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HEARING WITH RESPECT TO SBA PROGRAMS FOR VETERANS AND THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

WASHINGTON, DC, MAY 23, 2001

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VETERANS BUSINESS DEVELOPMENT HEARING

WEDNESDAY, MAY 23, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to call, at 10:04 a.m. in room 2361, Rayburn House Office Building, Hon. Donald Manzullo (chairman of the committee) presiding.

Chairman MANZULLO. We will come to order. Good morning, and welcome to this hearing of the Committee on Small Business. A special welcome to those who have traveled a long distance to come here.

The Small Business Administration is required by statute to provide special consideration to veterans in the administration of its programs. In the past, there have been complaints the SBA and other agencies have been ignoring the needs of those veterans with aspirations to start or grow a small business.

The subject of the hearing is the performance of the Small Business Administration in providing financial and entrepreneurial assistance to veterans. Specifically, this hearing will look into the performance of the SBA in implementing Public Law 106–50, the Veterans Entrepreneurship and Small Business Development Act of 1999, which was signed into law in August of that year.

This law provides that technical, financial and procurement assistance be given to veterans. I am happy to say that special emphasis is given in the law to providing assistance to small businesses owned and controlled by service disabled veterans.

Basic to this hearing is remembering our veterans and the sacrifices they made for this nation. Memorial Day is a day of remembrance. I can assure you that we in Congress have not forgotten you.

I look forward to a lively and informative discussion of the issues presented. Again, welcome to the hearing. I yield to the Ranking Member, Mrs. Velazquez, for her opening statement.

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

Ms. VELAZQUEZ. Thank you. Good morning. Thank you, Mr. Chairman. Good morning.

It is often said in the business world everyone is paid in two coins, experience and cash. You should take the experience first, and the cash will come later. For every business owner in today's marketplace, no truer statement has ever been spoken, but for our veteran small business owners experience is something they have

in abundance. What they need is the capital and technical assistance to grow and expand their companies.

All of us in this room know what veterans have sacrificed in the last 225 years to ensure that this country and our people remain a free democratic society. For all that they have done for us, it is now our duty to return that sacrifice to those who want their piece of the American dream.

Unfortunately, in recent years we have seen a decline in the numbers of veteran business owners and entrepreneurs in spite of a growing economy. There has long been a growing concern that veteran small business owners were, for whatever reason, unable to access those components necessary to start and grow a new business.

This Committee responded to those concerns during the 106th Congress by drafting, passing and getting signed into law the Veterans Entrepreneurship and Small Business Development Act. This new law had several important goals, but one overriding theme. Provide technical, financial and federal procurement assistance to veteran-owned businesses.

While this legislation has achieved many of its goals, there is certainly more that can and must be done for these small business owners. For example, this Committee has been very active in pursuing the interests of all small firms as they try to do business with the federal government.

Rest assured, our work on this issue will continue until the Members of this Committee are satisfied that small businesses, whether they are owned by women, men, minorities or veterans, are given every possible opportunity to compete for federal prime contracts.

With that said, let me make one important point about today's hearing. As we come together today to review the progress of this legislation, we must do so in the context of how we are best serving all of our nation's small businesses.

The fact is our nation over the last decade has experienced the greatest period of sustained economic growth in our history. We have an unemployment rate that stands at a little over four percent. Personal income has quadrupled, and the price of consumer goods continues to fall. Still, key economic indicators such as increased layoffs and business closings in technology show that we are clearly facing a financial situation with more questions than answers.

With that in mind, we need to improve ways for small firms to access capital. We should not be eliminating the tools to help rebuild the foundation of our economy, but help entrepreneurs live out their dream.

All of these issues and a whole host of others make up just some of the obstacles that small business owners will face in the coming months and years. More importantly, the communities that these economic anchors call home are going to have to face these issues as well unless we do something to help them.

In closing, Mr. Chairman, let me say again that the 5,000,000 veteran small business owners know what sacrifice is all about. Frankly, within the business community I think that that gives them unique qualifications for being a small business owner. They

understand what their company's success can mean for their families and their community at least, just as they understood what their military service means to this country.

It is important to remember that while this hearing today focuses on how we can help them succeed in today's economy, we cannot forget that we also have a responsibility to ensure that all small business owners are given the tools and the opportunities to grow and prosper. After all, the veterans that sit before us today have done a great deal to protect America's future. It is now time to do our part.

Thank you, Mr. Chairman.

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

Chairman MANZULLO. Thank you for that excellent opening statement.

We may have a lively day on the Floor today. I am not quite sure what is going to happen. I would ask that you respect the lights. When the yellow light comes on, that means you have one minute. When the red light comes on, that means that you are out of time.

I know five minutes is not a lot of time to tell your story, but I would ask that you limit it to that. Then we will have plenty of time for questions.

We will start with Bill Elmore. Bill is the associate administrator for Veterans Affairs with the U.S. Small Business Administration.

Mr. Elmore, welcome this morning.

STATEMENT OF WILLIAM ELMORE, ASSOCIATE ADMINISTRATOR, VETERANS BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION

Mr. ELMORE. Thank you. Mr. Chairman, Ranking Member, and other Members of the Committee, I am William Elmore, the first associate administrator for Veterans Business Development at the SBA. Thank you for this opportunity to appear before you today. I would like to request that my written testimony be entered into the record.

Chairman MANZULLO. All of the written testimony of the witnesses and Members of Congress will be entered in the record without objection.

Mr. ELMORE. Thank you.

In 1973, Congress deleted Section 1813 of Title 38, eliminating the small business loan guarantees for veterans created in the GI bills of World War II and Korea. Correspondingly, in January, 1974, Congress mandated that SBA begin providing special consideration to veterans, their dependents or survivors in all of our programs.

In 1983, SBA created the Office of Veterans Affairs. On July 24, 2000, I was hired to run the new Office of Veterans Business Development. Before I left my small business to come to government, I was a veteran small business advocate appearing before this and other Committees in that capacity. Now as an Administration representative, I am learning that implementing real and substantive change is a challenge that requires time, resources, allies and cooperation.

I understand that Public Law 106–50 requires and veterans deserve a thorough and complete implementation. In addition to my

written testimony, the following provides a synopsis of what has been done so far.

SBA. has made significant improvements to our website. We have created distance learning courses specifically for veterans. We have compiled information on government procurement and disseminated this to approximately 20,000 service disabled and other veteran owned small businesses.

The federal procurement data system has been modified to collect procurement data on veterans and service disabled veterans. We have mined information out of SBA databases and compiled a list of approximately 80,000 service disabled and veteran owned small businesses. We are providing them ongoing information on federal procurement opportunities.

We have developed a quarterly newsletter that is sent to veteran small business owners, SBA staff and veteran serving organizations. SBA has reviewed, revised and we are planning to expand the Veterans Business Outreach program. We are planning a national training conference for SBA district Veterans Affairs offices and will invite our resource partners to participate.

We are organizing special outreach efforts through ten of our SBA district offices. We are developing a national outreach poster to be provided to 5,000 plus veteran serving locations. We are assisting the Office of Advocacy with research that examines veteran and service disabled veteran business ownership, their needs, their engagement with SBA and other services.

We are updating and revising our previously successful Veteran Entrepreneur Training program. We are meeting with and providing guidance to each program office of the SBA to assist them in implementing data collection that will capture veteran, service disabled veteran and veteran eligible information.

We worked with the Small Business Development Center program on their program announcement to improve their services to veterans and service disabled veterans. We organized a meeting with the SBA Office of Capital Access and representatives from the veteran serving community to explore capital and technical assistance programs for veterans.

We asked more than 200 former SBA state and national veteran advocate winners to assist us in ensuring special consideration is delivered at the local level. We have reviewed more than a decade of SBA services for veterans and are developing recommendations for the next administrator based on this review.

We have solicited program recommendations from the Veterans Affairs officers in SBA district offices. We are creating a database of small business media, veterans media, veterans serving locations and small business associations to provide them print and electronic tools regarding SBA services and procurement opportunities for service disabled and other veterans.

We assisted the start up on the National Veterans Business Development Corporation, including hosting their first board meetings. We have and are continuing to develop recommendations for the next Administrator for strengthening his Administrator's order, and we are exploring options to improve ProNet for service disabled veteran and veteran entrepreneurs.

I note that since October, 2000, the number of service disabled veterans registered in ProNet has risen by more than 28 percent, and the number of veterans registered in ProNet has risen by almost 17 percent. This reverses years of decline.

In closing, we anticipate a renewed commitment from the new Administration because of their stated interest in veterans and small business success. We are aware that veterans and service disabled veterans have not historically received the attention they deserve. With the support of the new Administration, Congress, our resource partners and the veteran entrepreneurs themselves, we will change this.

Thank you.

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

Chairman MANZULLO. Mr. Elmore?

Mr. ELMORE. Yes, sir?

Chairman MANZULLO. You read a list that was not in your written testimony. If you could make available that list to us?

Mr. ELMORE. I would be pleased to, sir.

Chairman MANZULLO. Would that be okay?

Mr. ELMORE. Absolutely.

Chairman MANZULLO. Obviously you have updated your written testimony. I appreciate your taking the extra effort on that.

Our next witness is Robert Glassman. He is the chairman of the National Veterans Business Development Corporation.

Mr. Glassman, welcome.

STATEMENT OF ROBERT A. GLASSMAN, CHAIRMAN, BOARD OF DIRECTORS, NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION

Mr. GLASSMAN. Thank you, and good morning, Chairman Manzullo, Ranking Member Velazquez, and Members of the Committee. I am very honored to be here to address you, but I must admit that the memory that will last a lifetime will be that my fellow board member sitting immediately behind me is retired Army Major General Jim Klugh. It is very rare that an ex lieutenant can be backed up by a Major General, and I will always remember that.

Chairman MANZULLO. Could you stand up, please? Welcome.

Major General KLUGH. Thank you, sir.

Mr. GLASSMAN. Before I describe the progress we have made, I would like to thank Congress for creating the National Veterans Business Development Corporation. Many members of the veterans community have been working on this endeavor for over a decade, and Members of your Committee have been involved with this legislation for the last three years.

However, I must note our corporation, which is one of the products of these efforts, is now only in the seventieth day of our funding. While the law was fairly specific in its direction to the corporation and board structure, clients to be served and coordinating role with public and private resource partners, it was less specific as to how we should implement the directive for the corporation to become self-sustaining in a four-year period.

That gives the independence to achieve self-sufficiency in a variety of ways and the opportunity to evolve into an organization with a broad reach into the veterans community. The corporation in-

tends to act in the same entrepreneurial manner, spirit and ethic which we are tasked to provide to the 4,000,000 veteran owned businesses, 300,000 service disabled veteran owned businesses and the 200,000 members of the military transitioning to the civilian sector each year.

We intend to carry through this entrepreneurial ethic in all our activities. For example, the corporation will provide expanded entrepreneurial technical assistance to veterans, including service disabled veterans. One path to that goal is to provide veterans with a virtual technical assistance center by creating a user friendly website that will provide information, links to service providers and contracting opportunities in the public and private sectors.

In addition, we will establish community based veteran business assistance centers in partnership with key service providers throughout the U.S. We will seek to export the federal three percent service disabled veteran procurement goal to the private sector in the form of a set of procurement principles.

I would like to turn to some of the concrete steps we have taken to build infrastructure. This law was signed on August 22, 1999. Our first board members nominated by Congress and appointed by the President met in September, 2000. Since that time, the board has been meeting on a quarterly basis.

Presently there are eight volunteer private sector directors with one seat open. In 2002, there will be two more vacancies and three more in 2004. To assist in furthering the goals of this corporation, it is most important that the new members be individuals who have built and managed successful businesses, have raised capital, are familiar with the new economy and in a technological sense have the ability to think out of the box.

Furthermore, some of these members should have broad backgrounds in state and federal government and procurement expertise with these entities. I cannot overstate the importance of finding the most qualified individuals to be board members in order to ensure the continued success of the corporation.

Our present board members represent private industry, state and non-profit service providers. They are veterans of World War II, Korea, Vietnam and peacetime service. Additionally, there are three non-voting directors representing DOD, VA and SBA. I particularly want to thank Mr. Elmore at my right here, the associate administrator for Veterans Business Development at SBA, for his contributions.

In March of 2001 when we received the appropriated funds, we continued to develop the corporation's infrastructure. We hired interim staff, established bank accounts, secured temporary office space. We are also conducting a national search for a permanent CEO. We have retained an accounting firm specializing in providing financial services for non-profit organizations. We are in the process of securing services for printing database design and fund raising.

In the next few months, we anticipate we will provide written materials for our customers and for fund raising purposes, build the website and reach out to our federal partners to coordinate our activities.

We have retained VetSolutions to develop our strategic plan. VetSolutions is a national business development firm providing training and consulting and research services to veteran owned businesses. Founded by three disabled Vietnam veterans with extensive backgrounds in business, program development and veterans affairs, these gentlemen were involved in the legislative and planning process underlying P.L. 106–50.

As part of the planning effort, they have interviewed board members, staff and major stakeholders. When approved at our next meeting, we expect that plan to be the corporation's road map for future activities.

While my written submission speaks to the infrastructure and framework we are building, it should be remembered that the most important component is the strategic planning effort of how best to employ an amount of funding that is approximately ten minutes worth of the VA budget.

While this legislation can be viewed narrowly task by task on behalf of the veterans we are serving, I prefer to look at it through a wide angle lens, to think of it as an investment program with the federal government as its lead investor. In this context, it may arguably be said that this public/private initiative may be the most important piece of social venture capital since the GI bill.

On a personal note, I would like to extend my thanks. Thirty years ago I was a beneficiary of that GI bill, and I would not be privileged to be presenting to you were it not for the wisdom of the Congresses that preceded you.

I wanted to say a personal thanks. When I returned from Vietnam, the GI bill was an enormous help to pay my graduate school tuition, and I wanted to extend my thanks for that.

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

Chairman MANZULLO. I bet you never thought you would be testifying before Congress 70 days after you got started.

Mr. GLASSMAN. I hardly know how to respond to that.

Chairman MANZULLO. You already have.

Our next witness is Blake Ortner. Blake is the associate legislative director of the Paralyzed Veterans of America.

Welcome, Blake. We look forward to your testimony.

STATEMENT OF BLAKE ORTNER, ASSOCIATE LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. ORTNER. Chairman Manzullo, Ranking Member Velazquez, Members of the Committee, the Paralyzed Veterans of America appreciates this opportunity to testify regarding the performance of the Small Business Administration's assistance for veterans.

The issue of small business ownership is important to PVA. PVA's members are veterans disabled by catastrophic injury or diseases. The many challenges still facing individuals with disabilities as they seek employment have resulted in an unemployment rate higher than that of any other category of citizens in the United States.

The lack of benefits provided by traditional employers often make it more difficult for the disabled to enter the work force. Small business ownership and self-employment is a bridge for many of these individuals.

Last year, when PVA testified, we believed the SBA had been unreasonably slow in implementing P.L. 106–50. Admittedly, SBA has moved forward. The National Veterans Business Development Corporation awaits only one more appointment, and funding has been secured. In addition, PVA believes the veterans have a strong and supportive voice in Bill Elmore and the staff at the Office of Veterans Business Development.

Unfortunately, few other improvements have been made. It is the belief of PVA that the culture at SBA, if not anti-veteran, is certainly no more than veteran neutral. SBA simply pays lip service to supporting veterans.

S.B.A. has not pushed for the regulations needed to implement P.L. 106–50. The missteps of the FAR Council are a prime example. Section 502, paragraph 2, clearly states that the government wide goal for participation by small business concerns owned and controlled by service disabled veterans shall be established at not less than three percent of the total value of all prime contract and subcontract awards for each fiscal year.

The FAR Council chose to ignore this clear statement and instead wrote regulations which only included service connected disabled veterans as a part of an overall goal. Where was SBA monitoring of the regulation process that allowed a not less than three percent to become a goal to only include service disabled veterans?

When it was determined that a technical amendment was necessary, SBA did not aggressively pursue this change and, as far as PVA is aware, discussed the amendment with only one Democratic Member. This again demonstrates SBA's traditional indifference to veterans.

These delays in regulations can be disastrous for veterans' businesses. An additional regulation is at OMB and waiting to be published. I am told it should be published in the next few weeks, nearly two years after passage of P.L. 106–50. These regulations apply to Section 402, Assistance to Active Duty Military Reservists, and concern the availability of loan deferments and disaster assistance funds for small businesses who have service members ordered to active duty.

These regulations need to be implemented quickly. Military operations involving reservists have been ongoing, and the next two months will see approximately 3,000 members of the National Guard and Reserves from 18 states, including myself, mobilized for duty with peacekeeping forces in the Balkans. The availability of these disaster loans can make the difference between a business surviving or failing during a soldier's deployment. Mr. Chairman, I want the men and women that I command concentrating on the mission and not the condition of the checkbook back home.

There also seems to be some questions whether National Guardsmen qualify for these mobilization benefits. A mobilized National Guard unit is a federal entity and is treated as such. To make a distinction between these two reserve forces is unfair.

Mr. Chairman, what can SBA do to change its direction? PVA would like to see, one, special loan product for disabled veterans, programs such as micro loans and procurement initiatives aimed directly at veterans, particularly disabled veterans.

Two, the expansion of veterans' business outreach. PBA fears that with the creation of the NVBDC, SBA now believes it need not concern itself with encouraging veterans' businesses because someone else can do it. Mr. Chairman, the corporation in no way relieves SBA of its obligation to veterans to provide congressionally mandated services.

Third, resources for significant outreach. In Washington, a department or office's budget often details its importance. PVA awaits the fiscal year 2002 budget of the Office of Veterans Business Development. This funding level will be an indication of any change at SBA.

The previous Administration had provided no fiscal year 2001 funding for the Veterans Office. However, some funding was secured by this Administration to allow for some programs. PVA views this as a question of priorities, and so often it seems that SBA's priorities do not include veterans.

Finally, we ask the Committee to closely oversee the activities of SBA's veterans' programs and require SBA to abide by congressional mandate. Unless SBA is held accountable for providing quality programs to veterans, it will continue the indifference it has shown in the past.

Mr. Chairman, veterans deserve quality services whether in health care, prosthetic devices or advice in training on small business ownership. At the SBA, veterans should be the priority and not just an afterthought.

I thank the Committee for this opportunity to present PVA's views and would be happy to answer any questions.

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

Chairman MANZULLO. Thank you very much. There is a Major General back there going amen, amen.

Mr. ORTNER. Thank you, sir.

Chairman MANZULLO. We have to give them more than 70 days.

Mr. ORTNER. Absolutely.

Chairman MANZULLO. What I hope to do is to either have a follow up hearing or assemble everybody in our office, our joint offices, to make sure we monitor and give the support that you need and make sure the job gets done.

Our next witness is Anthony—is it called Eiland or Eiland?

Mr. EILAND. Eiland.

Chairman MANZULLO. Eiland, special assistant for Veterans Employment of the Veterans of Foreign Wars of the U.S.

Mr. Eiland, welcome.

STATEMENT OF ANTHONY L. EILAND, SPECIAL ASSISTANT, NATIONAL VETERANS EMPLOYMENT POLICY, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. EILAND. Chairman Manzullo, Ranking Member Velazquez, and Members of the Committee, thank you very much for inviting the Veterans of Foreign Wars to have an opportunity to speak today before the Committee and also to address how important we think that the Small Business Administration's dealings with the board is.

Mr. Chairman, for some veterans the normal routine of the job environment is not a practical or feasible solution for employment.

For these veterans, most disabled, self-employment is not just a dream, but also a necessity for ensuring the peace of mind that comes from providing a secure atmosphere and livelihood for themselves and their family members.

For these courageous individuals, Public Law 106–50 was created to be a tool to enable them to succeed in returning to the work force as taxpaying employers with the goal of creating more small business to stimulate economic growth in our communities. To make this a reality, Congress instituted one of the most potentially effective initiatives ever, the Veterans Entrepreneurship and Small Business Development Act of 1999 and, in turn, the Small Business Development Corporation.

The VFW sees the Veterans Entrepreneurship and Small Business Development Act of 1999 as the first step of many in repairing the trust between the government and the veterans' community. We look forward with hope that not only will this letter of the law be protected, but also the purpose of the law will be enforced. In addition, it will also help to streamline the process to ensure that the veterans community, that the veteran and the disabled veteran will be seen as a valuable resource and an asset to the economy as a small business owner.

Mr. Chairman, many veterans have harbored the belief that the Small Business Administration has either been blind or simply ignorant to their small business concerns, especially those of disabled veterans. They feel they have had nowhere to turn for support or guidance in establishing private ownership, let alone assistance in maintaining a small business.

They were in turn forced to deal with a bureaucratic agency that, in their opinion, did little to address and support their wishes, problems or needs, let alone supply confidence and faith in long-term solutions in establishing veterans' ventures.

Yet not all this blame should be placed on the shoulders of the Small Business Administration. During the mid 1980s, VA provisions for small business loans were eliminated from the GI bill benefit. Public Law 96–237 required the Small Business Administration to provide for special consideration for veterans in all its programs.

Regretfully, however, veterans who have contacted the Veterans of Foreign Wars and reported there are no such special considerations for them whatsoever at the SBA. This is because the Small Business Administration has no direct lending program for veterans, and there are no federal development grants for veteran entrepreneurs, disabled or not.

The need for direct financial support in acquiring starting capital is the number one request we receive from the veterans in respect to small business questions and inquiries. This is the reason why the Veterans Small Business Corporation is so vital to attacking the heart of this problem to get not only answers for veterans on small business questions, but also putting them in a position to find sources for financial revenue.

Yet in their defense, the Office of Veterans Business Development within the SBA has been making positive strides in improving the way they do business. Their relationship with other agencies has been a catalyst for change as evidenced in their meetings

of cooperation with the Centers for Veterans Enterprise and the Department of Labor to improve internal relations through better communication and fact sharing.

Another positive change has been their attending sponsored meetings with the VSOs such as the Task Force for Veteran Entrepreneurship and providing updates of policy status and developments. In addition, I would like to say their role as a resource has greatly improved as evidenced through our dealings with their office. They have been effective and been very "hands-on" in directly assisting veterans recommended by the VFW.

There are still many considerations that need to be seen and problems that must be addressed? First, the Veterans Business Development Corporation has not had all of its positions filled. This needs to be done immediately or as soon as possible because this is hindering them from doing the job the best they can.

Secondly, it also risks opening up a door of doubt and criticism by thinking they are not going to do anything. This factor alone has caused doubt in the uniform communication and collaboration among all the involved parties. It does not seem like anyone is talking to each other, even though in fact at the VSO level we see they are.

The Veterans Business Development Corporation is finally now just getting underway after a long and arduous process. Another discrepancy is the failure to have the Advisory Committee appointed and put in place. The VFW is very disappointed this issue has not been treated with the sense of urgency that it deserves.

This lack of initiative and inaction on the part of the Small Business Administration is robbing the board of directors of valuable insight and counsel to help focus its energies towards raising much needed capital to get the corporation moving forward.

Mr. Chairman, we need to maintain the proper perspective that Public Law 106–50, the Advisory Committee and the Corporation exist solely for one reason and one reason only; to help veterans, especially disabled veterans, establish independent small businesses and become as self-sufficient as possible.

Veterans, especially disabled veterans, are a valuable resource that has not been fully utilized to its maximum potential by the private sector. Therefore, they should be allowed to capitalize on their own skills and abilities to succeed.

Thank you. That concludes my testimony. If you have any questions, I would be more than happy to answer them.

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

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

Our next witness is William Crandell, director of Government Relations for the Association for Service Disabled Veterans.

Welcome, Mr. Crandell.

STATEMENT OF WILLIAM F. CRANDELL, DIRECTOR OF GOVERNMENT RELATIONS, ASSOCIATION FOR SERVICE DISABLED VETERANS

Mr. CRANDELL. Thank you. Good morning, Chairman Manzullo and Ranking Member Velazquez and Members of the Committee.

The Association for Service Disabled Veterans commends you for holding this important hearing today to ask what P.L. 106–50 is

accomplishing. ASDV's goal is to create opportunities for service disabled veterans through economic participation. P.L. 106–50 was the product of a great deal of work done by this Committee and the veterans community. Senior civil servants at SBA still ignore the mandates of Congress to afford veterans special consideration.

Congress wrote into black letter law a requirement that federal agencies pursue a goal of awarding three percent of contracts and subcontract awards to companies owned and controlled by service disabled veterans. Well, some will, and some will not. SBA has allowed agencies to file goals in writing—in writing—with as low as zero percent. Without regulations, bureaucrats think of laws as cute ideas.

The FAR Council drafted regulations which said in print that everybody could ignore the law and its content. We still have no final FAR regulations to make the law operable after two years. Congress directed that reports to and from SBA would keep separate data on businesses owned simply by veterans and those owned by service disabled veterans.

Once 106–50 was enacted, ASDV and the Bank of America negotiated a memorandum of understanding with the administrator of SBA to create a veterans outreach program in every Bank of America office through the small business development centers, the SBDCs, that SBA supports. SBA did not follow through.

SBA had planned to fund some nine staff at the Office of Veterans Business Development and ended up with a shop of only six. ASDV urges SBA to restore full funding to the Office of Veterans Business Development. We will put more money into the coffers than we will take out if you will give us a fair chance.

I have four more points. SBA should perform certification of businesses owned by veterans as seamlessly as possible at no cost to the business. SBA must enforce the three percent contracting goal for every federal agency. ASDV has found federal contracting officers willing and eager to support this goal, but they are told they have no regulations, no authority to give contracts to qualified service disabled veterans.

Qualify the surviving spouses and children of service disabled veterans who take over family businesses for the three percent goal in government contracting. It will cost the government nothing.

ASDV is concerned about the direction of the National Veterans Business Development Corporation. The corporation should use its congressional funding to create a larger capital fund for veterans and especially service disabled veterans whose access to capital and technical assistance has traditionally been limited.

Invest in making the SBDCs responsive to the needs of veteran entrepreneurs. Every federal agency needs to be encouraged from above to really look for veteran owned and service disabled veteran owned businesses as suppliers. ASDV can help them. Nobody responsible for procurement should receive a bonus if the agency fails to award its full three percent of contracts to veterans as required by law.

Mr. Chairman and Madam Ranking Member, we have made some real progress with the enactment and partial implementation of P.L. 106–50, but nothing like what Congress intended. We want SBA to serve veterans in good faith. Thank you.

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

Chairman MANZULLO. Thank you very much.

Our next witness just got here. Rick, it is a good thing you were the last person to testify, as opposed to the first.

Rick Weidman is director of Government Relations of the Vietnam Veterans of America. Good morning, and welcome.

STATEMENT OF RICHARD WEIDMAN, DIRECTOR, GOVERNMENT RELATIONS, VIETNAM VETERANS OF AMERICA

Mr. WEIDMAN. Good morning, Mr. Chairman. There is no excuse, and I offer none, sir. There were reasons involving an unbelievable series of mishaps, including having no idea that the pay lot out here has become a permit lot, which necessitated a long search for parking, but I do beg your pardon, sir, and it will not happen again.

Chairman MANZULLO. I was not giving you a hard time. I was just teasing you, you understand. I am going to reset the clock for the full five minutes.

Mr. WEIDMAN. Mr. Chairman, first of all, on behalf of George C. Duggins, VVA's national president, I wish to offer on behalf of all of us at VVA congratulations on taking over the chairmanship of this Committee. It is an important post, and I know that based on certainly our experience with you and your leadership, extraordinary leadership on Gulf War veterans, that you will do right by veteran entrepreneurs and particularly service disabled veteran entrepreneurs in the future.

Congresswoman Velazquez, Mr. Pascrell, thank you very much for the opportunity to offer our views here today. Much of the history has been recapped by the distinguished colleagues to my right, so I will not go through it again here in the oral statement except to say the ironic thing of the not good history since 1954 of the SBA and veterans and particularly during the 1960s, 1970s and most of the time since is that the SBA was really born out of the VA.

It was a very small New Deal agency that was put together with the Veterans Business Loans and other programs for veterans at the VA by President Eisenhower, and that became the Small Business Administration with some added resources. Veterans were pushed from the center to the epicenter, if you will, of all services. This has harmed not only veterans who were would be entrepreneurs and veterans who are entrepreneurs within our country. It has harmed America by not taking advantage of the extraordinary skills that veterans bring to the marketplace.

The most recent history, as was covered in 1998 in response partly to an oversight hearing of a Subcommittee of the full Committee conducted by Mr. Bartlett and in cooperation with the Subcommittee on Benefits of the House Veterans Affairs Committee, then Administrator Alvarez named a task force, if you will, of people to look at what special consideration meant and make recommendations.

There was an extraordinary effort on the part of the veterans community, SBA staff and other interested parties that resulted in 21 recommendations that covered, all facets of the SBA, which was delivered just before Veterans Day, 1998.

The problem subsequent to that was that all of the promised action which was supposed to be taken by the end of December or beginning of January did not take place, and while we did not have contact directly with Ms. Alvarez we did with senior staff, including the current acting administrator, and no action on anything. We asked that they convene and pull people back together to at least discuss where we were, and that also fell on deaf ears.

Thanks to Senator Bond and Senator Kerry, we were given the hearing room of the Senate, your counterparts on the Senate side, the Small Business Committee, and a number of veterans organizations and other advocates came together.

Out of that came the Task Force for Veterans Entrepreneurship, which includes some almost 30 veterans organizations, private businesses, other interested parties like National Organization of Competency Assurance, et cetera, who worked very closely with the staff of the Committee on both sides of the aisle, both on this Committee. Primarily on this Committee, but also in cooperation with the House Veterans Affairs Committee under the overall leadership of the Honorable James Talent and Ms. Velazquez to develop 106–50, which is an extraordinary piece of legislation.

The extraordinary vision put forth is just that: Extraordinary. It leads us in the direction that we have been wanting to go, providing the adequate assistance, a hand up, if you will, to veteran owned businesses and would be veteran entrepreneurs and those who need self-employment for the future.

The problem is that the devil is in the details. Not a single part of 106–50, with the exception of creation of the Office of Veterans Business Development and the appointment of Mr. Elmore, has in fact been accomplished. There are two sets of regulations that are currently stuck at Office of Management and Budget. One is the final procurement regulations that contains the "fix" that the Committee and Committees on Small Business so graciously provided to us late last fall having to do with service disabled veterans procurement.

The other has to do with implementing the assistance to members of the Guard and Reserve who are small business owners or self-employed who get activated, which is certainly important to our overall defense under the total force concept with which our military now operates. Both of those are stuck in a bureaucratic maze, if you will. We are told that logjam will probably not be broken until sometime in the fall.

Regulations on all the rest of the aspects of P.L. 106–60, including activity by SCORE, including activity by the SBDCs, et cetera, in fact has not reached the person on the street. The man or woman who shows up at the Small Business Development Center in Queens or shows up at the Small Business Development Center in Illinois does not know if they are not told that there are special services there because they are veterans. In fact, many veterans do not know where to go.

The word is not getting out. The actualization of the vision put forth by this Committee, by all of you, Mr. Manzullo, has not been effectively realized in any manner, shape or form.

As I mentioned, on the positive side there were several things. We did get funding for the National Veterans Business Develop-

ment Corporation. We have tremendous confidence in Mr. Glassman and his leadership, and I am sure that by the end of this year that the National Veterans Business Development Corporation will be developing nicely.

We cannot say that about any other aspects of the bill, which is really quite extensive and which when, and I say when, implemented will change the whole nature of the way which SBA itself and SBA funded entities do business in regards to veterans, particularly service disabled veterans.

There have been no regulations or administrator's orders that would implement all of the rest of the aspects of 106–50 in every area of SBA. To our knowledge, there is no information gathering going on in each and every program for the administrator's annual report back to you, Mr. Chairman.

Last, but not least, I would note on that, and then I will leave it hopefully for questions, is that we need effective regulations and other actions by the Administration. By the Administration I mean not just the new Administrator when he gets on board and is confirmed by the Senate, but rather by the Administration that the three percent minimum goal is just that. It is a minimum goal. It is a floor. It is not a ceiling.

Make it clear to the folks, if I may, who took your three percent in black letter law which was established as a minimum, and the intent of the Congress was crystal clear, and chose to ignore it and put their judgement ahead of all of the Members who on a bipartisan basis put this legislation into effect.

It is outrageous that they should be allowed to do so, Mr. Chairman, and we would urge you to bring it to the attention directly of the President in order that he may start to take charge and start to turn this around by giving clear orders to SBA that you will implement all aspects of 106–50 and not just to the SBA, but to the heads of all other departments and agencies.

In other words, do not leave this time bomb which was not created by Mr. Barreto, in whom we do have confidence in from what we know of him, as members of our task force have met with him.

Chairman MANZULLO. You are three minutes over time.

Mr. WEIDMAN. I apologize, Mr. Chairman, for going over time,——

Chairman MANZULLO. That is all right.

Mr. WEIDMAN [continuing]. But I did want to bring that out.

Chairman MANZULLO. I understand that.

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

Chairman MANZULLO. Let me first of all thank you all for coming. Let me tell you the way I look at this thing. I have problems with Congress passing laws and then leaving it up to bureaucracies to draft regulations. That is garbage. I have instructed my staff to prepare an amendment to this bill and try to expedite it so that the legislative language is self-executing. I am not going to wait for the bureaucrats.

I did not come here to wait years to pass a law and wait for some bureaucrats to issue regulations. That is not what this thing is about. This is a simple bill. It is very simple. I have seen regulations issued that simply parrot the language in the bill.

The fact that the Civilian Agency Acquisition Council said that they could ignore the law and its intent is because the law is based upon fulfillment when the regulations are issued, so I am going to ask that the six people here get together on your own and come up with self-executing language.

In other words, in this bill where it says the regulators shall, you draft for me your idea of what the language should be. Are you with me? Do you understand what I am saying?

I am not going to wait for the SBA on this. I am not going to wait for anybody. When a war happens, we do not put people on hold to send them off to battle. Here is language in the testimony, and I believe, Anthony, it is yours. No. Bill Crandell. It says absent regulations, bureaucrats think of laws as cute ideas. Do you know where all the money is going? It is to pay bureaucrats to issue regulations.

I would like you to work on that. If you could get us language within 30 days, and I will sit down with Mrs. Velazquez and see if we can come up with a bipartisan bill on this and try to expedite this and get this language through.

The second thing——

Ms. VELAZQUEZ. Mr. Chairman, if I may?

Chairman MANZULLO. Yes?

Ms. VELAZQUEZ. Let me just say this to you. You know, the hearing and the purpose of this hearing today is to find out where we are on this legislation and the execution of this legislation. Of course, yes, welcome to Washington. There are a lot of bureaucrats here.

Do you know what? When we have legislation that creates a new program, it does not happen overnight, the implementation of such a program, so I think that the hearing today will give us some light as to where we are and what needs to be fixed.

Let me just remind you, and I welcome you to read a study that my staff conducted last year about the failure of the federal government in terms of the procurement opportunities and the goals for small businesses, minority owned businesses, women owned businesses, disadvantaged owned businesses. Five percent is the statutory goal.

Not even 1.5 percent was achieved, so this is not only about your program. This is something that we need to correct about different other programs. This is just not the failure of the SBA regarding your program.

We need to do a lot of correction here that might require future legislation, but in terms of the implementation of this, the purpose today is to find out where we are. If we need to bring OMB or if we need to bring FARC here and find out where we are and what needs to be done, then we will do that for every single thing that we have not accomplished.

This law was signed in 1999. The money is there that you made reference to. You said that the previous Administration—it was not the previous Administration—did not appropriate the funds for the first fiscal year. It was not the previous Administration. It was the people here in Congress, those who were in charge of the appropriation process, and they were not Democrats.

Thank you, Mr. Chairman.

Chairman MANZULLO. You can tell there is a lot of passion up here.

Ms. VELAZQUEZ. Sir, this is a bipartisan Committee, and we work in that fashion. This legislation was not passed only by Republicans. We worked collectively because we need to bring fairness and equity to veterans, but do not come here and try to bash some previous Administration. Just let us bring the facts and see where we are.

Chairman MANZULLO. I do not think that was the issue. The issue was that it has taken two years, and no one has lifted a hand to draft a regulation. A lot of these people are career. They are in under Republicans and Democrats. I do not care who they are.

I just think that there has to be a way to pass laws to make these things work, as opposed to relying upon the regulators to come up with the standards.

Ms. Velazquez, I want to tell you how much I appreciate your leadership on this. Our full Committee is going to be spending probably 50 percent of our time on procurement. We had a very highly spirited hearing on Berets.

With the goals for fiscal year 2000 of 23 percent of small business procurement, that is $40 billion coming out of DOD, five percent for small disadvantaged business, five percent for women owned business. Regardless of how you feel about whether these are called set asides or whatever, what we have decided to do at the full Committee level is to focus on the procurement of the federal government.

With the issue of the Berets, it is a disgrace what DLA has done, and now most of those seven contracts have been terminated because of poor quality or because of foreign parts. I mean, this is $40 billion worth of money that should be going in the hands of the small business people.

We share your concern, but I also want you to do something else besides the language. I want you to prepare for me a two-page guideline that can be handed out to any veteran in this country on how a veteran can obtain assistance to start or continue in his or her own small business. We will prepare the document, and we will submit it to the veterans association, and we will ask them to adopt that language in getting it out to the VA centers.

We have an opportunity here to do something. We obviously have a lot of energy, a lot of competence. Major General, I understand your background is in procurement. We will rely upon you heavily, sir, in this constant battle that we have against the government.

Mrs. Velazquez.

Ms. VELAZQUEZ. Mr. Ortner, I would like for you to clarify something that I read in your testimony. Are you advocating for disabled veterans to be included in the 8(a) program?

Mr. ORTNER. Yes, ma'am. That is more of a long-term goal. I actually had a portion concerning that in my oral testimony. I was going to go into it, but did not have the opportunity.

Ms. VELAZQUEZ. I read it. Let me just share this with you. You know, you came here last year, and you asked for a contracting procurement goal and subcontracting goal. In some cases we have provided you greater advantages than what participants in the 8(a) program enjoy.

For example, 8(a) firms receive no special treatment as far as lending, and now you come back to us and ask us to be included in the 8(a) program. I have to tell you that that is not for me. That is my position.

I am going to give you one number only so that you realize. You know, the 8(a) program has been designed for minority businesses to enter the federal marketplace and economically and socially disadvantaged businesses. We have already seen dollars to the 8(a) program declining, $500 million from fiscal year 1999 to fiscal year 2000. Adding additional groups to the 8(a) program is only going to mean fewer contracts for all those who are participating in the 8(a) program.

Sir, I do not think that that is a good idea. That is my position. We could discuss it further, but every study that we have conducted throughout the federal contracting opportunities in the federal government is showing us that every year less and less contracts from the federal government are going to the 8(a) participants.

Mr. William Elmore, in your written testimony you stated that the number of SBA 7(a) loans to veterans declined by almost 50 percent from fiscal year 1995 to fiscal year 2000. Last week we conducted a budget hearing, and Mr. Whitmore, who was representing the Administration, was also using the same figures to show the decline in 7(a) loans since 1995.

If you go back to 1992, you will see that the 7(a) loans to veterans increased substantially, over 130 percent, from fiscal year 1992 to fiscal year 1995. Much of that increase occurred in fiscal year 1995 when the one-page application was implemented as part of the loan doc application.

The decrease that you speak of in your testimony began in fiscal year 1996 when the fees for the 7(a) loans increased, and now the President is proposing to raise the 7(a) fees for fiscal year 2002.

You also stated that as a result of this and other declines in program activity levels, you were reviewing the program to ensure that it is properly serving all small businesses, including veteran owned businesses. Does this review include the present proposal to raise fees on veterans?

Mr. ELMORE. The review that we have conducted thus far has focused on SBA services and resources, including loan products, that date back in some ways back to 1973. Most of the data we have been able to find so far dates back to 1990; what we have looked at is veteran participation in the 7(a), in the 504, in what used to be the direct and HAL loans, and also in the micro loan program.

The recommendations that we have developed that are presently working through the SBA and then ultimately through OMB and then to Congress tries to address what we have seen as a decline in veteran loans generally across the agency.

I did not look at, nor did I know I should look at, the implementation of fees in 1996 that may have impacted loans, but we will certainly look at that.

Ms. VELAZQUEZ. But do you now see a correlation between the implementation of fees and the decrease in 7(a) loans?

Mr. ELMORE. I did not look for that, and I am not sure that I would see that. I certainly have seen a reduction in loan activity

for veterans, and it has significantly accelerated over the last five years. You are right. It was not just 1995.

Ms. VELAZQUEZ. Particularly in 1995, sir, when fees were imposed to the 7(a) loan program.

I hope that you go back, review this factor, and after that I welcome that you advocate on behalf of small businesses and veteran small businesses and ask the Administration not to impose fees because every time that we impose fees on SBA, the 7(a) loan program, that will drive veterans away from that program.

Mr. ELMORE. I should mention that as we reviewed the loan products we have understood now that about 60 percent of the loans that go to veterans are under $150,000, so I do not believe there were fees increased on that level of loan.

I have not year by year gone back to see if that number has increased or decreased in percentage, so we will do that as well.

Ms. VELAZQUEZ. Sir, 1996 was from the bottom up,——

Mr. ELMORE. Okay.

Ms. VELAZQUEZ [continuing]. So I will ask you to go back and check those numbers.

Mr. ELMORE. We will do that.

Ms. VELAZQUEZ. Thank you.

Chairman MANZULLO. Thank you. Let me get Mrs. Kelly in before the bells go off and get the rest of the Members.

Mrs. KELLY. Thanks, Mr. Chairman.

Mr. Elmore, I would like to know what the SBA's level of procurement is from veterans. Do you have that figure?

Mr. ELMORE. The SBA's procurement itself?

Mrs. KELLY. Yes. The SBA procures things.

Mr. ELMORE. Yes, ma'am.

Mrs. KELLY. How much do they get from the veterans? How much does your——

Mr. ELMORE. At this point——

Mrs. KELLY [continuing]. Office for Veterans Affairs procure from veterans?

Mr. ELMORE. Since I got there, we have done no procurement out of my office specifically. We are certainly preparing to do some procurement, and what does not go through our district offices is targeted to veteran owned small businesses, but we have not let any contracts out yet.

Mrs. KELLY. In the past, if you look at the past records, have you any information on that?

Mr. ELMORE. I do not have that information, but I will ask my staff to dig it out.

Mrs. KELLY. Get that information for us, will you?

Mr. ELMORE. I will do that.

Mrs. KELLY. Is there a set aside for disabled veterans?

Mr. ELMORE. No, ma'am, there is not.

Mrs. KELLY. So it makes no difference? It is just a veteran or a disabled veteran either one?

Mr. ELMORE. From my office's perspective, we will look first to a service disabled vet. Not finding one that could deliver the good or service or product we need we will then look to a veteran owned small business. If we do not find that, we will go out beyond that.

Mrs. KELLY. Is there any special effort made in that search?

Mr. ELMORE. Certainly there is a special effort by me and my staff. We have identified 80,000 veteran owned small businesses, and they will be the ones that we will notify when we have procurement opportunities specifically out of my office if they want to bid on those or compete for those.

Mrs. KELLY. How do you notify them?

Mr. ELMORE. So far we have e-mail addresses for about 20,000 of those firms, and we have already been notifying them of other procurement information and the activities of my office. If we need to, we will go out in writing to them.

Mrs. KELLY. But so far you have not?

Mr. ELMORE. No, we have not, ma'am.

Mrs. KELLY. Will you do that?

Mr. ELMORE. Yes.

Mrs. KELLY. I think it is very important that the veterans get the information early enough, that anyone from the agency gets the information early enough that they can put together a bid for the product that you are looking for and specifically with the veterans, especially if you are dealing with disabled veterans who may have reasons to have to have something else done.

For instance, if they have problems with hearing or problems with sight, there may be a need for an earlier notification, and I think it is very important that your agency focus on that.

Mr. ELMORE. We will do that, ma'am.

Mrs. KELLY. I do not know if you are aware of it, but you may not know that I offered an amendment to the bill that was accepted by voice vote in the markup that would require you to put together information on the veteran participation in the federal government procurement process; that you would collect that and disseminate that to procurement officers.

I am concerned about educating procurement officers about your intent at the Small Business Administration to do this with veterans. To my way of thinking, veterans have a higher priority in the procurement process than almost anyone else in the entire United States.

I would hope to hear from you that you are going to implement a high education process, not only here in this country, but internationally because goods can be shipped on an international basis, and our agencies and our representatives in the various nations are also in the procurement process. Will you do that?

Mr. ELMORE. Yes, we will. We are planning a training conference late this summer at the end of August, and we will include procurement, procurement officers, contract officers and such as part of that conference.

Mrs. KELLY. Mr. Glassman, I just want to ask you. Has the Veterans Business Development Corporation raised any funds, tried to raise any funds, in the interim? I read your testimony. You have this master plan to meet the objective of raising money. Have you done that? Have you done anything in the interim?

Mr. GLASSMAN. We are putting together proposals to go out in a whole range of national funders. We would like to go out to with grant proposals to probably 20 different institutions, so initially we would probably go out in a context of seeking foundation funding for people who are interested in entrepreneurship, people who have

a focus on disability. Beyond that, our plan is to eventually go to some of the chief vendors, to VA, to DOD.

Mrs. KELLY. But basically what you are saying is your plan, you intend to, you have not done?

Mr. GLASSMAN. We are in the seventieth day of our funding, so we have——

Mrs. KELLY. I understand that.

Mr. GLASSMAN. We are commencing to hire the folks that will do the fund raising.

Mrs. KELLY. I would hope you do that rapidly. There is a need to get this ramped up and off the ramp. We have to get this thing going. I hope that you will do that very quickly.

I yield back the balance of my time, Mr. Chairman.

Chairman MANZULLO. Okay. Mr. Pascrell, you are next.

Did you want to get a quick question in? That is between the two of you.

Ms. VELAZQUEZ. Yes. Thank you, Mr. Pascrell.

Mr. Glassman, in your written testimony you stated that 106–50 was less specific on the direction the corporation shall take to implement the directive requiring the corporation to become self-sustaining within a four year period.

This direction gives the corporation the independence to achieve self-sufficiency in a variety of ways and the opportunity to evolve into an organization with a broad reach into the veterans community. Does the rest of the panel agree with this view of the independence provided to the corporation?

Mr. CRANDELL. If I may, that was one of the more important parts of that construction as far as ASDV was concerned. It needed to be—needs to be—a very independent agency.

Congress still and the Presidency still have the power of appointing new board members when that comes up. It is not beyond control obviously, but it becomes a very independent entity that will be able to carry out its mission as the directors see fit.

Ms. VELAZQUEZ. Yes, sir?

Mr. WEIDMAN. It was specifically designed that way in working with Mr. Talent and your folks. Ms. Desiree Linson, from your staff, Congresswoman Velazquez, helped a good deal on that.

It brought a lot of questions because there has never been a federally created entity precisely like the National Veterans Business Development Corporation. It is truly designed to be a public/private partnership and to have the ability in fact to not just raise money in the form of grants and donations and for services, but receive funds back which will then be plowed right back into helping other disabled veterans and other veterans in general.

It deliberately at least from our point of view within the veterans community was nebulous, and I believe that that was also Mr. Talent's and your intent insofar as we understood it and similarly with Senator Bond and Senator Kerry.

Ms. VELAZQUEZ. Do all of you still support the self-sustaining provision within the law?

Mr. WEIDMAN. We would urge, from Vietnam Veterans of America, that the match requirements be delayed a year because the funding, initial funding, was delayed; therefore, to give them more time.

I will say in all of the communications we have had with Mr. Glassman and with his board, we have urged him not to think in terms of $4 million match money, but think in terms of $40 million and within just a very short period of time, like less than five years, in terms of $400 million.

It is in fact possible. It is an idea whose time is right that will bring creative activities that could not, frankly, be done by any federal entity to the problems that are needed to make sure that we assist all sectors of the veterans community wherever they may be from New York City to Illinois to southern Jersey.

Ms. VELAZQUEZ. Any other comments? Yes, sir?

Mr. GLASSMAN. If I could make a comment? I feel as though that probably what you refer to as vagueness is probably one of the more empowering pieces of the legislation.

Ms. VELAZQUEZ. Sure.

Mr. GLASSMAN. To me, it is going to allow us culturally, financially, presentationally, to most resemble the private sector, to think out of the box, if you will.

The question a few moments ago from Congresswoman Kelly I thought spoke to the opportunity. SBA's total budget I was reading is $30 billion. Three percent, $900 million, should go to service disabled veteran owned businesses.

It would be our goal to find and build the veterans electronic marketplace, a platform on which you will find every conceivable set of services and products that service disabled veteran business run.

When we build such a platform, we economically, our corporation, will start to develop the self-sustaining revenues. To think of business engines, and we could if I had endless time go after one idea after another.

To think about a whole set of business engines is ultimately to complement what I call just the straight fund raising. There is only so far you are going to get on patriotism. You better have some solid business ideas. This better be a venture in which people can see the self-sustaining characteristics to be successful.

Ms. VELAZQUEZ. So, Mr. Glassman——

Yes, sir?

Mr. CRANDELL. If I might just comment on that electronic enterprise view? For service disabled veterans, you have in an awful lot of cases people who work best in an environment of self-employment or an environment where they can sit at something electronic. There is a lot that folks can do in this direction.

Ms. VELAZQUEZ. One last question.

Chairman MANZULLO. Let me get on to Mr. Pascrell, and then we can come back.

Ms. VELAZQUEZ. Mr. Chairman, just related to the same question.

Chairman MANZULLO. It is up to you. That is fine. It is your time.

Ms. VELAZQUEZ. At the end of the fourth year, you will not come back to us saying we need more money?

Mr. GLASSMAN. That is my fervent goal is to come back to you and only be asking for your support for ways in which we can be-

come more commercially viable, but not to ask for any additional funding. We may ask you for lots of things, but not for money.

Ms. VELAZQUEZ. Stakeholders?

Thank you, Mr. Chairman.

Chairman MANZULLO. Those are great questions.

Ms. VELAZQUEZ. Thank you.

Chairman MANZULLO. Mr. Pascrell?

Ms. VELAZQUEZ. The mood in Washington is fiscal responsibility, right?

Chairman MANZULLO. That is correct.

Mr. WEIDMAN. Mr. Chairman, if I might just add to that? We may not come back and ask you for more money for the National Veterans Business Development Corporation, but we may indeed come back and ask you for more money for the Office of Veterans Business Development.

$750,000 simply does not cut it in terms of what is needed to help the entire agency and indeed the whole federal government implement 106–50, so we will be coming to you for more funds and support in that effort, but it will be for the main force activity that would operate out of the administrator's office and out of the associate administrator's office, ma'am.

Mr. PASCRELL. Thank you, Mr. Chairman.

I want to associate myself with the words you just heard because there was a change in funding in terms of the difference between the office and corporate activities. We need to understand in 2001 what that difference is. $750,000 speaks for itself. It speaks for itself.

I also want to associate myself, Mr. Chairman, and thank you for having this hearing today, with Congresswoman Kelly concerning veterans' preferences and three percent. We talk about veterans' preference in terms of personnel throughout many states of the union. We talk about veterans' preference in terms of procurement, and that definition, the meaning of that, is changing every year in terms of our expanding possibility.

My first question is to Mr. Elmore. Are you able to fulfill your responsibility under P.L. 106–50 with the current staff allotment?

Mr. ELMORE. 106–50 is, from my view, a very comprehensive bill. We are implementing. I think it really becomes a matter of the time frame that it takes to accomplish everything the law intends.

I am enthused that the new Administration, who pays particular attention to veterans in small business, is going to support the kinds of resources we need to fully implement 106–50, but, bluntly, it is taking some time, and it is going to take more time.

Mr. PASCRELL. So you can fulfill the responsibilities with the present staff that you have?

Mr. ELMORE. I can fulfill them, but we are working weekends, working lots of hours, and I am probably going to wear some people out.

Mr. PASCRELL. I can only interpret your answer to be no, you cannot.

Mr. CRANDELL. Mr. Pascrell, if I might speak for the veterans community, no, they cannot.

Mr. PASCRELL. That is what I figured.

Mr. CRANDELL. We all know the position that Bill Elmore is in this morning.

Mr. PASCRELL. I am sorry?

Mr. CRANDELL. We all know the position that any administrator is in this morning with regard to that question, but I think he has given you a——

Mr. PASCRELL. What possible position other than telling us what it is? What other alternatives are there?

Mr. CRANDELL. I think a number of us would hate to be federal administrators who needed to tell you no to that.

Mr. PASCRELL. Really?

Mr. CRANDELL. I think it might be a rule of the game.

Mr. PASCRELL. Well, that is hopefully what we want to cut through and get to the nucleus and the center of, and that is why I asked the question.

I was not asking the question to put you on the hot seat. You are already there. I asked you the question because I think it is pertinent to all that we have discussed on this Committee through various discussions on different issues as to budgets, to parts of the SBA and your specific responsibilities, and I think it is an important question. I think that the responses speak for themselves.

Let me go on to my second question, Mr. Elmore.

Mr. ELMORE. Yes, sir.

Mr. PASCRELL. Many of the requirements of this comprehensive law are being fulfilled. You have touched upon this, but how is the SBA advertising these services to veterans?

You know, when we dealt with part of the new veterans law bill that has passed through the House of Representatives sponsored by Representative Smith from New Jersey, the chairman of the Veterans Committee, there is a part of that legislation which deals with the veterans right to know, which we were able to get into that, and I think vets have a right to know what is available, what benefits there are that many times they do not take advantage of. Fifty percent of the veterans do not know what their benefits are, and I am being charitable with that number.

The question I am asking you is how are you deciding to get out and advertise particularly in business matters what is available? You started to talk to us about that. You made a list of examples of outreach.

I think that the best point of contact with veterans are health and hospital facilities where this information should be made available when a veteran does not come in to look for such information, but we provide it to him, and this usually leads to a dissemination of information. Have you tried that?

Mr. ELMORE. We have tried it in cooperation with one of our partners in the MOU. We are working with the Department of Veterans Affairs, also with the Department of Labor, of course, with SCORE and the ASBDC as well, to try to ensure that the information does get out there.

I will tell you that I am not completely satisfied that there is enough yet. I think we do need to reach to the broader veterans community, and I think we also need to reach to the next veterans, i.e., the men and women who are still serving this nation, and try to ensure that they also have access to the information.

Incrementally we are getting there, but, bluntly, we have not gotten completely there yet.

Mr. PASCRELL. We have a database of veterans. In my district there are 40,000 veterans. We have a database. You have a database of who these veterans are throughout the United States of America for the most part. It is not perfect. No database is perfect.

You know, I often wondered what it would take to send veterans, individual veterans, rather than wait until they come in to be serviced and then tell them what else is available, which we do now.

Mr. ELMORE. For the most part.

Mr. PASCRELL. I often wondered what it would cost. Is that up front cost really worth it? Is it not really worth it to disseminate this information? I know the Veterans Administration has talked about well, then we will have a run on all of our services. Exactly.

I think this is important, particularly in the area of health where we are talking about closing down facilities because they are under utilized because the people that can utilize them do not know how to utilize them. It is almost bordering on criminal, Mr. Chairman.

I have one more area.

Chairman MANZULLO. What I would like to do is to let Mr. Phelps have five minutes, and then we can take more time. I just want to make sure everybody——

Mr. PASCRELL. If I could just finish out my last question?

Mr. ELMORE. Could I respond, if you do not mind, to Mr. Pascrell's points?

Chairman MANZULLO. Yes.

Mr. ELMORE. There are two things. First off, I have been privileged to be the SBA's representative at the corporation's board meetings, and I think they will become the database, if you will, for where the veterans are and whether they are findable. Bob addressed that earlier.

For the other point, I will be a little bold here. I would love the opportunity to disseminate information about our services and programs through the newsletters of Members of Congress. I think that might present one of the very best ways that we could reach the breadth and the depth of the veterans community across this great nation.

Mr. PASCRELL. Mr. Chairman, we have become the satellite offices for the INS. What would be a much more valuable situation to America is if we become satellite offices for all of our veterans.

My final question is this; very quick and very simple. Would you support the waiving of all fees to all veterans with regard to business applications and proposals? Can you support that?

Mr. ELMORE. I certainly cannot speak for the next Administrator. This is one of the points that we have discussed in the office, but I need to maintain obviously as much flexibility for my next boss. That is one of the things that I will talk specifically with him about.

Mr. PASCRELL. Mr. Chairman, will you please entertain the possibility of us getting a bipartisan legislation to waive all fees for veterans with regard to the SBA?

Chairman MANZULLO. We will entertain it, Mr. Pascrell. The problem is that once you waive it for one group, then you have all

the other groups lining up. You have to figure out where you are going to go on it.

Mr. PASCRELL. Mr. Chairman.

Chairman MANZULLO. Remember that we are on the same page——

Mr. PASCRELL. Right.

Chairman MANZULLO [continuing]. With regard to getting the correct subsidy rate for the 7(a) Loan Program.

Mr. PASCRELL. Right.

Chairman MANZULLO. Once that model and the correct rate comes in, that will lower it for everybody.

Mr. PASCRELL. I would say though——

Chairman MANZULLO. Appreciate that.

Mr. PASCRELL. Mr. Chairman, you would agree, and I agree and I associate myself with your remarks, but I think that you would agree with me when I say you would have every other group. The fact is that the veterans are a different group. Let us not put them in with all the others.

Chairman MANZULLO. Bill, I agree with that.

Mr. PASCRELL. You agree with that. I heard you say that.

Chairman MANZULLO. That is why we are having this hearing. I want to go on to Mr. Phelps.

Mr. PHELPS. Thank you, Mr. Chairman, for your interest and aggressiveness in this area and panel members. Sorry I was a little bit late. I am trying to catch up for fear of duplicating questions.

Clarify something for me, Mr. Chairman. I am from Illinois. We have a tendency to get right at the root of the problem and make things maybe over simplified. I heard him say this is a simple bill. I heard Mr. Crandell say, I believe, that it is comprehensive. Those are not the same to me.

If it is comprehensive or simple, Mr. Chairman, comparatively speaking how is this implementation time table to other such legislation on track? Do the advocacy groups tell us?

Chairman MANZULLO. If you would yield, the Ten Commandments are comprehensive, but it is also simple. The bill's intent is simple, and they are comprehensive at the same.

Mr. PHELPS. I just hope that whoever is in command of making sure that this legislation is implemented, whether it hinges on lack of funding or funding that was there and someone has not moved when it was there or in lieu of the cuts that may be affecting what happens, whatever is in play with all this, you know, we need to know.

I think you people are key in this whole structure to be able to tell us what we can do through legislation because we have a tendency to want to pass legislation to improve things and prove to people that we care, whether they recognize it or not, but we may complicate the whole process while you are on the verge of implementation.

I do not want to do that. I saw that happen back in the state legislature where I came from in Illinois. We just have a tendency to do that even with the sincerest intentions.

Can anyone associate their remarks to where are we realistically on such a kind of bill comparatively speaking?

Mr. WEIDMAN. If I may suggest, Mr. Phelps, as the Chairman noted, Public Law 106–50 is both comprehensive, and yet it is straightforward and simple. Much of the law is very close to being self-executing, and we worked very closely with the staff of this Committee to make sure that it was close to self-executing.

In fact, the Secretary of Transportation could pick up that section on procurement and implement it right now on the black letter law. We will be glad to follow through and make sure and certainly work with Committee staff on both sides of the aisle to make sure everything is there.

Insofar as the provisions that affect every single program of the SBA, they have not issued a directive. They have not issued an administrator's order. They have not done any guidance or any training of their own staff; never mind the small business development centers, et cetera, and SCORE and right on down the line.

Mr. PHELPS. And it is not because they do not have the resources to do that?

Mr. WEIDMAN. It is primarily something of will, we would suggest, Mr. Phelps.

Not a single one of the 21 recommendations. A number of the folks at this table worked very hard on the task force, and we are grateful to Ms. Alvarez for the opportunity, but not one of those 21 recommendations was ever implemented.

No administrator's order came, and it is currently not in effect for implementing Public Law 93–237, Special Consideration. We could go on and on.

Chairman MANZULLO. Could you yield? Could you yield on that?

Mr. PHELPS. Sure.

Chairman MANZULLO. Is that under your jurisdiction, Mr. Elmore, to issue the administrative orders——

Mr. WEIDMAN. Administrative orders would have to come from the administrator him or herself, sir.

Chairman MANZULLO. What is it, a letter?

Mr. WEIDMAN. It is essentially——

Mr. ELMORE. If I might? In 1983 or 1982, excuse me, the then Administrator Sanders issued an Administrator's order to implement special consideration for veterans, their dependents or survivors with a specific series of steps and things that would be done.

The regulations that flowed from that order were eliminated in 1995, and we have discussions now about going back and revisiting those. The recommendations that I am preparing presently for the next Administrator I will urge him to include in a new administrator's order. Bluntly, I have not had an Administrator to go to.

Chairman MANZULLO. So that is what you are waiting on?

Mr. ELMORE. That is correct.

Mr. PHELPS. So where is the Office of Advocacy status? What do they say? Do they have everybody in the same room, the staff, and say look, this is what the goal is? Let us report back. The time table is this. Is that happening?

Mr. ELMORE. The Office of Advocacy is engaged in conducting research about veterans' participation with SBA programs and other programs and the kinds of businesses, they own those kinds of things and we are cooperating with them on that. Beyond that, I cannot speak for the Office of Advocacy.

Mr. PHELPS. But even that brings me to a concern just glancing without having the time in questioning the accuracy of veteran owned businesses. We say we have 300,000 service disabled veteran owned businesses, and yet the recent ProNet search only shows that there are 2,532 such businesses listed.

Mr. ELMORE. If you go back, and I went back and did a review of all the materials I could find for at least the last 11 years of SBA programs. I went back further than that. I went literally back to 1953.

For example, the census data that is now available on other categories of small business ownership from 1997, I believe it is from memory, did not include veterans information. The 1992 and the 1988 information did.

Everywhere you look there is a significant lack of timely information regarding veterans. This is why my office is in fact developing specific recommendations and working with each office in the SBA to at least start gathering the right kind of data.

The data is not there. I readily admit that. We readily admit that. We are trying to change that now.

Mr. PHELPS. I have no other further questions. It is pretty lengthy, I am sure.

Mr. Chairman, if it is true, following Mr. Pascrell's comments, that our offices could be used as satellites at least for awareness and so forth, and I never use the franking privileges, the newsletters, in my office. I did in the State House. It can border on campaign abuse, I think.

You know, if it is true that we can serve that niche, if they can just transfer the funds to our office to get that done I would be willing to consider franking.

Chairman MANZULLO. I do not send out a newsletter either.

Let me conclude. We have asked for a couple of things. The first thing is that if the five or you or six of you or whoever else you need could get together and come up with draft legislation—I mean, feel free to use our office; we can vet it through the Office of Legislative Counsel—to make this entire bill self-executing. That is the first thing.

How much time do you think you need on that? Thirty days? Sixty days?

Mr. WEIDMAN. Thirty is plenty, sir.

Chairman MANZULLO. You can do it in 30 days? Okay.

Then the next thing is maybe a brochure exists with the VA. I do not know. There is so much literature out there, and it is so confusing. A brochure that would say you are a vet, and you want to go into business. Something simple like that.

Why don't the six of you sit down and devise that? Come up with the actual brochure itself, even though the information in there may yet not be available because Mr. Glassman's 70 day old organization needs a little bit more time to get going on it, but if you could do that within the same period of time then we have some guideposts.

Mr. Weidman?

Mr. WEIDMAN. Mr. Chairman, I would assume that you would not object. I would be remiss in my role as current chairman of the Task Force on Veterans Entrepreneurship, which includes all those

groups, and we also work very closely with the American Legion, even though——

Chairman MANZULLO. That would be fine.

Mr. WEIDMAN [CONTINUING]. They are not formally affiliated. We would like to work through that group and make sure that we get there with a united front behind you and Ms. Velazquez if we may, sir.

Chairman MANZULLO. That is excellent. Let us come up with a product ourselves.

A third thing is, Mr. Elmore, I think you can relate to this. Whenever a business person gets something from the government it is put over here, and then the political solicitations for money are put over here, and then the bills are put over here. Normally, when I practiced law and I would get something from the Department of Agriculture. I did not read it.

Back home we have a huge exporting congressional district. We bring in from time to time Trade Counsels General to have partnerships with foreign countries. We will send out 1,100 solicitations, and five people respond.

You know, we can identify every single veteran business. You can send a mailing to every single one. The response rate would probably be about the same. I am not saying it should not be done, but e-mail is absolutely incredible. Twenty-five percent of the people you have identified, Bill, are on the e-mail, which is instant messaging. One person types a message, and you push the button. There it goes with hardly any cost to it.

It is not just so much trying to communicate with the veterans. It is the best way to do it. Someone here testified about some new technologies of communicating with those veterans. That really has to be part of it. Whatever you can do, we are open to suggestions.

Again, we want to thank you for coming here. We appreciate your testimony.

This Small Business Committee is adjourned. Thank you.

[Whereupon, at 11:34 a.m. the Committee was adjourned.]

DONALD A. MANZULLO, ILLINOIS
CHAIRMAN

NYDIA M. VELÁZQUEZ, NEW YORK

Congress of the United States
House of Representatives
107th Congress
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

May 23, 2001

OPENING STATEMENT

CHAIRMAN DONALD A. MANZULLO
COMMITTEE ON SMALL BUSINESS

Good morning and welcome to this hearing of the Committee on Small Business. A special welcome to those who have come some distance to participate and to attend this hearing.

The Small Business Administration is required by statute to provide special consideration to veterans in the administration of its programs. In the past, there have been complaints that SBA and other agencies were ignoring the needs of those veterans with aspirations to start or grow a small business.

The subject of the hearing is the performance of the Small Business Administration - the SBA - in providing financial and entrepreneurial assistance to veterans.

Specifically, this hearing will look into the performance of SBA in implementing Public Law 106-50, the "Veterans Entrepreneurship and Small Business Development Act of 1999 which was signed into law in August of 1999. This law provides that technical, financial, and procurement assistance be given to veterans.

I am happy to say that special emphasis is given in the law to providing entrepreneurial and procurement assistance to small businesses owned and controlled by service-disabled veterans.

Basic to this hearing is remembering our veterans and the sacrifices that they have made for this Nation. Memorial Day is a day of remembrance. I can assure you that we in Congress will not forget you.

I look forward to a lively and informative discussion of the issues presented. Again, welcome to this hearing. I yield to the Ranking Member for her opening statement.

DONALD A. MANZULLO, ILLINOIS
CHAIRMAN

NYDIA M. VELÁZQUEZ, NEW YORK

Congress of the United States
House of Representatives
107th Congress
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

Statement by Congresswoman Nydia M.Velázquez
House Committee on Small Business
Veterans Business Development Hearing
May 23, 2001

It is often said, " In the business world, everyone is paid in two coins – experience and cash. You should take the experience first and the cash will come later."

For every business owner in today's marketplace, no truer statement has ever been spoken. But for our Veteran small business owners, experience is something they have in abundance – what they need is the capital and technical assistance to grow and expand their companies.

All of us in this room know what Veterans have sacrificed in the last two hundred and twenty-five years to ensure that this country - - - and our people - - - remain a free, democratic society.

And for all that they have done for us - - - it is now our duty to return that sacrifice to those who want their piece of the American dream.

Unfortunately, in recent years, we have seen a decline in the numbers of Veteran business owners and entrepreneurs - - - in spite of a growing economy.

There has long been a growing concern that Veteran small business owners were, for whatever reason, unable to access those components necessary to start and grow a new business.

This Committee responded to those concerns during the 106th Congress by drafting, passing and getting signed into law - - - the Veterans Entrepreneurship and Small Business Development Act.

This new law had several important goals - - - but one overriding theme - - - **provide technical, financial and federal procurement assistance to Veteran-owned businesses.**

While this legislation has achieved many of its goals - - - there is certainly more than can and must be done for these small business owners. For example, this Committee has been very active in pursuing the interests of all small firms as they try to do business with the federal government.

Rest assured, our work on this issue will continue until the Members of this Committee are satisfied that small businesses - - - whether they are owned by women, men, minorities or Veterans - - - are given every possible opportunity to compete for federal prime contracts.

With that said, let me make one important point about today's hearing. **As we come together today to review the progress of this legislation, we must do so in the context of how we are best serving ALL of our nation's small businesses.**

The fact is our nation - - - over the last decade - - - has experienced the greatest period of sustained economic growth in our history. We have an unemployment rate that stands at a little over four percent - - - personal income has quadrupled and the price of consumer goods continues to fall.
Still, key economic indicators, such as increased layoffs and business closings in the technology and automotive sectors, show that we are clearly facing a financial situation with more questions than answers.

With that in mind, we need to improve ways for small firms to access capital. We should not be eliminating the tools to help rebuild the foundation of our economy - - - and help entrepreneurs live out their dream.

All of these issues, and a whole host of others, make up just some of the obstacles that small business owners will face in the coming months and years.

More importantly, the communities that these economic anchors call home are going to have to face these issues as well - - - **unless we do something to help them.**

In closing Mr. Chairman, let me say again that the five million Veteran small business owners know what sacrifice is all about.

Frankly, within the business community, I think that gives them unique qualifications for being a small business owner. They understand what their company's success can mean for their families and their community at large - - - just as they understood what their military service means to this country.

And it is important to remember, that while this hearing today focuses on how we can help them succeed in today's economy - - - we cannot forget that we also have a responsibility to ensure that **ALL** small business owners are given the tools and the opportunities to grow and prosper.

After all, the Veterans that sit before us today have done a great deal to protect America's future - - - it is now time to do our part.

Thank you.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

STATEMENT OF

WILLIAM ELMORE
ASSOCIATE ADMINISTRATOR
VETERANS BUSINESS DEVELOPMENT

U.S. SMALL BUSINESS ADMINISTRATION

HEARING ON VETERANS BUSINESS DEVELOPMENT

BEFORE THE

COMMITTEE ON SMALL BUSINESS

UNITED STATES HOUSE OF REPRESENTATIVES

MAY 23, 2001

Federal Recycling Program Printed on Recycled Paper

Chairman Manzullo, Ranking Member Velazquez and Members of the Committee, I am William Elmore, Associate Administrator for Veterans Business Development at the U.S. Small Business Administration (SBA). Thank you for the opportunity to discuss SBA's accomplishments over the last year and our commitment to better serving our nation's veterans. Also, I am pleased to report our progress in implementing Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999.

To put my comments in context, last week Acting Administrator John Whitmore presented SBA's FY 2002 budget request to this Committee. SBA's request is designed to focus on our core programs and deliver them to those who need them most. In recent years, the proliferation of new programs at the SBA has come at a cost of diluted focus and lack of attention to our core programs. We are concerned with the reduced activity in some key areas.

The subject of today's hearing—SBA's veterans business development assistance—provides an example of our concern. The number of SBA 7(a) loans to veterans declined from 8,287 in FY 1995 to only 4,809 in FY 2000. As a result of these and other declines in program activity levels, we are reviewing all of our programs to ensure that they, and our delivery structure, are ready to serve small businesses, including

veteran-owned businesses, in 2002 and beyond. We will brief the Administrator, upon his confirmation, on the findings of our review and recommendations.

BACKGROUND

The mission of the SBA is to help entrepreneurs start, run and grow their businesses. We accomplish this through a variety of programs designed to meet the unique requirements of small businesses at various levels of need. We offer financial, technical, managerial and procurement assistance, including Internet-based classes and individual counseling.

SBA's finance programs range from Microloans of $35,000 or less, to equity financing. Our management assistance varies from group training sessions on how to start a small business to one-on-one counseling sessions. These services have been and continue to be used by veteran entrepreneurs.

In 1974, concurrent with expiration of the Veterans Administration's federal business loan guaranty programs created by the GI Bills of World War II and Korea, Congress enacted Public Law 93-237. The law requires SBA to designate veteran entrepreneurs as a special group of entrepreneurs. Specifically, the law requires the SBA to "give special consideration to veterans of the armed forces of the United States and their survivors or dependents." In 1983, the SBA sought to improve its service to veterans by establishing the Office of Veterans Affairs.

Despite some recent trends, SBA's commitment to veteran entrepreneurs is nonetheless substantial. For example, in FY 2000:

- Approximately 11 percent of all SBA loans, totaling nearly $1 billion, were made to veteran-owned small businesses;

- Approximately 44 percent of all Defense Loan and Technical Assistance (DELTA) loans, nearly $7 million, were made to veteran-owned small businesses;

- Approximately 9 percent of all Microloans, totaling $2.2 million, were made to veteran-owned small businesses;

- Approximately 7 percent of all Bid and Final Surety Bonds, totaling $63.8 million, were received by veteran-owned small businesses; and

- Of the approximately one million entrepreneurs trained and counseled through SBA's resource partners, i.e., Veterans Business Outreach Centers, Small Business Development Centers, Service Corps of Retired Executives and Women's Business Centers, approximately 76,000, or seven percent, were veteran entrepreneurs.

OFFICE OF VETERANS BUSINESS DEVELOPMENT INITIATIVES

While the SBA has made significant progress in our efforts to help potential and existing veteran entrepreneurs, especially those who are service disabled, we realize that we have much more to do. For example, we are evaluating the impact of our Veterans Business Outreach Centers project, implemented in the latter part of FY 1999, as well as other efforts. Under this program, SBA awarded grants to four organizations—the University of Texas-Pan American, TEP Consulting, Inc., Veterans Business Outreach Center, Lynn Haven, Florida, and the Research Foundation of the State University of New York—to provide business training, counseling, technical assistance and mentoring to service-disabled veteran entrepreneurs.

Since the program's inception, these four organizations have provided business development counseling and training to approximately 11,639 veteran entrepreneurs. SBA has requested $750,000 funding in FY 2002 to continue and expand this project.

Also, in establishing a database of veteran and service-connected disabled veteran-owned small businesses, to date, SBA has identified approximately 80,000 such businesses. The Office of Veterans Business Development (OVBD) has initiated a quarterly electronic newsletter, which is distributed to approximately 20,000 veteran-owned small businesses.

IMPLEMENTION OF THE VETERANS ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT ACT OF 1999

The Veterans Entrepreneurship and Small Business Development Act of 1999 provides the legislative framework to ensure that SBA's programs reach veteran entrepreneurs. Over the last year, we have been working diligently to implement the requirements of this Act.

Section 201: Establish the position of Associate Administrator to administer the Office of Veterans Business Development

- The Office of Veterans Business Development was established in January 2001, and I was hired to serve as its Associate Administrator in July 2000.

Section 202: Establish the National Veterans Business Development Corporation as a federally chartered corporation in the District of Columbia

- The National Veterans Business Development Corporation was established as a federally chartered corporation in the District of Columbia in October in 1999; and

- Eight of the nine voting directors have been appointed by the President.

Section 203: Establish an Advisory Committee on Veterans Business Affairs to serve as an independent source of advice and information

- The House Small Business Committee requested that SBA refrain from appointing members to the Advisory Committee until the President appointed all members of the Board of Directors of the Corporation. Recommendations have been prepared for the

SBA Administrator for appointment to the Advisory Committee upon the finalization of the Board of Directors of the Corporation.

Section 301: Implementation of a Memorandum of Understanding between the SBA and the Service Corps of Retired Executives

- The Memorandum was signed on February 15, 2000.

Section 302: Implementation of a Memorandum of Understanding between the SBA, Department of Veterans Affairs and the Association of Small Business Development Centers

- The Memorandum was signed on February 14, 2000.

Section 303: Issuance of guidelines (management assistance for small businesses affected by military operations) implementing and publicizing the Veterans Entrepreneurship and Small Business Development Act of 1999

- SBA Policy Notice 6000-742, setting out guidelines for implementing the Act, was issued on September 23, 1999. The Office of Veterans Business Development is continually publicizing the Act.

Section 402: Repayment Deferral for Active Duty Reservists

- SBA Policy Notice 6000-742 contains guidelines notifying and advising SBA's field office personnel of the types of relief the Agency is required to provide and the types of relief the Agency will encourage its lenders to provide. SBA's Office of Capital Access is developing further guidelines to ensure effective implementation of the law.

- With regard to Disaster Loan Assistance for Military Reservists, the Office of Disaster Assistance has drafted and is awaiting clearance from the Office of

Management and Budget, a Final Rule implementing the Military Reservist Economic Injury Disaster Loans Program.

Section 405: The addition of "expansion of small business concerns owned and controlled by veterans" to the public policy goals of the SBA Certified Development Company Program (504 Program)

- On November 10, 1999, SBA issued a policy notice implementing the 504 provision. This is also included in proposed regulations that will be published for public comment within the next few weeks.

Sections 501 & 502: Establish a Government-wide goal for participation by small business concerns owned and controlled by service-disabled veterans at not less than 3% of the total value of all prime contracts and subcontract awards for each fiscal year

- An Interim Rule based on P.L. 106-50 establishing prime contracting and subcontracting requirements for veterans (including service-disabled veterans) was published in the Federal Register in October 2000. The Federal Acquisition Regulation (FAR) Council will soon publish, as part of Federal Acquisition Circular 97-28, a new interim rule incorporating the technical amendments adopted as part of SBA's Reauthorization Act for 2000.

Section 604: Implementation of a Memorandum of Understanding between the SBA and the Departments of Labor and Veterans Affairs

- The Memorandum was signed on August 10, 2000.

Section 701: Administrator's Order relating to nondiscrimination and special consideration for veterans

- The Associate Administrator for the Office of Veterans Business Development is developing recommendations for the Administrator-nominee's review, upon his confirmation.

Section 702: Office of Advocacy

- The Office of Veterans Business Development is currently working with the Office of Advocacy to develop a survey of veterans and Federal agencies. The survey will help determine whether current veterans assistance programs are adequate.

Section 703: Study of Fixed-Asset Small Business Loans

- The General Accounting Office completed the study June 30, 2000.

This concludes my testimony today. Thank you for the opportunity to appear here. I will be happy to answer your questions.

Statement of

Robert A. Glassman
Chairman, Board of Directors
National Veterans Business Development Corporation

Hearing on Veterans Business Development

Before the
U.S. House of Representatives Committee on Small Business

May 23, 2001

Good morning. Chairman Manzullo, Ranking Member Velazquez and Members of the Committee. My name is Bob Glassman and I am chairman of the Board of Directors of the National Veterans Business Development Corporation, which was created by the Congress in Public Law 106-50. With me today is my fellow Board member, retired Army Major General James R. Klugh. I would like to take a few minutes for brief opening remarks, and then we will be happy to answer any questions you may have.

Before I describe the progress we have made, I would like to thank the Congress for creating National Veterans Business Development Corporation. I would also like to recognize the tireless efforts of veterans and veterans' service organizations and the extraordinary opportunity it has given us to create something entirely new. While the law was fairly specific in its direction to the Corporation in its Board structure, clients to be served, and coordinating role with public and private resource partners, it was less specific as to how we should implement the directive for the corporation to become self-sustaining in a four-year period. That gives the Corporation the independence to achieve self-sufficiency in a variety of ways and the opportunity to evolve into an organization with a broad reach into the veterans' community. The Corporation intends to act in the same entrepreneurial manner, spirit, and ethic which we are tasked to provide to the nation's twenty-two million veterans, four million veteran owned businesses, 300,000

service disabled veteran owned businesses, 200,000 members of the military transitioning to the civilian sector, reservists, and their families.

We intend to carry through that private sector entrepreneurial ethic in our activities. For example, the Corporation will provide expanded entrepreneurial technical assistance to veterans, including service-disabled veterans. One avenue to that goal is to provide veterans with a "Virtual Technical Assistance Center", by creating a user-friendly web site that will provide information, links to service providers, and contracting opportunities in the public and private sectors. We will confer with our customers, private and public sector partners, as part of our effort to develop and recommend changes, which will benefit our clients. For example, the securing of certain commercial rights to better enable the corporation to succeed. We will seek to export the Federal three percent service disabled veteran procurement goal to the private sector in the form of procurement principles.

Mr. Chairman, because of the wisdom of the Congress, the values expressed in Public law 106-50 will propel the Corporation into the future as an independent, entrepreneurial organization which will not limit itself either in terms of service to its customers or its own growth.

Now I would like to turn to some of the more concrete steps NVBDC has taken to build its infrastructure and enable its operations.

President Clinton signed the new law on August 22, 1999. The first board members, nominated by the Congress and appointed by the President, were seated on the board in September 2000. Since that time, the Board has been meeting on a quarterly basis. Presently there are eight volunteer private sector directors with one seat open. In 2002 there will be two more vacancies, and three more in 2004. To assist in furthering the goals of the corporation it is important that the new members be individuals who have built and managed successful businesses, have raised capital, are familiar with the new economy and in a technological sense have the ability to "think out of the box".

Furthermore, some of these members should have broad backgrounds in State and Federal Government and procurement expertise with these entities. All of the board members should be known for their ability to achieve outstanding results in their fields of expertise. I cannot overstate the importance of finding the most highly qualified individuals to be board members in order to ensure the continued success of the corporation.

Our present Board members represent private industry, and State and non-profit service providers. They are veterans of World War II, Korea, Viet Nam, and peacetime service. Additionally, there are also three non-voting directors representing the Departments of Defense and Veterans Affairs and the Small Business Administration. I particularly want to thank Mr. Elmore for his contributions.

Even though it took many months to receive the Corporation's fiscal year 2001 appropriation, the board held its quarterly meetings and began the legal and fiscal processes necessary to operate. I would like to publicly thank my fellow board members for their countless hours of work and willingness to attend meetings at their own expense. We retained counsel (Hale and Dorr) and filed the appropriate District of Columbia incorporation papers as well as documents in application for 501(c)(3) status. The board adopted bylaws, an ethics policy, and human resources policy; created a committee structure, and a secure Intranet for board communications, and submitted FY 2002 budget documents to the Office of Management and Budget. In the middle of March 2001, we finally received the appropriated funds after a complex process involving OMB, the Department of the Treasury, and the General Services Administration. I also would like to publicly thank Janis Coughln of OMB and Sharon Pugh of GSA for their help in transferring the appropriated funds to the Corporation's account.

Once the funds were transferred, we continued to develop the Corporations infrastructure. We hired interim staff, established bank accounts in the DC area, and secured temporary office space. We are also conducting a national search for a permanent CEO. We have retained an accounting firm specializing in providing

financial services for non-profit organizations to set up our systems. We are in the process of securing services for graphic standard design, printing, database design, and fund-raising. In the next few months, we will produce written materials for our customers and for fund-raising purposes, build the web site, fulfill OMB's budget writing and submission requirements, reach out to our Federal partners to coordinate our activities, establish the professional certification advisory board, and fund-raise.

We have retained VetSolutions to develop our strategic plan. VetSolutions, Inc. is a national business development firm that provides training, consulting and research services to veteran-owned businesses and to organizations who support veteran entrepreneurship. Founded by three disabled Vietnam veterans with extensive backgrounds in business, program development and veterans affairs, VetSolutions partners were involved with the legislative and planning processes underlying Public Law 106-50 throughout its development. The partners are members of the Veterans Entrepreneurship Task Force and have worked with the US Small Business Administration, Department of Veterans Affairs and other major stakeholders in the implementation process. This firm has interviewed board members, staff, and stakeholders. It will present the plan at the next meeting, where it will be discussed. We expect that plan to be the Corporations road map for its future activities.

There is always a great deal to accomplish in a start-up, but we look forward to the tasks ahead and to the National Veterans Business Development Corporation's unlimited future. Thank you very much, Mr. Chairman. My colleagues and I are happy to answer any questions the Committee may have.

STATEMENT OF

BLAKE ORTNER, ASSOCIATE LEGISLATIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

CONCERNING

THE PERFORMANCE OF THE SMALL BUSINESS ADMINISTRATION

IN PROVIDING ASSISTANCE TO VETERANS

MAY 23, 2001

Chairman Manzullo, Ranking Member Velázquez, Members of the Committee, the Paralyzed Veterans of America (PVA) appreciates this opportunity to testify regarding the performance of the Small Business Administration's (SBA) assistance to veterans and the implementation of Public Law 106-50, the "Veterans Entrepreneurship and Small Business Development Act of 1999." I would also like to thank the committee for their interest in expanding the opportunities of veteran business owners and correcting the indifference the SBA has shown toward veteran entrepreneurs for many years.

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Small businesses are the backbone of our economy, driving employment, and are responsible for the majority of new jobs in the country. Small businesses generate untold billions of dollars of the Gross Domestic Product (GDP) each year. In 1992, over half of GDP was generated by small businesses with 500 or fewer employees. This can be expected to continue in the future. Simply put, small businesses are the essence of the American Dream, the ability to succeed as an individual through hard work and dedication to a goal.

The issue of small business ownership is important to PVA. PVA's members are veterans disabled by catastrophic injury or diseases. The many challenges still facing individuals with disabilities as they seek employment have resulted in an unemployment rate higher than any other category of citizens in the United States. The employment options for veterans and other Americans with severe disabilities are limited, but are improving. The Americans with Disabilities Act (ADA) has removed many barriers and opened up the workplace, but the lack of benefits provided by traditional employers often make it more difficult for disabled individuals to enter the workforce. Small business ownership and self-employment is a bridge for many of these individuals.

Last year, when PVA provided testimony to the 106th Congress, we believed that

the SBA had been unreasonably slow in implementing P.L. 106-50. At that time, though the Articles of Incorporation for the National Veterans Business Development Corporation (NVBDC) had been finalized, the White House had not appointed the members. Because the corporation members had not been identified, the SBA Advisory Committee on Veterans Business Affairs had not been established. A number of Memorandums of Understanding were due and had not been completed. At the time, this was not unexpected; SBA had traditionally shown a disregard for veterans' issues. This was one reason for the widespread support of veterans for P.L. 106-50.

So where are we today? Admittedly, SBA has moved forward. The NVBDC awaits only one more appointment, and funding has been secured for it. In addition, PVA believes veterans have a strong and supportive voice in Bill Elmore at the Office of Veterans Business Development. Unfortunately, these are the only improvements that have been made, and these have been forced on SBA. It is the belief of PVA that the culture at SBA, if not anti-veteran, is certainly no more than "veteran neutral." To placate the Veterans Service Organizations and Congress, SBA pays lip service to supporting veterans.

SBA has been very slow to push for the regulations needed to implement P.L. 106-50. The missteps with the FAR Council are a prime example. During hearings and discussions, it was clear that Congress intended a 3% goal for

government contracts and sub-contracts for service-connected disabled veterans. Section 502, paragraph (2), clearly states that "[t]he Government-wide goal for participation by small business concerns owned and controlled by service-disabled veterans *shall be established at not less than 3 percent* of the total value of all prime contract and subcontract awards for each fiscal year" (emphasis added). The FAR Council chose to ignore this clear statement and instead wrote regulations which only included service-connected disabled veterans as part of an overall goal. And where was SBA monitoring of the regulation process that allowed a "not less than 3%" goal for service-disabled veterans to become a goal to only "include" service-disabled veterans? This could be viewed as a simple interpretation error for which SBA was not responsible. We do not accept this excuse. When it was determined that a technical amendment was necessary to correct this error, SBA did not aggressively pursue this change and, as far as PVA is aware, discussed the amendment with only one Democratic member. This again demonstrates SBA's traditional indifference to veteran entrepreneurs.

An additional regulation is at OMB and waiting to be published. I am told it should be published in the next few weeks, nearly 2 years after passage of P.L. 106-50. These regulations apply to Section 402 "Assistance to Active Duty Military Reservists" and concern the availability of loan deferments and disaster assistance funds for small businesses who have servicemembers ordered to active duty.

These regulations need to be implemented quickly. Although there have been ongoing military operations involving reservists, the next two months will see approximately 3,000 members of the National Guard and Reserves from 18 states, including myself, mobilized for duty with peacekeeping forces in the Balkans. These funds may be critical to insure that a soldier's business still exists when he or she returns from service to this nation.

Cash flow is often the greatest challenge to a small business. Small businesses have been described as a "personal checking account" where everyone else can draw on it first with the business owner getting whatever is left. The loss of an "essential employee," whose contributions to the business may include a great deal of sweat equity, often cannot be replaced at the same cost by someone from outside the business. Paying a temporary accounting service for the hours required to do the company books, for example, will drain this checkbook far more than the hours put in by a partial veteran owner. The availability of these disaster loans can make the difference between a business surviving or failing during the soldier's deployment. In the case of the soldier who is a principle in the business, the loan could allow him or her the piece of mind to concentrate on the mission and not the condition of the checkbook back home.

There also seems to be confusion over which servicemembers are eligible for these mobilization benefits. Some at SBA believe a reservist is only a member of the "Reserves" as opposed to reserve forces including the National Guard. PVA can see the potential for this misunderstanding, but believes SBA and all others need to understand that when a National Guard unit is mobilized it becomes a Federal entity and is treated as such. To make a distinction between the two reserve forces is unfair. If the language is unclear, then it must be amended to specifically include National Guard soldiers and airmen.

Mr. Chairman, what can SBA do to change its direction and actually help veterans? Three items PVA would like to see are:

1) Special loan products for disabled veterans. Programs such as micro-loans and procurement initiatives aimed directly at veterans, particularly disabled veterans. Too often it seems SBA simply treats veterans as an afterthought in programs and fosters a "check the veterans box" mentality to avoid criticism from Veterans Service Organizations.

2) Expand veterans' business outreach. PVA fears that with the creation of the National Veterans Business Development Corporation, SBA now believes it need not concern itself with encouraging veterans' businesses because someone else can do it. Mr. Chairman, the NVBDC in no way relieves SBA of its obligation to veterans to provide

congressionally mandated services.

3) Resources for significant outreach. In Washington, a department or offices' budget often details its importance. PVA awaits the FY2002 budget for The Office of Veterans Business Development. This funding level will be the indication of change at the SBA. Perhaps it feels it has now provided for veterans because of the existence of the NVBDC and now can turn its attention to groups that SBA is truly interested in. Mr. Chairman, PVA asks this committee to require a level of funding at SBA that will allow The Office of Veterans Business Development to do this important outreach.

PVA views this as a question of priorities, not just a question of appropriations. SBA has sufficient funding to provide for their other programs, but again SBA is demonstrating its priorities and unfortunately these priorities do not include veterans.

Finally, we ask the Committee to closely oversee the activities of SBA's veterans' programs and require SBA to abide by Congressional mandates. Unless SBA is held accountable for providing quality programs to veterans it will continue the indifference it has shown in the past. PVA has great hopes for SBA under the new Administration. Many of the Administration's statements have to do with business as the instruments of change, in poverty, in urban blight, in technological development. Veterans are disciplined, with a spirit of teamwork

and drive. When provided with opportunities, veterans, and disabled veterans in particular, can excel beyond their average civilian counterparts. They have faced the challenges and adversity that often comes with service to this nation. They bring this same determination to their businesses. All we ask is SBA provide them the assistance from a government they have fought to defend.

In closing, I would like to mention another SBA program of interest to many PVA members who would not qualify for the contracting benefits under the Veterans Entrepreneurship and Small Business Development Act – those who are non-service connected disabled veterans. Last December, representatives of the Consortium for Citizens with Disabilities Employment and Training Task Force, of which PVA is a member, met with representatives of SBA to ask the agency to consider giving presumptive eligibility for its 8[a] business development program to people with severe disabilities. As you know, the 8[a] program promotes contracting opportunities with the federal government for socially and economically disadvantaged small business owners. SBA representatives indicated that the Consortium failed to provide sufficient evidence that those with disabilities are economically disadvantaged. These representatives also pointed out that the disabled have unidentifiable group characteristics or traits shared in common and that "people with disabilities" is a term so broad that they could not be "readily identified" in American society. Although it was pointed out that the definition used in the 1998 Rehabilitation Act Amendments is specific enough for the Department of Education, this was apparently insufficient for SBA. SBA

officials also argued that the "economic deprivation" of business owners with disabilities may be "a consequence of their disability" and not due to discrimination. I can only assume that these same individuals believe the Americans with Disabilities Act was not created to address discrimination in the workplace, but only the inadequacy of disabled workers. Perhaps these are the same officials that do not see a need for consideration of the disabled veteran business owner.

Mr. Chairman, veterans deserve quality services, whether in healthcare, prosthetic devices or advice and training on small business ownership. Moreover, Congress recognized veterans have earned the right to these services when it passed P.L. 106-50. At the SBA, veterans should be a priority, not simply an afterthought.

I thank the Committee for this opportunity to present PVA's views and would be happy to answer any questions.

VETERANS OF FOREIGN WARS

OF THE UNITED STATES

STATEMENT

ANTHONY L. EILAND, SPECIAL ASSISTANT

NATIONAL VETERANS EMPLOYMENT POLICY

VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON SMALL BUSINESS

UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION, ITS PURPOSE THROUGH THE "VETERANS ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT ACT OF 1999" (P.L. 106-50) AND ITS CRITICAL ROLE IN ASSISTING VETERANS

Washington, DC **May 23, 2001**

Mr. Chairman and Members of the Committee:

On behalf of the 1.9 million members of the Veterans of Foreign Wars of the United States, I appreciate the opportunity to participate in today's hearing on the National Veterans Business Development Corporation and the role that specific

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government agencies, such as the Small Business Administration, will play in its successful development, implementation and longevity through P.L. 106-50.

Mr. Chairman, for some veterans, the normal routine of the job environment is not a practical or feasible solution for employment. For these veterans, mostly disabled, self-employment is not just a dream, but also a necessity for ensuring the peace of mind that comes from providing a secure atmosphere and livelihood for themselves and their family members. For these courageous individuals, P.L. 106-50 was created to be a tool to enable them to succeed in returning to the workforce as taxpaying employers with a goal of creating more small businesses to stimulate economic growth in our communities. To make this a reality, Congress instituted one of the most potentially effective initiatives ever, the *Veterans Entrepreneurship and Small Business Development Act of 1999* and in turn, the Small Business Development Corporation.

The VFW sees the *Veterans Entrepreneurship and Small Business Development Act of 1999*, as the first step of many in repairing the trust between the government and the veterans' community. We look forward with hope that not only will the letter of the law be protected, but also the purpose of the law will be enforced. This sequentially, will act as a bridge to overcome the chasm of dislike and distrust between all parties involved. It will also help streamline the process to ensure the veterans community that the veteran, and disabled veteran, will be seen as a valuable resource and asset to the economy as a small business owner.

Mr. Chairman, many veterans have harbored the belief that the Small Business Administration was either blind or simply ignorant to their small business concerns, especially those of disabled veterans. They felt that they had nowhere to turn to for

support or guidance in establishing private ownership, let alone assistance in maintaining a small business. They were, in turn, forced to deal with a bureaucratic agency that, in their opinion, did little to address or support their wishes, problems or needs, let alone supply confidence and faith for long term solutions for establishing business ventures.

Yet, not all of this blame should be placed on shoulders of the Small Business Administration. During the mid 1980s, VA provisions for small business loans were eliminated from the GI Bill benefits. P.L. 93-237 required the Small Business Administration to provide for "special consideration" for veterans in all of its programs. Regretfully, however, veterans have contacted the VFW and reported that there are no such "special considerations" for them whatsoever at the SBA.

This is because the Small Business Administration has no direct lending program for veterans and there are no Federal developmental grants for veteran entrepreneurs, disabled or not. The need for direct financial support in acquiring starting capital is the number one request we receive from veterans in respect to small business questions and inquires. This is the reason why the Veterans Small Business Corporation is so vital to attacking the heart of this problem, get not only answers for veterans small business questions but also putting them in a position to finding sources of financial revenue.

Yet, in their defense, the Office of Veterans Business Development within SBA is making positive strides in improving the way they do business. Their relationship with the other agencies has been catalysis for change, as evident from meetings and cooperation with the Center for Veterans Enterprise (CVE) and the Department of Labor to improve internal relations through better communication and fact sharing. Another positive change has been they're attending sponsored meeting with VSOs, such as the

Taskforce for Veterans' Entrepreneurship, and providing updates on policy status and developments. In addition, their role as a resource has greatly improved as evident through our dealings with their office. They have been effective and very "hands-on" with directly assisting veterans recommended by the VFW.

But there are still many hurdles to overcome and implementation considerations to look at. First, the Veterans Business Development Corporation Board of Directors has not had all positions filled. There is still one outstanding member to be named and confirmed. This is causing precious time to be wasted and risks opening the door to doubt and criticism. This factor alone has caused uniform communications and collaboration among all of the involved parties to not develop as expected. The Veterans Business Development Corporation is finally just now getting underway after a long an arduous process.

Another discrepancy is the failure to have the Advisory Committee appointed and in place. The VFW is very disappointed that this issue has not been treated with the sense of urgency that it deserves. This lack of initiative and inaction on the part of the Small Business Administration is robbing the Board of Directors of valuable insight and counsel to help focus their energies towards raising much needed capital to get the Corporation moving forward.

Yet, the worse of all, the veterans who have learned about P.L. 106-50 are confused at best as to what exactly P.L. 106-50 really is and its purpose. They are perplexed concerning who to turn to for help, where to receive help and exactly how this law will affect them. Agency personnel ranging from Small Business Administration to the Department of Labor, to include contractors, are uncertain which organization is the

actual voice of authority regarding policy and regulation, therein, increasing the confusion. By not having the Small Business Development Corporation firmly in place, the Board of Directors full manned and the Advisory Counsel actually supplying much needed up-to-date, real world information, the only person that will suffer, is the veteran.

Mr. Chairman, we need to maintain the proper perspective that P.L. 106-50, the Advisory Committee and the Corporation exist solely for one reason and one reason only; to help veterans, especially disabled veterans, establish independent small businesses and become as self-sufficient as possible. Veterans, especially disabled veterans, are a valuable resource that has not been fully utilized to its maximum potential by the private sector; therefore, they should be allowed to capitalize on their own skills and abilities to succeed. In light of this, the Veterans of Foreign Wars sees the importance in supporting an initiative that would make reaching out to these people and addressing their needs as a priority. With the development of the Small Business Development Corporation, disabled veterans will be put on a level playing field with other minority groups allowing them the same opportunities for success that is being enjoyed by many. Reaching these veterans and addressing their needs is crucial.

This concludes my statement.

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Testimony of

The Association for Service Disabled Veterans

Presented by

William F. Crandell, Ph.D.
Director of Government Relations

before the

House Committee on Small Business

on the

Implementation of Public Law 106-50, *The Veterans Entrepreneurship and Development Act of 1999*

May 23, 2001

Good morning, Chairman Manzullo and Ranking Member Velazquez. The Association for Service Disabled Veterans (ASDV) commends you for holding this important hearing today on the implementation of Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999. ASDV's goal is to create opportunities for service disabled veterans to achieve and maintain their rehabilitation through economic participation. PL 106-50 was the product of a great deal of work done by this committee and the veterans community. It is time to ask whether this major reform of veterans programs offered by the Small Business Administration (SBA) is accomplishing what veterans and Congress had hoped.

The Obstacles That Remain

There are still numerous obstacles. In the 1999 hearings before this Committee and the Committee on Veterans Affairs, witnesses and Members spoke at length about the hostile culture amid senior civil servants at SBA that refuses to honor the mandates of Congress to afford veterans the "special consideration" Congress has always mandated. That arrogance, that refusal, still frustrates the implementation of this straightforward act of Congress.

Congress wrote into black-letter law a requirement that Federal agencies pursue a goal of awarding three percent of contracts and subcontract awards to companies owned and controlled by service disabled veterans. [Sec. 502 (a)(2)] Well, some will and some won't. It's up to them, really. Because we still have no regulations, SBA has allowed agencies to file goals in writing – in *writing* – as low as zero percent. Absent regulations, bureaucrats think of laws as cute ideas.

Congress wrote into black-letter law that reports to SBA, and that SBA's reports to Congress, would keep separate data on businesses owned simply by veterans and those owned by service disabled veterans. [Sec. 601] The Federal Acquisition Regulations Council drafted regulations which said *in print* that all concerned could ignore the law and its intent.

SBA understands that Congress endorsed that distinction based on a simple fact: You can serve veterans in this Nation without even trying, because there are so many in every walk of life, but providing for the needs of that tenth veteran who was disabled in America's behalf – that takes effort. We

still don't have FAR regulations to make PL 106-50 operable, after two years. We are told final regulations will be published in October.

By the way, it isn't only the acquisition regulations for PL 105-60 that are missing. We have yet to see even a draft, two years after the law was enacted, of the basic agency regulations for enforcing PL 106-50 or an Administrator's Order to go with it. This Committee might well ask SBA whether work on either document has even been started.

After PL 106-50 was enacted, the Association for Service Disabled Veterans and Bank of America patiently negotiated a Memorandum of Understanding with the Administrator of SBA to create an outreach program for service disabled veteran entrepreneurs in every Bank of America office, using the network of Small Business Development Centers (SBDCs) SBA supports. However, there was no follow-through.

When will these civil servants be called into account? What President since Dwight David Eisenhower has demanded that SBA deliver the goods to America's veterans? When will any SBA Administrator impose performance standards for SBA's bureaucrats that include meeting *any* designated level of performance for veterans disabled in the service of this Nation? And when will Congress demand such accountability?

Hopeful Developments

There have been some hopeful developments as a result of PL 106-50. First and foremost, the law required SBA to create the new position of Associate Administrator for Veterans Business Development, and SBA has hired Bill Elmore to fill the job.

SBA had planned to fund an aggressive operation – some nine staff to perform Herculean chores. The Office of Veterans Business Development ended up with a shop of six, Mr. Elmore included. You don't cut spending to new programs in a time of belt-cinching.

How Can We Help?

If ASDV offered only one piece of advice to SBA, it would be to restore full funding to SBA's Office of Veterans Business Development. Fund some new initiatives for veterans in procurement and outreach, and get this program moving. We'll put more money into the coffers than we'll take out, if you give us a fair chance. Don't shrug your shoulders and say, "Oh, well,

maybe the National Veterans Business Development Corporation can do something." It has a very different role to fulfill.

ASDV wishes to make four more points in brief succession.

1. Certification of businesses claiming to be owned by veterans or service disabled veterans should be performed as seamlessly as possible by SBA at no cost to the business. It can be done with a one-page form available on paper or online, and there must be penalties for frauds. Cooperate with the Department of Veterans Affairs (VA) to verify service disabled veterans, but the responsibility is SBA's.

2. SBA *must* enforce the three percent contracting goal for every Federal agency as set forth in PL 106-50. I can tell you from ASDV's experience in the past year that Federal contracting officers are willing and eager to support this effort, but they are being told there are no regulations, there is no authority to give contracts to qualified service disabled veterans.

   And in that enforcement, SBA *must* make certain all reports to and from SBA distinguish between veterans and service disabled veterans, as required by PL 106-50. We are constantly being asked for data, but Congress made clear in 1998 that it is SBA's responsibility to gather and report data on these populations, and PL 106-50 specified that these two populations must be enumerated and evaluated separately. This data is the basis of all future veterans programs in small business, and collecting it properly will lead SBA into the 21st Century.

   Speaking of data, the requirement in Section 302 (7) of PL 106-50 for VA to identify service disabled veteran-owned businesses to facilitate such contracting seems to have been beyond capabilities and aspirations of the previous leadership of that agency. ASDV is asking Congress to press VA to comply. Certainly VA should cross-check SBA's PRO-NET and the Veterans Benefits Administration's list of 2.4 million adjudicated service disabled veterans. We recognize the severe limitations of VBA's claim-paying information technology, but we believe we can help VA meet this requirement, and VA seems to have leadership that is interested.

3. Repair the oversight we made in leaving surviving spouses and children who take over the family business out of the definition that qualifies a service disabled veteran's business for the three percent goal in government contracting. It will cost the taxpayer nothing, and it will preserve a business in the painful transition that follows the loss of both a spouse or parent and a business partner in a single tragedy. ASDV is working now with Committee staff to provide language for such a measure.

4. Like much of the veterans community, ASDV is concerned about the direction of the National Veterans Business Development Corporation established under PL 106-50.

    - The funding Congress has provided ought not to be dissipated as grants. Rather, the Corporation should use that money to raise more, creating a fund of capital that can be made accessible to veterans, and especially service disabled veterans, whose access to capital and technical assistance has traditionally been limited, and whom SBA admitted last week in this Committee's budget hearing it still underserves.
    - Invest some of the fund in making the SBDCs responsive to the needs of veteran entrepreneurs. Give the best of them contracts for assisting veteran entrepreneurs, especially service disabled veterans.
    - Every Federal agency needs to be encouraged from above to be proactive in looking for veteran-owned and service disabled veteran-owned businesses as suppliers. Nobody responsible for procurement ought to receive a bonus for any year in which the agency has failed to award its full three percent of contracts to veterans, as required by law.

Conclusion

Mr. Chairman and Madam Ranking Member, we have made some real progress with the enactment and partial implementation of PL 106-50, but nothing like what Congress intended two years ago. There is a limited window of opportunity for serving veteran entrepreneurs, because age and the death rate overtake more of them every year. We want SBA to serve us in good faith. Implement the law this year.

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Statement of

VIETNAM VETERANS OF AMERICA

Submitted by

Richard Weidman
Director, Government Relations

Before the

United States House of Representatives
Committee on Small Business

Regarding

Past and Present Performance of SBA in Providing Assistance to Veterans

And Implementation of P.L. 106-50 the "Veterans Entrepreneurship and Small Business Development Act of 1999

May 23, 2001

Vietnam Veterans of America

H.R. 1291 21st Century Montgomery GI Bill Enhancement Act
May 24, 2001

Mr. Chairman, my name is Rick Weidman, and I serve as Director of Government Relations for Vietnam Veterans of America (VVA). On behalf our National President, George C. Duggins and all of us at Vietnam Veterans of America, I extend our congratulations to you upon assuming the Chair of this crucial body. VVA has confidence that your leadership on issues of vital interest to disabled veteran and other veteran business owners will be as staunch as your leadership on issues affecting the health and well being of Gulf War veterans. Further, I thank you for the opportunity to present our views here today to you and your distinguished colleagues on this panel.

Vietnam Veterans of America is also very grateful to you and the Members this Committee, as well as your distinguished colleagues in the full House of Representatives and in the other body of the Congress for your unstinting efforts on behalf of veteran entrepreneurs, particularly disabled veteran entrepreneurs. VVA is confident that your leadership of this panel will be as extraordinary for veterans and disabled veterans as that of your distinguished predecessor, the Honorable James Talent of Missouri. The enactment of the proposed legislation that became Public Law 106-50 on August 17, 1999 was a tremendous milestone on the road toward proper support and encouragement of veteran and disabled veteran business owners. This milestone would not have been reached without the leadership and hard work of the Members of this Committee, assisted by your very able staff.

The Veterans Entrepreneurship and Small Business Act of 1999 codified into statute, for the first time, the road map as to what the Congress meant in Public Law 93-237 by mandating that veterans shall receive "special consideration" in all programs and services delivered by or through the U.S. Small Business Administration. The Congress went further than previously in defining the special status of service disabled veteran business owners. The statute specifically notes how each and every program or service delivered by or through the Small Business Administration (SBA). The statute creates the National Veterans Business Development Corporation (NVBDC) and provides the outline of the mission for this new entity. The statute specifically defines the role of the entity known as SCORE. And the statute creates the minimum of a 3% goal for service disabled veterans in all Federal procurement contracting and subcontracting.

Some twenty-one months ago, the promise of Public Law 106-50 burned bright for all of us in the veterans community who had worked so long and hard with our good friends in the Congress to obtain passage of that Act. This was a bi-partisan effort, initially led by Congressman Talent of this Committee, Congressman Bob Stump, then Chairman of the Committee on Veterans Affairs and now Chairman of the Armed Services Committee, and Congressman Lane Evans, the Ranking Democrat on the Committee on Small Business. Many others played a significant and positive role as the measure progressed, including the distinguished Ranking Democrat on this Committee,

Congresswoman Nydia Velasquez of New York, and many other members of this Committee.

Some background may be in order here, Mr. Chairman. As those of us who served in Vietnam returned in the late 1960s and 1970s, the SBA was no more friendly to Vietnam veterans than many other sectors of our society. To help correct this, then Congressman Ed Koch inserted the phrase that "special consideration" must be gi9ven to Vietnam veterans in Public Law 93-237. Only in the first Reagan term was there any serious effort to put action into this phrase, under the leadership of then Administrator James Sanders. In the years from 1987 to 1997 both funding and services to veterans declined until such services were virtually nonexistent. This occurred under three successive Administrations, reaching the nadir of this decline at the beginning of the second term of President Clinton.

In June of 1998, then Administrator Aida Alvarez met with many of the major Veterans Services Organizations (VSO) and others who had been advocating for proper small business assistance efforts on behalf of veterans, particularly service disabled veterans, for many years. (Some of us for decades!) This meeting was in some measure prompted by a particularly salient oversight hearing held jointly by the Subcommittee on Oversight & Investigations of the Committee on Small Business and the Subcommittee on Benefits of the Committee on Veterans Affairs. Particularly active at this hearing were Congressmen Roscoe Bartlett, Jack Quinn, Bob Filner, and numerous other Members of those Subcommittees. All of the Members, led by the respective Chairs and Ranking Members, urged the SBA to take immediate action to address the considerable grievances of the veterans as expressed by individual veteran business owners and by the veterans organizations.

SBA Constituency Group Appointed

Later in June of 1998, Administrator Alvarez named over forty individuals to the Administrators' Task Force on Veterans Entrepreneurship. Many of us believe that this happened largely in response to the May hearing. This Task Force was comprised of SBA staff; veteran's organization representatives, veterans small business advocates, and other interested parties (such as representatives from the Department of Veterans Affairs and the Department of Labor) designated by the Administrator. The Task Force divided into four functional subcommittees and began working on constructive recommendations in July.

The recommendations of the Administrator's designated group were formulated after many hours of meetings, conference calls, e-mailed drafts and observations. The substance of the report to the Administrator was finished by the end of September, and shared with the senior officials of SBA in a semi-formal manner. The written reports and notes were put into one comprehensive written report that was ultimately dated October 15, 1998, and when further refined and discussed with senior staff was formally delivered

to Administrator Alvarez at a Press Conference in the first week of November, 1998, and received quite a bit of press coverage surrounding Veterans Day (November 11) of that year. At that presentation, the Veterans organizations were promised action on at least some of the recommendations by the end of December. The Administrator thanked all members of the group she had appointed, and essentially ended the existence of that group at the same time as she accepted that report.

Recommendations Never Implemented

Continued inaction and inactivity regarding accepting and implementing any of the recommendations led to a series of meetings by a few of us with senior SBA officials, including the current Acting Administrator. When no action was apparently forthcoming, despite our repeated urging, those same officials were repeatedly asked to reconvene a meeting with at least the veteran's organizations and the advocates that the Administrator had asked to participate in the now defunct group. When there was no response to any of our queries, about fifteen veteran organization representatives and advocates met informally in the Senate Committee on Small Business hearing room, which was gracefully provided by Senator Christopher Bond, Chairman of that distinguished panel. Staff members from the staff of both Senator Bond and Senator Kerry were present, as were staff members from this committee. All of the advocates shared frustration, as the amount of work devoted to the work in 1998 was an extraordinary commitment of time and energy by the people involved, yet no fruits had been realized from that effort. The group was unanimous in the desire to continue to meet at least once per month, and to move forward in a unified manner.

Formation of the independent Task Force on Veterans Entrepreneurship

This group continued to meet regularly, and by April had evolved into the independent entity known as the Task Force on Veterans Entrepreneurship (TFVE). The "Task Force" became the unified front of the veteran's community, including more than 20 veteran's organizations, veteran small business owners, and other advocates. While not formally a participating organization, The American Legion did then and continues to work very closely with the Task Force, providing much needed leadership and energy. This group worked together seamlessly in concerted support of the development of the proposed legislation that became Public Law 106-50.

The Task Force continues to exist as an independent, privately funded entity today as a means of coordinating efforts of all organizations and private business owners who want the law obeyed, and the vision of this Committee fully realized. All of us understand that full and proper implementation of this law is not only in the interest of veterans and disabled veteran business owners, but is in the national interest.

I am currently honored to serve as the Chairman of this group. All that is required for affiliation is commitment to our common goals, and willingness to work

("sweat equity"). Many of the organizations and businesses involved have provided in kind services, meeting locations, and cash donations to meet the modest financial needs of the Task Force on Veterans Entrepreneurship. The Task Force meets regularly, and in fact met yesterday at the offices of the National Organization for Competency Assurance (NOCA), one of our participating organizations.

Progress Regarding Implementing Regulations and other Efforts to Obey the Law

Since September of 1999 the Task Force for Veterans Entrepreneurship has focused on what needs to be done to fully and effectively implement the intent and the letter of P.L. 106-50. Frankly, we believe that only concerted effort by the veterans community acting in concert with the Committees on Small Business and the Committees on Small Business will bring about such actions. The monitoring and oversight function is absolutely essential from both the authorizing and the appropriating committees, working in close coordination.

On the positive side toward implementation, former Administrator Alvarez named William Elmore to be Associate Administrator for Veterans Business Development, and on her last day in office signed the authorization that created the Office of Veterans Business Development at SBA. Mr. Elmore, whom we know to be a man of thorough integrity and considerable talent, has been allowed to assemble a staff approximately half the size of what we believe is necessary to carry out the mandated duties of this office.

Also on the positive side, funding was secured for the National Veterans Business Development Corporation (NVBDC or corporation), which was finally released to them by the Office of Management & Budget for use in the past two months. The NVBDC Board finally has eight of the nine members appointed, and has held several in person meetings, a number of telephone meetings, and had a great deal of contact with each other via telephone, fax, and e-mail. We have confidence in their elected Chairman, Mr. Robert Glassman.

The regulations that would implement the relief for small business owners who are in the Reserve and National Guard and are activated by the President are drafted and awaiting Office of Management & Budget (OMB) approval. Similarly, the effective regulations that would implement the 3% minimum goal in Federal procurement is drafted and is awaiting final concurrence from the Federal Acquisition Regulations Council and OMB approval.

The Secretary of Veterans Affairs has created the Center for Veterans Enterprise (CVE) at the Department of Veterans Affairs (VA), and it is up and operational, at least at a minimal level of activity. It is staffed by a small group of competent and dedicated individuals who are trying to accomplish much more than their resources or current situation would allow. The CVE has helped start to get out good information and

counseling to veteran owned businesses, particularly service disabled veteran business owners.

On the down side, none of the aforementioned regulations is likely to be in place prior to the end of the Fiscal Year, at the present pace. The SBA only asked for $750,000 operating budget for the office of Veterans Business Development to assist the new Administrator in implementing the changes to SBA and SBA funded programs now mandated by the law. To our knowledge the information gathering changes to determine the participation of veterans and disabled veterans in every SBA program or service, or SBA funded program or service has not even been started. Similarly, no regulations or Administrator's order nor any directive has been issued to SBA staff or vendors or contractors regard what P.L. 106-50 necessitated changes are necessary. In other words, it is just "business as usual" for most of the SBA staff and SBA funded programs and services, as if Public Law 106-50 did not exist.

Federal procurement officers in the agencies are basically scoffing at the requirements of the law regarding participation of service disabled veteran business owners, according to reports from individual veterans that we continue to receive. SBA has compounded this problem by allowing agencies and Departments to establish goals for contracting with service disabled veteran enterprises at less than the minimum (i.e., "floor") of 3%. SBA approved levels of some agencies as low as 0% (ZERO per cent!). We contend that this is not only not the Congressional intent, but is deliberately flouting the clear intent of the Congress, and expressing the SBA tacit consent to not obey the law. There is no plan developed between VA and SBA for certification of veteran owned businesses and service disabled veteran owned businesses participating in the GSA schedule or in PRONET.

Also in the future is any tangible accomplishment of the corporation, although we do understand that their strategic plan will likely be approved and in the process of implementation by early July. The corporation also has yet to take action in regard to certification of military skills for civilian employment. We would expect permanent staffing and tangible action and continued activity and services by the Fall. (I reiterate that we have a great deal of confidence in Chairman Bob Glassman.) Similarly, while we all had high hopes for SCORE, this entity has basically ignored the requirements of the law and has also ceased any communication with the veterans' business community.

As to what needs to be done, first and foremost we would suggest that the Committee communicate its findings from this hearing directly to President Bush, so that there can be no doubt that the message gets through that Public Law 106-50 must be given high precedence. This will greatly assist the incoming Administrator, whom we believe will be Mr. Hector Barreto, once he is confirmed by the Senate.

This President should not be content to let the regulations affecting the total force for our Nation's defense, nor regulations so vital to those business owners who are

disabled by virtue of service to country in the military to languish in a bureaucratic maze any longer. At the rate that we are going it will be well more that two years from the enactment of the law before we even get the first of the final regulations published, much less fine tuning and ensuring compliance. We believe that if this President knew of the mess made of the implementation of this vital act, that he would take decisive action to ensure that bureaucratic delays and inertia is quickly surmounted.

The Task Force yesterday ordered the Chair to write to the President asking that he surmount the bureaucratic delays and expedite the process of publishing and fully implementing the regulations pending, as well as order that any additional regulations or directives necessary be issued forthwith. That letter will be sent this week.

This distinguished panel obviously has a great deal more access to the President than the veterans organizations, therefore we urge you to utilize your unique position to ensure that the vision of Public Law 106-50 is fully realized.

Vietnam Veterans of America (VVA) looks forward to working closely with you and your distinguished colleagues to move forward together to ensure that all provisions of Public Law 106-50 are implemented by this Fall, and work with you to craft needed further refinements in the law, such as ensuring that first generation survivors of disabled veteran business owners do not abruptly have their business bankrupted upon the death of the disabled veteran.

Mr. Chairman, VVA thanks you and your distinguished colleagues for the opportunity to express our views on these vital veteran's issues. I would be happy to answer any questions you may have.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

June 20, 2001

Bridgite Luketin
Professional Staff Member
House Small Business Committee
House of Representatives
Washington, DC 20515

Ms. Luketin:

Pursuant to the May 23, 1001 hearing on the "Implementation of PL 106-50, the Veteran's Entrepreneurship and Small Business Development Act of 1999" the following statement responds to questions regarding the veteran's program.

Mr. Elmore's response to Congresswoman Velezquez regarding the correlation between the implementation of fees annd the decrease in 7(a) loans.

In FY 1995, the 7(a) program experienced an abnormally high growth in 7(a) program volume. We believe that this anomaly occurred in response to SBA's expansion of the LowDoc pilot program nationwide. The following year, there was a marked decrease in 7(a) program volume. This decrease can be attributed to a number of factors. These included: SBA's LowDoc program revisions; a natural fall-off of activity after the pent-up demand for smaller loans had been met; a decrease in the number of lenders that had come to the SBA program because of the LowDoc program, and did not continue their SBA participation; and an increase in program fees and a decrease in SBA's guaranty percentages. SBA is unable to quantify the impact of each of these occurrences on 7(a) program volume.

We do know, however, that all categories of 7(a) lending, including loans to veteran-owned small businesses, decreased in FY 1996. Despite this, however, the percentages of all loans to veterans remained constant between FY 1995 and FY 1996. In FY 1995, SBA approved 8,588 7(a) and 504 loans to veterans for a total of $1.388 billion. In FY 96, SBA approved 7,163 7(a) and 504 loans to a total of $1.363 billion. In both years, loans to veterans accounted for about 15% of 7(a) loans and 7% of 504 loans.

Mr. Elmore's response to Congresswoman Kelly question regarding SBA's level of procurement from veterans

Based on the Federal Procurement Data System (FPDS) FY 2001, First Quarter data, SBA awarded 2 contract actions for a total of $55,000 to veteran owned small businesses. There were no awards to service-disabled veteran owned small businesses.

Federal Recycling Program Printed on Recycled Paper

I would also request that the following clarification regarding the testimony by William Crandell be included for the record.

The Association for Service Disabled Veterans (ASDV) testified that they had "negotiated a MOU with the Administrator of SBA to create an outreach program for service-disabled veterans", that that there was no follow-through."

On July 9th and July 30, 1999, a Cosponsorship Agreement (No 99-2111-41_ was signed with the SBA. The Agreement expired on April 30, 2000.

In this Agreement, we were to provide, upon request, through our applicable District Offices, a number of services, including requesting assistance for specific SCORE Chapters and SBDCs for workshops sponsored and arranged by ASDV.

The SBA never received a request to participate in, or assist in a workshop at any of the SDV/Bank of America locations

If you have any questions, please feel free to contact Ramona Peyton at (202) 205-6700.

Sincerely,

Karen Hontz
Acting Assistant Administrator for
Congressional and Legislative Affairs