, I take a particular interest in this area. Veterans account for one-fourth of all SBA-backed loans. We're a splendid example of

What's available

The Small Business Administration offers various programs to help those wanting to start or further develop their own businesses. For more information, contact the SBA at (202) 205-6744

- Veterans Entrepreneurial Training, procurement, Transition Assistance Program
- Financial assistance for Vietnam-era and disabled veterans, direct and SBA-backed loans, microloans, loans for minorities and women
- Counseling at Small Business Development Centers and Service Corps of Retired Executives (SCORE)
- Export Working Capital Program, U.S. Export Assistance Center
- Disaster assistance to businesses with physical damage or economic injury

Source: Small Business Administration

public-private partnership and have more than 7,000 bank partners who lend their own capital to individuals. The decisions are not made by us bureaucrats, but by private lenders using private capital. We have 900 small business development centers around this country operating at community colleges and public universities.

They are doing the principal education and training for small business owners, and a high percentage of them are veterans. We offer real rubber-meets-the-road experience. We are encouraging growth in all areas, whether it's veterans, women or minorities. Since 1992, we have more than doubled the number of loans approved by the SBA yet the costs to taxpayers have gone down. I challenge any other federal agency to show how they compare.

DISPATCH: What is the default rate on the loans backed by the SBA?

LADER: We have a \$23 billion loan-guarantee portfolio with only a 1.3 percent default rate. Many commercial banks would like to have that loss rate. Ninety percent of our loan paybacks



—

"It's hard to figure out that a third of new businesses will fail or are destined to fail ... It's a very healthy environment for small businesses today."

PHILIP LADER
SBA Director

—

(loan payments made within 30 days of due dates) are current.

DISPATCH: It sounds as if the SBA's loan guarantee program is tailored similarly to the VA's home loan guarantee program.

LADER: Anything from the government that can place more reliance on the private sector is probably to our advantage. We ensure the mechanism is in place for the kind of financing needed by small-business owners.

DISPATCH: Could you elaborate on some of the issues that surfaced from the recent White House Conference on Small Business?

LADER: There was some surprise as to how much has been done for small businesses in the last two years. In fact, a number of issues were addressed during that week (mid-June). One of the recommendations calls for pension reform. The president has sent to the Congress a plan to reduce the paperwork for pensions, and if passed, small businesses could set up Individual Retirement Accounts to be managed by their employees so that the employer doesn't have to become an investment manager.

Secondly, the conference called for major regulatory and paperwork reduction. We're looking to put more common sense back into the regulatory aspects of small business. By year's end, SBA will cut in half the regulations governing the SBA. Another concern is in foreign trade. Small businesses traditionally have not looked abroad, but there's now a great hunger for international trade opportunities.

The most popular recommendation that came about in the conference was the concern over balancing the budget. We have agreement between the president and the Congress that this must be done, it's all a matter of timing: the president wants to do this within 10 years and the Congress wants to do it in seven.

DISPATCH: How does the process of balancing the budget affect the SBA?

LADER: Since 1982, when the Reagan administration tried to eliminate the SBA, we've had a 400 percent increase in the volume of loans approved by the SBA and a 25 percent reduction in employees in the corresponding period. Six months ago, there was active discussion about closing us down again, but now the debate seems to be focused on other agencies. I think there is strong, bipartisan-partisan support for the SBA. This is a new SBA. Many of the criticisms we hear today are really about the way we used to operate—but this is not your father's SBA.

There is an SBA nobody knows, that has touched millions of veterans. We operate as a government disaster bank. We make loans for personal property and residential losses for disaster victims. For example, in 1994 we made \$3.9 billion in loans to 120,000 families who were victims of the Los Angeles earthquake. We've made loans for floods in the Midwest and South; loans in South Carolina to those affected by Hurricane Hugo. We are making loans to people who had losses related to the bombing in Oklahoma City.

DISPATCH: You served with Al Gore on the National Performance Review group to reinvent government. What ways are you reinventing the SBA?

LADER: Let me tell you some things that have been done already. We're doing away with voluminous paperwork for loan applications less than \$100,000. We've got the application down to one page. We're getting out of the technical training and education side of the business, letting retired business executives and small business development centers handle these things. These are just a couple of examples of ways the SBA is improving service to the people it deals with.

DISPATCH: The SBA's Office of Veterans Affairs staff late last June was cut in half. Was this part of SBA's reinvention program and what effects will it have on veterans' programs and services offered through your agency?

LADER: We are working with the Department of Labor's employment and training staff to develop training for about 1,600 Local Veterans Employment Representatives and 1,900 Disabled Veterans Outreach Program specialists, who work with veterans daily and who can be sources of referral to SBA field offices and resource partners. We plan on expanding this concept to include state and local veteran service providers, making our effort a true public-private partnership. □

SBA staff cuts 'sad'

The American Legion says the recent elimination of positions within the SBA's Office of Veterans Affairs and plans to do away with full-time counselors at SBA regional offices is a bad business.

Says James Hubbard, director of the National Economic Division in the

Legion's Washington office: "While we find it laudable the SBA is developing networks with the Department of Labor's Veterans Employment and Training Service within the states, the Legion finds it very sad the SBA appears to be terminating what has been a valuable program in helping this country's veterans start small businesses."



S. D. V. S.

San Diego Veterans Services, a California 501(c)(3) Non Profit Corporation

135 W. Mission, Suite 106 • Escondido, Ca. 92025 • (619) 738-8558

Executive Committee

Robert Sniffen
Chairman of the Board
Gary Atchison
C. F. O. / Center Director
Jack Tauf
SDVS Secretary
Joni Hagan Cosgrove
Legal Coordinator

Advisory Board

Randy "Duke" Cunningham
*U.S. House of Representatives
Armed Forces Committee*
Bob Filner
*U.S. House of Representatives
Veterans Affairs Committee*
Thomas Burch, Jr.
*Chairman
National Vietnam Veterans Coalition*
Elmer Cameron
Escondido Mayor Pro Tem
Margaret Ferguson
*Former National President
Gold Star Wives of America*
Tom Connolly
*Former Calif. State Assemblyman
Chair Veterans Affairs Committee*
Jim Felix
Businessman / Escondido Kiwanis
Greg Izor
Point Man Ministries
Gary Craven
*S.D. County Board of Supervisors
Veterans Affairs Committee*
Edward J. Scheer
Employment Issues Advisor
Bryan Bryant
Homeless Veteran Representative
Steven Smith
*Publisher
American Veterans Newspaper*
Terry Harris
Veteran Organizations Liaison
Bennie Williams
*Submariners of WWII
Legislative Coordinator*
Dan Gouth
Housing Coordinator

TESTIMONY OF

**ROBERT A. SNIFFEN, CHAIRMAN
SAN DIEGO VETERAN'S SERVICES
ESCONDIDO, CALIFORNIA**

**DANIEL GOUGH, VETERAN
BUSINESS OWNER
PRESIDENT, SPECTRUM PROPERTIES
OCEANSIDE, CALIFORNIA**

**MAJOR TERRY M. SHEPARD
VETERAN BUSINESS OWNER
PRESIDENT, NORTH AMERICAN
INTERNATIONAL TRAINERS
CARLSBAD, CALIFORNIA**

**BEFORE A JOINT HEARING OF THE
U.S. HOUSE OF REPRESENTATIVES**

**SMALL BUSINESS SUBCOMMITTEE
ON GOVERNMENT OPERATIONS
AND
THE VETERAN AFFAIRS SUBCOMMITTEE ON EDUCATION,
TRAINING, EMPLOYMENT AND HOUSING**

JULY 31, 1996

Good morning, Mr. Chairman and members of your subcommittees:

I am Robert Sniffen, Chairman of the Board of Directors for a California 501 (c) (3) non profit group that provides direct assistance to veterans of all eras. Our projects cross the spectrum of homelessness to small business issues.

I am accompanied today by Mr. Daniel Gough, a decorated Vietnam veteran with twenty-six missions in less than eighty days, and Major Terry Shephard, a cobra attack helicopter pilot who served missions during the Persian Gulf conflict. Both men are real, live veteran business persons involved with the SDVS "Prosperity For Veterans" business project. Both men have contributed extensively to this testimony today, and are indeed available if you choose to present them with questions.

Congressman Torkildsen, you are a man true to your word. In the month of May of this year, you committed to hold this very hearing. You are to be commended, not only for bringing this hearing about, but because you have done so with lightening speed and dispatch.

Congressman Buyer, in the short time within which you have served as chairperson for the subcommittee, you have demonstrated the same nonpartisan spirit for the issues, needs and concerns of veterans that is part of the history and tradition of the Veteran Affairs Committee. You too, sir, are to be commended.

Gentlemen, please extend our appreciation to your fine staff members.

Realizing the time constraints of today, and further, to avoid dwelling on past government failures, I request submission of several important historical documents that collectively will provide a sense of why, after two decades, it is clearly necessary for those of us present to be in attendance today.

A reasonable summary of the past two decades is that of delays, denials, broken promises, lack of commitment, and exaggeration of numbers and services. As it is with all issues, justice delayed is justice denied.

The sad, shameful but moreover true fact of the matter is that veteran business owners have never received full measure from the Small Business Administration, as well as from any Federal agency. For those interested in the details of this assertion, we would refer them to the April 15, 1995 report entitled The Status of Veterans as Small Business Owners, authored by SDVS, and our most recent testimony presented to Mr. Buyers' subcommittee on August 2, 1995.

These documents and others we have presently submitted for the record, will illuminate the abysmal performance of the SBA over the years. There has been an insidious and massive wall of resistance by SBA officials, and others, preventing the granting of rightful recognition of Veteran Business Owners as a legitimate and worthy SUBSET of this nation's small business community.

While the Good Lord decides the race and gender of the many currently deemed by government to be worthy of assistance from governmental business programs, veterans are the one and only group actually created by government.

Veterans as small business owners are also the very group that has been denied full access to the Free Enterprise system they fought to protect, enabling all citizens to prosper.

This group, veterans, who demonstrate a history of contributing to the precepts of Democracy, Free Enterprise and Capitalism must not be denied equal access and moreover, must be given the opportunity to a fair share of the American Dream to own and operate their own businesses. Unfortunately for Veteran Business Owners, that dream appears to be more accurately a nightmare.

Many attempts by previous Congresses to press SBA to higher performance levels of assisting Veteran Business Owners have fallen short by the parade of SBA Administrators who perceive veteran business issues as a nuisance rather than a vital community.

If this Congress sincerely wishes to take action to reverse this historical "Benign Neglect," then we ask you to consider implementation of the following key recommendations.

o No effort will ever succeed unless, and until Congress amends the policies of exclusion – to one of inclusion – across the Federal agency spectrum. This Congress can and must design a new

National policy that mandates all Federal agencies to follow standards set forth by your committees.

This singular action will cease the lengthy debate as to whether or not veteran business owners are a rightful and valid group also deemed worthy of inclusion in current and future governmental business assistance programs.

While the SBA will surely present a colorful picture, especially on loan numbers, the only agency with a decent record of assistance to Veteran Business Owners, in the vital area of procurement, is the Department of Veterans Affairs. In the past decade, the DVA has contracted out to purchase over one billion in products and services from Veteran Business Owners.

o Thus, our second key recommendation involves a specific Federal Government Procurement Policy for Veteran Business owners mandated by law and implemented by all Federal agencies. It is important to know that no singular Federal agency, especially one as small as the SBA should have sole responsibility to implement a national procurement policy. At one time, some of us called for a Section 8 (v) (similar to Section 8 (a)). It is not our intention to support such a concept that labels veterans as socially, or economically disadvantaged.

Most existing Veteran Business Owners do not require or desire loans. They do believe they can compete and succeed at selling their products and services if only they could be screened into the current procurement needs and services of the Federal government. These are the same procurement services readily available to other special consideration groups. In establishing a National Procurement Policy affecting veteran owned businesses, we do recognize that disabled veterans should have additional priority over other veteran business owners. In short, if veterans were provided equal opportunity and consideration that is currently available to the other special consideration groups, those groups and the nation's economy will prosper. It may be that an amendment within the Federal Acquisition Streamline Act is required. If agencies such as the DOD General Services Administration, and the myriad of other Federal agencies like NASA can have a set goal of 5% for women and minorities, then at least the identical treatment should be available to Veteran Business Owners.

The foregoing recommendations alone would give veteran businesses their rightful due without any great addition in costs or

resources in staff and/or agency budgets. Deductive reasoning dictates that Veteran Business Owners would indeed prosper under an institutionalized and standard commitment that cuts across all Federal agency boundaries.

Other recommendations include:

- o Establishment of an interagency task at the Secretary level to review and implement required change to Federal agency policies with the end result being "Inclusion" of all Veteran Business Owners in all existing programs at each specific agency.

- o On the basis of the minuscule nature of the SBA, the burden of assisting veterans must be shared by agencies such as the DOD, DVA and the U.S. Department of Commerce. It is unconscionable that somehow a massive agency as Commerce has escaped involvement of veteran business assistance efforts. Specifically, the Economic Development Administration must be required to design and implement "equal consideration policies. Other divisions, such as Export and International Trade could have an extremely positive impact on the future fortune of veteran businesses. This will only occur if Congress directs Commerce to do so.

- o It is imperative that a National Veteran Business Advisory Council/Committee be created and therefore empowered to oversee and assist implementation of any newly created governmental commitment to our Veteran Business Owners.

- o Congress must ensure that veteran businesses are given representation on existing Councils such as the minority and women's business groups at the SBA, Commerce and other Federal agencies.

- o The DVA, Commerce and the SBA could share equal responsibility as a "triad" to ensure implementation of veteran business policies within their respective agencies and across all other Federal agencies. The Secretaries of the DVA, Commerce and SBA must, and we repeat: **MUST!** be held accountable if Congressional mandates enacted now are not upheld.

- o Another worthy and long reaching positive impact on Veteran Business Owners would result were we able to reverse the current negative, but prevailing perception that loans to veteran owned businesses are somehow "riskier" than another business loan made

otherwise. This very misguided conclusion that exists amongst the nation's banks is tantamount to a glass ceiling obstacle/barrier that is unwarranted and in large part, untrue. This fact was more than illuminated at a March 1993, hearing before the Veterans Affairs Subcommittee, currently chaired by Congressman Buyer.

Mr. Frederick O. Terrill, Managing Director of First Boston Corporation that is a large international investment firm providing asset related investment services to banks, thrifts and including Federal agencies, specifically testified that this same perception is a factual reality. Mr. Terrill did not provide any insights as to his contentions, only that he knew from experience that a negative perception regarding veteran business loans exists amongst the banks/financial institutions, investors and small business venture capitalists.

To reverse this very real and particular obstacle, once again, it will require specific instruction, outreach and a strong Congressional mandate under a national policy of inclusion. This must happen before veterans will receive equitable treatment from funding institutions of our financial loan systems.

o Amend the Small Business Act, or forge other legislation that places veterans issues on the agenda of any future White House Conferences On Small Business. In spite of support from many in Congressional entities on both sides of the aisle as well as strong action on the part of major veteran organizations, the Clinton Administration, under the direction of one Mr. Marc Schultz, Executive Director of the 1996 WHCSB, adamantly refused to include the issues, needs and concerns of Veteran Business Owners.

Mr. Schultz reasoned that inclusion of veterans' issues would have been "DISRUPTIVE to the needs of women and minorities." We have given him and the Clinton Administration the enlightenment that many veterans are women and minorities, etc., of every ethnic background.

The failure of Clinton's Administration to include veterans at this vital small business conference is prima facie evidence that Congress must mandate such an action for all future White House conferences.

In fact, last week, Presidential candidate Bob Dole promised while at several campaign stops featuring women owned businesses, to hold a White House Conference On Small Business for the purpose of improving the conditions affecting women owned businesses. Of course,

we would encourage our Republican Congress and party to ensure that veteran businesses are not uninvited guests, but would enjoy full inclusion then, and at any future conferences such as this - as a matter of Congressional mandate and law.

Mr. Chairman, we have been specifically asked to comment on S 1711 previously introduced by then Senator Bob Dole, on April 29, 1996.

To this end, our organization in collaboration with others, provided data, research and support for this legislation that could impact the transitional needs of military personnel, as well as recently discharged veterans within all aspects of the process, including small business issues.

Therefore, SDVS fully supports S 1711 as it exists to this date, without amendment. The primary reason that this legislation may assist in the very complex transition from military to civilian life is the short term nature of the Commission in evaluating Federal government programs that do assist, or could assist in the aforementioned adjustments to civilian life.

S 1711, if enacted, would establish a commission that must report back to Congress within nine (9) short months following establishment of this commission.

For the generations of veterans denied equal treatment amongst "special consideration" governmental business assistance efforts, it will be a small measure of relief and assurance that their younger brothers, sisters, sons and daughters would be provided equal consideration they have been denied, but is enjoyed by other special consideration groups.

How is it that we, who have been short sheeted in the past, not support S 1711? Reasonable Veteran Business Owners and the parents of today's active duty military members do in fact lend their support to this significant piece of legislation.

The Commission on Service Members and Veterans Transition Assistance will certainly do a fine job if it draws on the experience of the major veteran organizations, such as the Veterans of Foreign Wars, the American Legion, Disabled American Veterans, Vietnam Veterans of America, etc.

Yet, such an effort must also include the small community based veterans groups such as the William C. Joiner Center led by Dr. Paul Camacho, the very person responsible for today's hearing. There are literally hundreds of these CBO's with vast knowledge and expertise to S 1711's goals and purposes. Most certainly, SDVS stands ready to provide vast knowledge and expertise on small business issues for this monumental task at hand.

In reference to S 1711, SDVS states "Let us pass this bill with all due dispatch and diligence, and get on with the task." We say, "Get on with this task, we say do it now, and complete the implementation of the necessary recommendations by this time next year."

Future veterans deserve no less from the veterans who have been left off of the business/economic agendas of the past.

At the same time, Mr. Chairman and members of this subcommittee, S 1711 is a counterpoint to our claims of neglect of the needs of Veteran Business Owners who are long past the military transition process.

We recognize that any effort that supports veterans in initiating or expanding their claim for a piece of the economic pie of the American Free Enterprise system is better than crumbs, or no pie at all.

SDVS cautions that S 1711 should not be considered an alternative to assisting today's crop of veteran business owners, nor an impingement on the key recommendations put forth by SDVS and our colleagues present today, or other outstanding recommendations for your consideration that can positively impact all veteran business owners, their employees and their families, on behalf of our nation's four million veterans.

One final observation: surely you desire to know if there are budget costs attached within our recommendations. I believe S 1711 is a minimal cost figure against the backdrop of massive military downsizing and base closures. The new veterans will go from the military pay line to the unemployment line, to becoming "at risk" citizens socially and economically if we do nothing. To do nothing will entail much larger costs down the line, to say nothing of the continued denial of veteran earned entrepreneurial, and other, opportunities.

Most of the SDVS recommendations put forth within this testimony should add little, if any, significant budget costs. Some may require temporary transfers of staff from one agency to another. Some officials may be required to take on additional assignments, and you may or may not need to add a few staff members here and there. Thus, enabling implementation of the government's Congressional mandates. It is our hope that you will enact S 1711.

SDVS has a financial request to hereby submit. We believe that if the DVA should be given mandated assignment to conduct outreach programs that inform and educate veteran business owners regarding procurement contracting opportunities, and other existing information for entrepreneurs and education & training programs needed for any successful business venture.

Regardless of which Federal agency receives such outreach training mandates, there is a price tag. SDVS requests that three million (\$3,000,000.00) per year be allocated to either the DVA, a first choice, or secondly Commerce, with the last choice being the SBA.

We do not consider this amount excessive, nor government largess. We do view the budget of fifteen million dollars a small dollar investment similar to the GI Bill, which incidentally provided an eight dollar (\$8.00) return to the U.S. Treasury for each one dollar (\$1.00) investment. Surely the GI Bill was one of America's most major investments of all time.

We realize that the next question to follow is one of budget offsets. Where do we cut the budget to offset these funds?

In the views of lay persons like us, the answer is simply one less B1 Bomber built, cease funding the needs of other countries or make a cut just about anywhere. My personal suggestion is to cut 15 million dollars from the reported 135 million, or more, allocated to Commerce as a set aside for mega-giant corporations for the advertisement of THEIR products in other world overseas markets.

While fully realizing the economic benefits fueling world wide market production, the budget process we must all abide with calls upon us to determine priorities. The choice remains simple: World wide job markets created by Coca Cola, Pepsi and other mega-corporations that benefit citizens in other countries, or perhaps a smaller slice of this

priority would surely benefit our veteran business owners here at home, as well as benefit world markets from a similar perspective.

Fifteen million dollars (\$15,000,000.00) in budget shifts could go a long way to providing long delayed and denied community based opportunities economically to veterans. Veteran Business organizations should be granted priority in any grant application process to conduct outreach and model demonstration projects, to deliver those services, and be the informational source to veterans on local levels.

In conclusion, without appearing demanding, please do something! In fact, please do anything! Anything that will change the well demonstrated winds, and provide a commitment to this most deserving, unrecognized resource of contributors to our survival as a nation hereto now, as well as our very future. As Veterans, as Business Owners, **THEY DESERVE NO LESS.**

Simply put, an investment in the future success of our veteran business owners is an investment toward all small business owners, including the future economic fortunes of our great democracy and it's Free Enterprise System, which oddly enough to veterans, is not free at all!

SDVS expresses its sincere appreciation for the opportunity to present these views before the August body of elected representatives whom we believe assume charge of representing us., your veterans, your fellow citizens. Please lead us with our torch and run with it on behalf of fellow veterans, who are also business owners; some of which may need a little boost over the hurdle of success that has eluded veteran business owners for all too long.

Veterans have brought us all peace! It is within your realm as well as duty to support their efforts so that they may achieve Prosperity For America, For All!

Thank you Mr. Chairman. I stand ready, as well as those who have accompanied me today, to answer any questions you may have for us at this time.

THE VETERANS SMALL BUSINESS ASSOCIATION

WRITTEN TESTIMONY
TO
CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
104TH CONGRESS
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON GOVERNMENT PROGRAMS

FOR
THE JOINT HEARING OF JULY 31, 1996, WITH
THE SMALL BUSINESS SUBCOMMITTEE ON GOVERNMENT PROGRAMS AND
VETERANS AFFAIRS SUBCOMMITTEE ON EDUCATION, TRAINING, AND HOUSING

VETERANS SMALL BUSINESS ASSOCIATION (VSBA)

VETERANS HELPING VETERANS IN BUSINESS

Phone (703) 313-9276

Fax (703) 924-1957

Executive Summary

The VSBA is a non-profit association (501C6) dedicated to assisting veterans to start-up and operate businesses, through a mentoring process. S.1711, by including a review of all veteran small business programs, could take a major step toward examining the issues facing small businesses, and we urge you to look further into the impact on veteran small business. The VSBA stands ready to assist in this regard. We feel that veteran entrepreneurs are often at a disadvantage in entering the commercial market place, especially in qualifying for commercial loans. For example, veterans cannot qualify for business loans upon leaving the service due to the requirement for having two years' experience in business. The VSBA can assist the veteran with the details of starting up a business. However, it is beyond our capability to assist veterans to acquire commercial loans upon leaving the service. Therefore, we suggest establishing a federal program to guarantee loans for veteran small businesses. These loans would be granted by the federal agencies or banks designated by Congress. We suggest veterans be required to provide ten percent of the funding.

Background

There are various government programs to assist veterans with business education and loans, and many veterans organizations to help them find a job. However, there is no single organization dedicated to assisting the veteran to enter and compete in the commercial market place as an entrepreneur.

The VSBA was organized by a group of veteran business owners who met once a month to discuss business related issues. During the 1992-1995 period there were many veterans leaving the service. Some began their own businesses and received assistance from veterans who had been in business for a number of years. This assistance to veteran owned new starts proved to be invaluable and it was decided to continue and expand the efforts. This informal organization has matured into the VSBA.

Goals

- * Assist veteran entrepreneurs
- * Promote veteran to veteran business networking
- * Support existing veterans groups, without duplication

Veteran Advantages in Business

- * Personal discipline
- * Integrity
- * Teamwork orientation
- * Training and organizational skills

Veteran Disadvantages in Business

- * No experience in profit and loss
- * Unaccustomed to business practices
- * Unfamiliar with business law and regulations
- * No business network established

Veteran-to-veteran Networking

Veterans tend to seek the advice and counsel of other veterans. Veteran-to-veteran business networking provides a forum for the discussion of common business problems and issues and the interchange of new business opportunities via a trust level built upon shared experiences in the military. The VSBA will promote veteran-to-veteran business contact and partnering opportunities, as well as the hiring of veterans. The organization will promote the pooling of skills and exchange of ideas and personnel to complete business goals. Veteran business will be encouraged to join local chambers of commerce and other business organizations to establish sound references that promote the success of the veteran in business.

Support to Other Veteran Groups

VSBA understands the value of existing veteran groups and intends to support these groups and their purposes with regard to veteran affairs.

VSBA seeks to focus solely on the support of veteran business issues and needs.

VSBA will assist other veteran groups through cooperation and exchange of information.

Membership Services

- * Support for Start-ups and Follow On
- * Business Plan Development and Support
- * Networking Opportunities
- * Public Relations Services
- * Financial/Loan Preparation Assistance
- * Business Appraisals and Negotiations
- * Business Consulting
- * Lobbying
- * Newsletters - National and Local
- * Business Insurance
- * Credit Cards
- * Legal Services
- * Telecommunications
- * Accounting/Tax Preparation
- * Franchise Evaluation and Negotiations
- * Human Resources & Benefits Packages
- * Catalogue of Veteran Businesses

Conclusion

There is a need to optimize veteran skills, experience, and leadership ability by promoting the entry of veterans into business enterprise and by supporting veterans who accept this challenge.

The VSBA is committed to: 1) creating a smoother transition for veteran entrepreneurs; 2) more successful small business ventures; and 3) greater economic growth and more jobs. VSBA estimates that every veteran entrepreneur will create at least one and perhaps dozens of new jobs thereby leveraging veteran's skills into the economy.

Objectives

1. Establish a national non-profit association of veterans and veteran owned and managed businesses.
2. Develop plans and procedures to establish an organization capable of assisting veterans in entering into business and competing in the commercial market place.
3. Find sources of funding to establish a national organization in 1996.
4. Establish an association to support political issues and actions that further the interests of members and veterans.

Mission

The veteran, by nature of previous employment, is not experienced in the processes of business startup and management. Though the veteran may have a formal education in business, each will lack the civilian experience of their counterparts. In the current business climate, veterans are at a disadvantage due to a perception that their training and experiences have little bearing in the market place. The VSBA provides a pool of experienced veteran business owners and managers who can help the veteran to start up a business.

The VSBA is open to all honorably discharged Armed Forces veterans without discrimination. It is also open to active duty personnel who are close to separating or retiring.

The Veterans Small Business Association is a non-profit organization dedicated to assisting veteran owned or managed businesses to enter the commercial market place and compete successfully. The mission of the VSBA is to:

- Educate the veteran about business opportunities and about how to own, manage, and compete in business.
- Educate the public and government agencies about the plight of the veteran.
- Provide a public forum for veteran-related business issues.
- Provide an experienced board of directors as a resource for the veteran business owner.
- Research and develop business opportunities for veterans.
- Provide information about funding sources and other business related topics.
- Encourage and provide opportunities for veteran businesses to do business with other veteran businesses and encourage veteran businesses to hire qualified veterans.
- Research and disseminate information related to federal, state, and local government opportunities for veteran owned businesses, especially information related to government contracts for veterans.

Keys to Success

The keys to success for the VSBA are:

- * Unique marketability of veterans.
- * Veteran knowledge of government procedures and contracting.
- * Veteran facility for dealing with other veterans.
- * Veteran leadership and management skills.
- * Support from veteran organizations and other activities.

Start-up Summary

Start-up costs are approximately \$5 million of which \$3 million are for first year and \$2 million for second year. The VSBA business plan anticipates that these costs will be repaid within seven years. This funding includes advertising, promotional and public relations work, initial key staff, temporary office space, and communications. It is the belief of the Board of Directors that we must be able to offer full membership services nationwide from the first day of operations.

Membership Services Provided by the VSBA

Support for Start Ups and Follow On

National Headquarters

1. Reference materials: books, brochures, audio and video tapes, and other materials on a broad range of subjects related to small business start-ups and operations needs. The material will be ordered through fulfillment services.
2. Personal Advisor Program - VSBA retains staff to answer member questions on business start-up and operation issues or to refer them to sources that can assist.
3. Business Seminars - The VSBA National Headquarters coordinates with regional and local chapters to arrange day long seminars on subjects of concern to small business start-up and operation needs.

Local Chapters

1. Chapters provide monthly meetings of volunteer executive councils, where members discuss issues and problems of mutual interest for start up and follow on business operations. The councils are comprised of both experienced and new-start business owners who share experiences and lessons learned.

The councils act as advisory boards of directors. Local executive councils set their own agendas comprised of general discussion periods and presentations offered by other members and local business leaders on topics relevant to local member's needs.

2. Local chapters, with national headquarters' support, maintain a local reference list of available resources to help small businesses - e.g. small business development centers, universities, local government resources, chambers of commerce, SCORE, local business consultants, etc.

Business Plan Support

National Headquarters

1. Provides reference material such as questionnaires, business plan outlines, software packages and primer reference material for preparing business plans.
2. In coordination with regional and local chapters, the VSBA will provide lists of local business consultants to assist members in developing or reviewing business plans.

Catalogue

National catalogue of VSBA businesses broken down by state, city, type of business. Catalogue to be distributed by the VSBA to members and through the VA, SBA, U.S. Chamber of Commerce, and other veteran organizations.

Networking Opportunities

Chapters put on equivalent of "Chamber Mixers" once a month. Local chapters accept calls from local businesses looking for partnering opportunities with VSBA members and put them in touch with qualified members.

Lobbying

National organization and local chapters provide experienced vet-owned businesses for testimonials in support of business concerns to federal, state, and local governments.

Newsletter to Members

Basic newsletter with national information of interest to members that can be sent to nationwide chapters via modem, allowing local chapters to quickly add local information of interest and produce/disseminate letter via broadcast fax. Can ask SBA, VA and vet organizations for monthly input. Newsletter will also be put on Internet.

Outsourced Products and Services

The following products and services are provided to VSBA members through endorsement by the VSBA Board of Directors. All products and services are carefully researched to ensure they are the best products and services available at competitive prices. These business products and services are rated by national or local endorsements, as some business services are not available in a standardized format nationwide. Wherever possible, the VSBA finds products that are available nationally. Where this is not possible, the regional or local chapters will endorse products and services for the veteran business owner.

National Products and Services**Commercial Insurance**

VSBA provides business insurance information and guidelines critical to the selection of insurance coverage for businesses of all types. This information is essential for start up businesses as it provides key provisions of insurance policy, the nature of insurance, key terms and definitions, how to develop an insurance plan based on type of business, and how to prioritize insurance needs.

The VSBA provides a nationwide list of commercial insurance companies for the small business owner to obtain various commercial insurance packages at rates typically reserved for the larger corporations and trade unions. Included in this package is a 10-page, step-by-step checklist for prioritizing and selecting the most cost-effective insurance program. This package is updated periodically to ensure that the best and most competitively priced products in the industry are available to the VSBA members.

Credit Cards

VSBA-endorsed commercial credit cards for your business needs.

Human Resources and Benefits Packages

VSBA-endorsed human resources management and personnel service packages provide the following:

Management

- * Organizational design and change
- * Policy development
- * Human resource program design
- * Training
- * Outplacement services
- * Career planning

Personnel

- * Compensation strategies and design
- * Executive search
- * Professional recruitment
- * Temporary employees
- * Benefit and insurance packages
- * Resume services

Legal Assistance

VSBA-endorsed legal services include prepaid legal assistance, incorporation, and a list of veteran law firms in the area that will provide VSBA group rates.

Business Plan and Business Consulting

VSBA provides business plan formulation and review for a set fee, as well as reports and proposals for contracts.

Public Relations/Communications

VSBA-endorsed public relations firms provide a full package of assistance to the veteran entrepreneur, including internal communications, strategic planning, market identification and research, corporate image shaping, product promotion, emergency response planning, media relations training, employee and customer surveys, and advertising consultation. This service will respond to a broad range of requirements, from large corporation to one-person start-up business at competitively priced VSBA group rates.

Telecommunications

VSBA provides a group rate for telecommunications products such as long distance, data lines, internet access, cellular, paging, broadcast fax, and international call back that provide guaranteed savings. VSBA-endorsed telecommunications companies will provide telecommunications planning and consulting to provide the most cost effective communications packages for small businesses.

Regional or Local Products and Services

VSBA local and regional chapters will establish membership polling controls that allow the chapters to monitor the quality of the services provided to the membership. Those firms that do not provide quality services and competitive prices could lose VSBA endorsement through review by the Board of Directors. Each regional and local chapter shall maintain an updated list of VSBA endorsed firms that have the capability of addressing the veteran business owner's needs for the following products and services: Accounting/CPA, Tax Preparation and Assistance, Franchise Evaluation and Negotiations Assistance, Financial and Loan Preparation/ Assistance, Business Appraisals and Negotiations Assistance.

PETER G. TORKILDSEN, MASSACHUSETTS
CHAIRMAN

GLENN POSHARD, ILLINOIS
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
104th Congress
Committee on Small Business
Subcommittee on Government Programs
E-305 Ragon House Office Building
Washington, DC 20515

August 21, 1996

Mr. John Lopez
Association for Disabled Veterans
Box 2312
Stanford, CA 94305

Dear Mr. Lopez:

Thank you for taking the time to come before the Small Business Committee's Subcommittee on Government Programs and the Veterans' Committee's Subcommittee on Education, Training, Employment and Housing last July 31, to testify on the Small Business Administration's efforts to assist veteran entrepreneurs in starting and maintaining small businesses. The members of both Subcommittees greatly appreciate your knowledge of the issue and your willingness to comment on our concerns.

As was mentioned at the hearing, there are further inquiries which members of both Subcommittees were not able to address during our short time together. These questions are included with this letter and we would greatly appreciate your written response. Your answers will be included in the official record of the hearing along with your written and oral statements.

Again, thank you for taking the time to inform us of your progress on this very important issue to small businesses. We look forward to your quick response.

Sincerely,


PETER G. TORKILDSEN
Chairman,
Subcommittee on Government Programs


STEVE BUYER
Chairman,
Subcommittee on Education, Training, Employment
and Housing

1) Are disabled veterans, or veterans in general, a more 'risky population' in terms of small business start-ups?

2) Can you explain the concerns, then, that Mr. Hanley expressed that veterans are disadvantaged when they cannot qualify for loans upon leaving the service due to the requirements for having two years of experience in business in order to qualify?

3) We have heard anecdotal stories about the problems veterans – especially disabled veterans – face with bankers because of their disabilities.

a) What are the private sector prejudices against disabled veterans?

b) Are they valid concerns, and how are they different from those of other groups?

4) How could the Small Business Act be changed to assist service-disabled veterans?

5) Further explain, if you would, about the July 14, 1994 report of the recommended "Small Business and Minority Small Business Procurement Opportunities Act of 1994" (H.R. 4263) and how that report of the House Committee on Small Business stated that SBA and other federal agencies have narrowly defined the term "socially disadvantaged."



JOINT HEARING OF JULY 31, 1996

RESPONSE TO FOLLOW-UP QUESTIONS

ASSOCIATION
FOR SERVICE DISABLED VETERANS
JOHN K. LOPEZ, CHAIRMAN

Response to follow up questions to Joint Hearing of July 31, 1996

(1) There is no evidence to indicate that veterans as a group are a more "risky" population than other identifiable groups when assessing potential for success.

ASDV has had only one (1) recorded bankruptcy in the 6,000+ service disabled veteran business (SDVB) population it has served during the 1986-1996 calendar years.

(2) Financial lenders rely on three (3) main characteristics of borrowers when appraising the risk of a transaction;

(A) Capital – Which many veterans DO NOT possess after serving for years in a military where compensation is minimal.

(B) Credit – Which many veterans do not develop in the "sheltered environment" of subsidized active military service.

(C) Character – This is a quality that a veteran does develop and possess due to the rigor and requirements of military service.

Due to the absence of (A) & (B), lenders are constrained to rely on character, which is not quantifiable and easily disregarded. Therefore, veterans have a "shortfall" of hard material assets to provide lenders and are consequently easily denied financial assistance.

(3) Not only do service disabled veterans (SDV) suffer from the lack of capital & credit, but additionally they suffer from permanent disability, a characteristic interpreted by the business community as synonymous with instability and lack of capacity.

Because of the public awareness of the nations obligation to SDV, lenders avoid financial relations with SDVB since there is the possibility the lender will be exposed to severe criticism and adverse community relations for any enforcement or dramatic action taken against a SDV in event of default of an obligation.

These are valid concerns for bankers, who, although personally supportive of SDV are restrained by fiduciary responsibility from entering into agreements with "clear, documented, extraordinary risks" such as SDV.

Financial lenders are unanimous in their repeated observations that "SDV are a clear and compelling example of a population where maximum and preferential government assistance" is warranted.

(4) The Small Business Act should be amended by adding one (1) sentence:
 "For purposes of this Act, businesses owned and operated by veterans with service connected disabilities are to be considered socially and economically disadvantaged and the priority beneficiaries of the provisions of this act!!"

(5) I have enclosed an excerpt of the report that accompanied H.R. 4263 - 1030 Congress, 20 Session. Report 103-606, Part 1. The Findings on pages 8 and 16 of the Report (NOTE!!) documents the House of Representatives Small Business Committee position that the Small Business Administration (SBA) "BY REGULATION" overly narrows the interpretation of "social disadvantage" when determining the requirements for participation in the SBA 8(a) program.

The SB Committee emphasizes that "it does not agree with this interpretation and that disability is a social disadvantage in itself, whether or not it has been accompanied by discrimination."

PETER G. TORKILDSEN, MASSACHUSETTS
CHAIRMAN

GLENN POSHARD, ILLINOIS
RANKING MEMBER

Congress of the United States
House of Representatives
104th Congress
Committee on Small Business
Subcommittee on Government Programs
E-103 Rayburn House Office Building
Washington, DC 20515

August 21, 1996

Mr. Leon Bechet
Assistant Administrator for Veterans' Affairs
United States Small Business Administration
409 3rd Street, SW, #700
Washington, DC 20416

Dear Mr. Bechet:

Thank you for taking the time to come before the Small Business Committee's Subcommittee on Government Programs and the Veterans' Committee's Subcommittee on Education, Training, Employment and Housing last July 31, to testify on the Small Business Administration's efforts to assist veteran entrepreneurs in starting and maintaining small businesses. The members of both Subcommittees greatly appreciate your knowledge of the issue and your willingness to comment on our concerns.

As was mentioned at the hearing, there are further inquiries which members of both Subcommittees were not able to address during our short time together. These questions are included with this letter and we would greatly appreciate your written response. Your answers will be included in the official record of the hearing along with your written and oral statements.

Again, thank you for taking the time to inform us of your progress on this very important issue to small businesses. We look forward to your quick response.

Sincerely,



PETER G. TORKILDSEN
Chairman,
Subcommittee on Government Programs



STEVE BUYER
Chairman,
Subcommittee on Education, Training, Employment
and Housing

**Follow-up questions for the Leon Bechet
U.S. Small Business Administration
Joint Hearing of July 31, 1996**

1) Micro-loans

Among the many recommendations to improve "access to capital" for veterans is the call for a reduction in the minimum loan amount from \$25,000 to \$10,000. Micro Loans -- which have generally averaged some \$9,700--has advantaged women and minorities who often have a tough time persuading bankers to give them credit. The purpose of the program is to: "assist women, low-income, and minority entrepreneurs, business owners, and other individuals possessing the capability to operate successful business concerns."

- a) How many micro loans were made to veterans "possessing the capability to operate successful business concerns"?
- b) How can SBA provide the same program based solely on veterans status?

2) The Office of Veterans Affairs (OVA) at SBA was created pursuant to the Congressional mandate that the SBA give *special consideration* to veterans (Public Law 93-237, Jan. 2, 1974). Special consideration involves designing unique management training programs specifically for veterans, processing veterans' loan applications before non-veterans applications submitted that same day, monitoring loan and procurement activities to measure veterans participation, coordinating training and counseling activities for veterans with other agency departments and allotting a portion of agency direct loan funds for veterans.

- a) How exactly does the application of SBA's formula to meet the mandates of *special consideration* for veterans help the veteran get assistance in the business world?
- b) Is it the SBA's view that a full and comprehensive compliance with P. Law 93-237, and better services to veteran businesses should be the priority?

3) Explain the function and make up of the "*Interagency Veterans Policy Group*", chaired by the White House to coordinate and discuss veterans problems.

- How do they address veteran business concerns?

4) The Advisory Committee on Veterans Business Affairs has been dormant for a number of years, but the women's SBA Business Council receives some \$ 200,000 in SBA funding.

- a) What happened to the Advisory Committee on Veterans Business Affairs?
- b) When was the last time the Veterans Advisory Council met?
- c) When the decision to streamline advisory council was made, why was the veterans council the only council singled out for disbanding?
- d) What will be done to improve access for the veterans groups to the Administrator?

5) By SBA's admission, as a class, veterans or disabled veterans do not meet the standards of qualifications based on being economic and social disadvantaged. Yet the agency contends that between 25% and 33% of the firms currently eligible for 8(a) programs are

veterans. For FY 1994 totals you state that there were 878 contracts to veterans-owned businesses.

- How many of these firms are eligible for such 8(a) programs based on their **veterans status alone**?

6) 15% of the 7(a) Loan Guaranty Program money goes to veterans. However 20% goes to women, 18.5% (1993 numbers) goes to minorities. Some 13% of Micro Loans (short-term loans with fixed rates ranging from \$7,500-\$25,000); however, by December 1993, 47% went to women, and 37 went to minorities. Out of approximately 20.5 million small businesses in America, the SBA estimates that 4 million small business are veteran-owned (approx. 20%).

- What can the Office of Veterans Affairs do to improve these percentages for veterans which represent a large constituency?

7) After years of testimony from the national veterans groups, and from veterans organizations representing entrepreneurial spirited veterans reflecting dissatisfaction with the results of the OVA in SBA, why has the SBA neglected to take corrective measures to implement the Congressional mandate that the SBA give special consideration to veterans? What will SBA do to improve the situation if the OVA is left at your agency?

8) In light of the recent Supreme Court decision *Adarand Constructors, Inc. v. Peña*, the White House conducted a briefing announcing that each agency was required to provide a plan for spreading the word of the President's support for affirmative action in federal procurement by July 8th.

- a) Does this policy review and subsequent recommendations provide to disabled veterans the same assistance as other populations?
- b) Did your office have any input and/or recommendations for this review?

9) Are disabled veterans, or veterans in general, a more 'risky population' in terms of small business start-ups? If veterans are not a riskier group, can you explain the concerns, then, that Mr. Hanley expressed that veterans are disadvantaged when they cannot qualify for loans upon leaving the service due to the requirements for having two years of experience in business in order to qualify?

10) We have heard anecdotal stories about the problems veterans – especially disabled veterans – face with bankers because of their disabilities.

- a) What are the private sector prejudices against disabled veterans?
- b) Are they valid concerns, and how are they different from those of other groups?
- c) Is there any data to show higher failure rates by disabled veteran small business men and women?

- 11) Does the Department of Veterans Affairs Business Assistance Program or the SBA Special Assistance Program provide the same benefit and preferences to disabled in-service veterans as they do to minority or women's groups?
 - 12) When can veterans expect the SBA to announce an initiative similar to the Women's Prequalification Pilot Loan program?
 - 13) How could your office reach out to veterans about to complete vocational rehabilitation courses?
 - 14) The book, *Veterans & Entrepreneurship: A research Digest*; of 1987 is a fine publication. Page 35 points out for example in the conclusions and recommendations that____
 "there is an apparent relationship between veteran status and entrepreneur ship, as veterans are more likely than nonveterans to be entrepreneurs."

...and the publication also recommended that a ____
 "continuation and expansion of technical assistance and management training programs," be considered.
- These seem to be reasonable, and practical recommendations. But these are 1987 findings and perhaps we need updated studies and reviews. What are your offices plans to update this material, using a veteran company to produce it?



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

NOV 29 1996

The Honorable Peter G. Torkildsen
Chairman
Subcommittee on Government Programs
Committee on Small Business
House of Representatives
Washington, DC 20515-1603

Dear Mr. Chairman:

I am pleased to respond to the questions raised in your letter following up on our recent hearing on Veteran's Affairs.

Question #1: Among the many recommendations to improve "access to capital" for veterans is the call for a reduction in the minimum loan amount from \$25,000 to \$10,000. Microloans – which have generally averaged some \$9,700 – has advantaged women and minorities who often have a tough time persuading bankers to give them credit. The purpose of the program is to: "assist women, low-income, and minority entrepreneurs, business owners, and other individuals possessing the capability to operate successful business concerns."

a) How many microloans were made to veterans "possessing the capability to operate successful business concerns"?

Answer: Since the inception of the Microloan Program in FY 1992, Veteran owned businesses have received 603 loans or about one third of the total number of Microloans awarded through the SBA.

b) How can SBA provide the same program based solely on veterans status?

Answer: Veterans are currently eligible to participate in the SBA's microloan program. To provide the same program based solely on veterans status we would need legislation creating a program based solely on veterans status and the authorization and appropriation legislation to fund such a program.

Question #2: The Office of Veterans Affairs (OVA) at SBA was created pursuant to the Congressional mandate that the SBA give "special consideration" to veterans (Public Law 93-237, Jan. 2, 1974). Special consideration involves designing unique management training programs specifically for veterans, processing veterans' loan applications before non-veterans applications submitted that same day, monitoring loan and procurement activities to measure veterans participation, coordinating training and counseling activities for veterans with other agency departments and allotting a portion of agency direct funds for veterans.

a) How exactly does the application of SBA's formula to meet the mandates of special consideration for veterans help the veteran get assistance in the business world?

Answer: The OVA approach to providing special consideration for veterans is designed to help the veteran who meets loan credit criteria avoid the normal obstacles to obtaining financing by providing the veteran with the background, training, and experience necessary to be able to make a proper presentation, a favorable impression, and thereby obtain the desired financing.

No lender will make a loan to an individual who does not meet the criteria for commercial lending (credit, character, and collateral). This is understandable, since the objective of any business loan program is to create successful businesses, and a deficiency in these criteria indicates that the business is likely to be on a weak footing. Major obstacles that frequently prevent an individual who meets the credit criteria from obtaining a loan are: a) a lack of familiarity with the system; b) a lack of research in preparing the business plan; c) incomplete or inaccurate information resulting in the unfavorable evaluation of the loan package; or, d) a weak or unconvincing presentation by the applicant to the lender. Even when there was a special direct loan program for Vietnam-era and disabled veterans, the applicant had to meet the credit criteria – which are statutory – and convince the lender that the applicant could repay the loan from the earnings of the business.

b) Is it the SBA's view that a full and comprehensive compliance with Public law 93-237 and better services to veteran businesses should be the priority?

Answer: While it is the SBA's view that full and comprehensive compliance with the law and better services to veterans should be a priority, the Agency has not been given the funding necessary to provide these services. The SBA does not receive a pot of money from the Congress and decide which programs it likes and which

programs it does not like. In its budget request, the SBA has consistently for the past three years requested funding for all its programs, including the veterans' program. Notwithstanding these repeated requests for funding for the veterans' programs, the Congress has failed to appropriate funds to support them. The Agency, in an effort to still comply with the Congressional mandate to give special consideration to veterans, continues to assign and pay for a reduced staff and utilize available resources to maintain the veterans' programs. Despite Congressional interest in this program, there simply is no Congressional funding of it.

Question #3: Explain the function and make up of the "Interagency Veterans Policy Group", chaired by the White House to coordinate and discuss veterans problems.

Answer: The purpose of the Interagency Veterans Policy Group is to enhance communication and facilitate coordination on emerging policy issues of importance to veterans across agency lines. It is under the leadership of the Domestic Policy Council and the Office of Cabinet Affairs in the White House. The Administration generally wants to know how agencies are addressing the concerns of the veteran community and to coordinate any interagency problems.

The Interagency Veterans Policy Group is composed of representatives from the Small Business Administration, Department of Health and Human Services, Department of Treasury, Secretary of Defense, Office of National Drug Control Policy, and the Department of Veterans Affairs.

Question #4: The Advisory Committee on Veterans Business Affairs has been dormant for a number of years, but the women's SBA Business Council receives some \$200,000 in SBA funding.

a) What happened to the Advisory Committee on Veterans Business Affairs?

Answer: As a result of the President's request to reduce the overall number of advisory councils in government, it was abolished in 1991.

b) When was the last time the Veterans Advisory Committee met?

Answer: The council last officially met March 20, 1991.

c) When the decision to streamline the advisory council was made, why was the

veterans council the only council singled out for disbanding?

Answer: The Advisory Council on Veterans Business Affairs was one of the more than 20 advisory councils that were deactivated.

d) What will be done to improve access for the veterans groups to the Administrator?

Answer: OVA has rewritten the Charter for the Advisory Council, and it is now being reviewed by the General Services Administration for reactivation.

Question #5: **By SBA's admission, as a class, veterans or disabled veterans do not meet the standards of qualifications based on being economically and socially disadvantaged. Yet the agency contends that between 25% and 35% of the firms currently eligible for 8(a) programs are veterans. For FY 1994 totals you state that there were 878 contracts to veteran-owned businesses.**

Answer: Eligibility for the 8(a) program is statutorily based on a demonstration of social and economic disadvantage. Under the 8(a) statute, Veterans status plays no part in determining eligibility. None of the 8(a) firms are eligible based on their veteran status alone.

Question #6: **15% of the 7(a) Loan Guaranty Program money goes to veterans. However 20% goes to women, 18.5% (1993 numbers) goes to minorities. Some 13% of Microloans (short-term loans with fixed rates ranging from \$7,500 - \$25,000); however, by December 1993, 47% went to women, and 37% went to minorities. Out of approximately 20.5 million small businesses in America, the SBA estimates that 4 million small businesses are veteran-owned (approximately 20%).**

Answer: The four million veteran owned small businesses you refer to are already in business and probably have already received SBA assistance or are not in need of SBA assistance. The percentages of various groups receiving SBA loan assistance reflect the number of eligible and qualified persons applying for and receiving assistance. If Congress appropriated funds for the veterans' outreach program, SBA could provide incentives to local institutions and organizations to join SBA in providing outreach to veterans, and expand our Veteran Entrepreneurial Training Program to reach veterans in each major metropolitan area in the country.

Question #7: After years of testimony from the national veterans groups, and from veterans organizations representing entrepreneurial spirited veterans reflecting dissatisfaction with the result of the OVA in SBA, why has the SBA neglected to take corrective measures to implement the Congressional mandate that the SBA give special consideration to veterans? What will the SBA do to improve the situation if the OVA left your agency?

Answer: The problem is simply one of resources, not organizational location. For the past three years the veterans program has been operated with funds taken from SBA's general operating budget, because the Congress has not appropriated funds for it.

Question #8: In light of the recent Supreme Court decision Adarand Constructors, Inc. v. Peña, the White House conducted a briefing announcing that each agency was required to provide a plan for spreading the work of the President's support for affirmative action in federal procurement by July 18th.

a) Does this policy review and subsequent recommendations provide to disabled veterans the same assistance as other populations?

Answer: Adarand called into question the legality of affirmative action programs. Rather than expanding eligibility, which might have affected disabled veterans, Adarand would restrict or even eliminate the 8(a) program entirely.

b) Did your office have any input and/or recommendations for this review?

Answer: No, our office had no role or responsibility in that matter.

Question #9: Are disabled veterans, in general, a more "risky population" in terms of small business start-ups? If veterans are not a riskier group, can you explain the concerns, then, that Mr. Hanley expressed that veterans are disadvantaged when they cannot qualify for loans upon leaving the service due to the requirements for having two years of experience in business in order to qualify?

Answer: I am not aware of any studies that indicate that disabled veterans in general, are a more "risky population" in terms of small business start ups, therefore I cannot say that they are a more risky population. I cannot explain Mr. Hanley's concerns since experience in operating a business is generally considered one of the normal credit criteria by commercial lenders, not an economic disadvantage to obtaining financing.

Question #10: We have heard anecdotal stories about problems veterans – especially disabled veterans – face with bankers because of their disabilities.

a) **What are the private sector prejudices against disabled veterans?**

Answer: While we have heard the same anecdotal accounts, we have no scientific evidence that would enable us to respond to your question.

b) **Are they valid concerns, and how are they different from those of other groups?**

Answer: Prejudices against disabled veterans would probably not be valid concerns. We have no data that would enable us to reply to the second part of this question.

c) **Is there any data to show higher failure rates by disabled veteran small business men and women?**

Answer: Based on statistics available to us, there are no data that would indicate that disabled veterans have higher failure rates than any other group.

Question #11: Does the Department of Veterans Affairs Business Assistance Program of the SBA Special Assistance Program provide the same benefit and preferences to disabled in-service veterans as they do to minority or women's groups?

Answer: The Department of Veterans Affairs does not have a Business Assistance Program. Their Office of Small and Disadvantaged Business utilization is exclusively a procurement office, whose function is to provide access for small and disadvantaged businesses to contracting opportunities with the Department. The SBA does not have a special assistance program. Disabled service veterans are nowhere statutorily defined as a specific group for SBA attention. A woman or minority disabled in-service veteran would be entitled to the same programs and services to which any woman or minority in the same category would be entitled.

Question #12: When can veterans expect the SBA to announce an initiative similar to the Women's Prequalification Pilot Loan Program?

Answer: The SBA approved the inclusion of veterans in the Prequalification Loan Program on November 5, 1996. Releases are currently being prepared to announce the program, which should take place around January 15, 1997.

Question #13: How could your office reach out to veterans about to complete vocational rehabilitation courses?

Answer: The laws and policy regarding vocational rehabilitation provide that under certain circumstances, individuals participating in vocational rehabilitation programs can be provided with training or be set up in business. While the decision or the funding is not an SBA function, the regulations require that there be an assessment of the potential for the success of the business. The Service Corps of Retired Executives has agreed that they would be willing to assist in this effort, however all of the details of this interagency cooperation must be worked out.

Question #14: The book, Veterans & Entrepreneurship: A Research Digest of 1987, is a fine publication. Page 35 points out, for example, in the conclusions and recommendations that:

"there is an apparent relationship between veteran status and entrepreneurship, as veterans are more likely than nonveterans to be entrepreneurs."

...and the publication also recommended that:

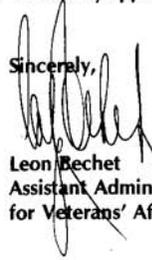
"[A] continuation and expansion of technical assistance and management training programs," be considered.

- These seem to be reasonable and practical recommendations. But these are 1987 findings and perhaps we need updated studies and reviews. What are your office's plans to update this material using a veteran company to produce it?

Answer: In 1987, the Congress appropriated approximately \$600,000 that enabled us to do the studies that are reported in the book, Veterans and Entrepreneurship: A Research Digest. The recommendation you cite resulted in our creation of the Veterans' Entrepreneurial Training Program. These studies are dated, and we do need updated studies and reviews. We will be pleased to ask for the necessary funds in the FY 1998 budget. You should be aware, however, that procurement laws preclude our limiting eligibility to a veteran company, but we would be pleased to consider all qualified companies submitting proposals for this research.

If you or your staffers have further questions, or require clarification of these responses, do not hesitate to contact me on 202-205-6776. I sincerely appreciate your interest in the veterans' affairs programs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leon Bechet', written over the printed name and title.

Leon Bechet
Assistant Administrator
for Veterans' Affairs

PETER G. TORKILDSEN, MASSACHUSETTS
CHAIRMAN

GLENN POSHARD, ILLINOIS
RANKING MEMBER

Congress of the United States
House of Representatives
104th Congress
Committee on Small Business
Subcommittee on Government Programs
8-361 Rappah House Office Building
Washington, DC 20515

August 21, 1996

Mr Paul Hanley
President
Defense Conversions
1800 Diagonal Road, Suite 600
Alexandria, VA 22314

Dear Mr. Hanley:

Thank you for taking the time to come before the Small Business Committee's Subcommittee on Government Programs and the Veterans' Committee's Subcommittee on Education, Training, Employment and Housing last July 31, to testify on the Small Business Administration's efforts to assist veteran entrepreneurs in starting and maintaining small businesses. The members of both Subcommittees greatly appreciate your knowledge of the issue and your willingness to comment on our concerns.

As was mentioned at the hearing, there are further inquiries which members of both Subcommittees were not able to address during our short time together. These questions are included with this letter and we would greatly appreciate your written response. Your answers will be included in the official record of the hearing along with your written and oral statements.

Again, thank you for taking the time to inform us of your progress on this very important issue to small businesses. We look forward to your quick response.

Sincerely,


PETER G. TORKILDSEN
Chairman,
Subcommittee on Government Programs


STEVE BUYER
Chairman,
Subcommittee on Education, Training, Employment
and Housing

- 1) Why did your organization feel it necessary to develop your association?
 - a) What are the costs involved to run the organization?
 - b) What programs are you aware of that currently exist for entrepreneurial veterans?

- 2) Could you explain a little more about your organization's proposal to assist entrepreneurial veterans with less than two years of business experience.

Veterans Small Business Association

1424 16th Street, N.W., Suite 105
Washington, D.C. 20036
(202) 462-8800

7011A Manchester Blvd, Box 172
Alexandria, VA 22310
(703) 313-9276

September 6, 1996

Hon. Peter G. Torkildsen
Chairman,
Subcommittee on Government Programs
House Committee on Small Business

Hon. Steve Buyer
Chairman,
Subcommittee on Education, Training, Employment and Housing
House Committee on Veterans' Affairs

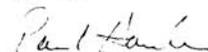
Dear Congressmen Torkildsen and Buyer:

Thank you very much for your letter of 21 August and for your interest in veterans' small business. It was a pleasure for Mr. Stephan and me to participate in your insightful hearing of 31 July, and the opportunity to add to the record of the proceedings is very welcome.

Enclosed please find 1) an annotated transcript, and 2) some answers to the additional questions you raise in your letter. You will note that the answer to your additional question 1)a) replaces lines 1761-1773 in the transcript. Please understand that these responses have the approval of the Board of Directors of the Veterans Small Business Association, and should be regarded as VSBA's position.

As we said at your hearing, VSBA stands ready to assist the fine work of your subcommittees in whatever way we can.

Sincerely,



Paul W. Hanley
Vice President for Legislative and Public Communications

PWH/suo

Enclosures

1) Why did your organization feel it necessary to develop your association?

There are numerous organizations, public and private, whose purpose is to assist veterans in finding jobs and in making the transition from military to civilian life. Similarly, there are organizations which assist people who want to start businesses. The first government assistance program the veteran sees is the Transition Assistance Program (TAP), and it does not broach going into business. Veterans will seek out veterans to get the real story on how it's done. The Veterans Small Business Association focuses on veteran entrepreneurs as its primary constituency. Our experience from our days as an informal alliance convinced us that veterans who have started businesses are uniquely qualified to help veterans start businesses. We know the opportunities, pitfalls, and frustrations the veteran entrepreneur faces, we know the strengths and weaknesses he or she brings to the challenge, and we are fluent in the languages of both the military and the marketplace.

a) What are the costs involved to run the organization?

The ultimate cost to the public will be zero. Wherever the money comes from, we have committed ourselves to raising all funding necessary for full services to members before launching operations. Experience over the last few years as an informal network has convinced us of the wisdom of this approach.

Accordingly, we are now in the stage of raising funds from the private sector. The total requirement is \$5.1 million over two years (\$3.2 million the first year of operations, \$1.9 million the second), which we will repay in full within seven years.

A major concern is that, because we all have businesses of our own to run, the fundraising process may take some time. Needless to say, if a loan guarantee or grant were made available we could open our doors with full member services within six months. An even simpler solution would be direct funding for VSBA: we would then be able to offer our full range of services, including immediate availability to screen prequalified loans for veteran entrepreneurs, should such a program be authorized.

b) What programs are you aware of that currently exist for entrepreneurial veterans?

The Veterans Administration has a section which deals with small business, the Small Business Administration has a section which addresses veterans' issues, and several other agencies have offices which try to be helpful with different aspects of the problem. To be honest, most government workers are not and have not been in business. Entrepreneurial veterans are forced to shuttle around from one organization to another in search of the answers to their unique challenges because there

are no programs specifically designed for their combination of needs. We formed VSBA to respond to that deficiency.

2) Could you explain a little more about your organization's proposal to assist entrepreneurial veterans with less than two years of business experience.

Many veterans who decide to start a business do so on the basis of skills and knowledge they have accumulated in uniform. This can place them at a disadvantage when they start up because their business networks are tenuous, because they lack fluency in the vernacular of the marketplace, because they have to ferret out a lot of information for themselves which experienced businessmen are automatically exposed to in the course of a career, and because many lending institutions don't recognize the value of their experiences when they apply for a loan. VSBA, a non-profit organization, plans to remedy these drawbacks by providing a reasonably priced, reliable, one-stop source of information and business services to accelerate the veteran entrepreneur through the traditional stages of starting up. We will help him or her gain quick and early leverage from his or her military experience with a network of established businessmen with a similar background.

To cope with the financing problem, we strongly recommend some kind of government loan guarantee program for veteran entrepreneurs. VSBA is prepared to establish and operate a prequalification screening system to facilitate administration of such a program.

