VETERANS ENTREPRENEURSHIP AND SELF EMPLOYMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC OPPORTUNITY

OF THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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VETERANS ENTREPRENEURSHIP AND SELF EMPLOYMENT

THURSDAY, MAY 17, 2007

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:20 p.m., in Room 334, Cannon House Office Building, Hon. Stephanie Herseth Sandlin [Chairwoman of the Subcommittee] presiding.

Present: Representatives Stephanie Herseth Sandlin, McNerney, Hall, and Boozman.

Also Present: Representative Susan A. Davis of California.

OPENING STATEMENT OF CHAIRWOMAN HERSETH SANDLIN

Ms. HERSETH SANDLIN. Good afternoon ladies and gentlemen. The Veterans' Affairs Subcommittee on Economic Opportunity hearing on Veteran Entrepreneurship and Self Employment will come to order. First, I ask unanimous consent that Ms. Susan Davis of California be invited to sit at the dais for this Subcommittee hearing today.

Hearing no objection, so ordered.

The Ranking Member and some of the panelists may recall a joint hearing we held with our colleagues on the Committee on Small Business back in May of 2005 on Veteran-Owned Small Businesses.

Today's hearing will build upon that hearing as we receive testimony to explore the current state of veteran entrepreneurship and the challenges and obstacles they may encounter. Small businesses are essential to economic prosperity. The implementation of strong economic development plans, especially in rural States like South Dakota and certainly parts of Arkansas is essential. Time and again, veterans have continually assisted in preserving this critical element of our Nation's economic prosperity.

In my home State of South Dakota, more than 17,000 veteran-owned small businesses are operating. These brave men and women add tremendous value to our economy when given the opportunity to start and manage their own businesses.

Starting and growing a small business is no easy task and can be a difficult challenge. I have heard of many of the difficulties that disabled veterans face when starting and developing a small business. In addition, I have also heard from many members of the National Guard and Reserve in South Dakota who find it challenging to maintain their small businesses when deployed overseas to Iraq

and Afghanistan and a number of those who return that look to pursue other opportunities separate from the career path they were on prior to deployment. I look forward to working with Ranking Member Boozman and members of the Subcommittee to focus our efforts on assisting our Nation's veterans with these challenges. I now recognize the Ranking Member, Mr. Boozman, for any opening remarks he may have.

[The prepared statement of Chairwoman Herseth Sandlin appears on p. 54.]

Mr. BOOZMAN. Thank you, Madam Chairwoman. In the interest of time, what I would like to do is just make a very brief statement and then submit the rest for the record if you don't have any objections.

Ms. HERSETH SANDLIN. No objection. So ordered.

Mr. BOOZMAN. I am sure you are very pleased at that.

Ms. HERSETH SANDLIN. Yes, yes, I appreciate it, because I know we have three panels today and a number of questions.

Ms. HERSETH SANDLIN. I would defer to see if there is a brief opening statement that Ms. Davis might have. Any opening comments?

OPENING STATEMENT OF HON. SUSAN A. DAVIS

Mrs. DAVIS. Thank you, Madam Chair, I appreciate being here today. I have had an opportunity to serve with you briefly as well, and Mr. Boozman, when I was on the Veterans' Affairs Committee. I think it has become clear to us in speaking to many of our veterans returning from Iraq and Afghanistan particularly that they are looking and hopeful of beginning, starting a small business with the skills that they bring back, and so it is very important that we try and understand what programs work. What are the best practices? How can we build on those? And I am happy to be part of this today. Thank you.

OPENING STATEMENT OF HON. JOHN BOOZMAN

Mr. BOOZMAN. Can I just mention, Madam Chairwoman, again, I appreciate you having this because it is so important. As Ms. Davis said, we have these people coming back, and I was an optometrist. We had 80 or 90 employees prior to coming. And I know how difficult it is to be a part of a small business, and so, again, I appreciate it.

I know, in looking at some of the testimony and looking at some of the, just some of the comments that we have had, I think that it is fair to say that there is a level of dissatisfaction and disappointment with TVC's performance, and so, again, I am looking forward to the testimony and thank you for your leadership.

[The prepared statement of Mr. Boozman appears on p. 54.]

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman. I want to welcome our panelists testifying before the Subcommittee today. Let me introduce our first panel, joining us is Ms. Dawn Halfaker, President and Chief Executive Officer of Halfaker and Associates, LLC; Mr. Mark Gross, President and Chief Executive Officer of Oak Grove Technologies; and Mr. Anthony Jimenez, President and Chief Executive Officer of MicroTech, LLC.

STATEMENTS OF F. DAWN HALFAKER, OWNER/CHIEF EXECUTIVE OFFICER, HALFAKER AND ASSOCIATES, LLC, WASHINGTON, DC; MARK GROSS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, OAK GROVE TECHNOLOGIES, RALEIGH, NC; AND ANTHONY R. JIMENEZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MICROTECH, LLC, VIENNA, VA

Ms. HERSETH SANDLIN. Welcome to all of you. Thank you for being here, and Ms. Halfaker, we will go ahead and begin with your testimony. You are recognized for 5 minutes.

STATEMENT OF F. DAWN HALFAKER

Ms. HALFAKER. Thank you. Chairwoman Herseth Sandlin, Ranking Member Boozman and Subcommittee members. I greatly appreciate the opportunity to testify at this hearing regarding veteran entrepreneurship and self employment. And I am very honored to represent a newer generation of entrepreneurs and wounded war fighters, as I am an Operation Iraqi Freedom (OIF) veteran. I am Captain Dawn Halfaker, retired, owner and CEO of Halfaker and Associates. We are a woman-owned, service-disabled, veteran-owned HUB Zone small business providing national security consulting services to the Federal Government. We are focused on mission support for the global war on terror in the areas of force protection and anti-terrorism homeland security emergency management and chem biodefense operations.

I started the company in January 2006, a year and a half after I was severely wounded in action in Iraq. As a result of my injuries I lost my right arm at the shoulder, but even more devastating, I lost my career as a military officer. Like most of the wounded war fighters who are medically retired and off active duty, I really didn't know what I wanted to do with my career. But I knew that I wanted to remain close to the fight and continue my service in some capacity.

As a business owner, my company enabled me to do just that. I have the opportunity to use my military skills and expertise to continue my service as well as the ability to work and provide jobs for other veterans. My company competes for work within the Federal Government, primarily DOD, and targets contracting opportunities based not only on our capabilities that I mentioned but also the ability to be able to hire wounded veterans to perform the work that we get.

Since I began my business, we have realized a fair amount of success early on. After a year and 5 months, we have gone from one employee to 12 employees, and our projected revenue through the end of calendar year 2007 is $2.5 million. We currently have one prime contract and seven subcontracts and are obviously pursuing a number of other opportunities.

With this, many times people have asked me how we have done this so quickly and what resources we have used in our fair amount of success. And my answer is always the same. Hard work. And as you mentioned other veteran businessowners, I would just like to point out some of the resources that have been so useful to me. One of the individuals, who happens to be sitting right next to me, and that is the CEO of Oak Grove Technologies. I would just like to point this out because I think it is very important to realize,

as a young small business owner, there are a lot of pitfalls that we can step into and get bogged down with things that may seem like good resources but in truth aren't really doing much to help us grow our businesses and are somewhat of a distraction.

I would like to say that the best resources I have received is the help I have gotten from people who are willing to lend their time, their energy and their financial resources and give them to me at my disposal. For example, Oak Grove Technologies has been setting up my Web site absolutely free. Their only contingency is that it doesn't look better than theirs. With that said, there have been a number of other things that they have helped out with. They have helped us get our financial system in order, and they have given us a number of different H.R. functions, paperwork, just different things that you don't really know what you are getting into when you start a business. So I would just like to point out that I think, as we move forward and as we are looking for things that are very valuable, I would just like to recognize the other service members and veterans in the community for stepping up and reaching out and really helping people like myself. And I think it would be valuable to point out that this has been my most efficient resource. I really have not received a lot of help in any other aspect other than people in the community reaching out to me and saying, this is what you need to do to be successful. So I think it might be worth looking into some kind of formal or informal program where other service-disabled, veteran-owned businesses, small businesses are able to help people like myself get started. I think it is basically taking the mentor/protégé model and looking at how successful that has been and mainly looking at how we can implement that at a lower level.

In sum, again, I would just like to say thank you for the opportunity to be here. That is all I have.

[The prepared statement of Ms. Halfaker appears on p. 55.]

Ms. HERSETH SANDLIN. Thank you very much, Ms. Halfaker for your testimony. Thank you for your service and for suggesting areas that we will be pursuing, not only with the other panels today but working with our staff and others that can evaluate some of the recommendations that you have made through your testimony.

Mr. Gross, thank you for being here. You are now recognized for 5 minutes.

STATEMENT OF MARK GROSS

Mr. GROSS. Good morning, Chairwoman Herseth Sandlin, Ranking Member Boozman and members of the Subcommittee. First, I want to thank everyone here for the invitation to come before you today and share some of my experiences within the veteran business community. I am a veteran of the United States Army. I founded Oak Grove Technologies, which is a service-disabled, veteran-owned company, 5 years ago this past August or this coming August.

Today I am proud to say that I employ over 140 people. Over 70 percent of those employees are veterans, 16 percent of disabled veterans. Geographically, we are dispersed in 16 States as well as supporting both Operation Enduring Freedom (OEF) and OIF, both

Iraq and Afghanistan. I am here today to offer testimony on behalf of the business community and to offer some of the benefits of some research and some opinions that myself on the Veteran Business Advisory Committee has been privy to.

The question before the Committee today is, what is the state of veterans entrepreneurship, obstacles faced by aspiring entrepreneurs, programs being relied upon by veterans and the current status of Federally funded programs to assist veterans?

I feel that I am uniquely qualified to answer some of these questions, as I have not only built a successful business in this economic climate, but I have also taken on the task of mentoring a number of other disabled veterans' companies. In my opinion, Congress has done an outstanding job in passing legislation, such as Public Laws 106–50 and 108–183, both of which established programs for the disabled veteran Federal goals and mandates in Federal contracting. Some of the problems today revolve more around accountability within some of these agencies and their willingness to make attempts to meet these goals.

I am here to offer my views on what I think can be done to ensure the state of veterans entrepreneurship within the Federal Government.

Congress and this specific Committee have been working with veteran businessowners for years. This issue is as important to our veterans as it is to you. What we have seen, however, in many agencies has been, frankly, a cavalier attitude toward meeting this 3 percent goal. I believe that many agencies believing that the mandate really doesn't apply to them.

In 2005 alone, the Department of Defense awarded 0.49 percent of contracts to disabled veterans' companies. Department of Defense accounts for roughly 70 percent of all government procurement spending, yet its repeated inability to meet service-disabled veteran contracting goals make it all but impossible for the other agencies as a whole to meet their 3 percent goal.

I would like to offer six recommendations on what can be done in order to meet that goal. Some of the legislation—well, one is eliminate the "Rule of Two" wherein a contracting officer has to have two or more disabled veteran companies before they can set aside a procurement. That is the only statutory program that has that requirement. Both the 8(a) program and HUB Zone program do not have that requirement to create a level playingfield between the statutory programs by changing the "may" to "shall" when using restricted competition for service-disabled programs. Both the HUB Zone and 8(a) program use shall be procured to those particular socio-economic programs whereas in the disabled veteran community, it is the contracting officer. They give them a lot of latitude as far as "may."

Small business subcontracting plans, including all details of the plans, required by large prime contractors should be made public and accessible electronically upon request.

Mandate that contracting officers impose liquidated damages, as predicated by the Federal Acquisition Regulation (FAR) part 19.705–07 for those large companies that fail to demonstrate a good faith effort to fulfill the requirement of their subcontracting plan.

Close some of the loopholes in the GSA schedule FAR Part eight wherein large businesses use small companies as fronts and take away business that really was intended for some of the small businesses.

And penalize agencies that don't make a reasonable effort to maintain that, to meet that goal.

One of the—I can't speak very intelligently about many of the Federal programs out there because, frankly, not many—I haven't used many of them. One, I am aware of is The Veterans Corporation (TVC), and I am quite familiar with them. We used to be colocated in the same building in Alexandria, Virginia.

I frankly don't quite know really what they do. I had looked to them back in 2003 for some assistance and really didn't feel that there was a whole lot of assistance to be offered to me at that time. I believe they do bonding and some things like that, but none of which were my line of business.

On the other hand, I would like to recognize two agencies that I feel do a great job as far as outreach, and that is the Department of Veterans Affairs, and that is the Army Small Business Office, both of which in my opinion have really taken the lead as far as outreach to the community. We are proud to be the first disabled veteran's small business in the DOD Mentor Protégé program that was created by Public Law 108–103, and this year we were awarded the DOD's Nunn-Perry award for small business growth.

As an entrepreneur and veteran, I think the climate certainly has gotten a lot better than in the past 7 years. We still have a long way to go, but I am confident that Congress, many of the Federal Agencies, like the VA and the Army, are committed to this cause. And with that, I would just like to thank everyone for their time and all the efforts in improving the economic climate for disabled-veteran small businesses.

[The prepared statement of Mr. Gross appears on p. 56.]

Ms. HERSETH SANDLIN. Thank you for your testimony, Mr. Gross, and your insights and your participation in mentoring other businessowners, in describing your experience with different programs or lack thereof, based on how successful you have been as well as maybe a lack of clarity about what some of these programs can offer you, specifically. We will explore that further as well.

Mr. Jimenez you are recognized for 5 minutes.

STATEMENT OF ANTHONY R. JIMENEZ

Mr. JIMENEZ. Good afternoon, Chairwoman Herseth Sandlin, Ranking Member Boozman and Subcommittee members. It is a privilege to be here today. I want to thank the Subcommittee for allowing me to share my thoughts regarding veteran entrepreneurship and, in particular, current programs funded by the Federal Government that support businesses owned by veterans.

I am CEO and president of MicroTech, which is a service-disabled veteran-owned small business. I retired from the Army approximately 4 years ago after serving 24 years. I started as a private and ended as a Lieutenant Colonel and am confident that the experience that I learned as a veteran can be applied to the Federal Government as a contractor or subcontractor.

I would like to begin today by clearing up what I believe to be a misconception about the primary obstacles facing service-disabled veteran small businesses or SDVOSBs. My sense is that there is a widely held belief that what service-disabled veterans need most is access to training, capital and other elements that support business development goals.

In response to these perceived needs, The Veterans Corporation was created. The Veterans Corporation provides many helpful tools for veterans looking to start a business, such as help with business plans, advice about contracting with the government, assistance obtaining financing and so on. And I am sure this type of assistance is very valuable to many folks starting new businesses and particularly by those that have taken advantage of that.

But I do not believe that these are the primary factors holding back business from veterans, especially well established service-disabled veterans.

I believe that these companies are more in need of advocacy and opportunity than they are in need of startup assistance and support. In fact, right now, today, there are over 12,500 service-disabled, veteran-owned small businesses and 37,000 veteran-owned small businesses which have negotiated all the hurdles required to become registered in the Contractor Central Registry (CCR).

Based on my personal knowledge and experience, I believe that the majority of these small businesses stand ready to deliver quality solutions to the government today. I firmly believe that what service-disabled veterans are in need of are genuine opportunities. These are opportunities that allow them to demonstrate and grow their capabilities.

To date, the government's record of identifying, setting aside and awarding contracts to service-disabled veterans is disappointing at best. The law mandates that the governmentwide goal for participation and government awards to service-disabled veterans is 3 percent of the total value of all contracts awarded each year.

To date, the government has fallen far short of that goal. Let's contrast the difference between the approximately 12,500 service-disabled veterans registered in the Central Contractor Registry, the CCR, to that of the approximately 10,000 8(a) small businesses registered. The legally mandated goals for 8(a) and service-disabled veterans are the same. And the government consistently meets the requirements of setting 3 percent aside for 8(a) small businesses almost across the board. What these circumstances translate into is a non-level playing field for service-disabled, veteran-owned small businesses. When you take DOD small business statistics for year 2001 through 2005, you will find that the targets for both 8(a) and service-disabled veteran-owned small business spending was over $31 billion each. The target was essentially met for 8(a)s. The amount awarded to service-disabled veterans was just under $7 billion.

That represents a deficit of nearly $25 billion worth of opportunities that were never afforded service-disabled veteran-owned small businesses.

Despite this disparity and according to the U.S. Small Business Administration (SBA), veteran entrepreneurs are successfully self-employed at a higher rate than any other group of American citi-

zens. Imagine what service-disabled veterans could do if they had the opportunities they desperately need. We want to help create those opportunities and we need your help. And I promise you that if you can provide the opportunities, veterans will respond.

My other question is, why does this disparity of opportunity occur, and what can we do about it? I believe there are two factors, a lack of commitment to provide the mechanisms for service-disabled veteran-owned small businesses to become large businesses and a lack of knowledge of the current perceptions about service-disabled veterans. Contracting officers and their customers are simply not aware of the depth and breadth of options available that service-disabled veterans can provide.

I believe that many in government are reluctant to set aside large complex efforts for service-disabled veteran-owned small businesses for fear that the pool of respondents would be too small or that the offerings would be too expensive or noncompetitive. I believe this reluctance is also felt by the general business community.

Large businesses will never partner with or mentor service-disabled veterans if they perceive resistance on the part of the government or if it seems the commitment to develop, grow or mentor service-disabled veteran-owned small businesses is not genuine. With respect to the service-disabled veterans' ability to compete, I know from experience, it can be significant. To win our second-largest contract, which is a service-disabled veteran-owned small businesses set-aside, my company had to compete against 50 other service-disabled veteran-owned small businesses to win. We have successfully completed our base year of performance and are now working in our first option year, which is our second year of work. Our customer is receiving top notch service at a very competitive price and, having seen our capabilities first hand, understands the value of setting aside opportunities for veterans and service-disabled veterans.

We are also one of 44 companies to receive an award on the U.S. General Services Administration, GSA, Veterans Technology Services, VETS, Governmentwide Acquisition Contract (GWAC). Over 200 service-disabled veterans bid on that opportunity in a very competitive selection process.

Another outstanding example of veteran entrepreneurship is the NASA SEWP contract, which stands for Solutions for Enterprise-Wide Procurement. SEWP provides the latest in information-technology products, IT products, for all of the Federal Agencies. Until recently, SEWP had only large, small and 8(a) businesses as primes. On May 1, 2007, with the award of SEWP IV, six service-disabled veteran-owned small businesses are now prime contractors on SEWP IV. That means the Federal Agency now has the ability to procure the latest in IT products from service-disabled veterans at a very competitive price.

This is where advocacy comes in. These success stories need to be told. government program managers, contracting officers and the business community at large should understand the significance in supporting small businesses that are owned by veterans. And they need to hear concrete examples of success stories where businesses owned by veterans have delivered excellent results. I think this type of educational advocacy should become an impor-

tant part of any charter for any Federal programs that are funded by the Federal Government, such as The Veterans Corporation

Another important resource that could help create opportunities for service-disabled, veteran-owned small businesses is a value that is gained when a large business partners with a service-disabled, veteran-owned business. For many years, there has been an 8(a) Mentor Protégé program at SBA that enhances the capabilities of 8(a)s to compete more successfully for government contracts. The program encourages private-sector relationships and expands SBA's efforts to identify and respond to developmental needs of 8(a) clients. Right now, there is nothing similar at the SBA for service-disabled, veteran-owned small businesses.

I personally know these types of relationships work. Our largest contract is with the VA where we provide enterprise solutions for Microsoft products and associated services. We are the prime on this contract, which is the largest contract ever awarded to a service-disabled veteran-owned small business. Our first award was $56 million. The VA contract would have never happened if it hadn't been for VA's Office of Information and Technology and in particular Mr. Craig Niedermeier and Mr. Dan Nascimento and all of the great people in their offices that worked so hard to provide more opportunities for service-disabled veterans. This contract is an example of VA's commitment to service-disabled, veteran-owned small businesses.

Once potential service-disabled, veteran-owned small business bidders were identified each identified business worked hand in hand with the Microsoft Federal team made up of Brian Roach, Geary Brummell and Marc MacDonald, and each one was paired with a large account reseller so that they could put in a number of competitive bids. Many companies worked together, and we in particular worked with Software Spectrum, who understood the need to mentor and assist service-disabled, veteran-owned small businesses. And they continue to do so today.

We have expanded that relationship, and we are picking up skill transfer and knowledge transfer, which is essential for our growth. We completed our base year of performance earlier this month, and we are now in our first option year, and VA is receiving top notch products and services at a very competitive price.

They—the VA are very pleased with our services and our process for delivering products and solutions. This contract continues to be a sterling example of what can happen when big business works with small business to create business opportunities, especially for service-disabled, veteran-owned small businesses.

I hope that my words have provided additional insight into veteran entrepreneurship and, in particular, the need to define the mission of current programs funded by the Federal Government. With the right focus, many of these programs can serve as opportunity advocates and can help ensure businesses owned by veterans have the opportunities they need to be successful.

I am convinced that the harder the government works to identify opportunities for veterans, the more success stories there will be. Thank you.

[The prepared statement of Mr. Jimenez appears on p. 57.]

Ms. HERSETH SANDLIN. Thank you, Mr. Jimenez

We have been joined by two other members of the Subcommittee, Mr. McNerney of California and Mr. Hall of New York.

I have a couple of initial questions, and then I am going to defer to the Ranking Member and the other members who have joined us here in the Subcommittee today for questions.

Ms. Halfaker, let me just probe a little bit more on how you got started. You talked about Mr. Gross and his help and other's who are service-connected disabled veteran who own their own businesses or other veterans who may not be service-connected disabled but who are businessowners and the help they provided.

Did the Small Business Administration, the Center For Veterans Enterprise (CVE) or The Veterans Corporation assist you in any way in getting your business started? Was Mr. Gross part of the network of any of these three entities?

Ms. HALFAKER. Madam Chairwoman, when I first started my business, I didn't know what any of those organizations were. The first interaction that I had, in terms of becoming a business owner and realizing that there were actually resources out there, was probably through the SBA, just in going to their Web site and then initially meeting with a Score counselor at the SBA. And that was a very limited interaction. I paid, I think it was $40 and went to one class and realized that I was wasting my time. And that is not to say anything about the SBA it is just, I think I was already at a point where I needed, I was a little bit more aggressive and needed some additional help other than the very basic resources that they were providing.

So I continued to look and find other resources and tried to figure out how I was going to be able to accelerate the point my business was at and get to where I wanted to be quicker and attain my goals in terms of doing business with the government.

In terms of the other organizations you mentioned, the only other interactions I have had are subsequent to starting my business and having really been already running it for about a year. I would say it wasn't until maybe January of this year, a year after I started, when I really got involved with this community and obviously was introduced to Mr. Gross and started working with him, and then he also brought me into the community and introduced me to some other individuals.

Since that time, I have met with some members from Veterans Corporation They instructed me that they do have financial resources that they could help me get access to so I might pursue that. I haven't decided yet. But just exploring my options and learning, still learning what is out there.

Ms. HERSETH SANDLIN. You established your business and it has been up and running for about a year, and it is now an established business. You just described what The Veterans Corporation offered as relating to financing opportunities and the financial resources. Do you agree with Mr. Jimenez that the best help for you at this stage, now that your business is established, that to grow your business is the advocacy and the opportunity factors versus the training and other assistance, such as financial assistance?

Or do you think, since it is a fairly new business, that you still need access to some of the training and the other assistance in addition to advocacy and opportunity?

Ms. HALFAKER. Madam Chairwoman, I would say that it is a little bit of both. I believe that my business—first of all, I do agree, to answer your question, with Mr. Jimenez, and my business being a year and a half old is still at the point where we can benefit tremendously from some mentorship. But that mentorship, from what I have experienced, comes from a trusted partner, somebody who, you know, you leave the service and there is an element of trust. You are used to being in an environment with people who basically would do anything for your life, and you go into a business environment, and it is a, I would say, a completely different kind of combat, and you don't know who you can trust. There are a lot of different avenues you can go down. There are so many resources out there that it is very confusing. And the worst thing for a business—and I think some somebody mentioned this already—is to waste your time with something that is not going to ever help you grow your business. So, that said, I think that there are resources out there, but I found the most effective resources to be other businesses, and I do agree with Mr. Jimenez

Ms. HERSETH SANDLIN. Thank you.

Mr. Boozman.

Mr. BOOZMAN. Thank you, Madam Chairwoman. I think one of you all mentioned that the climate seems to be a little bit better now than it was, and certainly this Subcommittee, in a very bipartisan way, has really been working on that, and it seems like in dealing with the agencies involved, that in some cases you were having a little bit of success.

That being said though—and all of you have seem to run across a little bit of an attitude with various procurement officers. I think in your testimony, Ms. Halfaker, you talk about being some place and somebody saying you and everybody else as far as the veterans' set-aside, Mr. Jimenez and Mr. Gross also, mentioned similar types of things.

So I guess something that—and again, we can talk about this, Madam Chairwoman—but I would really like to have some procurement officers over here and maybe get some of those that are doing a good job that seem to have figured this out because my experience is that, for the most part, these are good folks that are working hard. However, sometimes they don't have the understanding of how to make it work where it is just easier to do it the way it has always been done so if we can, again, we will visit but if we could have a round table or something, and talk about maybe some of the men and women that are doing a good job of that, their experiences, some of you, that have done a good job of playing that game, I think that would be valuable.

Very quickly, one of the things that we are trying to do is bring the GI Bill up in the sense of getting it into the 21st century. Do you in your experiences of getting education for the businesses that you are in or continuing education, is there anything you have run across that maybe helped or was a hindrance? Perhaps we can work on in that aspect also with the entrepreneurship?

For instance, one of the things we are trying to do is front load, some of the short courses, trust, don't go as long, front load the GI Bill to that sort of thing so you can go ahead and get the payment versus—go ahead.

Mr. GROSS. For me, the GI Bill, the GI Bill actually paid for my education. So the GI Bill worked very well for me. I believe that, you know, giving folks the opportunities GI Bill funds for, you know, for educational purposes that may not be, you know, pursuing a bachelor degree or that sort of thing I think would be very valuable. So I think using the GI Bill funds for training and some mentorship that sort of thing, I think the question then becomes, what organization is going to provide that?

Mr. JIMENEZ. Sir, if I may, I often referred to myself in the Army as the poster child for the GI Bill. I came from a very modest family. Neither of my parents were college graduates. In fact, neither were high school graduates. They didn't get their GEDs until late in life. And they didn't have the means to pay for college, so we had one of two options; either be very smart or be very good at sports. I was neither, so I found myself leaning more toward the military. And fortunately for me, they liked me as much as I liked them. And I was able to benefit from the GI Bill, which today I sit here with two master's degrees and a ton of experience and education that I owe to the Federal Government, to the U.S. Army in particular for having sent me to school on the GI Bill, and more importantly the guidance that I received from both the Army and the VA in how to best utilize my benefits. And I utilized the heck out of them.

I never have ever paid for any education, which I find shocking to this day; yet I was able to rise from Private E1 in the Army to Lieutenant Colonel O5 in the Army, and I went from being responsible for nothing to ultimately everything. My last job prior to leaving was the program director of eArmy U, and here I was a guy who started out with no degree to managing a program that educated 45,000 soldiers. I thought it was just a phenomenal opportunity to show the great things that could happen. And I continue to think that even though there are disadvantages to serving in the military, the advantages far outweigh the disadvantages. It was an eye opener for me.

And it provided me with a business foundation I desperately needed to be successful. Had I not gotten that education and been able to take advantage of those benefits, I probably would have returned back to the neighborhood where I surely would not have been as successful.

Mr. BOOZMAN. Thank you, Madam Chairman, and thanks to the panel.

Ms. HERSETH SANDLIN. Thank you.

Ms. Halfaker, did you want to take an opportunity to respond to Mr. Boozman's question? You don't need to. I just wanted to make sure I gave you the opportunity despite time being—okay, all right, I do want to now recognize Mr. McNerney for any opening statement or questions for the panel.

Mr. MCNERNEY. Thank you, Madam Chairman.

I don't have an opening statement. I do have some questions.

Mr. Gross, I was delighted to hear you say that the VA, along with the Army Small Business Department,were very helpful to you. Could you answer fairly directly, without the SBA, would you have been able to start a business? Without the SBA, CVE and TVC, would you have been able to start a business?

Mr. GROSS. Well, CVE is part of VA, so, actually, I, frankly, relied on CVE early on quite a bit. So, you know, they kept a calendar of all procurement opportunity conferences and that sort of thing. So I did rely on CVE.

Mr. MCNERNEY. And they helped you develop a business plan?

Mr. GROSS. I wrote my own business plan. They didn't help me write a business plan, but it was a good place to go for outreach as far as the future procurement opportunities. And I will say and I know CVE has done a lot for me where they have provided outreach and brought the program managers from different VA opportunities and linked them up with contractors like myself to do direct capability briefings and so CVE has been helpful to me. SBA and TVC, I, frankly, haven't really gone to them, so I can't comment one way or the other.

Mr. MCNERNEY. Okay, thank you.

Mr. Jimenez, you are pretty blunt about lack of commitment being a big problem. And could you expand whether that is just the 3 percent, or is it also a lack of commitment from people within the administration?

Mr. JIMENEZ. Sir, I think it would be safe to say and I think probably just to give you kind of an idea of my—and I won't call it a tainted view—but my view as a business owner is that I was in the procurement business in the Army and found it extremely difficult to get the flow down of information you needed about changes in the FAR and new legislation.

What I found when I got out was that I was much more educated than many of the folks I was going to visit that were responsible for procurement and in particular changes to the procurement law. What I found was that, every time I walked in, I would have to educate contracting officers, program managers, folks who were responsible for opportunities and providing those opportunities in the Federal Government.

It was an education process. And the education process was extremely difficult, trying to make them understand what the difference was, what a veteran was, what a service-disabled veteran-owned small business was, what the difference was between 8(a) and service-disabled veteran small business and what were some of the laws or FAR clauses that would allow them to be able to provide me an opportunity to compete.

What I honestly believe is happening now is contracting officers, like many other folks in the Federal Government, are overworked, and they are more concerned at this point about providing satisfaction for the Federal Government by procuring what they can at the best cost. So the additional burden of having to provide opportunities to certain socio-economic type groups is creating a problem for many of them, and many of them just aren't interested in doing that.

I think the education process has been significant, but what I think would help that is to have somebody letting them know that they are being checked on, that it is down to the lower level. It seems to me that it reaches to the agency level, and the agency is responsible for announcing, we have met our goals or we haven't met our goals, but there is nobody at the top of the agency serving as the advocate for many of the agencies.

And exceptions obviously are the U.S. Army and Veterans Affairs and GSA where folks there have advocacy at the very top. Unfortunately, the other agencies, they almost seem to be absent landlords when it comes to taking care of service-disabled veterans. You tell them. You speak with them. You meet with them. You explain the advantages of contracting with the service-disabled veteran. Some of the opportunities, even in my case, some of the vehicles that I have, you plead with them. You respond to sources sought. You respond to Requests for Information (RFIs), and yet you don't see anything.

And what I desperately need is somebody besides myself—an advocate at these agencies saying, we will provide opportunities for service-disabled veterans. I have been empowered. I am going to go down and tell contracting officers. And many of the small business offices just don't have the resources to be able to do that. And that is where I think that agencies that are funded, such as TVC, might be able to assist in that by maybe at least being a watchdog group in the sense of who is going, well, who is not doing well; why haven't you turned this into a service-disabled veterans set-aside; this is a good fit; this would be a good opportunity for a service-disabled veteran.

And aside from some of the small business offices, I happen to be a big fan of the CVE. I think they do a great job within the VA of being that voice I just described. And I am not saying it because Mr. Denniston is sitting behind me, but he has been a friend to service-disabled veterans since the day I started my business, and he has been a friend to me. He does it in a very of agnostic process in that he provides opportunities for all service-disabled veterans, and we all get a chance to compete, and they are coming very fast but VA is just one agency. The Army is just one agency.

The other agencies, unfortunately—GSA is a great agency—the other agencies, we have difficulty getting them to acknowledge that service-disabled veterans are meaningful in the small business relationship piece.

Mr. MCNERNEY. Very informative answer. Thank you.

Ms. HERSETH SANDLIN. Thank you, Mr. McNerney.

Mr. Hall, do you have questions or an opening statement?

Mr. HALL. Thank you, Madam Chair.

I have questions. And first of all, thanks to all three of our panelists for your service and for your continuing service now and for coming here and sharing your experience and your observations with us.

And, Mr. Jimenez, I couldn't help but thinking, as you told your story of where you have come from and where you are now and your masters degrees and your success in businesses and so on, it is too bad it doesn't fit into a 30-second commercial. Very inspiring. It is kind of like the advertising slogan, "Be All That You Can Be," but really expounded upon. And I think it would be good for a lot of people to hear your comments about the advantages of being in the service far outweighing the disadvantages. And this goes for all of you, but especially the way you described it, Mr. Jimenez, your initiative and energy and accomplishing those things. It was nice that the opportunities were there. But it takes personal fortitude to take advantage of them so.

Ms. Halfaker, I just want to ask you, in terms of achieving the 3 percent goal—I think this question maybe all three of you can answer if you like—how can we help that goal be achieved? Would an ombudsman represent veterans with all the different agencies that you might seek to procure contracts or compete for contracts with, is that an idea that might be worth something and any of the suggestions to make sure that fair and equal consideration is given to those veterans and that procurement officers are not, either because they are so busy or because of the way things have always been done or whatever reason, that they don't overlook the importance of our veterans having this opportunity? It is a long question, but answer it however you like.

Ms. Halfaker first.

Ms. HALFAKER. Yes. I would just like to comment that I do believe that there is certainly an accountability issue that has already been brought up, and maybe it is a lack of resources from the side of the procuring officers and the contracting officers. But I think if there was just—there is a systemic problem, though. And it is a lack of caring on their part, and it is permeating, I think, you know, through many of the agencies and the agencies I have had experience with, particularly even the Navy, which I mean that just shouldn't happen. These are our own people. And I have run into a couple of different situations personally where people have just downright told me we don't care; how does this affect me? And it is simply a matter because it doesn't affect them because there is no negative reinforcement or repercussions when they don't do the right thing and they don't follow the rules.

So I guess I would just like to say that any kind of support that anybody can give would be helpful because I think that, you know, even if there is not—I do believe that there has to be some kind of consequence. But even if there isn't, just to show you guys just being here shows a tremendous amount of support but even taking that a step further and putting your name on something I think is really taking the first step in saying this is important and taking care of our veterans, veteran businessowners, is important.

Mr. HALL. Perhaps one idea might be to fence off or to quarantine that 3 percent of the budget until it is used for veterans' projects or unless it can be proven that no veterans have applied for those, have bid for those projects.

Mr. GROSS. I think that is a great idea. You know, I think there needs to be a, you know, a reward/penalty program. I think we need to reward those who are making an effort and who are advocating, and penalize with budget those who don't.

Mr. HALL. Any thoughts on the idea of an ombudsman to keep an eye on all the different agencies?

Mr. GROSS. Well, I think we start at the Office of Federal Procurement Policy (OFPP). Start there.

Mr. HALL. They are supposed to be doing that?

Mr. GROSS. Right.

Mr. JIMENEZ. Sir, I agree with both Mr. Gross and Ms. Halfaker in that I—they bring up some very good points. We are not going to be able to change the mindset of people. They believe what they believe, and some will see value and some won't, no matter how much you confuse them with the facts.

I think the ombudsman is a good idea. But I think Mr. Gross just made an important point, and that is that the Office of Federal Procurement Policy has the ability to do something very similar—I am assuming, and I have not worked there, and I am not up on what capabilities they might have or what they might not have. But it would seem to me that if they in fact are the policy branch that would provide that, that that would be a good place to put somebody, but more importantly, I think that if the dollars were fenced off and if I, as a contracting officer, knew that if I used those dollars for service-disabled veterans, that provides me with the opportunity to provide opportunity to service-disabled veterans; and that if I don't, I leave money on the table when money is tight; I think that would be would go a very long way to providing opportunities for veterans and service-disabled veterans.

I think the ombudsman is a good idea, but without the ability to actually go in and provide penalties or to enforce the legislation that is presently in place, I think it would just be another position that unfortunately would be powerless to make changes.

Mr. HALL. Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Thank you, Mr. Hall, and we will follow up with you on some of the ideas that you are so gifted in generating in our hearings.

Ms. Davis do you have questions for the panel?

Mrs. DAVIS. Thank you, Madam Chair, and again, thank you for holding this hearing. As someone who has been an advocate I would say for The Veterans Corporation and some of the good work that they do, I am really interested in what you had to say. And I know that, through the course of the hearing, we will have an opportunity to talk to a number of different entities that are very involved with trying to provide those kinds of opportunities.

But I would say, Madam Chair, I would certainly, certainly endorse my colleague's point of view in terms of, how could you do that? Money talks, we all know that. And so if there is some way within the procurement area or others that you can provide incentives for those who would get credit for having established a track record for helping service-disabled veterans, I think that would be significant.

It may be that, you know, there is a contract here and there, but what we are looking for is those who are strong advocates, put their energy and their investment of time and resources into providing that and really establishing all the poster companies I think that grow out of this. So I would hope that perhaps we could look at that.

But I wanted to see—you mentioned The Veterans Corporation. How do you see them as either providing the monitoring, the oversight that you think could be a stronger part of their role?

Mr. JIMENEZ. And I have talked to Mr. Blackwell, ma'am, on this subject. I think he has a great organization. I think he is a great advocate. Unfortunately, I don't think that he has that charter or the ability to go out and do the things that I as an established small business need for him to do for me. And that is, when he shows up and asks, why is this set-aside not a service-disabled set-aside, or why is this small business set-aside not a service-disabled set-aside, or why is this large business opportunity not a set-aside;

the first question is, who are you, and the second question is because we don't want to.

I think if Mr. Blackwell were given the opportunity, perhaps through a charter or some way, I think he would be able to do that quite effectively, and I think a number of folks would. But he is in the same situation. Without tools and enforcement, there is just not much anybody is going to be able to do.

Mrs. DAVIS. If I could follow up quickly just in terms of policies. Are there policies in contracting, such as bundling jobs, that you think get in the way of this as well? I know, I am from San Diego, and we have a number of small businesses that are very frustrated often because they don't hear about the jobs or it is very difficult for them engage in the process.

Mr. JIMENEZ. I think the government has done a much better job particularly in the last 3 or 4 years of not doing the bundling. However, I am concerned about the fact that sometimes bundling does leave service-disabled veterans out in the cold. And more importantly, what I find is the problem that comes with bundling is not that it exists but that nobody goes in when there is a large corporation and says, we intend to do 20 percent small business, make a small business plan that includes 20 percent service-disabled, 20 percent 8(a) or small business, and they don't do it. And when they don't do it, nobody does anything about it. There are no penalties. There are no liquidated damages. And more importantly, nobody knows because there is nobody that has the ability to check.

So, first off, we have to identify that, in fact, didn't happen; that somebody said they were going to give business to small business or to service-disabled veterans or 8(a) or woman-owned or HUB Zone, and when they didn't, somebody did something about it.

Mrs. DAVIS. Would you either of you like to comment?

Mr. GROSS. That is a big problem today. Many of the larger procurements, when the larger companies—I believe the threshold is $500,000 or greater—they are required to provide in their proposal a small business subcontracting plan. When, you know—and I myself have gone through this. You know, you put a lot of time and effort into a bid and proposal dollars into, you know, going after an opportunity with the company. They win, and they give you nothing, and there is not a whole lot you can do. There is really—now that contracting officer has the ability within the FAR to assess liquidated damages against that contractor. But it is hardly ever done.

Mrs. DAVIS. Thank you. I guess the other question would be, quickly, how many people or how many positions do we have that are serving as enforcement in this area and really monitoring to see what is happening? Thank you.

Mr. GROSS. I don't believe there are any. I know SBA, I will say, they have the ability. And I have used the PCRs, which is the Procurement Contracting Representatives. They have the ability to help out in the field. But they are hard to get to. And like anything else, some are better than others.

Mrs. DAVIS. Thank you very much.

Thank you, Madam Chairwoman.

Ms. HERSETH SANDLIN. Thank you, Ms. Davis, for joining us and for your questions. Mr. Boozman, do you have follow up questions for the panel?

I have just a couple because we have two more panels, and just a couple of observations. I think Mr. Boozman makes a strong recommendation that we do need to follow-up and invite others that are procurement officers, perhaps someone from the Office of Federal Procurement Policy, perhaps someone specifically from the SBA to address the enforcement issue. I also think, as Mr. Jimenez said, and I think you are particularly well situated to serve as an advocate given your years as a procurement officer as well within the Army, that maybe we need to address this in two different ways; someone at the head of each agency that is responsible as an advocate, but then an overall sort of watch dog group where there is an enforcement mechanism built in and that we are ensuring an adequate number of FTEs to do that either within an agency or within an umbrella group.

That does go to the issue of accountability that, Mr. Gross, you mentioned at the beginning. Where is the accountability within the agencies and the willingness to take on the congressional objectives that we have stated? It seems where there have been successes when you have an entity like CVE within VA that is serving in that advocacy role.

One thing that you had mentioned, Mr. Gross, was the issue of some larger companies using small companies as a front. I have heard this from other small businessowners that I represent in South Dakota. Have you filed complaints? Do you work with SBA? Is there still the lack of an identified enforcement mechanism to address this issue?

Mr. GROSS. Well, it is, frankly, it is just a loophole in the process, in the reporting process, so like with the GSA schedules, if a company like myself has a GSA schedule, you know, agencies will target you, but the FAR Part 19 rules don't apply on the GSA schedule, so what happens is—and this is a good example—if I was pursuing an opportunity with Department of Army, and it was a contract to provide 10 people, if they set it aside as a small business set-aside, I maintain 51 percent of that contract. Well, 51 percent really gives you control.

Using the GSA schedule, what they will do is they will take a large contractor, use your vehicle; you may get one position and the large contractor gets nine. Well, clearly you have zero control. But the agency gets 100 percent credit for small business, and they take the credit for the socio-economic program, too, under the GSA schedule.

And so when I have run into that myself, I called the contracting officer and said, hey, look, in the spirit of the program, this isn't the right thing to do. And he said, well, I understand, but it gives me the credit, and it is an easy way to do it. And the GSA reporting, online reporting, provides that to him, so he is not going to do anything that is technically wrong.

Ms. HERSETH SANDLIN. Well, thank you, again, for your insights. There are a number of areas that I think many members of the Subcommittee, again, working with our staff and with you, would like to follow up on and get some concrete proposals on how we can

either get rid of loopholes, how we can look at changes to charters, how we can look at accountability through an incentives and penalization process to meet the 3 percent requirement. As we vet some of these proposals and develop them further, we may very well be looking to you in a more informal basis to help these ideas percolate even further.

I thank all of you for your testimony. I will now invite the second panel to the witness table.

Let me thank each and every one of you for your service to the country, your years in the Army. You were with the Army, as well, Ms. Halfaker?

Ms. HALFAKER. Yes.

Ms. HERSETH SANDLIN. Thank you all for that service and for what you are doing now to create jobs, particularly for veterans and particularly service-disabled veterans that you employ.

Panel two, as they make their way up to the table, let me introduce them to the Subcommittee and our guests in the audience today.

We have Mr. Joe Wynn, President of the Veterans Enterprise Training and Service Group, Incorporated; Mr. Joseph Sharpe, Deputy Director for the Economic Commission of the American Legion; and Mr. Richard Weidman, Executive Director for Policy and government Affairs for the Vietnam Veterans of America. I welcome all of you back to the Subcommittee. We look forward to your testimony.

STATEMENTS OF JOE WYNN, PRESIDENT, VETERANS ENTERPRISE TRAINING AND SERVICE GROUP, INC. (VETS GROUP), AND MEMBER, VETERANS ENTREPRENEURSHIP TASK FORCE (VET–FORCE); JOSEPH C. SHARPE, JR., DEPUTY DIRECTOR, ECONOMIC COMMISSION, AMERICAN LEGION; AND RICHARD F. WEIDMAN, EXECUTIVE DIRECTOR FOR POLICY AND GOVERNMENT AFFAIRS, VIETNAM VETERANS OF AMERICA

Ms. HERSETH SANDLIN. Mr. Wynn, why don't we start with you this afternoon on this panel. You are recognized for 5 minutes.

STATEMENT OF JOE WYNN

Mr. WYNN. Good afternoon, Chairwoman Herseth Sandlin, Ranking Member Boozman and distinguished members of the Subcommittee.

Let me first thank you for the opportunity to come before you today to share some of my views and the collective views of many veterans and service-disabled veteran businessowners, veterans who served with honor and many who received distinguished honors for displaying valor and courage during their periods of military service.

Though my time of service was many years ago, as a veteran of the U.S. Air Force with the 66th Strategic Missile Squadron, I still have a very vivid memory of the military experience. As a lifetime Member of the National Association for Black Veterans, I have spent the past 16 years or more assisting veterans and, in recent years, serving as a Commissioner of the congressionally appointed Veterans Disability Benefits Commission, Treasurer for the Vet-

erans Entrepreneurship Task Force, and as President of the Veterans Enterprise Training and Services Group, referred to as the "VETS Group," which is a nonprofit, community-based organization providing supportive services to veterans seeking to start or expand their own small businesses.

Since the Vietnam era, America has been involved in numerous conflicts, missions and peacekeeping endeavors, and since the tragedy that overtook America on September 11, 2001, we are still engaged in the global war on terrorism, primarily in Iraq and Afghanistan where the death toll continues to rise despite the best efforts to end this ordeal.

Now a new generation of veterans exists. They are well-trained, loyal, battle-tested, and underemployed. Those who return with loss of limbs, mental disorders and/or other severe disabilities face the greatest challenges of all.

In the past few months, since the difficulties of service members' transitioning from their active duty military under the DOD, Department of Defense, system through the Walter Reed Army Medical Center into the VA system have come to light, it is now evident that we have been unsuccessful in providing the originally promised assistance our veterans have earned, deserve and require so that they would have the opportunity to be as successful in their civilian pursuits as they were in their military assignments.

I commend this 110th Congress and its leadership for rising to the occasion from both sides of the aisle, as evidenced by the many hearings, round table discussions and over 200 pieces of legislation related to veterans introduced in your first 5 months. Some have already passed the House or Senate, but only a few have been directed toward veterans entrepreneurship, which is the focus of this hearing today.

So let me summarize my views on this topic, relative to the assistance veterans have to work with, in my remaining few minutes, though I hope that a more detailed discussion of the issues will be considered before actions are taken.

If veterans and service-disabled, veteran-owned businesses are to succeed, it will more than likely take place in the public sector where there are trillions of dollars in contract opportunities from a multitude of goods and services. But veteran businesses will have to overcome a number of impediments, some of which are resistant to change across all agencies—no enforcement of prime subcontracting plans, inaccurate agency data, miscodings, double counting, and the perception that procurements are based on just who you know and that the pie for small businesses is shrinking, not to mention there is contract bundling.

As we all know, two major pieces of legislation really set the stage for the emergence of today's veteran entrepreneurs. You, Congress, did an excellent job of laying the foundation for veterans entrepreneurship to succeed in America when you passed the Veterans Entrepreneurship and Small Business Development Act 1999, referred to as Public Law 106–50. Public Law 106–50 also created some new entities and the restructuring of some existing ones in order to assist veterans in pursuit of entrepreneurship. These three entities were the Small Business Administration's Office of Veterans Business Development, the VA Center for Veterans

Enterprise, and the National Veterans Business Development Corporation.

There was another piece of legislation that came later, Public Law 108–183, which essentially made it mandatory that agencies and prime contractors procure a minimum of 3 percent—it made it mandatory to procure a 3 percent minimum of goods and services from service-disabled, veteran-owned businesses.

Following that, we also had Executive Order 13360, which many of you are familiar with now, which essentially directed agencies to carry out the laws that previously came before it, but of the three government entities created to deal with this situation, The Veterans Corporation appears to be somewhat misdirected.

The Office of Veterans Business Development is still buried in the shadows of the Small Business Administration, while the Center for Veterans Enterprise is continuing to show some promise. These entities should collectively be assisting in identifying and registering the capabilities of veteran businessowners, developing relationships with agency procurement officers, matching veteran businesses with prime and subcontracting opportunities, expanding the pool of capable and qualified veteran-owned small businesses, while alleviating barriers to discrimination and demanding that agencies follow the law.

Much has been said about the seemingly poor performance of the National Veterans Business Development Corporation. Let me just say that, in essence, the heart of the matter seems to come down to the amount of appropriations received over a short number of years, some $14-plus million, with no contracts for service-disabled veterans to really speak of.

Bottom line, a business has to get business to survive. So we can count Web sites, hits on a Web site, we can talk about the number of contact visits, we can talk about the number of training sessions; but the bottom line is, businesses have to get some contracts.

Many veterans still do not know that The Veterans Corporation even exists, and this may be partly because of the facility and the location, where they are. There is no really visible, public way for people to know that it is located there. It would be nice at some point, though, if that particular organization had a portion that was open to the public wherein it could have a state-of-the-art facility where veterans could come and learn about small business and exchange information and network with other small businessowners.

Right now, it seems as though The Veterans Corporation provides duplicative services and limited funding for four Veterans Business Resource Centers. Now, these services and centers are needed, but it is just that we also have 1,400 other small business centers operated by the Small Business Development Center, each having access to Web sites, and most are affiliated with colleges and universities. We also have access to one-on-one counseling, training, workshops, and seminars through the Procurement Technical Assistance Centers, which are located throughout the country.

There is also a lack of Federal contracting assistance for veteran businessowners, and this has been a major issue because as you heard from some of the witnesses on the first panel, the real issue with the veterans and contracting right now is with the Federal

marketplace; and unless we have a true advocate that is actually speaking up on behalf of the veterans in the Federal marketplace, it continues to be very difficult for veterans to move forward and receive the contracts that they deserve.

It was thought in the beginning, when TVC was first founded, that it would, in fact, be that national veterans advocate for veteran businessowners, particularly in light of the fact that their board of directors is appointed by the President. It was thought that this organization would be able to go head-to-head with agency heads throughout the government, speaking on behalf of veteran businessowners.

Let me just move quickly to a couple of comments about the Office of Veterans Business Development under the SBA.

Ms. HERSETH SANDLIN. Mr. Wynn, if you could, just wrap up within about another minute as they are going to call votes on us probably; and I would like to get through the other two witnesses' testimonies before we may have to go.

Mr. WYNN. I sure will.

I will just quickly say that the Office of Veterans Business Development has been doing a tremendous job with limited resources to reach out to veterans here. Recently, they expanded their staff to include an experienced person to help with Federal contracting.

As far as the Center for Veterans Enterprise is concerned, they have been doing a tremendous job as well. As you know, they also maintain the database for veteran businessowners, and they have been doing a tremendous job of outreach to veterans in the community in terms of helping them understand and navigate the Federal marketplace.

Let me, just on that note, mention that, while we applaud the VA with becoming the first Federal agency soon to implement legislation that will prioritize the use of service-disabled veterans and veterans in Federal contracting, we still need to better understand the role that CVE plays in relationship to the Office of Small Business and Disadvantaged Business Utilization under the VA. They work together, and there are still some aspects of that that would be helpful. That can conclude my statement.

Thank you.

[The prepared statement of Mr. Wynn appears on p. 60.]

Ms. HERSETH SANDLIN. Thank you, Mr. Wynn.

I would just remind all of our witnesses on this panel and the next one that your full statements will be made part of the record, and I never like interrupting anyone in their statement. Given that we have just gotten notice that there may be votes, I just wanted to make sure that we were able to get through the testimony of the other two panelists.

Mr. Wynn, I appreciate all of the recommendations that you included in your full statement, and we will be taking a very close look at those in addition to those that you articulated in the last few minutes.

Let me now move to Mr. Sharpe. You have 5 minutes for your opening statement.

STATEMENT OF JOSEPH C. SHARPE, JR.

Mr. SHARPE. Madam Chairman and members of the Subcommittee, I appreciate this opportunity to share the views of the American Legion on the state of veterans entrepreneurship and self-employment, obstacles faced by veterans, and the programs they rely on.

The American Legion views small business as the backbone of the American economy. It is the mobilizing force behind America's past economic growth and will continue to be the major factor as we move well into the 21st century.

Presently, more than nine out of every ten businesses are small firms which produce approximately half of the gross national product. Currently, over one-half of the Nation's work force is employed by a small business with the average company employing approximately 11 persons. Small businesses create, by some estimates, 60 to 80 percent of all net new jobs, thereby providing an essential element for strong economic growth.

Government should assist in the creation of new jobs by encouraging qualified entrepreneurs to start and expand their small businesses. No group is better qualified or deserving of this type of assistance than our veterans. Congress enacted the Veterans Entrepreneurship and Small Business Development Act 1999, Public Law 106–50, to assist veteran and service-connected-disabled, veteran-owned businesses by creating the National Veterans Business Development Corporation.

In the beginning of its inception, The Veterans Corporation created a veterans entrepreneur training program to promote and foster successful veteran entrepreneurship within the veteran business community, but this program no longer operates. Currently, the organization's main efforts have been to provide distance-learning education, veteran entrepreneur training in how to start and expand their own businesses, to include training in finance, accounting and contracting.

The Veterans Corporation has gone through a number of mission and staffing changes since its inception. Its latest version is to assist Guard and Reserves and transitioning members of the Armed Forces and their families with the establishment of their own businesses.

TVC has, in the past, stressed creating online education programs to assist veterans with obtaining basic literacy skills, hosted by other third-party organizations. Their current plans are to create an online platform to match veterans with entrepreneur education and career opportunities and to provide grants to Small Business Development Centers around the country and to other business development organizations to specifically assist veterans.

In conclusion, the American Legion realizes the National Business Development Corporation created through Public Law 106–50, was uniquely positioned to provide American veterans with superior entrepreneur training and business resources that show them how to start or to grow their businesses and, in turn, to contribute to the economic well-being of the Nation.

The American Legion believes that TVC has not fulfilled the mandates of Public Law 106–50 and is actively moving away from those mandates of the public law by focusing their efforts and fund-

ing on online entrepreneur programs that they believe would maximize their available resources and reach more returning veterans. Therefore, the American Legion strongly recommends that the Small Business Administration Office of Veterans Business Development be the lead agency to ensure that veterans returning from Iraq and Afghanistan, particularly, are provided with entrepreneur development assistance.

Comprehensive training should be handled by SBA and augmented by TVC's online training.

The American Legion strongly supports the mandates of Public Law 106–50 that were designed to assist all veterans wishing to start, expand or protect their businesses. If there is a true desire to assist veterans, especially those returning from Iraq and Afghanistan, in developing small businesses, we must work together to enforce the mandates of Public Law 106–50.

Madam Chairman, this concludes my testimony. I appreciate the opportunity to present the American Legion's views on these important, timely topics.

[The prepared statement of Mr. Sharpe appears on p. 67.]

Ms. HERSETH SANDLIN. Thank you very much, Mr. Sharpe, for your testimony and for being here today.

Mr. Weidman, you have 5 minutes. Although that was our 15-minute bell, that will be just right for you to give us your opening statement and then for us to return for questions that we may have for all three of you.

STATEMENT OF RICHARD F. WEIDMAN

Mr. WEIDMAN. Madam Chairwoman and Mr. Boozman, distinguished Members of Congress, thank you very much for the opportunity for Vietnam Veterans of America to present our views here today on this extraordinarily important question.

And I say "extraordinarily important question" because veterans getting into business with assistance from the Federal Government, and particularly disabled vets, are much, much more likely to hire other disabled veterans. If you want to do something about veterans' employment, do something about growing veteran-owned and service-disabled, veteran-owned business. That is who will reach out to the young people coming home from the wars today all torn up; give them the break and recognize the ability instead of seeing the disability, give those folks a break to really realize all they can contribute to American society in civilian life.

In regard to the major entities that are supposed to be assisting us in growing that pie, if you will, of veteran-owned and service-disabled, veteran-owned business, the VA has done far and away the best job. We believe that is for a variety of reasons. The previous Secretary was very strongly committed to helping veterans enter business and succeed at business. When Secretary Nicholson came on board, on his second day on the job, the executive directors of the "big six," which includes me from Vietnam Veterans of America, met and had breakfast with the Secretary. The first thing I brought up to him was the need to make that 3 percent and exceed that 3 percent and set an example for the entire U.S. Government and for all departments and agencies that it could, in fact, be done.

What happened is, while we had had great cooperation out of CVE and had the establishment of the vendor information pages, that were a tremendous tool that continues to prove to be more and more valuable as the place where you can find folks, it was the commitment from the Secretary and the establishment of Executive Order 13360 which forced every agency to produce a plan and to designate a senior designated official.

Now, in agencies like VA, where they designated the Deputy Secretary, as a senior designated official, as the Chief Operating Officer, you had someone you could go to who could actually make something happen. In other agencies where they designated the Director of the Office of Small and Disadvantaged Business Utilization, they have no line authority whatsoever. Therefore, we did not have anybody to work with at a senior level.

Since that time, folks are asking about how do we get accountability. Creating ombudsman offices at each of the Federal agencies, we do not believe, is the right way to go. Frankly, the way to go, in our view, is by continuing to bring public light on the issue.

We ask for your assistance from this committee in the way of a bipartisan letter from the chairwoman and the ranking member to the head of SBA, asking for a legal opinion as to why the 294s and 295s—294s are the plans filed by major contractors as to what subcontracting they are going to do, and they are bound to 3 percent of their subcontracts going to service-disabled, veteran-owned businesses; the 295s are the actual results of what they actually did at the end of the contract.

The SBA continues to sandbag us on this. This is something we have brought directly to the administrator, have told him we are going to file a Freedom of Information Act (FOIA). If by Memorial Day we do not have access to same, we will file a FOIA. If that does not work, we are going to Federal court in order to seek that information.

It is being sandbagged on the grounds that it is proprietary information. It is not proprietary information. We are talking about taxpayer dollars and the United States Code and enforcing here.

So the issue of accountability is, frankly, that the task forces fill that role. The Center for Veterans Enterprise was not in a position to do that. The SBA, until we got our new administrator—who, I might add, we have more confidence in than anybody who we have had in 20 years in that role as administrator of SBA; in terms of what appears to be the evidence toward doing something useful for vets, SBA has been irrelevant.

Frankly—I am not going to spend any time talking about The Veterans Corporation because, frankly, they are irrelevant to most of the things that we are interested in in terms of either the delivery of direct services to veterans, in terms of helping them, preparing them to succeed in business; and they are totally irrelevant in terms of getting accountability from the agencies in terms of contracting.

I see I have 30 seconds, Madam, and I just want to wrap up by saying VA is doing a great job, and they can do a better job, but that is because of commitment directly from the top.

The SBA, we believe, is doing a mediocre job, but heading in the right direction and, with the new administrator, will do the right thing.

The Veterans Corporation instead of giving them $25 million, we should divvy that up between the Office of Veterans Business Development and the Center for Veterans Enterprise and get on with the serious business of helping veterans succeed in business, particularly when it comes to Federal procurement.

I want to thank you very much for the opportunity to offer comments here today, and I look forward to answering any questions anyone may have from this distinguished panel.

Thank you.

[The prepared statement of Mr. Weidman appears on p. 71.]

Ms. HERSETH SANDLIN. Thank you very much.

There is just one vote. We will head down for this one vote and be back momentarily for questions to the panel.

Thank you.

[Recess.]

Ms. HERSETH SANDLIN. Thank you for waiting for us to make that trip over to the Capitol and back. Let me just start out with a question for all of you.

Can you tell me what you know of the DOD Mentor Protégé Program that Ms. Halfaker mentioned in her testimony and how long that has been around and how well it has worked for veterans who you have worked with in the past? Also, any thoughts on Mr. Jimenez' testimony with regard to advocacy and opportunity, in addition to training financial assistants, and the relative weight of importance for new businesses/established businesses for veterans and, specifically, service-connected disabled veterans and their businesses?

Mr. WYNN. Thank you.

With regard to the DOD Mentor Protégé Program, I do not know all of the exact specifics about it, but I am familiar with it somewhat.

It has been around for a while, and it seemingly has been a very effective program. As a matter of fact, we have often asked and inquired as to why don't they have these programs within each of the agencies. They have them in some of the others, but not all; and it seems to be a very effective way to get a small entrepreneur business that is up and growing—to really get them over to that next level by working with a more established company.

With regard to advocacy, I think that is a very key and fundamental piece in this whole picture here with service-disabled and veteran businessowners and its 3 percent goal, because so often we are hearing that within the agencies there is disagreement about the interpretation of the law.

We have got veterans—I hear from veterans who have tried to establish themselves within a particular agency only to be told that even though they are capable and qualified, seemingly, in that particular region, they are the only service-disabled vet who could do that particular work, so they are reluctant to set it aside for that particular service-disabled vet's company with contradictions about whether to sole-source, or the Rule of Two which—we have asked

that they eliminate that because of the confusion. So the advocacy role is very important.

As I mentioned, too, we thought that there would be some entity that would be nongovernmental to work with the veteran business community, to serve as that advocate; and for the most part, over the past few years, it has turned out to be the Veterans Entrepreneurship Task Force, and the members of that task force comprise various veteran service organization representatives.

You also have veteran small businessowners, and you have other interested persons and supporters who just come together and provide support and advocacy.

Mr. SHARPE. I know of the protégé program only through Mark Gross. He has always spoken favorably of it, and through him, I have met other entrepreneurs who would like to have that same sort of experience. So it sounds like that would be a worthwhile program.

It appears that the biggest problem that a lot of these businessowners have, who want to do business with the government, is in not having access to certain individuals within the government who could probably help them or mentor them; and I could see that as being something that you would probably want to expand and build on.

As far as advocacy, you know, I thought that could be a role of The Veterans Corporation since most Federal agencies cannot lobby and do that themselves, that that would be a niche kind of mark for them where—since they are here in Washington, that that is something that they could follow up on as far as working with the Federal agencies. They seem to know everyone on the Hill anyway, and that would be a good—it would probably help the veterans community if they could fill that role or to have some organization fill that role, that niche role of advocacy, because it is important.

Mr. WEIDMAN. I think that the question of advocacy, if I am not mistaken, Madam Chairwoman, had to do with advocacy before the agencies—to try to get the agencies to do what they are supposed to be doing.

In terms of advocacy on the Hill, it is our reading of the law that The Veterans Corporation because it is virtually 100 percent federally funded, is precluded from being up here lobbying for more Federal dollars.

There was a question about that from a Republican counsel yesterday, and so we went to legislative counsel yesterday and reviewed that section, and the section of the law that says that The Veterans Corporation may seek funding from Federal, State or local organizations is clear and is based on a Committee report that what it meant is, you can seek grants from those existing entities, not that you can come up here and, unfettered, using Federal dollars 100 percent, lobby the Congress for new laws and for additional dollars, which is clearly precluded under the United States Code.

Now, in regard to advocacy before the agencies, the good Lord helps those who get their act together and start to do it for themselves. We have invited the gentleman from the previous panel to join us before on the task force because that is what we do. We meet regularly and have regular contact with OFPP.

Now we have somebody who is actually responsive at the SBA, at the top of the SBA, both the chief of staff and the administrator we are in contact with there. We reach out to all of the major agencies in terms of contacting about how can we work with them to help them do what they are supposed to be doing in the first place, and all of those things; and we would certainly invite all three of the previous panel members to join us.

We meet monthly with the task force, and it has work that is ongoing daily with most of the major veterans and military service organizations and many independent businessowners; and we would urge them to join us. We are meeting again tomorrow with DOD, with the Deputy Under Secretary of Defense, and I have already supplied this to your staff about the seven talking points that we are going to be going over there. We met last Friday, and we are meeting again tomorrow to see some things that they can do at DOD.

We are very grateful for the pressure applied by Senator Kerry and Senator Snowe at a hearing from January 31st. The mere fact of this hearing today will apply pressure to many other agencies; and it is up to us to work closely with those of you on the Hill who are friends and advocates in order to either change legislation or to get people to do what they were supposed to be doing in the first place in terms of publicity and in letters.

On June 14th, the task force is, with the Center for Veterans Enterprise, cosponsoring a Veterans Accountability Conference, to which I would like to personally invite you; and you will get a letter, in addition to that, plus all other new members of this distinguished panel. And on that day, I am going to be issuing a report card to the Nation on how well each of the agencies is doing both in terms of actual numbers of contracting out, but also in regard to how that squares up with the plan that the agency had to file under Executive Order 13360.

Last but not least, under the whole question of advocacy, it has become clear to us—and I want to publicly express again how grateful I am to you and to Mr. Boozman for the bipartisan leadership of this Committee in establishing the section of Public Law 109–461 which gives additional tools to the VA. We are using that as a model in approaching other Members of Congress on both sides of the Hill, asking them in their Committees to make that apply to the Interior Department, to make that apply to DOD. We are actively discussing that even with the Deputy Under Secretary of DOD.

This is the kind of tool that DOD needs to have because that is who the agencies listen to. They do not listen to the SBA, and they really do not even listen to OFPP. Who they listen to are their authorizing and appropriating Committees. That is who gets their attention and keeps it; and therefore, a whole series of laws that gives those kinds of tools and forces them to report back every year to their authorizing and appropriating Committees is the way we believe we need to go.

So last but not least, we are certainly not looking to The Veterans Corporation and we are not looking to someone else to do what we already can do together, meaning the veterans service organizations, military service organizations, the task forces, and

those individual veterans businessowners who have a rubric already to come together.

I might also add that we have increasingly reached out to the U.S. Chamber of Commerce, and—that is where the real big bucks are anyway and not with doing business with the Feds—and they are using VIP as the model. And at the Small Business Summit at the end of this month, they are going to be using the brochure that was prepared by Scott Denniston and his staff with private employers, to get them to go use the vendor information pages at the Center for Veterans Enterprise for Fortune 500 companies to start reaching out and doing contracting with veteran-owned and service-disabled, veteran-owned businesses.

Those the kinds of advocacy efforts, frankly, that you cannot rely on someone who is in a bureaucratic position, as ombudsman, to do. Those are the kinds of things where we have to have the leadership coming from the community to get things done.

I, once again, want to thank you for your leadership and for that of your distinguished colleague on the other side of the aisle for keeping this process moving.

Ms. HERSETH SANDLIN. Thank you all for your responses.

Mr. Boozman, do you have questions for the panel?

Mr. BOOZMAN. Just a few.

I think that really is a good idea. Again, in working with the chairwoman, we might provide the model law. Many of us—in fact, all of us—are on other committees. I am on the Transportation Committee. To go to the Foreign Affairs, to go to the State Department and to go to the others and then try and do through our Committees, what we have done here; I think that is an excellent idea.

I would like, with your permission, Madam Chairwoman—Mr. Weidman has referred several times to different statutes or whatever he feels like is not being done. I would like to enter into the record the White House Service-Disabled Veterans executive order. I think this was around October 21st of 2004; and it is excellent.

In looking through this—and this is the first time I have seen it in a while—we really are not doing a very good job of meeting what the President asked us to do, and so I think this just kind of piggybacks on the statement that you had.

Ms. HERSETH SANDLIN. Without objection, so entered.

[Executive Order 13360—Providing Opportunities for Service-Disabled Veteran Businesses To Increase Their Federal Contracting and Subcontracting, dated October 20, 2004, appears on p. 95.]

Mr. BOOZMAN. Thank you.

The other panel felt like senior procurement officials were certainly key, and I think we would all agree with that. Do you all have any suggestions on how you feel like we could influence the senior procurement officials to do a better job of advocacy and things? How do you do that, from your perspective?

Mr. WYNN. Thank you, sir, for allowing me to respond to that question.

I think, quite frankly, without a doubt, Congress has a great deal of influence that could be leveraged on the agencies to actually come forward and do the things that have been required of them under the law.

I am glad you mentioned, too, about the Executive Order 13360. That order, to me, in my opinion, laid out a very clear directive of how we could possibly increase contracting opportunities for service-disabled veterans, and veterans, as well. The problem with it, though, is that very few of the agencies have actually been following that executive order where it calls for them to actually develop a specific, strategic plan; to name a particular senior-level official who will oversee that plan for that particular agency; and it also calls for SBA to be involved with the monitoring of that plan, which has been really difficult in that regard for that to happen.

We have had some discussions here recently with the SBA about beginning to provide some oversight of these strategic plans and calling for the agencies to present them because, each year, each agency was supposed to, at the end of the year, submit a report indicating what progress they had made within their agency and, in addition to the report, revise the plan based on how well they had done and, actually, publicly display a new plan so that we, all of us, could follow along and see what they intended to do for each year.

To my knowledge, these plans have only been published one time since that executive order came out, and we still encourage the agencies to do it because it actually lays out a road map as to how you are going to increase these opportunities, and if it is not working, we have got some checks and balances, something to look at, a guide, to say, "Okay, that is not working. Let us try this."

So, yes. I think Congress, if they would continue, as you are holding these hearings here today, to discuss the issues and give us an opportunity, too, to broaden this discussion either by additional hearings or a series of round tables or independent study groups to look at the issues so that we could actually come forward with some real recommendations, that would improve the process and increase the number of contracts to service-disabled veterans and veterans.

Thank you.

Mr. BOOZMAN. Thank you, Mr. Wynn.

Mr. WEIDMAN. Just, if I may, tack onto that, at the VA, things really started to change, and Scott Denniston started to get the support that he needed when we realized we were not getting anywhere and went to the deputy secretary and said, "Put it in their performance evaluations, by God; then they will care about it because they will not get their bloody bonus if they do not make the 3 percent."

With the howls and the screams from those 21 visiting directors, I am surprised you could not have heard them back in Arkansas when you were home for the work period, because they did not want to do it. They all said they were trying, and all of a sudden, as soon as it was in their performance evaluations, that is how the VA made the 3 percent.

So it not only needs to be in the managers' evaluations; it needs to be in the contract officers' evaluations, whether or not they are making the effort in the 3 percent of the contracts that they write; and the subcontracts of the contracts they write really are for service-disabled, veteran-owned businesses. It is amazing how reasonable people can be once you have their full attention, Mr. Boozman.

Mr. BOOZMAN. Thank you.

Ms. HERSETH SANDLIN. I have some additional things I want to explore, but I also know, with the third panel waiting, that we want to get to them. I think that your testimony here has provided us some additional ideas. I am pleased that Ranking Member Boozman is inclined to pursue working together, as we have in the past and have continued to do so, as we tried to do under Mr. Buyer's leadership, as Chairman of the full Committee last Congress. We need to look at information technology and data security and the changes that need to be made in response to the problem that we had last year. We can share, as you mentioned, Mr. Weidman, the tools that we authorized with our chairmen and ranking members of Full Committees, of the others on which we serve and of others throughout the Congress, too. Perhaps making reference to the executive order and getting the administration's support in working with all of the Committees to try to encourage the same kind of commitment among the Cabinet secretaries of the other agencies and providing the tools and the lines of authority to deputy directors.

This is another example of how important your input is to us, and we will look forward to following up with you on some other areas.

One that I would like to follow up on with you is the issue mentioned by Mr. Wynn, and I saw your head was nodding, Mr. Weidman. It is this loophole in the sole-sourcing issue, in terms of the contractor requirements and different interpretations of if, indeed, there is one identified business that is a service-connected disabled, veteran-owned business.

I do not want to follow up now, because I think it is an area that would be better served by a more informal discussion and getting a more complete explanation on from what the two of you know on how we might be able to address that in the fuller context of some of these other areas. Whether it is the larger companies using the smaller companies as fronts, and a whole host of things that we may want to work on with the Small Business Committee.

We thank you for your testimony and for your insights today.

I now would like to invite our third panel up that we have participating with us, and I want to thank them for their patience as they make their way forward.

We have Mr. Walter Blackwell, President and Chief Executive Officer for The Veterans Corporation; Mr. William Elmore, Associate Administrator for Veterans Business Development of the U.S. Small Business Administration; Mr. Scott Denniston, Director of Small and Disadvantaged Business Utilization for the U.S. Department of Veterans Affairs; and Mr. Louis Celli, Chairman of the Advisory Committee on Veterans Business Affairs for the U.S. Small Business Administration.

STATEMENTS OF WALTER G. BLACKWELL, PRESIDENT/CHIEF EXECUTIVE OFFICER, NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION, THE VETERANS CORPORATION; WILLIAM D. ELMORE, ASSOCIATE ADMINISTRATOR, VETERANS BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION; SCOTT F. DENNISTON, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, CENTER FOR VETERANS ENTERPRISE, U.S. DEPARTMENT OF VETERANS AFFAIRS; AND LOUIS J. CELLI, JR., CHAIRMAN, ADVISORY COMMITTEE FOR VETERANS BUSINESS AFFAIRS, U.S. SMALL BUSINESS ADMINISTRATION, AND CHIEF EXECUTIVE OFFICER, NORTHEAST VETERANS BUSINESS RESOURCE CENTER

Ms. HERSETH SANDLIN. Thank you all for being here.

Mr. Blackwell, you are recognized for 5 minutes. Again, your written statement, will be made part of the record. So if you want to modify that or perhaps respond to anything that was mentioned in the first two panels, you are recognized for 5 minutes.

STATEMENT OF WALTER G. BLACKWELL

Mr. BLACKWELL. Thank you, Madam Chairwoman, Ranking Member Boozman, distinguished Members of the Subcommittee and, of course, Congresswoman Davis.

Good afternoon. I thank you for the opportunity to testify before you today. In addition to my written testimony, I would like to add TVC's fiscal year 2006 annual report to the record, if I may, that was made available to both Congress and the President.

[The TVC 2006 Annual Report has been retained in the Committee files.]

My name is Walter G. Blackwell. I am the President and CEO of The Veterans Corporation and a Navy veteran. It has been a long afternoon, and we have heard from several sectors supporting veteran entrepreneurship. Each of us is committed, well-intentioned, although we do not always agree, as you have heard.

The one topic on which we all find common ground, though, is that Congress must continue to support veteran entrepreneurship and self-employment. Veteran entrepreneurs need assistance in quickly finding and accessing business information and mentorship—programs like Mentored Access to Capital, Mentored Access to Bonding with no Caps, Start-Up and Growth Business Paths—resources delivered through TVC staff, as well as our public-private partnerships, providing the business knowledge and support that is essential to standing up and running successful businesses.

In my written statement, you will find details on each of these programs that TVC is currently pursuing. Two new, key programs that I would like to call your attention to are Boots to Business for Transitioning Veterans, and Deploy-Proofing your Business for our Nation's Guard and Reserve. However, the delivery of these programs alone, without direct mentorship and casework follow-up, is an empty promise for our veteran entrepreneurs. That is why TVC staff and our partners are actively engaged in the mentorship of veteran entrepreneurs no matter what program they are currently going through.

Within the veteran entrepreneurship community that now spans 6-plus decades, needs differ greatly based on the type of business they want to start, based on geography that they are located in, and on their education and business experience. Therefore, there is no one cookie-cutter solution, no one program, no one opportunity, no one government agency or organization, no one way to impact education that will be able to answer the wide range of questions that veteran entrepreneurs ask daily; and certainly no one way to distribute past and current hard and soft business tools that will be needed by each of them.

For these reasons, The Veterans Corporation delivers, through the abilities of its funding, a diverse range of programming and multiple delivery methodologies of business education from face-to-face learning to online learning, all leveraging technology, delivery and tracking.

The important work of our Veterans Business Resource Center hubs, that the TVC finances through noncompetitive grants in Boston, Massachusetts, St. Louis, Missouri, and Flint, Michigan, is a valued link of TVC's outreach into the veteran community. However, each of these centers has a limited reach based on the urban area they serve. For veterans outside their reach, TVC staff, working once again through public-private partnerships, provides support services to disabled veterans unable to travel to that hub, or frankly, to rural veteran populations anywhere.

Public-private partnerships are possible through TVC's status as a 501(c)(3) entity. This important difference permits TVC to form these partnerships for enhanced veteran programming where government agencies are limited or prohibited by law from increasing the critical elements of business support, especially to capital and bonding.

So how is TVC making a difference? TVC has a handout, which we have provided, that samples some of the veterans we are currently working with—one with a microloan need, another currently in Iraq who found us via TVC's website with a major capital requirement, a third with a bonding need, and finally a veteran who wishes to do business with the Federal Government.

In addition, I am submitting for the record, our letters of support for the ongoing efforts of TVC from the Disabled American Veterans and the Iraq and Afghanistan Veterans of America.

Madam Chairwoman, in my prior 25-year career in corporate America and now having spent the last 14 years of my association leadership career working with entrepreneurs on five continents and in 65 countries, I can say with certainty there is no one single answer, no one single solution to the issue before this Committee today.

Veteran entrepreneurship and self-employment demand each of today's panel members to come together and consistently and constantly explore the best practices for and develop a deep mentorship relationship to help the survivability of veteran entrepreneurial efforts.

TVC has invested a great deal of time in intellectual capital, monitoring and working with leaders from the education and business communities. The TVC, limited by both funding and reach,

makes every attempt to provide both broad-brush solutions and targeted programming and services a reality for veterans.

In the true spirit of entrepreneurship, TVC has embraced existing services both inside and outside the government, expanding its reach through technology, and stands ready to provide solutions to meet the increasing demands and needs of veteran entrepreneurs so that they are not left alone.

Madam Chairwoman, thank you for this opportunity, and this concludes my testimony.

Ms. HERSETH SANDLIN. Thank you, Mr. Blackwell.

[The prepared statement of Mr. Blackwell, and attached referenced letters of support, appears on p. 74.]

Ms. HERSETH SANDLIN. Mr. Elmore, you are recognized for 5 minutes.

STATEMENT OF WILLIAM D. ELMORE

Mr. ELMORE. Chairwoman Sandlin, Ranking Member Boozman and other distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to share information on the state of veteran entrepreneurship and self-employment and the efforts of the U.S. Small Business Administration to assist and support veterans, service-disabled veterans and Reserve component members who are self-employed or small businessowners.

I am William Elmore, the Associate Administrator for Veterans Business Development.

As expressed in the January 24, 2007, memorandum for heads of departments and agencies, jointly issued by SBA Administrator Preston and the Office of Federal Procurement Policy Administrator Bennett, the administration is broadly committed to enhancing all of our entrepreneurial programs and services for veterans and reservists, especially those returning from duty in the global war on terror and for those service members injured or disabled in service to America.

As the Associate Administrator for Veterans Business Development, I manage our National program for veterans and support administration programs and policies for veterans and reservists. I coordinate SBA activities with other Federal, State and local government programs and with not-for-profit and private partners. Each year, my office delivers direct assistance to over 25,000 veterans and reservists through five Veterans Business Outreach Centers and through special competitive funding for our district office Veteran Business Outreach Initiatives coordinated by R–68 Veterans Business Development Officers.

SBA's Veterans Business Development Office acts as a liaison and as a technical expert to our Federal partners and agencies with procurement authority, and I do act as an ombudsman for full consideration of veterans in every administration program. Each year, SBA provides reportable direct and indirect assistance to more than 100,000 veterans and reservists who participate in every SBA program.

While improved services are being delivered, Administrator Preston and Deputy Administrator Carranza have tasked each office within SBA with reviewing their programs and how they support veterans' small business success. We are identifying additional

steps that every program can take to better deliver SBA assistance to veterans, reservists, discharging service members, and family members.

Recent examples of improved services to this important population is inclusion as a target market in our community express loan program that offers expedited loan processing with mandatory business planning and technical assistance. We have recently improved our surety bond guarantee program for service-disabled veterans and veterans, and we are exploring new ways to further target the veteran, Reserve and Guard community through our lending programs. Thus far, the results have been good. The numbers of new loans being made to veterans has increased significantly. The number of new loans to veterans has grown from 4,800 in fiscal year 2000 to approximately 8,000 in fiscal year 2006.

Public Law 106–50 established a 3 percent Federal procurement goal for prime contracts for small businesses owned and controlled by service-disabled veterans and established a "best efforts" clause for veterans in Federal procurement at the subcontracting level. While the government has yet to achieve the required 3 percent goal for Federal procurement, we are making progress toward it. In 2004, the President issued Executive Order 13360, and preliminary data shows that both SBA and the Department of Veterans Affairs each exceeded their respective 3 percent goals for fiscal year 2006. Leading by example, this represents a significant improvement for both agencies over achievements in fiscal year 2005.

Each year, our Office of Entrepreneurial Development and our resource partners provide small business counseling and training for approximately 1.5 million aspiring start-up and growing small businessowners. Annually, close to 90,000 of these customers are veterans, service-disabled veterans, Reserve component members, and active duty personnel. Our SBDC national office provides program design, core operational funding and oversight to almost 1,100 Small Business Development Centers.

In addition, we deliver assistance through the expertise of almost 400 SCORE chapters, with approximately 11,000 experienced SCORE business counselors, and through 100 women's business centers. We also provide a robust range of online business counseling and training opportunities, supporting everything from start-up and early-stage decision-making to significant expansion and growth assistance.

Let me turn my attention to our efforts on behalf of small businessowners who are members of Reserve components of the U.S. military and who have been or may be activated for the global war on terror. In August 2001, we began offering our Military Reservist Economic Injury Disaster Loan as one tool that can be of great assistance to an activated reservist. We have implemented a comprehensive outreach program that includes veterans and reservists, and we have strengthened our business counseling and training programs to inform, develop and deliver pre- and post-mobilization business planning that can be critical to the economic success and survivability of reservist small businessowners.

After the September 11th, 2001 attacks on America, we established an SBA Committee to coordinate outreach and service delivery to reservists. We created and had distributed more than

400,000 SBA Reserve and Guard fact sheets, and we established special Web pages for reservist small businessowners in 2002, with over 700,000 visits since then. Now we know Web is not enough as well.

Two years ago, we requested and secured the authority from Congress to include reservists in our definition of "veteran" for purposes of our comprehensive outreach effort, and we included "veteran reservist" in our community express loan program to provide additional access to capital beyond our Military Reservists Economic Injury Disaster Loan program.

Again I thank you for this opportunity to testify before you today. I am proud of the progress we have made and of our knowledge and assistance for aspiring and existing veteran entrepreneurs, and I look forward to continuing to enhance these efforts.

This concludes my testimony and I welcome your questions.

Thank you.

[The prepared statement of Mr. Elmore appears on p. 81.]

Ms. HERSETH SANDLIN. Thank you Mr. Elmore. I welcome Mr. Denniston. You have 5 minutes.

STATEMENT OF SCOTT F. DENNISTON

Mr. DENNISTON. Thank you.

Madam Chairman, Mr. Boozman, Mrs. Davis, thank you for convening the hearing today. I am honored to represent Secretary Nicholson, Deputy Secretary Mansfield, and the dedicated employees throughout the Department of Veterans Affairs who serve our veterans daily.

I have good news to report. The veterans business program is working well at VA. Last fiscal year our procurement budget was $10.3 billion. Of this, we spent approximately $651 million or 6.35 percent with veteran-owned small businesses. Of that $346 million, or 3.38 percent of the total, was with service-disabled veteran-owned small businesses.

We attribute VA success to several factors. Our leadership demands commitment to veterans in business. Program executives personally report their accomplishments at our quarterly senior managers meeting. VA applied the strategies in our Executive order plan and they have worked. Veterans doing business throughout our Department have proven themselves to be solid performers. The VA Office of Small Business and the Center for Veterans Enterprise have been effective catalysts in working partnerships to educate and assist both buyers and sellers, and the Center for Veterans Enterprise is a very effective resource for both veterans and the contracting activities.

As a result of Public Law 109–461, which I would like to thank you for your leadership on, the VA is now the first agency to place service-disabled veterans and veterans at the top of our priority source list. In addition, this law provides VA with direct sourcing authority—a tool unique among Federal agencies. With this new program, VA expects a marked increase in expenditures for service-disabled vets and veterans in fiscal year 2009.

As you know, VA operates the Center for Veterans Enterprise, which has 16 employees, 12 of whom were veterans. CVE staffs a national call center to assist veterans interested in business-

ownership or expansion; talks to veterans, and their families and business partners daily. VA CVE also hosts the VetBiz.gov Web portal and manages the VetBiz.gov information pages, a database containing information about products and services offered by veterans and service-disabled vets.

Veterans in this database may elect to receive daily extracts from Fed Business Ops and extracts from VA's Forecast of Contracting Opportunities. We also use the database to conduct market research and to blast early alerts about upcoming requirements or conferences.

We partner with other organizations. Our first partnership was with the Association of Procurement Technical Assistance Centers. The PTACs educate owners new to the Federal marketplace. We refer many veterans to PTACs to help owners learn how to be successful Federal contractors.

Another steadfast partner is the General Services Administration. We have cosponsored regional conferences with GSA and assisted in the Veterans Technology Service governmentwide Acquisition Contract called GWAC. We look forward to using that within VA in coming years.

At all of our outreach programs we distribute a tool kit for veteran-owned small businesses which is jointly developed and cobranded by GSA and VA. It contains legislation and policy documents, information on how to market to Federal agencies, a list of Federal veteran and business advocates and templates to assist businessowners. This tool has proven to be so successful it is now in its fourth edition.

We are continuing our joint outreach efforts with the military services, conducting road shows with the Air Force, Army Corps of Engineers, to reach military program managers. The Corps routinely dispatches advanced procurement announcements of forthcoming opportunities to owners in the VetBiz information database. The Corps of Engineers has awarded several Indefinite Delivery Indefinite Quantity contracts using service-disabled vets set-aside authority. As a result you will see many of those offices honored at our annual Champion of Veterans Enterprise Award program.

We also have a very effective partnership with the Army Small Business Office, through comprehensive support of the military community, defense contractors, volunteers from a range of Federal agencies and the businessowners community. We have jointly organized the National Veteran Business Conference for the past 3 years. This year's program will be June 25 through 28 in Las Vegas. Last year more than 1,200 participants joined together to focus on how to improve opportunities for veterans, especially service-disabled vets, in prime and subcontracting. In the commercial marketplace, more than 300 franchise owners have joined the VetFran program which VA and the International Franchise Association refreshed in 2002.

Currently, more than 700 veterans have opened franchises under this program. Through VetFran, veterans are eligible for reduced franchise fees and other support.

With that I will conclude my remarks and submit my written testimony for the record.

[The prepared statement of Mr. Denniston appears on p. 84.]

Ms. HERSETH SANDLIN. Thank you very much, Mr. Denniston. Mr. Celli, you are recognized for 5 minutes.

STATEMENT OF LOUIS J. CELLI, JR.

Mr. CELLI. Thank you. Well, good afternoon, Chairwoman Herseth Sandlin, Ranking Member Boozman and Congresswoman Davis, Members of this Subcommittee. Thank you for the invitation to come before you and discuss veterans entrepreneurship.

It has been 7 years since the unanimous passage of Public Law 106–50 and this Subcommittee now asks basically, how are we doing? My name is Louis Celli and I am a 22-year veteran of the United States Army, a service-disabled veteran. I started two businesses and I am the chairman of the SBA's Veterans Small Business Advisory Committee.

You have assembled before you today some of the most renowned names in the veterans community. You have heard their testimony and you have listened to the needs of your constituents. So now what do we do? We know that the program hasn't quite hit the mark, not yet. We know that the Federal agencies and federally funded programs charged with carrying forth this plan to promote and defend veterans entrepreneurship all believe that they are hitting the mark. We know that veterans aren't so sure.

But what does this mean and what can we do about it? It means that when you set your own goals and standards by which success is measured, success is easily achieved.

I retired in 2002 as an Army master sergeant. When I was on Active Duty, it was my job to take care of soldiers. When I was working with Army Recruiting Command, my job was to reassure parents of the new soldiers coming into the Army that their sons and daughters were going to be protected and taken care of. I was then, and I am still today, proud of our Armed Forces and proud to have worn our Nation's uniform.

One of the hardest things for me now is to be working with the returning veterans as they process through Walter Reed. I feel a deep sense of guilt. I feel that I have let them down because I am not personally out there today in a Humvee protecting them. I have to keep reminding myself that it is not my job anymore. I have tried to go back but I can't. I am 40 percent disabled. I am no longer qualified to serve in the Army. This is very hard. The men and women are hurt and in some cases they are hurt bad.

Seven years ago we passed a law that was meant to address the needs of American servicemen and women who wanted to compete as businessowners in the American economy they fought so hard to protect. Seven years ago we were riding high on a nation at peace and at full strength militarily. Seven years ago, we knew that we hadn't done enough to assist veterans—particularly service-disabled veterans—in serving a greater role in the economy of the United States by forming and expanding small business enterprises directly from Public Law 106–50.

Seven years later we are still not there. Why? No coordination. We created the right tool, but put in place no measures for success, oversight, or accountability. You charged the VA, SBA, TVC with building programs, told all the Federal agencies to support this ef-

fort and then closed the book. No one was put in charge. Since no one was in charge, no standards were set.

Who could say whether the agencies or corporations were complying or not? Based on the fact that we are here today, and this is the third congressional hearing in almost as many months regarding the same issue, it is apparent that your constituents are not satisfied, veterans and nonveteran alike. It has become such an important issue, that congressional leaders are working together in uncommon fashion, as represented here today by the Honorable Congresswoman from California, Congresswoman Davis, who has been asked to attend as a guest of this Subcommittee.

It may be time that we take a good look at restructuring this program and assembling all of these independent moving parts into a cohesively high-functioning machine. We would save money, effort and time, and finally put an end to the turf wars which have plagued this program from the beginning.

Congress needs to establish an office to organize and coordinate this program, Veterans Business Program Management Office, and it should be an office with Federal authority. This office should be responsible for monitoring, assisting, organizing and coordinating oversight of the Veterans Entrepreneurship Advocacy, Veterans Entrepreneurship Training, Veterans Professional Skills Certification, Veterans Federal Procurement, also assisting with Veterans Procurement at the State level, promotion of public and private partnerships with regard to Veterans Entrepreneurship, Small Business and Employment, Entrepreneurial Vocational Rehabilitation Case Management, and Comprehensive Work Therapy and Training Directorate.

This office should report directly to the President of the United States and to Congress and either this Committee or the Small Business Committee, or a new Committee comprised of representatives of each. I have been approached by companies, small businesses and entrepreneurs, both veteran-owned and nonveteran-owned, who have offered to build complete companies with the sole intention of employing only service-disabled veterans. We need a program which assists them as well.

Members of Congress, I can't protect these veterans anymore, but you can. Help us. Help us build a program that will work and that will be around long after we are gone, benefiting American warriors, wounded and whole, the men and women who have suffered so much and to whom we owe so much in return. We are not all Democrats, Republicans, or veterans, but we are all Americans. And each and every one of us in this room have benefited from the sacrifices of time, sweat, and blood that our American service members have made and continue to make for us each day.

Thank you for holding this hearing. Thank you for your continued interest in veterans entrepreneurship.

[The prepared statement of Mr. Celli appears on p. 87.]

Ms. HERSETH SANDLIN. Thank you very much, Mr. Celli, and thank you to all of you. I am trying to figure out the best way to begin the questioning here, so let me begin with a preface, one I hope we all share. I have met some of the individuals that each of your agencies or that The Veterans Corporation works with and I don't think that there is any disagreement in regards to the var-

ious services you have provided, and some individuals that you have worked with, that there have been success stories, and that there are people, veterans and their families, who are enormously grateful to the people that work with you in your different organizations.

But I think that Mr. Celli makes a very good point about the issue of oversight, coordination and accountability, and that has seemingly been the overarching theme of much of the testimony we have received today. We are focused on how to best deliver services and administer the benefits that veterans have earned in a way where someone is in charge of at least overseeing how this is all working, when Congress passes new authorities, establishes new entities, makes changes along the way but, again, wanting to do it in the most efficient way possible.

When Mr. Sharpe from the previous panel mentioned The Veterans Corporation in particular and observed, I think as he put it, there have been numerous mission adaptations or changes over time, that I think we need to explore a little bit.

I do want to pose my first question to you, Mr. Blackwell, with regard to some of the programs that you have consistently offered, some of the new programs that you have described. Let me ask you, in particular, about the bonding programs and access to capital. If The Veterans Corporation didn't offer those programs, where would a veteran go? Mr. Elmore, you can jump in here too. Is there any coordination of activities between The Veterans Corporation and the Small Business Administration as it relates to bonding? I believe, Mr. Elmore, there is the surety bond guaranty program through SBA. If you can begin perhaps, Mr. Blackwell.

Mr. BLACKWELL. Thank you Madam Chairwoman. I would be happy to enumerate on your first part of that, which is why so many changes, why so many tacks, why so many approaches. The issue is we are, as we said earlier, a six-plus generation community. We are bifurcated on self-interest. We are bifurcated on the main mission accomplishments of those organizations. And it makes it very, very difficult to come together on any one particular thing.

TVC is tasked to start and grow businesses. And one of the things this particular panel shares in common is you have before you two ex officio members of our board of directors, and you have Mr. Celli who is a funded arm of TVC's local provision through Boston, Massachusetts. I can tell you that we work very closely together as a board to look at opportunities that exist within the current agencies. And certainly the seven(a) loan program and the 524 program that SBA offers are addressed in addition to—by the National Economic Opportunity Fund (NEOF), and in fact Jim mentioned the president of that organization is here today. And we look specifically at what is the best issue for that veteran and their funding issues.

In addition to SBA's express program we have an agreement with ACCION nationally for mini-micro loans from $500 to literally $25,000, that are nice loans that are available. So we really see the work we do with National Economic Opportunity Forum and Access to Capital, a combined program with both Bill's program and the seven(a) program, and then when veterans aren't able to use

those programs, we can go and work with them either in the mini-micro loan program or with another lending agent, usually within their community.

Why it is important to express the mentorship part of this is that many veterans applying for capital go ill-prepared. Either their business plan isn't ready, they haven't thought through transitions. And our approach is that we mentor those early steps through the NEOF program and TVC to prepare them to best have their capital plan in place.

In terms of access to bonding, SBA's bonding program is capped at $2 million. One of the other duties that I serve, as vice chair of GSA's Small Business Advisory Council, we talk about the issue of bonding. We talk about the programs that are currently available through SBA, which is why in concert with our other ex officio Member, DOD, we established a program, Outside Partnership with Surety and Fidelity Association of America, now almost a year ago. And that program allows us to have a 50 State coverage with no caps. That means that a company with either a single or aggregate bond level of $18 million doesn't have to worry about losing that current bonding level to go tackle new projects or, in effect, Mentor Protégé, a new veteran company, which is often the case, to use and leverage their current bonding level to start a new company, receive bonding, and work at the State and Federal levels.

I would just say in general the reason we have seen so many different programs come across is that we have learned a great deal. We have learned that one size doesn't fit all. Face-to-face works in certain groups. Face-to-face doesn't work with our current returning Iraq and Afghanistan members. Bill Ferguson, also here today with Iraq and Afghanistan's Veteran Association, and his team and I have talked at great length about how we best address these young men and women.

We had a wonderful phone call from Iraq just a week and a half ago from a young first lieutenant who is literally opening a restaurant in New Orleans, Louisiana, and needed extensive funding. We were able to work with him very quickly to make that happen. His restaurant opens literally in 30 days, before he even returns back from assignment.

So I will tell you that we must continue face-to-face relationships. We have entered into a Memorandum of Understanding with the ASBDC, Association of Small Business Development Centers. Mr. Don Wilson is also here today. I think that is an incredible leveraging tool as we work with not three, not eight, not 12, but literally 1,100-plus organizations to make that possible to reach more veterans and drive more veterans into existing facilities.

So that is my short version of how we think we are doing it. I will just tell you we are very, very excited about this new Boots2Business program and Deploy-Proof, because their all-electronic tools that are all SCORE-compliant, can be used in the field in Iraq, in South Dakota, in California, in Washington, D.C., for important veteran entrepreneur business to be transacted.

Mr. ELMORE. Let me try to help address where I think Walt was going, and we will talk about capital, at least at this point. If you look at SBA programs, we have what you can argue is sort of a continuum of access to capital, starting at the smaller end with our

microloan program, which has technical assistance associated with it, average loans about $11,000. It goes up to $35,000.

Then you get into our seven(a) range. And then you get into our 504, which tends to be more of a community development corporation engagement with structural kinds of things, buying or building buildings, securing equipment, those kinds of things; and then, ultimately, the venture capital world, which has been supported to a great degree or started through SBA's Small Business Investment Corporation program historically.

So we provide access to this full range of capital, but at the same time we are nowhere near the majority lender for small businesses in America nor should we be.

If you think of this community and you think of what we now know are the approximately four million existing veteran businessmen and women in America, the approximately three million aspiring, Walt is right; there is no one answer. Every business is different. Every existing or prospective businessowner is different. And every idea that they want to pursue is their own. And if you don't have this full range, public and private, the majority of our lending, other than our disaster loans, are through thousands of private bankers.

So as an example, as we design initiatives—and we are working right now on some more lending initiatives specifically for veterans, reservists, discharging service members and others, we have to not only design to meet our constituency, we have to design so that our lending partners understand this as a valuable, usable productive tool for them as well. And ultimately our role is not really to enable public success—because in my view, entrepreneurial success in America predominantly lies in America's private sector, not in the public sector. So while procurement is an incredibly important arena and a huge market, it is one part of the American market. And our engagement is with the American market. Federal procurement, as an important part of that, is a third of our agency, but that is not where we focus all of our activity and effort. It really is out into this private side. So I hope that helps answer the question, ma'am.

Ms. HERSETH SANDLIN. It does. It may lead to others from other members of the Subcommittee or some follow-up that I may want to pursue. I am going to come back, just to put you on notice Mr. Celli, I would like to get your thoughts and responses to both what Mr. Elmore and Mr. Blackwell had to say. I just wanted to put you on notice, because I want to recognize the Ranking Member for questions he may have, and Ms. Davis and I will come back to you after they are finished with their questioning.

Mr. Boozman?

Mr. BOOZMAN. Thank you, Madam Chairwoman. Mr. Blackwell, you mentioned that, you went through a variety of different ways you were trying to meet the needs of veterans. We have heard a little bit of criticism regarding the way things are going. At the very least, do we need to—based on your experiences as CEO, rework the law? Do we need to help you in that way or——

Mr. BLACKWELL. There is one answer and one answer only. The answer is "yes." Mr. Celli said it well. When this law was being

crafted, we were in a different time in our Nation's financial history, and certainly at a different time in our peace-war status.

All of the framers that I have spoken to of Public Law 106–50 are still very supportive, Bill Elmore being the one who wrote that particular piece for that particular group. The issue isn't so much how we do what, when. It is how flexible we are to provide what we need now and tomorrow.

I still believe in face-to-face education. I know that is a slow methodology. I know that only works for certain groups of people. I know that is expensive, not only in terms of providing that service, but also in terms of the time it takes out of a veteran-owned small business, to leave their business for any particular period of time and/or take people out of their business for any particular period of time: lost revenue, lost ability to sell.

So in terms of just the simple answer "yes," I think what we need to do is completely look at the issues you have heard of today.

And if I may, Madam Chair, I would say I would be happy to in a formal way issue a rebuttal to what I have heard today and to the other testimony. There are some inaccuracies, and I will correct that in my rebuttal.

But to close on your question, Congressman, I would just say that we really do need to look at the now 1.6 million Iraqi/Afghanistan veterans that we have—will break the two million mark, the number in Vietnam, very shortly—we have with 300,000 young men and women coming back this year. We have 350,000 come back in the next year. So when you look at those numbers, this is a technologically savvy group of people. This is a group of people that are used to gathering information in a different way. They are as different from the caveman as we are today, and I hope GEICO doesn't get upset, but the bottomline is we have to continue to be flexible in our delivery system and not held to a specific period of time.

I would love very much either to look at a rewrite or, in the case of a bill currently being drafted, an entire authorization of both the mission and vision of TVC.

Mr. BOOZMAN. Thank you.

Mr. Denniston, can you tell us what the status is of implementing the provisions of Public Law 109–461?

Mr. DENNISTON. As you know, the law requires that it become effective 120 days after signature—180 days after signature. That gives us until June 20th. So right now we are on target to meet that. The draft rules have been written and they are going through the internal clearance process. The Privacy Act issues are being addressed at the Office of Management and Budget and we will be ready on June 20th to kick the program off and make the announcement.

Mr. BOOZMAN. Thank you. I agree with you, Mr. Elmore, that the answer really is the private sector and yet it is not too much to ask that the public sector do what we ask them to do. And when we talk to them individually, everybody is for this, but it just doesn't filter down. It just doesn't get where it is going so.

And then you have a situation we learned from the previous panels. It really is a big deal if you can get some people to get their foot in the door, and then they go out and mentor others, and then

they might have a different avenue that they are interested in some other business, but it really does help, pushing that thing forward.

So I guess my question is, Mr. Denniston, Mr. Elmore, could you all possibly do a symposium where you really educated the procurement officers? And I know you are trying to do this now.

But there is a—I think that again in hearing the other panel, I think in hearing personal reference, there really is not—and I don't mean this bad again—as one of the panelists said, these guys are working hard, and they are overworked, but in many cases there is an ignorance of what the President has directed, and what the law is trying to direct.

If we could just get aggressive with some sort of mandatory seminar, some sort of check the box, to help understand this, I think that would be helpful. Is anything like that a possibility?

Mr. ELMORE. Sir, I think it is. There is actually a couple of things I would like to share with you about this. Our new administrator—and I am pleased that he is there, has been there now 9 months—he came in, he put a number of initiatives in motion. I have been with SBA almost 7 years now. Hard for me to believe. And he came in and he actually engaged the employees. He engaged our field people. He engaged our CPRs and he engaged our district directors. He asked them what worked and what didn't. He took all of that input and he designed a number of special initiatives and created a number of internal agency task forces, and amongst those are initiatives that look at exactly what you are talking about.

We have responsibility for service-disabled veterans, we have responsibility for women as well. We have responsibility for 8(a) for HUB Zone, for small and disadvantaged business, and we also do some work in the Native American community and the international trade arena. All of these are being touched by these task forces that are developing special and new efforts to go out and do exactly what you talked about.

What kind of reporting do we get? How can we do it electronically? Anybody that knows SBA knows we don't operate at the scale of our friends at VA or Department of Defense. Or Department of Labor for that matter. We are not a huge agency. We have third parties we have to work through. So we are trying to get our hands around contemporizing how we do exactly what you ask, education for the procurement system, reporting for that procurement system, and how others, myself included, gain access to real time outputs from that procurement system so that I don't have to sit in front of you a year and a half later and report 2005 data.

Now, the 2006 data is not SBA's data. It comes from somewhere else. And I am not trying to throw rocks at any of our partners, but I am hampered without access to real-time data about what is really happening out there. That is a real frustration for not only me but the other professionals inside SBA that want to do their job, want to do it right and want to do it well.

So back to the point, the Administrator is leading this new effort himself. I am doing 12-hour days. He is doing 14-hour days. I can't keep up with him. I am grateful he is doing it, although he is wearing me out, I will say that.

Let me go to the mentoring thing. I want to touch on that. I think the one most important thing that our Nation can do is engage what I call our military alumni business community. And there really hasn't been a process to do that. What Walt talked about, what my five centers do, what the centers that he funds do, what CBE does, what Lou Celli does, the more that we engage the men and women who went before us, the more we are going to be able to engage the men and women who come behind us because, by and large, anybody that knows this community—and, sir, you know this—it is our kids that are going to carry the burden next time. There are families that produce warriors in this society and families that don't. And the best mentors at Walt's program in St. Louis are two very successful veteran businessmen whose sons have served in Iraq. These come from families that don't have to serve in Iraq but these families produce warriors, and they help their sons and daughters when they come home.

So if I had a broad policy approach, I would suggest let's get our hands around how do we engage this huge asset of the already successful private business community that is out there waiting to be mobilized in ways—and this is where the caveat comes in. These men and women don't like the Federal Government, by and large, very much.

So we have to do it in a way that really comes from that community and is managed by that community. Because the first woman on your first panel said it best: Mentorship is easy to say, it is hard to do. It is based on personal relationships, expertise sharing, and a willingness of people with ability to take that ability and infuse it into people that they are really now just getting to know. But if we could turn that on it wouldn't take much money, but it would take coordination, we could turn this whole arena in a way where 5 years, 2 years, perhaps a year from now, we would be talking about how do we manage the phenomenal growth and success of this whole arena, not just including small business procurement from the Federal Government.

Mr. DENNISTON. If I may, let me address your question from the standpoint of procurement because I think that we are making strides. As an example, the President's executive order, one of the requirements in there was for DOD to have training of all contracting and personnel in the government.

Within a week of the executive order being passed, the Defense Acquisition University had an on-line course. That was done. We in the Center for Veterans Enterprise have worked with just about every large agency and what the requirements are for Public Law 106–50 and Public Law 108–183. And we do that in a lot of ways. A lot of times we are invited into the agencies to train staff, on the requirements. We also go to a lot of events in particular States. We work very closely with the Procurement Technical Assistance Center that you have in Little Rock, that one does a great job. We have done a number of events in San Diego that bring in SPAWAR, which is obviously the largest buyer, and all the contractors that support SPAWAR. We do it in conjunction with the Procurement Technical Assistance Center, we do it in conjunction with Bob Mulz who runs the Elite DVEV network so that we have the opportunities to bring people in. And I think that has gone well.

I have to tell you about yesterday. Yesterday, this week, GSA has had their expo, which is where all the contractors that are on the Federal supply schedule have an opportunity to display their wares to buyers throughout the government marketplace. On Tuesday, we had a whole veterans day down there. In the expo we had a section of nothing but the service-disabled vets that have won the GWAC contracts. And I wish you could have been there to see the excitement that they had.

And Lurita Doan, the Administrator of GSA, and I walked through there in the afternoon and talked to the veteran owners. And one of the questions that we asked was: Now you have the vehicle, what are you going to do to make it successful? And every one of those companies had target opportunities that they have identified in their marketing with different agencies—and we are proud to say VA was the most one mentioned—but they are excited about what we have got.

If you could see the excitement that we have when we have the conference in the end of June in Las Vegas, or if you could see the opportunities that are going to come out when we do the accountability day—yeah, we know we have agencies that aren't coming to the forefront the way they should. But you know what? You also have to remember that contracting officers in the government are overworked. It is a cultural issue. For the last 30 years, we have beat on contracting officers to make small business opportunities available for minorities and women. Now all of a sudden we are changing the dynamics and we are saying, you did a great job there; now we want you to take care of veterans and service-disabled vets, and the contract officers and the program managers say, wait a minute, I have developed this cadre of minority- and women-owned businesses that you have asked me to support and I have done that. I don't want to change. I have missions. I have risks that I have got to deal with in delivering services to whoever my constituents are. And now you are asking me to bring in a whole group of people. I am not willing to take that risk.

So a lot of this is culture. That is why the importance of having the people at the top be supportive of it the way our Secretary and Deputy Secretary have done and say, by golly, we are going to make this work one way or another, that is what it takes.

I think we have enough of us to make this program successful. I think it is now an issue of accountability.

Mr. CELLI. May I dovetail on to that?

I was very excited to hear Scott talk about the change in culture. I was asked to sit on a Committee—and I don't want this to sound like it is a jab to GSA, I love GSA and I think they are doing wonderful work. I was asked to sit on a steering Committee for Veterans Procurement Day by the GSA. And the regional administrator was there. Many of the experts you have called today sat there and were part of that steering and planning Committee.

In the meeting, they brought in some of their own procurement officers to sit around so we could talk about how to best do outreach to service-disabled veterans. That was really the goal. What breakout sessions do we want to have, and what is the best way to market and reach them? And that is my expertise. I am not in procurement. I am not an expert in procurement. I have been

thrust into this arena because of the work I do. But my expertise is in building businesses, marketing, outreach, that is what I do best.

And as we started to go around the table, there was a pause and one of the procurement officers asked if he could say something. And his question was: Please explain to me the service-disabled veteran thing. Is that 8(a)? And there was a strong silence in the room. And there were three procurement officers. A second one looked over and nodded in agreement and the third one, who was very knowledgeable about veterans, said no, that is not it. And the regional administrator at that time stopped and said, you know, I am really glad that you asked that question because what that does is tell me that we need to do more training within our agency, with our procurement officers.

So this is 2007. And you know we still have procurement officers who don't understand the program. So I guess my question would be: Is that a lack of emphasis from the top? Or, I guess I am not sure. And I will leave it at that.

Ms. HERSETH SANDLIN. Thank you, Mr. Celli.

Ms. Davis do you have questions for the panel?

Mrs. DAVIS. Thank you, Madam Chair. Thank you to all of you. I appreciate that, and I know it is late and I will try to be very brief.

I just wanted to thank Mr. Blackwell. I appreciate your being here and the work you did on behalf of at least one of my constituents. And I know there are many more. I enjoy having the opportunity to work on these issues and we certainly want to continue to do that.

And I think that the overriding theme here in many ways has been on accountability. We often ask, you know, it is the law, what is the problem? Why can't we do a better job in oversight and in trying to have enough enforcement so that people believe that, in fact, there is a job to be done and that they know that someone is out there to make sure that it happens.

But I wanted to just focus on one or two things quickly. You mentioned the mentoring, and certainly Ms. Halfaker was benefited by that. Are there programs in your respective programs in which you have an opportunity to link experienced veteran business entrepreneurs with newcomers to small business, and has there been any evaluation on how that is going? And what role would you like to see the Committee play in trying to expand on that and, I guess, guarantee that that element is working?

Mr. ELMORE. Let me try to start and share at least the work that we have done.

The five centers that I provide funds to, that provide assistance to about 11,000 veterans and reservists a year, all of those have a mentoring piece in the things that they do. That is not the only thing they do, but that is one of the elements in the agreement that they have with us.

Okay, how well does that work? I think it really probably depends, more than anything else, on the skills of the counselors in those specific programs and their ability or their connection with the private business community, not just the veterans looking for assistance. So I think it is pretty spotty.

I think our SCORE volunteers, better than half of which are veterans, some of them do take on a mentoring relationship with their customers. Not all of them. Not every SCORE counselor is capable of taking on a mentoring relationship. It is almost a personal sort of a thing that has to happen.

Our Small Business Development Centers and our Women's Business Centers also have mentoring, but it is not a specific program. It is not a program that you can impose. It almost has to be led by the community itself. And I think you saw evidence of that at your first panel. Nobody said to Mark, help her. For some reason, Mark began helping her. And there is no empirical evidence in this, but I believe this in my heart and in my gut, that veterans, probably more than any other group of entrepreneurs in America, have an interest in, and have almost a compulsion to a degree, to go back and provide this assistance to those who come behind us.

I am not sure that I know how to do it. I just know that if we can figure out how to unleash the private business community, that is not looking for help. They do what I call, "they want to help." There is a quiet pride there that we have to give them an opportunity to exercise.

If I had a suggestion for Congress, it is not build another Federal program, because most of these veterans aren't really interested in helping the government do something again. Okay. But you can help, because you are visible and you are leaders in the American community, in your communities where you come from.

One of the things I have tasked my district office directors to do at our district outreach is to begin to develop local volunteer lending Committees that would do exactly what Walt said. Instead of a veteran going to a bank with a business plan that isn't really ready, maybe isn't thought through, isn't completed, didn't understand exactly what should be there, whatever, develop these local volunteer Committees; let our veterans come before them once a month, what I have suggested, get their plans reviewed.

I think there are a number of things that come from that. One is you get better business plans because the bankers, as volunteers, are going to say. This isn't ready, this is—you need to fix this, this will never work. Take it back and look at it some more.

The other thing it will do is it will begin to build our community inside America's lending community. One of the strengths of us, our community, is that we are everywhere. But at this point, the only "everywhere" we are talking about is the Federal part of it. And you can help us lead an open America to come back and help our sons and daughters come along behind us and succeed. We are going to succeed, with or without the government. We already do. government's role is to maximize our resources and help succeed. But, ultimately, most that have success is in the private sector.

And I would love to be part of a no cost—not another law—let's figure out how to do this and finally unleash this potential of these millions of men and women that are in America.

Mr. DENNISTON. I would argue that it is already happening. One of the dilemmas that we all had when we started our respective programs is that nowhere could we find an identifiable source of

veteran-owned small businesses, so we started from scratch and we started sort of building this up.

As an example, in San Diego, the elite DVD networking. One of the reasons we have these community support groups of networks of veteran-owned small businesses is to do exactly that; is to help each other. Whether it is mentoring with financing, whether it is mentoring from a standpoint of joint venturing on prime contracts with the Federal Government, it is happening. I think, as Bill mentioned, it is happening without the government.

One of the misnomers, I think, of the Mentor Protégé programs that we have in the Federal agencies, that is not for a start-up business. If your going to be a protégé of a mentor—remember, these mentors are the big guys. It is the Northrops, it is the Boeings, it is the General Dynamics, and there are huge expectations. And they are not going to enter into a Mentor Protégé relationship unless they have an experience with you as a subcontractor.

One of the differences between doing business with the government working as a prime contractor with us and as a sub, we look at contracting from a government perspective; we are dating you. We look at it from a contract-by-contract basis, and if we find somebody better. Then we are going to go to them.

The prime contractors, on the other hand, their philosophy is more of a marriage. And if I am going to work with you, by golly, I am going to make sure you grow and develop and I have someone I can count on in future years.

And I think when small businesses get into Mentor Protégé agreements, what they find is there is a lot more that is required of them than what is expected. So the really good Mentor Protégé programs we do in the government are for companies that have been in existence, have some financial and production wherewithal, and have experience in that marketplace.

But, again, I think what is happening is we have a groundswell of this mentoring thing of veterans wanting to help other veterans. One of the new programs we hope to start in CVE with our database of 15,000 veterans is twofold. One is to put out a call to step up and volunteer to help another veteran start a small business, and the other is the huge areas of employment, because we know that veterans hire veterans.

Mr. CELLI. First of all, I would like to recognize Congresswoman Davis and her State as being an industry leader in the way veterans procurement works at the State level. I work with a couple of veterans from the State of California and they couldn't be—they couldn't be happier at the way that program has really spearheaded veterans procurement at the State level.

When we talk about the mentoring and the coaching, similar to what we heard Dawn Halfaker and Mark Gross, their relationship, the question that you asked was if we have that type of program established within the existing programs that we now service. And, really, the answer is no. Any type of mentoring that is done company to company, you know, neophyte company or fledgling company to established company, is done on the fly. It is done on the cuff. And it does happen, but it is not evaluated because, again, it is—you know, there is a lot, there is a lot there.

And one of the things I would really like to point out, and I was waiting until you got back to me, is that something that really may have been alluded to but wasn't really touched upon in all of the testimony that you heard today, is that we are essentially—really we are talking about two customers. We are talking about new business start-ups as one customer base which has its whole set of training and of assistance that it needs, and then we are talking about established customers which have companies that are trying to grow, whether that is through procurement, whether that is through marketing and outreach at the State level, where that is just trying to reach regular commercial customers. So you really need to think about this program as a two-pronged program, at a minimum, and look at those two finite sets of customers with two very specific needs.

As we set up conferences around the country, we always have to identify, first, who is our base customer and core customer going to be? Is it going to be the new customer or is it going to be the established customer? And when we do that, that is the way we market, and that is the way we set these programs up.

I would like to respectfully disagree with Bill when he talks about young veterans not liking the government. That was in the original part of my testimony, in the executive summary, I talk a little about the history of veterans through World War II, and up to today, and how the prevailing sentiment has been carried through with respect to how veterans are perceived, and which directly relates to their success not only in the marketplace but in the job market.

And though my colleagues here—they were raised in a different time. And veterans now don't have that same, I think, distrust of the government. I am not going to say that it doesn't exist. But the prevailing questions that I hear when I first get someone who is freshly off Active Duty is, isn't there a government program to help me?

So it is more inquisitive and not how come the government isn't there, or I don't want the government's help; it is more of an expectation. Where is the government? And one of the biggest misnomers within the community is how do I sign up for the VA business loan, which they are confusing the home loan with, and we have to tell them that it absolutely does not exist.

So I think that veterans today absolutely expect the government to be there for them with regard to some of the programs we are talking about today.

Mr. BLACKWELL. If I may cap this in kind of a crass way, so you will forgive my directness. Mentorship first. Mentorship comes in as many different flavors as there are businesses. Sometimes it is just an arm around a shoulder, saying, I am here for you, pal, I can answer your questions; I can't get involved in your business plan right now, but you call me if you need me. That is one form of mentorship.

In Protégé kind of activity, you are really talking about the more technical sides of our business, the IT world, where it makes sense to leverage and partner and do all those things. And from a sheer outreach standpoint, where you can help us most—and I mean, this in the most sincere way—you are looking at a very small group of

people today. But between Bill's group and Scott's group, my staff, our staffs out in the field, you are talking less than 50 people. You are talking less than 50 people to address the needs of over eight million veterans who are either in business or want to start a business, not counting all the Iraqi-Afghanistan veterans. If you want to help us, stand with us. Help us have the oversight that is needed from a congressional standpoint for you to give us money.

We are delighted to report back to you. It was the most fun I have ever had to do, and that is writing my fiscal year 2006 accomplishments to you and the President. I was amazed myself.

Will they get better? Absolutely. But we need your support. No private-sector money is going to be given to us as TVC without the partnership of the U.S. Congress, because the private sector folks believe that it is in your responsibility realm to stand with our veterans.

So as crass as it may sound, we are a little tiny group. We don't get along all the time, I promise you that. We have very differing opinions on the services we can and, frankly, are able to provide, given that limited funding outreach.

I don't know who my customer is. Scott does, because he keeps the database. But he is not allowed to share that with me. So I am in the reactive mode more than the proactive mode. As a business person, I think you will understand how frustrating that can be. Bill has the same problem. Out of the 567 new business starts from TVC last year, Mr. Celli has 222 of those. He has four people.

Mr. CELLI. I have two full-time people and two part-time people.

Mr. BLACKWELL. So how much more can we do? I don't know. Fund us. Give us a shot. We have a plan. It is working. We have leveraged technology. You cannot find more dedicated people than you have heard today on these panels, I promise you.

The team is here. Play with us. Thank you.

Mr. CELLI. I also have another recommendation I would like to bring to your attention with regard to promoting the mentorship that we heard so much about. In the 2006 Small Business Advisory Group report, one of the suggestions that we had was to have the SBA create Regional Finance Bonding and Security Veterans Small Business Advisory Councils. And what I mean by that is having the SBA look at their regions and their districts and say, go out and find some bankers and bonding folks and create an advisory council to help vets.

When they do that, come back with recommendations, meet and go out and find ways to promote veterans. When these public-private partnerships start to develop and these bankers start to come up with recommendations, they are going to own them. And they are going to endorse them. And they are going to push that down, you know, push back from the top down. And the next thing you know, veterans will become important in the banking community. Veterans will become important in the bonding community. Veterans will become important in the business community over all.

Mr. ELMORE. Can I say one thing, Madam Chair?

Ms. HERSETH SANDLIN. Yes, because I have a number of thoughts I still want to share with you too. Go ahead.

Mr. ELMORE. This is my second testimony today, and so far I haven't gotten in trouble. And I am kind of disappointed in that.

Ms. HERSETH SANDLIN. Don't speak too prematurely.

Mr. ELMORE. I won't go too far, I promise.

One of the things that was talked about when the community came together, really years ago, but in 1997, 1998, 1999, to create what became Public Law 106–50, none of us knew that that was going to pass. The 1997 statute did not pass in the form that we wrote it. Neither did the 1992 statute or the 1991 statute or the 1990 statute that we wrote. None of those passed.

One of the things we talked about in 1998 and 1999 was the Community Reinvestment Act. That is not within SBA's purview, and this is where I get in trouble. But you know what? It is in America's purview. That is where most capital comes from, is from the banking community, the private equity markets out there in the real world, not just the Federal part of this. Perhaps that is as far as I will go, but I hope you get my hint and I hope I didn't get in too much trouble.

Ms. HERSETH SANDLIN. I appreciate the hint. And I appreciate—I am sure Ms. Davis and Mr. Boozman would agree that we have a lot that we can work on here. But some of my thoughts, if I might, because I think, Mr. Celli, you ultimately got to the question I wanted to come back to you on. What is the most immediate thing that you think the Subcommittee can do to facilitate our common objective? And I do want to come back to a point that you made, Mr. Elmore, just to clarify, but also to respond, because I think Mr. Celli addressed it, but what I heard you say wasn't maybe so much the young veterans having this distrust, but the established military alumni that are out there of that older generation. I think that while that may be true, and I think there are a variety of factors for where that distrust—from where it stems—but I think one of them has to be a disappointment when they see Federal agencies not living up to a modest 3 percent set-aside in contracting.

While I understand, some of what you said previously as well, that there is all this private sector opportunity. We know that. The focus of the Office of the SBA isn't so much just on the public contracting side, I think. As I said before, the theme here is the issue of enforcement and accountability. I think that there are things that we can do, working together on the Subcommittee, that isn't passing more laws, but working with our colleagues to figure out the best mechanism and the best model to ensure that level of accountability beyond our oversight hearings, that is very important—but beyond that, to establish the commitment that can help erode over time that distrust that I don't think is there to the same degree with the younger generation, but to go to that point with the younger generation.

It goes to the point Mr. Blackwell was making: How do we best adapt our agencies and our programs to meet, to transition, to serve different constituencies?

I do want to commend what you have been doing with that, Mr. Blackwell, but while you have been doing that the mission has changed. People observe that questions get raised that aren't always answered to everybody's satisfaction. I hear what you are saying about the small group we are dealing with the dedicated group

we are dealing with, the results and the outcomes I think we have had in many cases.

But I think you will find a receptivity from me anyway, more focused initially as it relates to enforcing laws we have already on the books. I would like to work with you to figure out ways—and I think I was going to ask you a question, Mr. Denniston, about the PTACs and working with the veterans themselves. But clearly we have got some work that we can pursue on training procurement officers.

And I would be more comfortable at this stage—I am not saying I am not willing to seek additional resources in a pretty tight budget environment for additional programmatic funding, but I also think, if people are overworked and if we have procurement officers who do not know the difference between 8(a) and the other programs that are geared toward our service-connected disabled veterans, that there are some issues here that we can focus on immediately in making sure we are adequately resourcing that as we then work with you to identify the best coordination of services and how we deliver those benefits to different constituencies, whether they are based on generation or, in terms of pursuing some of what we were just talking about with the mentorship and the protégés.

So, Mrs. Davis, thank you for your time.

Thank you to all of our witnesses on this panel and the preceding panels. I want to thank staff for their work in getting us prepared for this hearing, but I am also going to thank staff in advance for all of the work that we are going to undertake in following up on all of the information we have gathered at the hearing today.

With that, I will be around to visit with you maybe a little bit more following the hearing, but again, thank you for the statements, and for the information. We value your insight and your ideas.

The hearing stands adjourned.

[Whereupon, at 5:42 p.m., the Subcommittee was adjourned.]

APPENDIX

Opening Statement of the Hon. Stephanie Herseth Sandlin, Chairwoman, Subcommittee on Economic Opportunity

Good afternoon ladies and gentlemen. The Veterans's Affairs Economic Opportunity Subcommittee hearing on veterans entrepreneurship and self employment will come to order.

Some of the panelists might recall a joint hearing we held with our colleagues on the Committee on Small Business in May 2005 on the subject of veteran small businesses. Today's hearing will build upon that hearing as we receive testimony to explore the current state of veterans' entrepreneurship and the every day problems they may face.

Small businesses are an essential component to the implementation of strong economic development plans, especially in rural states like South Dakota. Time and again, veterans have continually assisted in preserving this critical element of our nation's economic prosperity. In my home state of South Dakota, more than 17,000 veteran-owned small businesses are operating. These brave men and women add tremendous value to our economy when given the opportunity to start and manage their own businesses.

Starting and growing a small business is no easy task and can be a difficult challenge. I have heard of the many difficulties that disabled veterans face when starting and developing a small business. In addition, I have also heard from many members of the National Guard and Reserve in South Dakota who find it challenging to maintain their small businesses when deployed overseas to Iraq and Afghanistan.

I look forward to working with Ranking Member Boozman and Members of this Subcommittee to focus our efforts on assisting our nation's veterans with these challenges.

I look forward to working with Ranking Member Boozman and Members of this Subcommittee to focus our efforts on assisting our Nation's veterans with these challenges.

I would like to welcome our panelists testifying before the Subcommittee today.

Joining us on our first panel is Ms. Dawn Halfaker, President and Chief Executive Officer of Halfaker and Associates, LLC; Mr. Mark Gross, President and Chief Executive Officer of Oak Grove Technologies; and Mr. Anthony Jimenez, President and Chief Executive Officer of MicroTech, LLC.

Joining us on our second panel of witnesses is Mr. Joe Wynn, President and Chief Executive Officer of the Veterans Enterprise Training and Service Group, Incorporated; Mr. Joseph Sharpe, Deputy Director for the National Economics Commission of the American Legion; and Mr. Richard Weidman, Director of government Relations for the Vietnam Veterans of America.

Participating on our third panel is Mr. Walter Blackwell, President and Chief Executive Officer for the Veterans Corporation; Mr. William Elmore, Associate Administrator for the Veterans Business Development of the U.S. Small Business Administration; Mr. Scott Denniston, Director of Small and Disadvantaged Business Utilization for the U.S. Department of Veterans Affairs; and Mr. Louis Celli, Chairman of the Advisory Committee on Veterans Business Affairs for the U.S. Small Business Administration.

We thank everyone for their statements this afternoon. We value your insight and interest on this topic. This hearing stands adjourned.

Opening Statement of the Hon. John Boozman, Ranking Republican Member, Subcommittee on Economic Opportunity

As one who started and successfully grew a small business, I know first hand the difficulties and challenges faced by entrepreneurs. It is almost a cliché that entre-

preneurship is not for everyone and I would hasten to add that it is not for the faint of heart. Building a small business is hard work. It often pays less than working for someone else. I suspect it usually involves sacrifices by the family more often than working for corporate America. Did I mention that it is hard work?

That is why, Madame Chairwoman, I thank you for taking time today to review the performance of The Veterans Corporation. Judging by the written testimonies we have received, there is a level of dissatisfaction and disappointment with TVC's performance, especially in its early days.

Public Law 106–50 established several purposes for TVC in stating, "The purpose of the Corporation shall be (1) to expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organization public and private resources, including those o the Small Business Administration, Department of Veterans Affairs", . . . and several other private and public institutions. Among the specifics, TVC was to develop a "network of information and assistance."

In a sense, the existence of TVC is an example of frustration with the lack of services for veterans and disabled veterans by the Small Business Administration. Public Law 106–50 also established the Associate Administrator of Veterans Business Development at SBA and charged the position with "formulation, execution, and promotion of policies and programs" that benefit veterans and disabled veteran-owned small businesses. Unfortunately, with a budget of only $900 thousand, the Associate Administrator is not in a position of power within the agency and I look forward to hearing from him today.

The original legislation also terminated public funding for TVC after Fiscal Year 2003. However, the Corporation has continued to receive appropriated support through Fiscal Year 2006. So, the question becomes, if TVC is not able to become self-supporting and does not garner additional appropriations, what is the loss to the veteran-owned small business community? I hope each of today's witnesses will take the opportunity to address that specific question.

Finally, as those entrusted with making public policy we must ask ourselves a couple questions. First, are we just reinventing the wheel, and second, are existing Federal small business-related organizations, if properly funded and lead, the appropriate place to promote veteran-owned small business?

Madame Chairwoman, thanks again and I yield back.

Prepared Statement of F. Dawn Halfaker, Owner/Chief Executive Officer, Halfaker and Associates, LLC, Washington, DC

Chairwoman Herseth Sandlin, Ranking Member Boozman and Subcommittee Members, I greatly appreciate the opportunity to testify at this hearing regarding Veterans Entrepreneurship and Self Employment and am honored to represent a newer generation of entrepreneurs and Wounded Warriors. I am CPT (Ret) Dawn Halfaker, Owner and CEO of Halfaker and Associates, LLC. We are a Woman-Owned, Service-Disabled Veteran Owned, HUB Zone Small Business providing national security consulting services to the Federal Government. We are focused on mission support for the War on Terrorism in the areas of Force Protection/Anti-Terrorism, Homeland Security, Emergency Management, Physical Security and Chem/Bio Defense Operations.

I started the company in 2006, a year and a half after I was severely wounded in action in Iraq. As a result of my injuries, I lost my right arm at the shoulder and even more devastating; I lost my career as a military officer. Like most of the wounded warfighters who are medically retired off active duty, I had no idea what I wanted to do with my career but knew that I wanted to remain close to the fight and continue my service to the country in some capacity.

As a business owner, my company enables me to do just that. I have the opportunity to use my military skills and expertise to continue my service as well as the ability to work with and provide jobs for other veterans. My company competes for work within the Federal Government, primarily DoD, and targets contracting opportunities based not only on our aforementioned core competencies but our ability to hire wounded warriors to perform the work; thus giving them back a career they lost.

However, in the short year and a half I have been doing business with the government, I have learned that my vision is not easily realized or necessarily shared. As it pertains to this hearing, I believe there are significant improvements to be made in the procurement system with regard service-disabled veteran-owned businesses

and the ability of agencies to achieve the 3 percent goal. I will identify the main obstacle I have encountered that I believe to be an unfortunate systemic problem.

I was recently at a meeting with one of my clients in the Pentagon and was introduced to another individual who happened to be a contracting officer. It was mentioned that my company is a service-disabled veteran-owned business and the individual replied, "Yeah, you and everyone else." I believe this remark illustrates a general attitude toward service-disabled veteran-owned businesses that implies we do not deserve a separate small business category are should not be entitled to special treatment. I would like to contend that we are not seeking special treatment but fair treatment. Additionally, we are not like everyone else in that we have served our country proudly and made significant sacrifices in doing so. With that said, there should be incentives to do business with veterans, and proportionately, we should have the ability to not only compete for business in our own category but have the privilege of a non-competitive sole-source award. This procurement tool would enable service-disabled veteran-owned businesses to be looked upon favorably and allow businesses like mine to present our customers with a fast and effective contract solution.

Though there has been a concerted effort by veterans, VSOs, businessowners and lawmakers to push agencies toward the 3 percent goal, we will never achieve it by simply hoping that contracting officers do the right thing. It is my belief that service-disabled veterans and wounded warriors should have the same consideration and opportunities at least equal to anyone else in America.

I thank you again for this opportunity to appear before you today. This concludes my testimony and I welcome your questions.

Prepared Statement of Mark Gross, President and Chief Executive Officer, Oak Grove Technologies, Raleigh, NC

Good afternoon Chairman Herseth-Sandlin, Ranking Member Boozman and Members of this Subcommittee. Thank you for the invitation to come before you and share my experiences and work within the veteran business owner community.

I am a veteran of the United States Army, and founder of Oak Grove Technologies, a Service Disabled Veteran owned small business, founded at my kitchen table 5 years ago this past August. Today, I am proud to say I employ over 140 employees, over 70 percent of those are veterans, and 16 percent are service disabled veterans. Geographically we are dispersed in 16 states, as well as supporting both OEF and OIF in both Afghanistan and Iraq.

I am here today to offer testimony on behalf of the Veterans Business Community as well as to offer you the benefit of research and the opinion of our Veterans Small Business Advisory Committee, which was established under PL 106–50.

The question before this Committee today is, ***"What is the State of Veterans Entrepreneurship, obstacles faced by aspiring entrepreneurs, programs being relied upon by Veterans and the current status of Federally funded programs to assist the Veterans"***

I feel that I am uniquely qualified to answer that question as I have not only built a very successful business in this economic climate, but I have also taken on the task of mentor to a number of other Service Disabled Veteran Owned Businesses.

In my opinion Congress has done an outstanding job in passing legislation such as 106–50 and 108–183, both of which established Service Disabled Veteran goals and mandates in Federal contracting. Some of the problems today revolve around accountability within Agencies to meet these goals. I am here to offer my views on what can be done to ensure the state of veteran's entrepreneurship within the Federal Government.

Congress and specifically this Committee have been working for veteran businessowners for years. This issue is as important to our veterans as it is to you. What we've seen thus far from many Federal Agencies has been a cavalier attitude toward the 3 percent goal, believing that this mandate doesn't apply to them. You have heard a lot of numbers and data today so I don't want to overstate what you have already heard, but suffice to say despite all of these mandates establishing the governmentwide 3 percent contracting goal with SDVOBs, no agency has met this standard. In 2005 alone, the Department of Defense awarded 0.499 percent of contracts to SDVOBs. DOD accounts for roughly 70 percent of all government procurement spending, yet its repeated inability to meet service-disabled veteran contracting goals makes it all but impossible for the Federal Government as a whole to meet the 3 percent goal.

I would like to offer Six recommendations to meet the 3 percent procurement goal;

- Eliminate the "Rule of Two" wherein a contracting officer has to know of two or more SDVOB's before a sole source contract award can be made. This is the only similar requirement for any of the statutory programs.
- Create a level playing field between the statutory programs by changing the use of "MAY" to "Shall" when using restricted competition for SDVOB's.
- Small business subcontracting plans, including all details of the plans, required by large prime contractors, should be made public and accessible electronically or on forms 294/295 upon request. Mandate that contracting officers impose liquidated damages, as predicated in FAR Part 19.705–07 for those large companies that fail to demonstrate good faith efforts to fulfill the requirements of their subcontract plans.
- Close loopholes in the GSA Schedule (FAR Part 8) wherein large businesses are allowed to take away business intended for small business, or mandate that the Federal Agencies disclose percentage of overall contracting dollars procured to small business' through the GSA Schedules.
- Reward/Penalize those agencies that meet or don't meet the 3 percent SDVO requirement
- Strengthen the SDVOB program by increasing contract awards, resources, and support without including SDVOBs into the 8a program. The 8a program was created to assist minorities with a business development program. This program concentrates on socioeconomic factors which SDVOBs simply do not fall into as a whole. The SDVOB program is a program earned by each and every Service Disabled Business Owner based on the sacrifices they made and tenacity they have displayed by becoming entrepreneurs.

The one Federal program that Congress did create was the Veterans Corporation. I am quite familiar with them as at one point were collocated in the same building in Alexandria. I initially sought assistance from them in 2003, I was left then, and am still left today questioning what they do, and more importantly, value they bring to the veteran entrepreneur community. Much of the Veterans outreach is provided by both the Department of Veterans Affairs Small Business Office and the Army Small business office.

Some of the offices that should be recognized for taking the lead in outreach are the VA and the Army Small Business Office. They took the lead 3 years ago to create the National Veterans Conference, which is a conference held annually in June in Las Vegas, NV. I am proud to say that we have sponsored this event every year, and this year's total numbers for attendees will be in the neighborhood of 2500 people and veteran business.

We are proud to say we are the first SDVO small business in the DOD Mentor Protégé Program as created by 108–183, and this year were awarded the DOD Nunn Perry Award.

As an entrepreneur and Veteran, the climate certainly has gotten better over the past 7 years, and we still have a long way to go, but I'm confident that Congress, many of the Federal Agencies such as Department of the Army, and the Department of Veterans, are committed to this cause.

I thank you for your time and your efforts to improve the Federal contracting climate for Service Disabled Veteran Businesses.

Prepared Statement of Anthony R. Jimenez, President and Chief Executive Officer, MicroTech, LLC, Vienna, VA

Good morning. It's a privilege to be here today. I want to thank the Committee for allowing me to share my thoughts regarding veterans' entrepreneurship, Veteran-Owned Small Business and Service-Disabled Veteran-Owned Small Business opportunities in the Federal Government, and in particular, current programs funded by the Federal Government. I believe that helping veterans build successful businesses is not just right for veterans, in recognition of the service and sacrifice they have given this country, but it also right for the country as a whole. Veteran-Owned Small Businesses and Service-Disabled Veteran-Owned Small Businesses can, and should, become a powerful job creation engine and force for economic development.

I'd like to begin today by clearing up what I believe to be a misconception about the primary obstacles facing Service-Disabled Veteran-Owned Small Businesses. My sense is that there is a widely held belief that what Service-Disabled Veteran-Owned Small Businesses need most to succeed is access to training, capital and other elements that support business development goals.

The Small Business Administration's Advisory Committee on Veterans Business Affairs has repeatedly reported on a number of issues facing Veteran-Owned Small

Businesses and Service-Disabled Veteran-Owned Small Businesses: The most significant of these issues included lack of sufficient representation for businesses owned by veterans at the SBA, lack of access to capital and surety bonding and a need for training and education of veteran entrepreneurs. These factors are all significant and real, and should be addressed. But in my view, they are not the most significant factors.

In response to these perceived needs, the Veteran's Corporation was created to provide training and business development assistance to veterans starting businesses. The Veteran's Corporation provides many useful tools for veterans looking to start a business, such as help with business plans, advice about contracting with the government, assistance with obtaining financing and so on. These are all critical elements in the success of any new business and I am sure this type of assistance has helped many businesses owned by veterans grow and develop and has been gratefully received. But, these are not the primary factors holding back businesses owned by veterans, especially Service-Disabled Veteran-Owned Small Businesses that are already established and are interested in working with the Federal Government.

These companies need advocacy and opportunity more than they need startup support or business instruction.

In fact, there are already over 9,600 Service-Disabled Veteran Owned Small Businesses and over 37,000 Veteran-Owned Small Businesses, which have negotiated all the hurdles required to become registered in the CCR. Based on my personal knowledge and experience competing with these companies, I believe that the majority of these small businesses stand ready to deliver quality services to the government *right now.*

I believe that what Service-Disabled Veteran-Owned Small Businesses need most are genuine opportunities, which allow them to demonstrate and grow their capabilities. To date, the government's record of identifying, setting-aside opportunities and then awarding work to Service-Disabled Veteran-Owned Small Businesses is disappointing at best. The law mandates that the governmentwide goal for participation in government awards by Service-Disabled Veteran-Owned Small Businesses is three (3) percent of the total value of all contracts awarded each year. To date, the government has fallen far short of that goal. In fact, between 2001 and 2005, the Department of Defense, an agency one would think would be especially sensitive to veterans issues and opportunities for veterans, has never awarded even one half of one percent of its contract awards to Service-Disabled Veteran-Owned Small Businesses; in some of those years it was significantly less than one half of one percent. The performance of other government agencies in this area is similar. To date, only a small number of Federal Agencies have successfully reached the prime contracting goal of 3 percent for Service-Disabled Veteran-Owned Small Businesses.

Let's contrast the experience of the approximately 9,600 registered Service-Disabled Veteran—Owned Small Businesses to that of the approximately 9,900 or so businesses currently certified as 8(a) small disadvantaged. The legally mandated goal for 8(a) set-asides is also 3 percent of the total value of government contracts awarded. For 8(a) businesses, this target is met consistently through-out the government, nearly across the board.

These circumstances translate into a non-level playing field for the Service-Disabled Veteran-Owned Small Businesses. Turning again to the SBA figures for DoD for the years 2001 through 2005, we find the total targets for both 8(a) and SDVOSB spending was over $31 billion. This target was essentially met for the 8(a)'s. The actual amount awarded to Service-Disabled Veteran-Owned Small Businesses was just under $7B. This represents a deficit of nearly $25 billion in opportunities to perform and grow that were never offered to the Service-Disabled Veteran-Owned Small Businesses

Despite this disparity, according to the SBA, veteran entrepreneurs are successfully self-employed at a higher rate than any other group of American citizens. Imagine what this group could do with the opportunities that have been afforded to 8(a) small businesses! If we create the opportunities, veterans *will* respond.

Why does this disparity of opportunity occur and what can be done about it?

I believe it has to do with two factors: a lack of commitment to provide mechanisms for Service-Disabled Veteran-Owned Small Businesses to become successful large businesses; and, a lack knowledge of and current perceptions about Service-Disabled Veteran-Owned Small Businesses among the government contracting community. Contract Officers and their customers are simply not aware of the depth and breadth of options available to them that can be provided by Service-Disabled Veteran-Owned Small Businesses. I believe Contracting Officers are reluctant to set large, complex efforts aside for Service-Disabled Veteran-Owned Small Businesses for fear that the pool of respondents will be too small or their offerings too expensive

or non-competitive. This reluctance is felt by the general business community. Large businesses are less likely to want to partner with and mentor Service-Disabled Veteran-Owned Small Businesses if they perceive resistance on the part of the contracting community or if it seems the commitment to develop, grow, and mentor Service-Disabled Veteran-Owned Small Businesses is not genuine.

With respect to the Service-Disabled Veteran-Owned Small Businesses' ability to compete, I know from experience it can be significant. To win our second largest contract, which was a Service-Disabled Veteran-Owned Small Business set-aside; my company had to compete against 50 other Service-Disabled Veteran-Owned Small Businesses to win the work. We have successfully completed our base year of performance and are now in our first option year. Our customer is receiving top-notch service at a very competitive price and, having seen our capabilities first hand, understands the value of setting-aside opportunities for Service-Disabled Veteran-Owned Small Businesses. We were also one of 40-plus companies to receive an award on the U.S. General Services Administration (GSA) Veterans Technology Services (VETS) GWAC (Government-Wide Acquisition Contract). Over 200 Service-Disabled Veteran-Owned Small Businesses bid on that opportunity in a very competitive selection process. Another outstanding example of veteran entrepreneurship is the National Aeronautic and Space Administration (NASA) SEWP (Solutions for Enterprise-Wide Procurement) GWAC (Government-Wide Acquisition Contract). Often referred to as one of the best GWACs in the Federal Government, SEWP provides the latest in Information Technology (IT) products for all Federal Agencies. Until recently, SEWP had only large, small and 8(a) primes providing the latest in Information Technology (IT) products. On May 1, 2007 with the award of SEWP IV, six (6) Service-Disabled Veteran-Owned Small Businesses are now prime contractors on SEWP IV. This means that Federal agencies now have the ability to procure the latest in Information Technology (IT) products from Service-Disabled Veteran-Owned Small Businesses at a very competitive price.

This is where advocacy comes in. These success stories need to be told. government Program Managers, Contracting Officers and the business community at large should understand the significance and importance of supporting small businesses owned by veterans; and, they need to hear concrete examples of success stories where businesses owned by veterans have delivered excellent results. I think this type of educational advocacy should become an important part of the charter of Federally funded programs like Veterans Corporation as well as the Small Business Administration.

Another important resource that could help create opportunities for Service-Disabled Veteran-Owned Small Business is the value that is gained when a large business partners with a Service-Disabled Veteran-Owned Small Business to create or generate opportunities. For many years there has been an 8(a) Mentor Protégé program at the Small Business Administration (SBA) that enhances the capability of 8(a) participants to compete more successfully for Federal Government contracts. The program encourages private-sector relationships and expands SBA's efforts to identify and respond to the developmental needs of 8(a) clients, but today there is nothing similar at for Service-Disabled Veteran-Owned Small Businesses at the Small Business Administration (SBA).

I know personally how well it can work when government and large businesses partner together to facilitate opportunities for Service-Disabled Veteran-Owned Small Businesses. Our largest contract is with the U.S. Department of Veterans Affairs. As a prime contractor, we provide Enterprise Solutions for Microsoft products and associated services to the entire U.S. Department of Veteran Affairs. The contract is valued at over $56 million per year and is the largest contract of its kind ever awarded to a Service-Disabled Veteran-Owned Small Businesses. This contract would never have happened had it not been for VA's Office of Information and Technology (OIT). In particular, Mr. Craig Niedermeier and the people in his office, coupled with the great efforts from the Contracting Officer, Mr. Daniel Nascimento, and all of the great people in his office went the distance to find ways to offer this significant opportunity to service disabled veteran owned firms. This contract is an example of VA's commitment to Service-Disabled Veteran-Owned Small Businesses and was awarded by VA using a GSA schedule 70.

Mr. Niedermeier and Mr. Nascimento were able to identify several Service-Disabled Veteran-Owned Small Businesses that could not only provide the Microsoft products, services and solutions VA needed, but were capable of successfully delivering on such a large and complex opportunity. Once potential Service-Disabled Veteran-Owned Small Business bidders were identified each business worked hand-in-hand with the Enterprise Solutions Team from Microsoft led by Brian Roach, Geary Brummell, and Marc MacDonald. Several Large Account Resellers (LARs) were partnered with qualified Service-Disabled Veteran-Owned Small Businesses and a

number of very competitive bids were submitted. My company worked with Software Spectrum, who understood the three (3) percent governmentwide goal and the need to mentor and assist Service-Disabled Veteran-Owned Small Businesses to meet that goal. Our relationship with Software Spectrum continues to expand and the skill transfer and knowledge transfer that VA has hoped for has in fact taken place. We completed our base year of performance last month and are now in our first option year. VA is receiving top-notch products and service at a very competitive price and is very pleased with both our services and our process for delivering products and solutions. This contract continues to be a sterling example of what can happen when the big business works with small business to create and/or expand business opportunities for Service-Disabled Veteran-Owned Small Businesses. Without large businesses participation and support and without the government's commitment to identify opportunities and set-them aside for Service-Disabled Veteran-Owned Small Businesses the likelihood that Service-Disabled Veteran-Owned Small Businesses will become successful large businesses is significantly diminished.

I hope that my words have provided additional insight into veterans' entrepreneurship and in particular, the need to define the mission of current programs funded by the Federal Government. With the right focus, many of these programs can serve as opportunity advocates and can help ensure Veteran-Owned Small Business and Service-Disabled Veteran-Owned Small Business have the opportunities they need to be successful. I am convinced that the harder the government works to identify opportunities for Veteran-Owned Small Business and Service-Disabled Veteran-Owned Small Business the more success stories there will be.

Prepred Statement of Joe Wynn, President, Veterans Enterprise Training and Services Group, Inc. (VETS Group), and Member, Veterans Entrepreneurship Task Force (VET-Force)

EXECUTIVE SUMMARY

In the past few years, two major pieces of Federal legislation have really set the stage for the emergence of today's veteran entrepreneurs. When Congress passed the Veterans Entrepreneurship and Small Business Development Act 1999 (Public Law (PL) 106–50), it stated in its findings that America had not done nearly enough to 'assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.'

PL 106–50 thus called for the creation of new entities and the restructuring of existing ones in order to assist veterans in pursuit of entrepreneurship. Under this law, SBA's Office of Veterans Business Development, the Department of Veterans Affairs' Center for Veterans Enterprise, and the National Veterans Business Development Corporation were created.

While PL 106–50 also established a 3 percent procurement goal for federal agencies and prime contractors to purchase goods and services from service-disabled veteran owned businesses, it did not go far enough in giving contracting officials a vehicle by which to achieve the goals. Thus, a second piece of major legislation was enacted as part of the Veterans Benefits Act of 2003 (Public Law 108–183). section 308 called for the creation of a Veterans Procurement Program and made it **mandatory**, that Federal agencies and prime contractors procure a minimum of 3 percent of all of their goods and services from service-disabled veteran owned businesses.

The insertion of that mandatory language into the legislation effectively created quite a stir in the Federal procurement community. Wherein agencies were still paying little attention to veteran owned small businesses, the mandatory language has caused them to stop and take notice.

And to bring further fuel to the fervor, the President of the United States issued an Executive Order in October 2004, directing agencies to carry out the law now! Agencies have been instructed to designate a senior-level official, to be held accountable for submitting a strategic plan showing how and when they will achieve the 3 percent contracting goal for service-disabled veteran owned businesses.

The VETS Group is proud to have been a part of the collective effort of those veterans' advocates who pushed for the development and implementation of these landmark decisions to expand veterans' entrepreneurship.

But after more than 7 years, two new laws and a Presidential Executive Order, Federal agencies and prime contractors are still scrambling to find service-disabled and veteran owned businesses that are capable and qualified to satisfy their requirements. And unfortunately, of the 3 government entities created for veteran

businessowners, one appears to be misdirected, the other is still buried in the shadows, while the third is just beginning to show some promise.

INTRO:

Good Afternoon, Chairwoman Herseth-Sandlin, and other members of this Subcommittee.

Let me first thank you for the opportunity to come before you today to share some of my views and the collective views of many Veterans and Service Disabled Veteran businessowners; veterans who served with honor, and many who received distinguished honors for displaying valor and courage during their periods of military service for this country. Though my time of service was many years ago, as a veteran of the U.S. Air Force with the 66th Strategic Missile Squadron, I still have a very vivid memory of the military experience.

As a lifetime Member of the National Association for Black Veterans, I have spent the past 16 years assisting Veterans, and in recent years serving as a Commissioner of the Congressionally appointed Veterans Disability Benefits Commission, Treasurer for the Veterans Entrepreneurship Task Force (VET–Force), as Senior Advisor to the Vietnam Veterans of America, and President of the Veterans Enterprise Training & Services Group (VETS Group).

In serving in these roles, I have seen that veterans often risk their lives to preserve the American Dream of freedom and prosperity. However, too little is being done to assist veterans, particularly service-disabled veterans, to achieve the American Dream they fought so hard to protect. It is well known that one of the best ways to get ahead is by obtaining a good job. But by starting or expanding your own small business, you may achieve financial independence.

Since the Vietnam Era, America has been involved in numerous conflicts, missions, and peacekeeping endeavors. And since the tragedy that overtook America on September 11, 2001, we have been engaged in the Global War on Terrorism, and even now continuing to increase the number of troops in Iraq and Afghanistan despite the overwhelming opinion to the contrary. A new generation of veterans now exists; they are well trained, loyal, battle-tested and under-employed. 'As a nation, we have been unsuccessful in providing the originally promised assistance our veterans have earned, deserved, and required so that they would have the opportunity to be as successful in their civilian pursuits as they were in their military assignments.' (VET–Force Report to the Nation 2005).

If veterans and service-disabled veteran owned businesses are to succeed in the public sector they will have to overcome a number of impediments: (1) The pervasive ignorance of the law and resistance to change across all agencies; (2) No enforcement of prime subcontracting plans; (3) Inaccurate agency data, miscodings, and double counting; (4) The perception that the procurement pie for small businesses is shrinking; and (5) Contract Bundling.

Veteran service providers must assist in identifying and registering the capabilities of veteran businessowners where required, become knowledgeable of all prime contractors and their subcontractor needs, develop relationships with agency procurement officers, and develop the ability to match veteran businesses with procurement opportunities.

Though the legislation referred to above has created an urgent need for service-disabled and veteran owned businesses, it did not create a business development program for veterans. However, it did create the Veterans Corp, the Office of Veterans Business Development and the Center for Veterans Enterprise to fill that need.

THE VETERANS CORPORATION (TVC)

The entity that was supposed to be the National Advocate for Veteran businessowners, has just not measured up to the task and continues to be struggling for the right direction. Much has been said about the seemingly poor performance of the National Veterans Business Development Program, aka the Veterans Corporation (TVC) to implement a program to assist veterans across the Nation with starting or expanding their own small businesses. And seemingly, there has been even less evidence of TVC providing support for those Service-Disabled Veteran Owned Businesses participating in the Federal marketplace.

TVC's performance continues to be viewed by many as less than adequate in light of the more than $14 million appropriated to TVC by Congress over the past few years. This has continued to be the big point of controversy within the veteran's community—just how much should or could have been done with that much money in 6 years. Since TVC started, it has been under the leadership of at least four Executive Directors, had three strategic plan changes, and at least two program changes. Staff levels have since been reduced and the service offerings are still

mostly contracted out or performed by other organizations. Most of the Board members have been very distant and detached from the veteran's community.

Many veterans still do not know that the Veterans Corporation even exits, partly because they have no physical facility in the community that bears the name of the Veterans Corporation nor any public space where veterans are welcomed to come and obtain information about their services or their business needs. Their new offices are now located on 'Lobby Row' (downtown K Street N.W., Washington D.C. where many of the highest paid lobbyists are reported to have offices).

By working in the veterans community for more than 16 years as a Member of several veteran service organizations, including the Veterans Entrepreneurship Task Force (VET–Force), and President of the Veterans Enterprise Training and Services Group, here are some of the concerns I continue to receive from veterans, veteran businessowners, and others familiar with TVC and Public Law 106–50.

The number of veterans visiting a website (hits), whether for information or education, is not a true measurement of the number of new veteran entrepreneurs, nor does it indicate the number of veteran businesses that expanded. Folks want to know did TVC do something to expand the pool of capable and qualified veteran and service disabled veteran owned businesses or were they instrumental in helping a veteran obtain a contract. And if so, who are these veteran businessowners, how many are there, what types of businesses increased or were created, and where are they located?

There are a lot of websites on the Internet that provide information about starting or expanding a small business. Is adding the TVC website to the list the big difference for veterans? The SBA has been recognized for its excellent website for providing small business information and training for years. And since PL 106–50 directed the SBA and its SBDCs to provide more services to veterans, why should TVC duplicate what is already available and funded?

There are already more than 1400 small business development centers around the country, each having access via a website and most affiliated with a college or university. The small business development centers also provide one-on-one counseling, classroom training, workshops and seminars. TVC provides limited funding for 4 Veteran Business Resource Centers via other service providers. At the rate of 4 limited centers in 6 years, how long will it take them to match the 1400 centers already in operation by the SBDCs? In addition, the number of veterans contacting these centers is counted as success instead of the number of veteran businesses started and contracts awarded.

Since Congress established a 3 percent goal for Federal Contracting with Veteran and Service Disabled Veteran Owned Businesses, including a 3 percent goal for Prime Contractors. (Primes are those large businesses that have contracts over $500,000 with the Federal Government), it's not hard to see why many veteran businessowners and potential veteran businessowners were looking to learn how to do business with the Federal Government. After all, there are only a couple of states that support a percentage goal directed toward veterans.

So TVC should consider developing more programs to offer assistance in Federal contracting. Many members of the veteran's community viewed PL 106–50 as an inside track to federal contracting. However, from the perspective of the Federal contracting community, the OSDBUs, the Contracting Officers, and the Procurement Officials, it was just viewed as another program with a "nice idea." When veteran businessowners began to pursue Federal contracts they were told all to often, "PL 106–50 is just a goal. There are no teeth in it. We still don't have the mandatory authority to set contracts aside just for veterans." And with no apparent help from TVC the veterans community turned to the Veterans Entrepreneurship Task Force (VET–Force) and other veteran service organizations.

So VET–Force, the nonprofit, informal, organization comprised of representatives from veteran service organizations, veteran businessowners, and other members of the community, the group that had initiated the movement to push for and oversee the implementation of PL 106–50, began to call for additional legislation to correct the apparent shortcomings regarding Federal contracting for veteran businessowners.

As a result of their efforts, of which TVC representatives were always invited to participate in the planning meetings of the Task Force, corrective language was drafted and inserted into the Veterans Benefits Act of 2003 under section 308 (PL 108–183). That language called for the creation of a Veterans Procurement Program and made it "mandatory" that the Federal Government and its Primes procure a minimum of 3 percent of all of its goods and services from Service Disabled Veteran Owned Businesses. Yet even after passage of this new legislation, which was obviously an extension of what was called for under PL 106–50, TVC continued to stay

on the track of small business start ups with no special assistance for veteran or service disabled veteran businessowners seeking to enter the Federal marketplace.

In the winter of 2004, President Bush issued an Executive Order, 13–360, through the Office of Federal Procurement Policy and the SBA, directing Federal agencies to develop and implement a strategic plan to increase contracting opportunities for service disabled veteran owned businesses so that they could begin to receive the intended benefits of PL 108–183 and PL 106–50. After several months of delay, many agencies began to develop and make public their strategic plans. But many of them would point out that: "even though PL 108–183 created a mandatory requirement to contract with service disabled veteran owned businesses, it did not provide any funding to assist with the development of veteran businesses."

So agencies and veterans turned to the Veterans Corporation for assistance with developing veteran businesses for Federal contracting, only to be disappointed. TVC now promotes programs for Surety Bonding and Access to Capital, but they have indicated that only a few veterans are even in the process of applying for these programs. And it appears that each veteran must pay a $99 referral fee to TVC to find out even if these programs will work for them.

As part of the directives of the Executive Order, agencies were told to increase their outreach efforts to veteran businessowners to make them more aware of the procurement opportunities that exist within the Federal marketplace. So many agencies have been organizing procurement conferences, expos, trade shows, and so forth. targeted to SDVOBs. Yet the Veterans Corporation with its $14+ million in appropriations, has yet to organize a conference on behalf of the thousands of veteran businessowners across the nation.

Even after many veterans were complaining about the ineffectiveness of the government sponsored events, TVC still never stepped up to the plate to organize a veterans procurement event from the perspective of the veteran businessowners. Yet they did cosponsor a DOD procurement event for veterans last year (by default), and planning to co-sponsor a DOE small business event this year which is not targeted to veterans. However, the VA and the Army have responded with 2 national veterans procurement conferences based on the feedback of the veterans business community and a 3rd one is already scheduled. Other agencies have since done likewise.

If you talk to anybody from the OSDBUs to the contracting officers to the small business specialists to the small business ownerys themselves, they all will tell you that building relationships with government customers is key and often essential to obtaining government contracts. But veteran small businessowners are not unlike other small businessowners when it comes to time and resources and the shortage thereof. So it becomes a challenge to track down and spend time developing relationships with potential government customers while attending to the present workload

Since there are very few veteran sponsored conferences, the government-sponsored conferences become a way to meet several potential customers all in one place. But often what is missing is a voice of authority preceding or backing up the veteran businessowner when they interact with a Federal agency representative who can help clarify and reinforce the requirements of the legislation and the importance of contracting with SDVOBs. Since TVC has not been that voice, that support, that advocate, veteran businessowners have turned to the VET–Force and now also NaVOBA (the National Veteran-Owned Business Association).

And finally, on cash flow and access to capital, many believed in the beginning that PL 106–50 would provide some actual cash to veteran owned businesses. TVC started to promote access to capital also. But when it became clear that direct cash loans were not included, veterans were referred to the SBA loan guarantee programs instead. Now TVC will refer you to their Access to Capital Program, but it requires a $99 referral fee to TVC before services will be provided.

THE OFFICE OF VETERANS BUSINESS DEVELOPMENT (OVBD)

The SBA, the agency responsible for the development of U.S. small businesses, has received very little in Federal dollars to assist veterans in pursuit of entrepreneurship. Other agencies have only received dollars for promotional activities, such as conferences, exhibits, and materials but not for veterans' business development, education, and training. Thus veterans wanting to enter the Federal marketplace must work their way through a maze of disassociated and often disinterested and sometimes untrustworthy business resource providers in order to get what they need to compete. Not to mention dealing with the inconsistency of fees for services from one resource provider to another.

An even more compelling reason to develop programs to assist veterans interested in entrepreneurship is the War on Terrorism being waged in Afghanistan and Iraq. This war has dislocated thousands of men and women in the Armed Forces, National Guard, and Reserves. Many of these veterans have sustained debilitating in-

juries, which will limit their ability to return to or obtain meaningful occupations. These are our new service-disabled veterans. With the veterans procurement legislation, a viable alternative for many is entrepreneurship or some form of self-employment. But without some business development assistance, this alternative will be more than difficult to achieve.

The SBA Office of Veterans Business Development (OVBD) which was created under the legislation (PL 106–50) also created a position of an Associate Administrator. OVBD has increased its headquarters staff size but has been given limited resources to operate four veteran business outreach centers and to provide assistance to veteran businessowners with Federal contracting, though efforts have been made to educate the veterans of the Guard and Reserves.

The OVBD is located in the headquarters building in Washington, D.C. But it is not situated in such a way that it is easily accessible to the public. As a matter of fact, very few people even know that the office exits. Usually when SBA veteran's representatives participate in a small business outreach event, they are from the SBA District Office in that City or State.

Each District Office throughout the country has a person who is designated as the veteran's rep. But the level of assistance they provide varies by location and their other assigned duties. However, under the leadership of the newly appointed Administrator, Steven Preston and his Chief of Staff, Joel Szabat, SBA is starting to direct some resources toward assisting veteran businessowners as evidenced by the increase in staff for the Office of Veterans Business Development and their open working relationship with the Veterans Entrepreneurship Task Force, SDVOBs, and members of the Guard and Reserves.

Recently, the SBA Associate Administrator, reported increases in the number of loans to veteran businessowners, including disaster relief loans, as a measure of SBA's success for veterans. Yet it is noted in a March 2007 report from Senator Kerry of the Senate Small Business Committee, that 'as the loans have gone up, they are not proportional to the loans made to small businesses as a whole.'

There's very little information provided by SBA regarding the success of the business relative to the amount of the loan received. However, here recently, I have spoken to several veterans of the National Guard, who have had difficulties after receiving loans. But they seem to be having even more difficulty getting someone to address their concerns.

One of the benefits of having the OVBD as part of the SBA is that it can draw from the variety of offices already established to assist small businessowners. And since Veteran businessowners represent the diversity of Americans: male, female, young, old, Black, White, Hispanic, Disadvantaged or Other; many may qualify for other small business programs offered by the SBA.

The SBA has its cadre of Small Business Offices and small business resource partners located throughout the U.S., i.e., the Small Business Development Centers, SCORE, Business Information Centers, and Women Information Centers. However, none of these resource providers are veteran-specific. While they are accessible to veterans, they are primarily designed to address the small business needs of the entire community.

I believe this often leads to the lack of identity of the OVBD. More often than not, when referring to the OVBD, people refer to the SBA. And when you access the SBA website for services, those for veterans are not obvious. So if services via the SBA for small businessowners are less than adequate, then the same will probably be said of those services for veterans.

THE CENTER FOR VETERANS ENTERPRISE (CVE)

Under Public Law 106–50, the Center for Veterans Enterprise (CVE) was created under the Dept. of Veterans Affairs Office of Small and Disadvantaged Business Utilization Office. CVE is located in the District of Columbia and serves as an information resource for veterans primarily interested in the Federal marketplace. Since its inception over 5 years ago, CVE is the entity that is showing the most promise and has managed to create a unique role among the 3 primary government-assisted veterans entrepreneurial programs.

The VA will soon be the first Federal agency to implement legislation that will prioritize the use of Service Disabled Veteran businessowners and Veteran businessowners in Federal contracting. Under PL 109–461, Sec 502–503 (recently passed legislation to increase contracting opportunities for VOBs & SDVOBs within the Dept. of Veterans Affairs) the VA will: (1) Establish Contracting Goals & Review Mechanisms; (2) Noncompetitive, Sole Source, & Restricted Competition; (3) Required Registration in the VIP Database—VetBiz.gov; (4) Verification of Veteran Status & Ownership, Penalties for Misrepresentation; (5) Survivorship—10 yrs if 100 percent

disabled; (6) Contracting Preferences & Priority; (7) Annual Reports & 3–Year Study.

CVE is the office that has developed and manages the VIP database that contains thousands of records of data on veteran and service-disabled veteran owned businesses and accessible to the public, agencies, and primes. VIP stands for Vendor Information Pages though some refer to it as the Veterans Information Pages; because, to be registered in the VIP database, the company must be owned and operated by a veteran or service-disabled veteran. And soon the verification of veteran and disability status will be mandatory.

CVE has followed the directives of the Executive Order 13–360 since it was first initiated. They used their site to post all of the Strategic Plans required by each agency. Though there has been some confusion by SBA as to the annual revisions and reporting requirements under the Execution Order, CVE continues to post the plans.

CVE has several program analysts that assist veteran businessowners with understanding the Federal procurement process and the VA's Federal procurement requirements and supply schedules. Though these analysts are not clearly identified on their website, they have recently started to provide more assistance to Agencies and Prime contractors seeking to identify capable and qualified service disabled veteran owned businesses.

CVE participates in a number of small business conferences, events, and training sessions to reach out to veteran businessowners all across the country. This will be there 3rd year of Co-sponsoring the National Veterans Small Business Conference and Expo. And each year for the past 5 years, CVE has organized an event to pay special recognition to veteran businessowners, agencies, and large prime contractors that have demonstrated their support for the veterans procurement program.

As program manager of SDVBs first Federal contract for facilities management and operations at the Veterans Administration Headquarters Building in Washington, D.C., I shared the honor of receiving a Distinguished Service Award in 2002 from the Center for Veterans Enterprise for providing excellent service while creating over 40 jobs for veterans and other people with disabilities.

The *Service Disabled Veterans Business Association (SDVB)*, is a non-profit, community rehabilitation program that provides employment and entrepreneurial opportunities for service disabled veterans by identifying procurement contracts for services in accordance with the Javits-Wagner O'Day Act (JWOD Program) and creates partnering arrangements with corporate and established business entities referred to as "Patriot Partners."

CVE works in association with the VA's Office of Small and Disadvantaged Business Utilization (OSDBU) under the leadership of Scott Denniston, who has been very supportive of the VET–Force, the VETS Group, and other organizations actively promoting the use of veteran businessowners. By utilizing the services of the VA OSDBU and outside resource partners, CVE greatly expands its outreach capacity.

In Summary:

The Federal marketplace is a trillion dollar industry. And 3 percent of that annual budget is easily in the billions. Not to mention the prime vendors procurement budget and other non-federal procurements. Both Federal agencies and commercial vendors are faced with the time consuming task of identifying and screening capable and qualified veteran owned small businesses to meet their requirements. And veteran businessowners need as much help as they can to be ready.

Following the recently publicized events related to the treatment of veterans at Walter Reed Army Medical Center, it should be abundantly clear to all that our service members, their families, and citizens throughout the United States are taking note of how this new generation of service members are being treated. The actual and perceived treatment of our Nation's Veterans, especially those returning from the War on Terrorism, will be a symbol of how valued their sacrifice was and a clear signal to any future enlistees on the ultimate value of their service to the Nation.

The veteran businessowners not only need access to capital, resources, technical assistance, and training, they need an entity that can advocate on their behalf before our law-makers, our government Agencies, and the White House. They need an entity that will help to ensure that the laws are implemented once they have been passed; and an entity that can ensure that services are provided as advertised.

As stated in the Report to the Nation, developed by members of the VET–Force, 'the presence of successful and prominent veterans within and across our Nation's business communities is a testimony of a grateful nation—a nation that honors and respects the sacrifices made by Veterans in behalf of our country, both today and

tomorrow. Veterans are uniquely qualified to work as contractors to the Federal Government because of their service experience and their dedication to providing quality products, on time and at a reasonable cost. Effective legislation such as PL 106–50, PL 108–183, and Executive Order 13360, has provided a good beginning in allowing America to honor the service of Veterans who continue to serve by helping to build a stronger economy. More needs to be done.'

RECOMMENDATIONS:

1. TVC, OVBD, and CVE should include veteran service organizations, community based organizations, and veteran businessowners in the decisionmaking process regarding outreach programs and services.
2. TVC should establish at least one state-of-the-art training facility for veteran businessowners seeking to start or expand their own small commercial or Federal contracting business. TVC should not be required to build new resource centers across the country until they have at least matching funds to operate them. And both OVBD and CVE should make accommodations for veterans easily access program offices.
3. Congress should require a Strategic Operating Plan from any program office for veterans that is funded by tax-payer dollars, PRIOR to receipt of the funding. And the agency head and senior level designated official responsible for the operation of the program should be held accountable.
4. Since TVC is a government funded program but moving toward a full nonprofit organization, the Board of Directors should hold at least 4 public meetings per year and not always in Washington, D.C. The veteran's community should know the Board. And Board members should participate in veteran business outreach events (whenever possible).
5. Members of the TVC, SBA, and CVE Executive Staffs should participate in federal acquisition council meetings with the heads of all Federal agencies and report their findings back to the veteran's business community regularly.
6. As TVC is the quasi-governmental entity, they should serve as an advocate for veteran businessowners and become more aggressive in alleviating barriers to Federal contracting opportunities for veteran businessowners.
7. Neither TVC, SBA–OVBD, or CVE should continue to receive millions of taxpayer dollars to implement programs that do not support the primary goals and objectives of the majority of the veteran's business community. There has to be more accountability and penalties for waste, abuse, and of course fraud.
8. Clarify the "Rule of Two." *The Rule of Two as introduced under PL 108–183 is contained in Part 19 FAR, and the Code of Federal Regulations (CFR) 13 CFR, Part 125. The Rule of Two states if a contracting officer knows of two or more SDVOBs that can do the work, then the requirement must be competed. But if only one SDVOB is available to do the work, then a sole source award can be made.*
9. Create a level playing field for veteran businessowners as with the 8a and HUB Zone programs. The use of "May" for SDVOBs should be changed to "Shall" as with 8a and HUB Zone owners. The order of priority for contracting preferences among the three groups should be equal.
10. Strengthen the SDVOB program by increasing contract awards, resources, and support without including SDVOBs into an inefficient 8a program. The 8a program was created to help alleviate the more than 100 years of wrongful discrimination and exclusion of minorities from the full benefits of American society, including the Federal marketplace. The SDVOB program is intended to be inclusive of any American who served in this country's armed forces, guard or reserves. The SDVOB program should retain its own identify for "those who have borne the battle."
11. Congress should consider appropriating funds in the form of grants to be directly awarded to community-based organizations that provide supportive services and programs for veterans seeking to become entrepreneurs. TVC could be designated as the administrator of those funds.
12. Congress should also consider adapting a program for service-disabled veterans that would be modeled after the JWOD program. Under the JWOD program, federal agencies are required to make every effort to procure their goods and services from small businesses that have agreed to hire at least 60 percent of their labor force from people with severe disabilities. This could prove to be a win-win for the government, service disabled veteran owned businesses, and seriously disabled veterans.
13. TVC, OVBD, and CVE should establish partnership agreements to share small business resources and information to improve the outreach efforts to

target veteran businessowners and to increase the pool of capable and qualified veteran businessowners around the country.

Thank you for your attention to these matters. This concludes my statement.

Prepared Statement of Joseph C. Sharpe, Jr., Deputy Director, Economic Commission, American Legion

The American Legion appreciates this opportunity to comment on the current state of veteran entrepreneurship and self employment, to include obstacles faced by aspiring entrepreneurs, programs being relied upon by entrepreneurs and to review current programs funded by the Federal Government that assist veterans.

The American Legion views small business as the backbone of the American economy. It is the mobilizing force behind America's past economic growth and will continue to be the major factor as we move well into the 21st Century. Presently, more than nine out of every ten businesses are small firms, which produce approximately half of the Gross National Product. Currently, over one-half of the nation's work force is employed by small business, with the average company employing approximately 11 persons.

America has also benefited immeasurably from the service of its 24 million living veterans, who made great sacrifices in the defense of freedom, in the preservation of democracy, and in the protection of the free enterprise system. According to the Small Business Administration's (SBA) Office of Veterans Business Development in Washington, DC, the number of small-business-owning veterans has increased to more than four million nationwide with more than 235,000 being service-connected disabled veteran owned. They range from home-based sole proprietorships to high—tech global corporations.

In addition, due to the experience veterans gain in the military, the success rate of veteran owned businesses is higher than other non-veteran owned businesses. The current War on Terror has had a devastating impact on the military and has contributed to exacerbating this country's veteran unemployment problem, especially within the National Guard and Reserve components of our military. The present unemployment rate for recently discharged veterans is double the national average. Unfortunately, many of the thousands of service members who are currently leaving the service are from the combat arms and non-skilled professions that are not readily transferable to the civilian labor market.

One way of combating unemployment is through the creation of new jobs. Small business creates by some estimates 60 percent to 80 percent of net new jobs, therefore providing a central element for strong economic growth. government should assist in the creation of new jobs by encouraging qualified entrepreneurs to start and expand their small businesses. No group is better qualified or deserving of this type of assistance than the veterans of this nation.

Increasingly, the growth and stability of this nation's economy is dependent on the long-term success of the small business networks across the country. However, during a time of war there is much to be accomplished. Ironically, for too many years, the very men and women who served in uniform and who stood ready to fight, and if necessary to die, in order to protect and preserve our free enterprise system, were completely ignored by the Federal agency responsible for meeting their small business needs. Therefore, The American Legion welcomes the recently passed amendment 216 that seeks to increase the SBA's budget by $78 million, to $671 million and Veterans Outreach Program by $1.5 million. Funding levels have a crucial impact on the scope and quality of programs and services delivered by SBA to veteran-entrepreneurs, effecting possible success or failure of some veteran owned businesses.

Reaffirm Support of the Small Business Administration's Office of Veteran's Business

The American Legion supports increased funding of the Small Business Administration's Office of Veterans' Business Development in its initiatives to provide enhanced outreach and specific community based assistance to veterans and self employed members of the Reserves and National Guard. The American Legion also supports legislation that would permit the Office of Veterans' Business Development to enter into contracts, grants, and cooperative agreements to further its outreach goals and develop a nationwide community-based service delivery system specifically for veterans and members of reserve components of the United States military. For FY 2008 estimated funding for this office would be estimated to be $5 million, in FY 2009 $10 million, and FY 2010 15 million to enable it to implement a nationwide

community-based assistance program to veterans and self employed members of the Reserves and National Guard.

The National Veterans Business Development Corporation:

Congress enacted the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106–50) to assist veteran and service-connected disabled veteran owned businesses by creating the National Veterans Business Development Corporation and with the assistance of the SBA. The Veterans Corporation (TVC) created a Veterans Entrepreneurial Training (VET) Program to promote and foster successful veteran entrepreneurship within the veteran business community, but this program no longer operates. Currently, the organization's main efforts have been to provide distance-learning education in how to start and expand existing businesses, to include training in finance, accounting and contracting. The Veterans Corporation indicates it has established a foundation for a 10-year plan to reach all four–five million veterans interested in entrepreneurship. Its latest vision is to assist Guard/Reserve and transitioning members of the Armed Forces and their families with the establishment of their own businesses. The American Legion is working with the Veterans Corporation to ensure the best method or methods of assisting these deserving veterans. TVC has in the past stressed creating online education programs hosted by other third party organizations to assist veterans with obtaining basic literacy skills. This current plan would create an online platform to match veterans with entrepreneurial education and career opportunities and to provide grants to Small Business Development Centers around the country and other business development organizations to specifically assist veterans.

On Line Development Programs

The current staff of the Veterans Corporation has focused on employing the use of the worldwide web to reach veterans. According to TVC representatives a combination of services, online and distance learning will serve the largest number of veterans needing entrepreneurial services in all fifty states. TVC expects to launch a Virtual Veterans Business Center in cooperation with SBA's Service Corps of Retired Executives (SCORE) to provide a nation-wide, market specific, person-to-person counseling service to veterans not only in America, but deployed overseas as well.

TVC has also launched a Virtual Business Incubator with the specific aim of helping National Guard and Reservists who own businesses and are currently deployed in Afghanistan, Iraq or any place else in the world. "*Deploy Proof Your Business* " is another online program specifically designed to assist members of the National Guard and Reserve components in protecting their businesses prior to deployment.

The American Legion fully supports these progressive programs aimed at the technologically astute veteran.

Small Business Development Centers

The Small Business Development Centers (SBDC) are already funded almost $90 million a year by SBA and our understanding is their written agreements with SBA provide direction for their specific creation or operation of veteran, service-connected disabled veteran and reserve component Member entrepreneurial assistance. Why does the SBDC need an additional, third party organization such as the Veterans Corporation to provide them additional funds from Congress to perform what they are already funded to deliver by SBA? If SBDCs require additional resources to enhance, improve, develop or deliver specialized assistance to veterans and reservists that funding process should be through their normal funding channel of the SBA. Additionally, should Congress choose to provide additional resources to SBA to enhance SBDC programs specifically for veterans and reserve component service members, the Office of Veterans Business Development should be part of the program design, selection and oversight process to ensure that the expertise of veterans, including the policy and program delivery and reporting requirements, are designed and developed by the SBA office whose responsibility by law is veterans' business development.

Public Law 106–50

The American Legion acknowledges that the requirements of Public Law 106–50 as originally envisioned are not being met by TVC at the present time due to the scope of the mission and funding requirements. The American Legion agrees with the view that forcing TVC to duplicate or replicate preexisting services such as those provided by the Small Business Development Centers (SBDC), Procurement Technical Assistance Centers and Department of Labor One Stop Centers does not prudently use taxpayer funds or the limited dollars given to TVC.

Therefore, The American Legion recommends that the resource-training centers (St. Louis, MO; Flint, MI; and Boston, MA) that TVC is currently providing funding for be given to the jurisdiction of the SBA veteran's development office.

The SBA's veterans development office is presently funding five such centers around the country and should be given the additional three. In addition, the SBA office should take on theresponsibility of partnering with military and Veterans Affairs hospitals, Transition Assistance Programs (TAP), State Departments of Veterans Affairs, Procurement Technical Assistance Centers, Military Family Support Centers, and Veterans Service Organizations to provide employment and entrepreneurship programs along with the addition of funding and necessary senior staff to oversee the implementation and development of such a program. TVC would operate more effectively acting as a liaison with existing associations of small business-owners and, by working with SBA programs, ensure the involvement of private and successful military alumni from the business community to help support SBA's successful (re) integration ofveteran and reserve component entrepreneurs into the private and public American marketplace.

SBA Special Veterans Small Business Loan Program

Many veterans who want to become entrepreneurs either do not qualify for the direct or guaranteed loan through the SBA or do not apply for such a loan because of the red tape involved in obtaining an SBA loan. In 1973, VA's small business lending authority was rescinded by Congress for lack of use and Congress passed legislation in the early eighties that amended Chapter 37 of Title 38, United States Code, to establish a pilot Veterans' Small Business Loan Program that was to be administered by the Department of Veterans Affairs (VA). The VA's Small Business Loan Program was never funded; however, the SBA did implement a direct Vietnam-Era Veteran and special disability loan program that was delivered to veterans and disabled veterans until 1995. P.L. 106–50 required GAO to examine if VA should create a small business loan program for veterans, and GAO determined in 2000 that VA should not create a business loan for veterans but that perhaps SBA should with VA involvement. With the current number of active duty service members leaving military service SBA research finds that 22.1 percent of veterans are purchasing, starting, or considering a startup or acquisitions of a business. Access to capital is the number one issue of concern for these veterans followed closely by the lack of knowledge of or access to veteran's business development programs. These findings lead us to the recommendation that SBA:

Create a Special Small Business Administration (SSBA) 7a Vet Express Loan Program targeted to and aggressively marketed to veteran and reserve component service members:

This loan would:

- Provide for maximum loan amount of $750,000
- Identify means to reduce fees
- Provide full 75 percent-85 percent guaranty
- SBA provide counseling, training mentoring/Technical Assistance as required or requested
- Priority Loan processing by Lenders and SBA
- Add Sec 7, 15 USC 636 (if called provisions) for reserve component members

In addition, a new program would also assist Reserve and National Guard entrepreneurs who are mobilized for active duty service by cushioning the impact of activation on their business. A report (to the Committees on Armed Services of the Senate and the House of Representatives) on the effects of activation in support of Operations Desert Shield and Desert Storm on members of the National Guard and Reserves who were self employed or owners of smallbusinesses indicated that a sizable percentage of activated reservists may be expected to experience economic losses and that an ever greater percentage actually experienced losses during the Persian Gulf Conflict. Another report's findings, the May 2004 status of forces survey of reserve component members tabulations of responses (Defense manpower data center), included:

- The primary consequence of a reservist being activated was lost business.
- Replacement was only partially effective. When the reservist was replaced, the company incurred additional costs associated with its search, hiring, and training. But even companies that were able to replace the reservist experienced a loss of business from the activation.
- For many small businesses, loss of a key employee to active duty is virtually a catastrophic event. This was true whether the employee was a skilled professional or an experienced blue-collar worker.

Presently, SBA offers a program billed as Military Reservist Economic Impact Disaster Loans. For companies that meet certain eligibility criteria, these loans help offset the economic consequences of the loss of their reservist personnel. To qualify, a company must be able to show that the activated reservist is critical to the success of the company. The extent of losses must be documented with financial data and the company must provide certain supporting information.

Reservists Economic Injury Disaster Loan

Enhance the SBA Military Reservists Economic Injury Disaster Loan (MREIDL) Program specifically for reserve component members who are entrepreneurs/small businessowners:

- Offer MREIDL as a pre-mobilization and post-mobilization loan (now available only after mobilization orders are received).
- SBA provides mandatory Technical Assistance through existing SBA providers as part of loan application package prior to, during and following return from mobilization.
- Ensure availability of additional credit or capital to small businesses owned by activated and de-activated reserve component members, based on pre-mobilization profitability of business with approved plans.
- SBA provide prioritized loan application, approval and disbursement processes.
- Explore equity/guarantee/fee/insurance subsidy with DOD and other partners.
- Deferral of repayment of direct loans until 1 year after release from active duty.

SBA would administer the new loan due to its expertise, experienced staff, and business loan guarantee program administrative infrastructure. VA and DOD could be part of this program. They have the ability to provide facilities for entrepreneurial training; BRAC bases could be used for small business incubators; VA and DOD could provide lists of small business concerns owned by veterans and reservists; and DOD could provide prioritized contracting opportunities to service-disabled veteran, veteran and reservist owned small businesses focused on producing the goods and services that are procured by the U.S. Government necessary to fight and win the Long War.

The American Legion believes that programs listed above are necessary in order to develop and retain the critical skills contained in reserve component service members, especially those service members who have been or will be activated for the Long War, and thereby help to retain and recruit reserve components service members with the professional skills which are critical to the reserve missions as part of the Total Force.

The American Legion seeks and supports legislation that would reauthorize and fund a SBA Small Business Loan Program specifically for service-disabled and reservist small businessowners and prospective entrepreneurs.

In Conclusion

The American Legion's National Economics Commission mission is to take actions that affect the economic well-being of veterans, including issues relating to veterans' employment, home loans, vocational rehabilitation, homelessness and small business. The American Legion realizes that organizations, like the National Business Development Corporation were created through P.L. 106–50 to provide America's veterans with superior entrepreneurial training and business resources that allows them to start or grow a business; and in turn, contribute to the economic well-being of the nation. However, The American Legion would like to reiterate that TVC has not fulfilled the mandates of P.L. 106–50 (creating new resources centers, adequately funding the three that they have and creating a board to oversee licensing and certification issues) and is actively moving away from those mandates of P.L. 106–50 by focusing its efforts and funding on online entrepreneurial programs that they believe would maximize their available resources and reach more returning veterans. Therefore, The American Legion believes the Small Business Administration's office of Veterans' Business Development should be the lead agency to ensure that veterans returning from Iraq and Afghanistan are provided with Entrepreneurial Development Assistance.

Comprehensive training should be handled by the SBA and augmented by TVC's online training. Resource Training Centers should include DOD and VA faculties. Currently, many military families are suffering financial hardship while their loved ones are recuperating in military hospitals around the country. Many spouses leave their jobs to be with that disabled service Member only to watch their finances deteriorate. Seamless transition in many cases is just a wishful thought; however, if business development training was offered to military members, a small home based

business that is flexible could be the answer in guaranteeing a constant source of revenue for the family, in turn making them less dependent on the Federal Government.

The American Legion strongly supports the mandates of P.L. 106–50 that were designed to assist all veterans wishing to start, expand or protect their business. If there is a true desire to assist veterans returning from Iraq and Afghanistan in developing small businesses we must work together to enforce the mandates of P.L. 106–50.

Thank you, Mr. Chairman, for allowing The American Legion to provide written comments on this very important issue.

Prepared Statement of Richard F. Weidman, Executive Director for Policy and Government Affairs, Vietnam Veterans of America

Madame Chairwoman, Ranking Member Boozman, and distinguished members of this Committee, thank you for the opportunity for Vietnam Veterans of America (VVA) to present our views here today regarding veterans' entrepreneurship and small business development. VVA appreciates the bi-partisan leadership this Subcommittee continues to show on this important set of issues. VVA also appreciates the tenacity and positive tone that you have been able to set and maintain in the face of the continued passive aggressive behavior toward veteran owned and service disabled veteran owned businesses and self employment of veterans on the part of so many in the Executive branch. We truly admire that you have not only kept a positive perspective, but that you persevere on our behalf.

The overall view of efforts to assist veterans, particularly disabled veterans, to start and successfully operate their own small business is a decidedly mixed picture. Certainly those of us who have been at this for decades thought that we would have much more in the way of substantive services in place for the young men and women returning home form military service today than currently exists.

It has been almost eight (8) years since the passage of Public Law 106–50 "Veterans Business Act 1999" which gave a goal of 3 percent of ALL business done by ALL agencies of the Federal Government to go to Service Disabled Veteran Owned Businesses (SDVOB), and which among other things set up of The National Veterans Business Development Corporation which is now generally known as The Veterans Corporation (TVC). Yet at this time both the agencies and the TVC have yet to meet their goals.

Without men and women ready, willing and able to serve in the Army, Navy, Marine Corps, Air Force or Coast Guard the Department of Defense (DOD) would not be in existence. Without those willing to serve to defend our Constitution against all enemies foreign and domestic, and place their life and limb on the line in order to do so, we as a nation would be in dire straights. More importantly, our Nation would be vulnerable to the many enemies of our democracy and the western way of life.

When men and women separate from the Armed Forces, and thus become veterans, not all will need additional medical services nor educational benefits nor other important services, at least not immediately. They will each need a job, or a way to be gainfully employed. For some that will mean that they will work for a private company or a government agency. For some, particularly disabled veterans, self-employment may well be the best option unless they can secure "niche" employment.

As to how the various elements that are supposed to be assisting veterans, by far the most useful to the most veterans is the Center for Veterans Enterprise (CVE) at the United States Department of Veterans Affairs (VA). The CVE has counseling and referral services that are generally very useful to most veterans, and the Veterans' Information Pages (V.I.P.) that are maintained by the CVE staff. Furthermore, the Center for Veterans Enterprise, after some initial problems getting off of the ground, seems to be not only effective in conceiving and building practical programs like the "VET–FRAN" program that creates business options available to veterans on favorable terms, but appears to be striving to learn how to do a better job in each of its aspects, on an on-going basis. The CVE recently initiated a contract with an outside vendor to do nationwide focus groups to learn more about the problems that are operated by the VA and by CVE directly. While we know that the final "de-briefing" on this work and report has been delivered to CVE, we do not know the results. Hopefully some of this data will be shared with you today.

The real point about CVE is that they are doing a good job, and trying to do a better job. Part of the reason that they are able to do this is the unwavering strong

support of the Secretary of Veterans Affairs, R. James Nicholson, and Deputy Secretary of Veterans Affairs Gordon Mansfield.

The Veterans Entrepreneurship Task Force or VET–Force is cosponsoring a "Veterans' Accountability Conference" with the CVE on June 14, 2007, at the Grand Hyatt Hotel in Washington, D.C. As you know, June 14 is not only the birthday of the United States army, but is also observed as Flag Day. Among other activities that day will be a Awards Luncheon with Secretary of Veterans Affairs as the featured speaker, delivery of the "Report Card" on how well Federal Agencies have performed (or not performed) in regard to the long standing requirement to ensure that a minimum of 3 percent of all contracts and 3 percent of all sub-contracts go to Service Disabled Veteran businessowners, workshops on key business skills, and we will end the day with a VET–Force planning meeting, which will be open to all participants and the public. Staff from both personal offices as well as Committee staff has been invited to participate without charge, and we hope that your staff can join us for at least part of the day, even though it is likely that your busy mid-week schedules will preclude any of the members being able to attend.

It is worth noting that VA is till struggling to change the corporate culture when it comes to procurement, particularly in construction and in acquisition of goods and services by the Veterans Health Administration. As you know, the regulations are still pending that will implement the provisions of Public Law 109–461 giving VA additional tools in order to increase the number and dollar amounts of contracts and sub-contracts that go to Veteran Owned Businesses (VOB) and Service Disabled Veteran Owned Businesses (SDVOSB). While it is our hope that this will help enormously, and we thank you for your strong leadership in promulgating this statute.

It is worth noting that the VA, on the orders of Deputy Secretary Mansfield and with the whole hearted support of Secretary Nicholson the VA has put achievement of the 3 percent goal in procurement into the performance evaluations of key managers. This has helped a great deal in focusing attention on this issue. VET–Force contends that every department and agency needs to emulate this strong leadership, and do the same thing with their key managers at each Federal agency. We are having serious discussions now with the Department of Defense in regard to doing a similar move.

One troubling development that seems to be cropping up at VA however is that some contract managers appear to be rushing contracts, particularly multi-year contracts, toward consummation prior to the new regulations taking effect next month, in order to circumvent the new regulations and to avoid having to contract with qualified SDVOSB and VOB. We are frankly not sure how widespread this phenomena is (and we hope it is only the few incidents we have documented), but have asked VA to investigate. If this is in fact happening, it is our view that those involved should be appropriately sanctioned, in addition to VA stopping these improper actions.

Additionally, VVA would certainly like to see much more overt and concerted activity on the part of the VA Vocational Rehabilitation sections across the country in regard to assisting veterans who wish to become self-employed or start a small business, particularly those with significant disabilities.

In sum, one has to give the VA high marks for virtually all aspects of their activity for veteran owned business and service disabled veteran owned businesses.

SBA

The Veterans Business Development Office of the Small Business Administration (SBA) is more problematic. While since the arrival of new Administrator Steve Preston at the SBA last September the SBA as a whole has become much more responsive. It certainly appears that both Administrator Steve Preston and Chief of Staff Joel Szabat are engaged and committed to making SBA much more veteran friendly, but it would appear that it is more than a bit of an uphill struggle. I must say that they are both open to reasonable communication, and have been extraordinary in reaching out to the veterans' business community, particularly to VET–Force participants.

For the first time in recent memory, top SBA officials spoke about our common duty as Americans to assist veterans, and especially service disabled veterans, who are in business or attempting to start their own business during Small Business Week early this month. While there still are very few awards or no awards for VOB or SDVOSB categories in comparison to other groups, particularly in regard to contracting and subcontracting, their efforts were clearly visible and I believe genuine. Only time will tell whether they are able to follow this up with concrete action.

The addition of a person in the Veterans Business Development office who does contracts full time is a significant addition, and it has been an aid to some busi-

nesses. It is still, however, far short of the efforts extended by SBA for other categories of small businesses such as 8(a) and women owned businesses.

As to what steps can be considered useful steps and concrete actions that can be taken by the SBA, those include the following steps:

1. Create a dedicated section in the contracts office with at least the same number of contract specialists devoted to eight (a) contracting. (It is worthy noting that there are 12,700 service disabled veteran owned businesses listed on the VIP at VA, while there are less than 7,400 certified 8(a) businesses. Since there are many more SDVOSB than 8(a), having the same number of contract specialists does not seem to be too much to ask.)
2. The Administrator should take steps to create a capital formation program specifically for VOB, with an emphasis on SDVOSB. This should not be just for "start up capital" but also for so-called "mezzanine funding" to help businesses expand to a sustainable phase beyond the first few years of the small start phase.
3. As noted below, the $25 million dollars that The Veterans' Corporation people have been running all over Capitol Hill seeking should be added to the budget of the Veterans Business Development Office for use primarily as grants to localities to operate projects and expand existing services to better reach veteran entrepreneurs and would-be entrepreneurs. These grants should go to expand services of particularly effective Small Business Development Centers, to ensure that there is continued funding for such efforts as the fine project in St. Louis operated by Pat Heavey, and for special projects reaching out to wounded service members or to veterans for purposes of helping them become self-employed or to start micro businesses.
4. The Administrator should issue a long overdue Administrator's Order implementing all of the statues that have been enacted in the past 8 years, plus putting more teeth into Executive Order 13–360 in regard to services delivered by SBA or funded through SBA.
5. The Administrator should undertake a review of all SBA programs to ensure that veterans, particularly disabled veterans, are receiving full and proper access and maximum services from each of the SBA services and programs for which those individuals would otherwise be eligible. In other words, for example, this internal review, and appropriate corrective action as needed, would determine if women veterans were being properly reached in numbers commensurate with their incidence in the population and given the full range of services available to the maximum extent legally permitted.
6. The Administrator should specifically review all that is being done for those citizens serving in the National Guard or Reserves who activated, and determine what more can be done under existing law to better assist these individuals, and work with the Congress and The White House to determine what else can and should be done by changing the law or by Executive Order.
7. Closely related to the above point, but slightly different, is that we as a nation have to figure out how we can better support those businesses who have National Guard and Reserves members as employees who are now subject to frequent deployments for longer periods of time. This is a matter of national defense, but it is also a veterans re-employment and employment issue because the negative side of hiring and employing those who serve in the National Guard and Reserves is being disproportionately borne by a relatively small segment of the employer community. It is also having a negative impact on veterans' employment and on the advancement of those who are employed within their company. This is the real world, where the bottom line must be addressed, and not the ideal world of what is fair, so we must find practical ways to solve this problem.
8. The Associate Administrator for Veterans Business Development and all other officials of the SBA (and other agencies for that matter) should by this point know better than to keep saying in public and in private that "there are not enough service disabled veterans to do the 3 percent contracting, they are not sophisticated enough to do the work, and we have to teach these poor old veterans how to compete" before we can move forward on contracting and sub-contracting goals, or with other programs that would better enable veterans to have access to capital or inter-

> national markets. Frankly, none of this is true, and these negative stereotype "straw men" set up by those who continue to say these things are a manifestation of "VETism" or an ugly set of prejudices and stereotypes that is every bit as ugly and inappropriate as sexism or racism.

While there are many more specifics that I could list here, suffice it to say that there is much that can and should be done by and at the SBA, but VVA has confidence in the top leadership of SBA in regard to doing right by America's veterans for the first time in a very long period of time. I personally have more confidence in Administrator Steve Preston than any Administrator since James Sanders departed, and that was in 1985. I pledge that both VVA and on behalf of the VET–Force to work cooperatively with him and his management team to accomplish much in the next two years. However, time will tell. We shall keep you posted of any and all progress.

The National Veterans Business Development Corporation

The National Veterans Business Development Corporation more commonly known as The Veterans Corporation or TVC, was set up by the same PL 106–50 and formed in 2000. Frankly, the actual mess that we have today, and for much of the existence of TVC, is so far a field from what some of us hoped would be a vehicle for positive changes, that I feel like one of a team of surgeons known as Drs. Frankenstein.

The bottom line is that what started out as a noble experiment has been an utter failure, and TVC should be either radically changed in regard to governance, or just eliminated from wasting any more taxpayer dollars or the efforts of any more good people in the veterans' community on this debacle.

Since that time TVC has gone through numerous management changes and Board upheavals. AT one point, under the current President, they fired all of the veterans on staff, including at least two who were special disabled veterans in favor of hiring non-veterans. Under the current Board composition and management they have not only not raised any appreciable outside funding, as required by the law, but have been saying that they do not think this is the direction they wish to take!

In the past year or so, the officers and the staff of TVC, which is virtually 100 percent funded with Federal dollars, have been running all over Capitol Hill seeking legislation that would relieve them of the mandate to raise private funds, and seeking more Federal dollars. Frankly, the last time VVA looked, spending Federal dollars to brazenly seek more Federal dollars and pay lobbying staff is just plain illegal, not to mention just a wrong thing to do.

The only section of their mission that has been accomplished is partially funding two "Veterans Business Resource Centers" that were not started by the TVC and to which TVC has no appreciable expertise to contribute. The funding for these two projects should come from the Veterans Business Development Office at SBA, and eliminate the needless overhead and the six figure salaries of the TVC.

I will not waste the time of this distinguished panel by reviewing their "accomplishments" because we believe there frankly are no accomplishments. There is nothing that is "value added" here that cannot be accomplished by the SBA and the CVE at VA. Let us please stop this charade, give the TVC $250,000 in funds to either close it down or to find private resources to continue, but let us invest the hard earned cash of $ 25 Million in taxpayer dollars in something that will yield a return on investment, and that is certainly not at The Veterans Corporation.

Madame Chairwoman, thank you again for the opportunity to appear here today to share our views. I would be pleased to answer any questions you or your distinguished colleagues may have.

Prepared Statement of Walter G. Blackwell, President/Chief Executive Officer, National Veterans Business Development Corporation, The Veterans Corporation

Chairwoman Herseth Sandlin, Ranking Member Boozman, and distinguished members of the Subcommittee, good afternoon and I thank you for giving me the opportunity to testify before you today. My name is Walter G. Blackwell; I am the President and CEO of The Veterans Corporation and a Navy Veteran.

Today you have asked us to present our views on Veterans Entrepreneurship and Self Employment. As the only Federally chartered 501 (c) (3) whose mission is to help Veterans start or grow their own business, we would like to share with you today what we view as the biggest obstacles that Veteran entrepreneurs face and what programs we have created to enable Veterans, Service-Disabled Veterans,

members of the Guard and Reserve as well as their family members to start, stay and succeed in business.

The Veterans Corporation is positioned to assist all of our nation's Veterans. The business needs of Veterans returning from the current conflict are really no different from the needs of Veteran entrepreneurs from past conflicts; however, it is clear that this generation of Veterans is more technologically savvy than even those who returned from Desert Storm in 1991. They have the opportunity to decide how they want to spend the rest of their lives, and roughly 15 percent of these Veterans—maybe more—will decide they want to become Entrepreneurs. These Veterans have seen the world. They know about hard work and grueling hours. They are returning home to be with their families and start their own businesses to support themselves and their communities.

Since 2001, more than 1.4 million American service members have served in the wars in Iraq and Afghanistan. Approximately 410,000 of these troops were National Guardsmen and Reservists. As of April 5, 2007, about 26,000 troops were serving in Afghanistan and 154,000 troops were serving in Iraq. The force currently in Iraq or deploying in the next few months represents half of the Army's combat brigades.

At least 420,000 troops have deployed more than once, including 170,000 Army soldiers, 169,000 Marines, and 84,000 National Guardsmen and Reservists. As many as nine National Guard combat brigades will be sent on their second combat tour this year. More than 600,000 Iraq and Afghanistan Veterans have left the military and are now eligible for VA care.

These Veterans, like Veteran entrepreneurs from all generations, have three critical business needs:

- Access to Capital
- Bonding
- Education through coursework, mentoring and counseling

In response, TVC has developed comprehensive programs; face-to-face, by telephone or online, to directly address and fulfill those needs in Veteran entrepreneurs nationwide. Many of these programs are the result of valuable partnerships with private sector organizations. Madam Chairwoman, TVC's status as a 501(c) (3) organization has allowed us to form important public/private partnership relationships, which provide significant assistance to our Veterans.

These overarching programs coupled with traditional face-to-face mentoring and counseling delivered directly through TVC's staff and three Hub locations in St. Louis, Missouri, Flint, Michigan and Boston, Massachusetts form a strong base in supporting our Veterans whether they are in rural or urban environments and even if they are a current businessowner and are serving overseas in Iraq or Afghanistan.

Access to Capital

From startup businesses to established businesses looking to expand, The Veterans Corporation understands that financing is an essential need for any businessowner. In fact, it is the number one question we receive from our members. To address the issue, TVC and the National Economic Opportunity Fund (NEOF) have created a public/private partnership that provides access to capital for Veterans and Service Disabled Veterans beyond the funding capability of the Small Business Administration.

The core of TVC's Access to Capital program is building and maintaining a set of relationships with lenders such as ACCION USA and other lending institutions. The spirit of the program is borrowed from the military: NEOF has pledged to "leave no Veteran entrepreneur behind." The theory is simple, when someone asks for help, you help them, whether its reviewing their business plan, talking to a bank for them, or just giving them friendly advice, guidance and encouragement. The most important thing, though, is not to give up on anyone.

Let me give you a couple of examples of two Service-Disabled Veterans currently taking advantage of the Access to Capital Program:

David Barker is an Army Reservist currently in San Diego, CA, where he is recovering from injuries sustained while fighting in Iraq on June 11, 2005. His goal, when he leaves the military, is to return to his hometown and run a custom paint operation. David's hometown of El Paso, Illinois, located more than 2 hours from Chicago, is the quintessential American small town and the place where David plans to run his own business. After a few conversations between TVC and David, it was clear he needed capital in order to make his business dreams come true, so Jim Mingey headed out to El Paso to help. Rather than provide the impersonal service that has become too common in business nowadays, Jim wanted to meet Mr. Barker first hand in order to provide the best service possible. Jim met with David and his family to discuss his business plan and financial needs. David estimated

that he needs approximately $40,000 for the building and $225,000 for 2 years of salaries and expenses. Jim walked the family through the steps to securing a loan, and David expects to be back in El Paso early this summer to achieve his goal and start his own business. TVC and NEOF will continue to assist David and his family over the next few years as his business needs evolve.

Dawn Halfaker is a 2001 West Point graduate and an all-American basketball player and soldier. In Iraq, on June 19, 2004, a rocket-propelled grenade was shot into the armored Humvee carrying Dawn, leaving her badly wounded and causing her to lose her right arm. Following recovery from her wounds, Dawn set up Halfaker and Associates, LLC. Her company focuses on mission support for the War on Terrorism in the areas of Homeland Security, Emergency Management, Physical Security, Force Protection/Anti-Terrorism, Intelligence and Border Security. Dawn's strong background has been a tremendous asset to her business, but she needed financial assistance and strategic financial advice. Through TVC, Dawn began working with Jim Mingey, who is providing her with the financial insight and counseling she needs. TVC will continue to support and mentor this Veteran and her business.

Access to Bonding

If you are a Veteran contractor or subcontractor seeking to do business with the state or Federal Government, the ability to obtain a surety bond is essential.

In partnership with the Surety and Fidelity Association of America (SFAA), TVC has a fifty state program where Veterans can participate in a bonding education curriculum and a three step fully mentored process to secure the bonding they need on government contracts. Bonding is especially critical to those Service-Disabled Veteran Entrepreneurs who wish to contract with the Federal Government, and, if the 3 percent goal mandated by the President's Executive Order is to be achieved, this program must support as many eligible Veterans as possible.

John McGreevy, the President and Owner of Freeport Technologies in Herndon, Virginia, is one example of a Service-Disabled Veteran owned company that TVC is working with to obtain the bonding critical to ensuring his business flourishes.

Freeport Technologies specializes in audio/visual installation in conference and situation rooms located throughout different government agency buildings. Recently, Freeport Technologies secured a number of government contracts and are looking to be pre-approved for $2 million in surety bonding to do the work. Through TVC's partnership with SFAA, John McGreevy is working with local surety bond producer John Hughes of Construction Bonds Inc. in Dunn Loring, Virginia and is now beginning to understand the bonding process and what it takes to be bonded for $2 million. We're happy to report that John Hughes has successfully prepared Freeport Technologies to be eligible for a smaller bond worth $800,000 needed for a GSA contract.

TVC's Hub—St. Louis, Flint and Boston

For Veterans who prefer a face-to-face learning experience, TVC staff and its sites in Boston, Massachusetts, St. Louis, Missouri and Flint, Michigan offer, counseling, seminars, workshops and multi-week programs to assist in starting or growing your small business.

An example of the work our hubs do is found below in a story of Harrison, Michigan residents Billy and Terry Brown:

When VetBizCentral (our Flint, Michigan CBO) called Terry, she fought back tears when she answered the phone. The normally upbeat resident of Harrison, Michigan feels as if the world sits on her shoulders as she tries to keep her family business, Timberlane Cleaners, operating. Her son, Billy, deployed to Iraq last July with the 144th M.P. unit from Owosso, Michigan. Billy was *the* key employee at the family owned business, and his absence has left a huge void. To make things worse, Terry's husband, Russell, suffered a stroke, and there have been multiple equipment failures at the family owned Laundromat and dry cleaner. "Billy was vital to the business," Terry said to Ed Ronders, the director of TVC's CBO. "He's due to come home on leave this summer, but I don't know if we can make it," she said, fighting back the tears. "I've contacted Senator Levin's office and Senator Debbie Stabenow's office. We need help." TVC is working hard to provide the help that Terry and Billy need to keep their business up and running. Terry has just started working with VetBizCentral and is researching the possibility of an SBA Military Reservist Economic Injury Disaster Loan along with other bridge loan possibilities.

TVC is happy to announce that in addition to the annual operational financial support we provide to each of our three Hubs in the form of non-competitive grants and the 200 scholarships to Boots2Business for their local use, TVC will be providing a special grant of $10,000 to the St. Louis Hub to support the administrative costs associated with their new program "Boot Strap". The first session will be con-

ducted in June of this year and will educate 20 Veterans interested in starting a business. Each Veteran will be required to participate in the Kauffman entrepreneurial education program and prepare a business case. At the completion of the Boot Strap program, 15 company programs will each receive $5,000 in business startup funding. Funding for these startup grants is through St. Louis' Board of Directors. Boot Strap is a yet another great way for Veterans to experience a mentored entrepreneurial educational and have the ability to obtain startup funding.

Small Business Development Centers

TVC has signed an MOU with the Association of Small Business Development Centers (ASBDC) to create a national TVC/ASBDC strategic alliance with the goal of working cooperatively to enhance outreach and services to Veterans through both organizations. Veterans will be able to visit nearly 1000 local SBDC service Centers for free, face-to-face business consulting and low cost training.

Owner-Operator Class—Becoming an independent owner operator

Today there are excellent opportunities for Veterans in over-the-road transportation. TVC, Metropolitan Community College-Blue River, and the Owner-Operator Independent Drivers Association (OOIDA) have formed a partnership to provide Veterans and Service-Disabled Veterans with entrepreneurial training through a 3-day seminar designed to assist Veterans seeking to become owner-operators. The seminar provides information about the process of becoming an owner-operator, helps potential owner-operators overcome challenges they face, and helps Veterans form reasonable expectations about being an owner-operator. The seminar is taught by experts in each field through OOIDA's experienced staff. Earlier this year we conducted the first seminar. With the success of this event, a second seminar is planned for the fall of 2007.

In addition to the programs I have already described, TVC is currently providing Veterans with a wide range of tools and resources to match their specific business needs and goals directly through TVC's web portal. These programs are designed to quickly address Veteran business questions and issues in an environment where Veterans and their family members, particularly those returning from the current wars in Iraq and Afghanistan, are increasingly becoming more technologically savvy. The home page is formatted with direct links to both TVC offerings and important partner links with agency ex-officio members, including VA's Center for Veteran Enterprise, the SBA, DoD and other key providers of service.

Business Matchmaking

Through a partnership with SMA Global, a Veteran owned and operated business, TVC is now a cosponsor of their series of Business Matchmaking conducted in concert with SCORE. There are four events conducted during each calendar year with an additional two events delivered to OSDBU and the Department of Energy. The first two events for 2007 have been held in Atlanta and Maryland. The event draws more than 1,000 companies seeking contracts with the 160 plus contracting sources in attendance. In Atlanta 2,200 interview sessions were conducted. Of the 1,000 companies 200 were owned by Veterans and Service-Disabled Veterans. Our partnership with SMA Global will bring TVC closer to Veteran and Service Disabled Veteran companies that have participated over the past 3 years and allow TVC to offer services quickly and directly to companies ready to activate their business plans.

Boots 2 Business—Transitional Skills for Sucess

Boots2Business www.boots2business.com is a comprehensive online resource, providing education and workplace training that is uniquely tailored to meet the needs of America's military personnel including those in theater in Iraq and Afghanistan, as well as Veterans, members of the National Guard and Reserve, Service-Disabled Veterans, and their families. Boots2Business combines elements from successful programs used independently in thousands of vocational schools, job-training centers, community colleges, detention and correctional facilities, Job Corps centers and adult education programs nationally. TVC has integrated these elements into a cohesive and interactive online program that provides support to the basic, transitional, workforce, family and entrepreneurial needs of Guard and Reserve Veterans, Service-Disabled Veterans, and their families.

This program has five key areas:

- Basic Skills, Catching up/Stepping up
- Transition Skills, Job and Career Preparation
- Work force Success Skills, Getting a job and keeping it
- Entrepreneurial Skills, Start and Grow a small business

- Family Resource Center, Life and family support

Within these five sections are 31 clusters with 1,000 course lessons and many tutorials to guide the student through their specific needs. Access to this site is in the form of a scholarship to the Veteran and their family. Each scholarship is for 1 year and is provided by granting organizations or by TVC directly. The cost for each scholarship is $100. Were a Veteran to purchase access to all the elements of Boots to Business without TVC, the cost would exceed $132,000 per year.

TVC currently has 300 scholarships for Veterans and Service-Disabled Veterans in New Jersey that are provided by the Henry H. Kessler Foundation. As I have already pointed out, TVC is directly sponsoring a block of 600 scholarships divided equally between its three hubs. Each hub will coordinate a statewide outreach giving Boots to Business a four-state network. An additional 200 scholarships have been made possible through a grant from NEC Foundation of America for national outreach. TVC is currently working with a number of corporations and foundations to extend this valuable scholarship program to all Veterans and their families.

d-VETS (Disabled Veterans Entrepreneurial Training Solutions)

Through a grant from the Henry H. Kessler Foundation, TVC is providing New Jersey's Service-Disabled Veteran entrepreneurs with comprehensive support in starting or growing small businesses. The mission of the program is to foster and promote opportunities for Service-Disabled Veterans to gain self-sufficiency through entrepreneurship by providing participants with education, mentoring, access to capital, and access to surety bonding. This program is designed as a state model that can be replicated nationwide to serve America's Service-Disabled Veterans. As mentioned earlier, the Kessler grant provides 300 Boots2Business scholarships to New Jersey Veterans.

Deploy Proof Your Business

TVC has launched a comprehensive new program, Deploy Proof Your Business, designed to assist members of the National Guard and Reserve in protecting their businesses when they are deployed. "Deploy Proof Your Business" includes sections on suspending and sustaining your business as well as a comprehensive section comparing the two options side-by-side.

With helpful tools, links, checklists and other online resources, this site is developed as a complete program to answer the questions and frustrations many National Guardsmen and Reservists have when they leave their businesses. Based on the premise that the earliest preparation is the best preparation, this program will assist both new and established businessowners in modifying their business plans, creating training plans, and managing inventory prior to leaving their business for an extended and often indefinite period of time. This program in no way replaces instruments from SBA or other organizations. It does, however, place in one location access to all the current programs available.

Jim Clair, of Cranberry Township, Pennsylvania is a business owner and Member of the National Guard who realizes that he must prepare his business for deployment. Jim, a former United States Marine, 1983–1987, is the owner of Ultimate Defensive Driving School. Jim joined the Pennsylvania Army National Guard last year at age 40 specifically to fight the War on Terror. He and his company are looking at Deploy Proof Your Business as we speak to prepare for his possible deployment to Iraq and or Afghanistan. As Jim says, "While I have yet to be deployed to Iraq or Afghanistan, I realize that deployment is a very real possibility and something I must prepare for as a businessowner. After all, my family and business count on it."

ConnectVets Business Forum

ConnectVets Business Forum is a mentored online meeting place for Veteran entrepreneurs to interact with each other through a peer network. The Forum is a place where Veterans can post business questions, offer advice, and share business experiences. The program launched the second week of March, and reports show that 68,000 unique hits resulted in its first two weeks alone.

Virtual Business Incubator

The Veterans Virtual Business Incubator (VBI) created for TVC by Knowledge Industries is a complete one-stop resource for Veteran entrepreneurs starting or growing a small business. The VBI guides Veterans through businessownership with customized support tools and the ability to search by state for local business resources. In FY 2006 this online tool saw 8,000 direct business connections through its 300,000 unique hits.

Vitual Business Resource Center

TVC, in partnership with SCORE, created a Veteran front-end portal to assist Veteran entrepreneurs in getting the one-on-one support they need to become successful in their business ventures. Through this direct link on TVC's website, Veterans are able to access SCORE's network of experienced and qualified mentors who can answer business questions, provide advice, and offer guidance. TVC is seeing between 350–600 links daily through this portal partnership.

Transition Assistance Program (TAP)

TVC was asked by the Department of Defense (DoD) last August to write a new section of the TAP Manual for Active Duty and members of the Guard and Reserve. Information about entrepreneurship and the assistance available from TVC and SBA is now included in the "Active Duty Preseparation Guide," as well as the "Transition Guide for the Guard and Reserve". As a result, all separating military members will have the opportunity to learn about the programs and services TVC provides and actually start planning their business venture prior to their separation from the service. Active military can already access this information on the DoD's TurboTAP Web site www.TurboTap.org, while members of the Guard and Reserve can begin accessing this information on May 31, 2007. We understand that DoD plans a formal rollout of these programs on June 9th.

"Veteran's Business Video Library"

This is a first for TVC: an online, streaming, six-video segment containing key coverage (4¾ hours) of "Veterans Doing Business with the Department of Defense". Taped last December in Dallas, Texas, this compendium is now available for all to recap the event or, for those unable to attend, to participate and gain the important information that was provided to attendees. It is our hope that future events conducted by TVC or any agency or Veteran organization will also be available through this vehicle.

TVC FY 2006 Annual Report to the President and Congress

In TVC's Strategic Plan for FY 2006, staff members were directed to reach 10,000 Veterans directly and through TVC's partner network. TVC is pleased to report that the goal was met and exceeded. Through TVC's headquarter staff and partners, TVC attained 140 percent of the goal by supplying face-to-face services to 14,026 Veterans. In addition to this direct interaction, it should be noted that during the final 5 months of FY 2006, TVC has achieved more than one million hits to its new web presence at *www.veteranscorp.org* including 17,586 downloads of TVC materials from 224,284 page views. That equates to 100,000 unique visits, each lasting more than five minutes, an eternity in web time, yielding significant electronic outreach and support to Veterans online. Combined, it can be said that the investment made by Congress toward TVC's FY 2006 funding has reached 119,431 individuals, oralmost 12 times the FY 2006 goal of 10,000.

The appropriation of $1.5 million to TVC for FY 2006 provided significant benefit to Veterans through TVC's outreach, education and mentoring, in addition to the Access to Capital and Access to Bonding programs outlined above. *Analysis of FY 2006 expenditures indicates that 21.83 percent on spent on G&A, 10.15 percent on fundraising and 68.02 percent were spent on program services.*

I would like to submit a complete copy of our 2006 Annual Report to the President and Congress for the record.

Authorization Legislation in 110th Congress

Legislation is currently being drafted by Representative Susan Davis of San Diego that would provide for a 5 year authorization of The Veterans Corporation that would include direct program services while acting as an entrepreneurial catalyst/clearinghouse/facilitator/broker for Veterans, Service-Disabled Veterans, and members of the Armed Forces transitioning from military service in Iraq and Afghanistan into the business community. In addition, Members of Congress and their staff would like TVC to provide the Reservists, National Guard members, and their families with pre/post-deployment assistance to preserve family owned businesses, like our Boots2Business and Deploy Proof Your Business programs. TVC would like to establish a grant-making program to assist organizations at the national, state and local levels in these important efforts.

Conclusion

Madam Chairwoman, 2007 finds Veteran entrepreneurship alive and well; however, the programs defined under PL 106–50 are not able to step up to the increasing demand. We have seen thousands of servicemen and servicewomen return from the Iraq and Afghanistan theaters and will see these numbers grow in the coming

months and years. These new Veterans and Service-Disabled Veterans along with a large number of Guard and Reservists will return to the country that they fought to defend. TVC is ready, willing and able to assist them whether they have to spend some time in a hospital to recover from their wounds or choose to settle in the streets of an urban environment or the countryside of a rural local.

TVC's strength is in its ability to bring together the best in public and private entities to leverage scarce Federal dollars in effectively and efficiently assisting Veterans, Service-Disabled Veterans, and members of the National Guard and Reserves, who want to start or grow small businesses. By benefiting from the strong resources already available from national business networks, and by eliminating duplication of efforts through strategic partnerships, TVC has the programming and the capacity to serve the needs of Veterans in all fifty states.

Thank you Madam Chairwoman. I will be happy to answer any questions you or the Committee might have.

[LETTERS OF SUPPORT]

DISABLED AMERICAN VETERANS
Washington, DC.
April 20, 2007

Dear Representative Davis:

On behalf of the 1.3 million members of the Disabled American Veterans (DAV), I encourage you to support the authorization and fiscal year 2008 appropriations funding for the National Veterans' Business Development Corporation (the Veterans' Corporation) programs and services to expand entrepreneurial opportunities for disabled veterans.

The 1.3 million members of our organization are veterans who became disabled by injuries or illness during wartime military service to our Nation. Disabled veterans seeking a viable livelihood face far greater challenges and a higher unemployment rate than nearly any other category of citizens in the United States.

Despite federally mandated provisions to assist disabled veterans in overcoming barriers to gainful employment, many employers remain unable to accommodate some of the most severely disabled for a variety of reasons. For example, some veterans require frequent medical treatments that prohibit them from maintaining regular working hours. These veterans often choose to operate their own businesses where they need not conform to the demands of a set schedule. Many other disabled veterans choose entrepreneurship as a form of livelihood as a matter of preference.

It is our duty as a grateful nation to ensure that those who have sacrificed so dearly in the name of freedom have the opportunity and support needed for self-sufficiency. In addition to improving the lives of disabled veterans and their families, we are fortifying our Gross Domestic Product and economic vitality. Small businesses create millions of new jobs and generate billions of dollars annually.

We believe the Veterans' Corporation created by P.L. 106–50, is uniquely positioned to provide disabled veterans with superior entrepreneurial training and business resources that allows them to start or grow a business; and in turn contribute to the economic well-being of your district and state. The Veteran's Corporation's numerous programs and services have resulted in the following accomplishments:

- Veterans served—8,055 to date, or on average a 1,000 Veterans a month
- Courses/class hours completed—Over 8,000 trainings hours provided and 96,388 student hours
- Business Start Ups since initial contact with client—552 Veteran owned businesses started (average cost to TVC $1,000.) Business growth as a result of interface with client—469 jobs retained, 667 jobs created
- Funding as a result of work and/or facilitation with client—OVER $86 million
- Teaming/Mentorship of clients with other companies—68 Veteran owned businesses now partnering

In addition, TVC is now offering new services related to—

- Surety Bonding for Veteran owned businesses looking to do work with the government through a partnership with the Surety Association of America
- Access to Capital through a financial services desk for micro loans and larger capital needs too Veterans'
- Virtual Business Incubator in partnership with Score to provide Veterans anywhere in the country, tools and resources to start their businesses

I am sure you will agree with me that the Veterans' Corporation offers an impressive array of services to disabled veterans and that it should be continued as thousands of wounded service-members return from the War on Terror.

Thank you for supporting our Nation's disabled veterans and their families.

Sincerely,

BRIAN E. LAWRENCE
Assistant National Legislative Director

IRAQ AND AFGHANISTAN VETERANS OF AMERICA
New York, NY.
May 10, 2007

HONORABLE SUSAN DAVIS
1526 Longworth House Office Building
Washington, DC 20515

Congresswoman Susan Davis:

Soldiers and Marines are natural innovators. They are required to overcome every obstacle and complete the mission no matter what. When soldiers are not hard-charging to their objectives, they spend almost all their time doing one thing: thinking about, dreaming about, and talking about what they will do when they get home. The countless hours spent sitting in a Humvee has become has a fertile playground for ideas and innovations. I will never forget the months of planning my driver and team leader, SPC Langley and SGT Fabacher, spent laying out every detail of their future lawn mowing business.

The Veteran's Corporation (TVC) is a Federally chartered nonprofit organization charged with creating and enhancing entrepreneurial business opportunities for Veterans, including service-disabled Veterans. By providing access to capital, business services, entrepreneurial education, surety bonding, insurance, prescription coverage and by creating a veterans business directory, TVC has strived to help soldiers like SPC Langley and SGT Fabacher achieve their dreams.

TVC has overcome some tough obstacles and become an invaluable resource to veteran entrepreneurs. TVC has greatly expanded its online resource center and programs like "Deploy Proof Your Business" are powerful tools for deploying servicemembers. *The Iraq and Afghanistan Veterans of America* (IAVA) strongly supports any efforts to bolster the TVC and give it the opportunity to help turn those Humvee daydreams into a reality.

We applaud the work of Congresswoman Susan Davis and her work to expand the scope and mission of the TVC.

Sincerely,

PATRICK CAMPBELL
Legislative Director

Prepared Statement of William D. Elmore, Associate Administrator, Veterans Business Development, U.S. Small Business Administration

Chairwoman Sandlin, Ranking Member Boozman, and other distinguished members of the Committee, thank you for the opportunity to appear before you today to share information on the state of Veteran entrepreneurship and self employment, and the efforts of the U.S. Small Business Administration (SBA) to assist and support veterans, service-disabled veterans and Reserve Component members who are self-employed or small businessowners who have been or may be called to active duty for the Global War on Terror. I am William Elmore, the Associate Administrator for Veterans Business Development (AA VBD). I am pleased to be here representing SBA Administrator Preston and the many dedicated SBA employees who assist veterans and reservists every day. I am grateful for this opportunity to share with you some of the initiatives and accomplishments on behalf of veterans and reservists the SBA has made over the past 6 years. As expressed in the January 24,2007, Memorandum For Heads of Departments and Agencies jointly issued by Administrator Preston and Office of Federal Procurement Policy Administrator Denett, the administration is broadly committed to enhancing all of our entrepreneurial programs and services for veterans and reservists, especially those returning

from duty in the Global War On Terror, and for those service members injured or disabled in service to America.

The very nature of SBA' s mission necessitates coordination, access and delivery of a full range of resources and program activities that support successful entrepreneurship. We deliver most of our lending assistance through thousands of private lenders, and we provide most of our business counseling, training, and planning assistance through our resource partners, which includes approximately 15,000 third party business development specialists and experienced business men and women volunteers. SBA is the central policy and program manager for the Federal procurement programs for service-disabled veteran-owned-small businesses, women-owned small businesses, small and disadvantaged businesses, and socially and economically disadvantaged small businessowners. This is accomplished through a programmatic, policy, and regulatory framework established by Congress and our technical experts, including procurement goal setting, oversight, and intervention with Federal agencies, and facilitating public and private matchmaking initiatives. To accomplish the SBA mission, we maintain a nationwide network of 68 district offices (each one with an assigned Veterans Business Development Officer, VBDO), 10 regional offices, various servicing centers for lending oversight and loan processing, and over 100 field procurement assistance experts. Weare America's disaster assistance lender for both homes and for small businesses; and we provide support for international trade initiatives. Our 68 district offices and other field offices coordinate and deliver local and national support, provide oversight, and help carry out our National program responsibilities.

As the Associate Administrator for Veterans Business Development, I manage our national program for veterans and support Administration programs and policies for veterans and reservists. I coordinate SBA activities with other Federal, state and local government programs, and with not-for profit and private partners.

Each year, my office delivers direct assistance to over 25,000 veterans and reservists through five Veterans Business Outreach Centers and through special competitive funding for District Office-Veterans Outreach Initiatives coordinated by our 68 VBDOs. SBA's Veterans' Business Development Office acts as a liaison and technical expert to our Federal partners, including the Departments of Defense, Labor, Veterans Affairs and other agencies with procurement authority, and, I act as an ombudsman for full consideration of veterans in every Administration program.

Each year, SBA provides reportable direct and indirect assistance to more than 100,000 veterans and reservists who participate in every SBA program. While improved services are being delivered to veterans, reservists and discharging service members in most of SBA's core programs, Administrator Preston and Deputy Administrator Carranza have tasked each program office at SBA with reviewing their programs and how they support veterans' small business success. We are identifying additional or more specific steps that every program can take to better deliver SBA assistance to veterans, reservists, discharging service members, and family members.

Recent examples of improved services to veterans, veteran reservists and discharged service members is inclusion as a target market in our Community Express Loan program that offers expedited loan processing with mandatory business planning technical assistance. We have recently improved our Surety Bond Guarantee program for service-disabled veterans and other veterans, and we are exploring new ways to further target the veteran, reserve and guard community through our lending programs. Thus far, the results have been good; the number of new loans being made to veterans has increased significantly. The number of new loans to veterans has grown from 4,800 in FY 2000 to approximately 8,000 in FY 2006.

Public Law 106–50 established a 3 percent Federal procurement goal for prime contracts for small businesses owned and controlled by service-disabled veterans (SDV) and established a best-efforts clause for veterans in Federal procurement at the subcontracting level. While the government has yet to achieve the required 3 percent goal for Federal procurement, we are making progress toward it. In 2004, the President issued Executive Order # 13360, and preliminary data shows that both SBA and the Department of Veterans Affairs each exceeded their respective 3 percent goals for FY 2006. Leading by example, this represents a significant improvement for both agencies over achievements in FY 2005. This growth toward achieving the 3 percent goal is due to the ongoing efforts by VA, SBA, Federal agencies and their many contracting officials that are making serious and diligent efforts to identify and contract with SDV small businesses.

In 1999, when HR 1568 became P.L. 106–50, there was a serious gap in basic knowledge about and data on veteran businessowners in America. For almost 15 years, no effort had been undertaken to understand what this community of existing and prospective entrepreneurs represented or required. Beginning in FY 2001, the

SBA's Office of Advocacy, with the support of my Office of Veterans Business Development, initiated research into veterans' entrepreneurship, and Advocacy's initiatives continue. We have learned that prior to 2003, veteran and service-disabled veteran participation in Federal procurement was seriously undercounted and underreported for a variety of reasons. We have learned that there were no good or reliable databases of veteran and service-disabled veteran businessowners that existed nationally in the public or private sectors. We have learned that approximately 15 percent of veterans are successfully selfemployed or small businessowners and that another 22 percent of veterans are taking steps to become small businessowners or are thinking seriously about doing so. We learned that, like all small businesses, access to capital and access to and knowledge about business development programs are key needs of veterans. We have learned that military service is important in leading to veterans' success as entrepreneurs, and that private sector experience is even more important for veterans' success as entrepreneurs. We have learned that the difference between successful self employment rates for veterans and service-disabled veterans is explained in part because some service-disabled veterans do not participate in the private labor market.

As a part of our efforts to increase understanding of the veterans and service-disabled veteran community of entrepreneurs, and at the request of the SBA Office of Advocacy and the veterans' advocacy community, the Census Bureau included two questions in their 2002 Survey of businessowners regarding the veteran and SDV status of small businessowners with employees. The 2002 Census Survey marks the first time we have an accurate estimate of the number of SDV small businessowners in America. This 2002 Census survey found that approximately 0.7 percent of small businesses in America with employees are owned by service-connected disabled veterans and that **14.1** percent of small businesses with employees in America are owned by veterans.

Each year, our Office of Entrepreneurial Development (ED) and our resource partners provide small business counseling and training for approximately 1.5 million aspiring, startup and growing small businessowners. Annually, close to 90,000 of these customers are veterans, service-disabled veterans, reserve component members and active duty personnel. One of our ED programs is our Small Business Development Center (SBDC) program. Our SBDC National Office provides program design, core I operational funding and oversight to almost 1,100 SBDCs. In addition, we deliver assistance through the expertise of almost 400 Service Corps of Retired Executives (SCORE) chapters and approximately 11,000 experienced SCORE business counselors, and through 100 Women's Business Centers, whose services are not restricted to women only. We also provide a robust range of online business counseling and training opportunities supporting everything from start up and early stage decisionmaking to significant expansion and growth assistance.

Let me turn my attention to our efforts on behalf of small businessowners who are members of reserve components of the U.S. Military and have been or may be activated for the Global War on Terror. In August 2001, we began offering and continue to promote the availability of our Military Reservist Economic Injury Disaster Loan (MREIDL) program as one tool that can be of great assistance to an activated reservist small businessowner. We have implemented a comprehensive outreach program that includes veterans and reservists, and we have strengthened our business counseling and training programs, most notably our SCORE, SBDC, VBOC and District Office programs to inform, develop and deliver pre and post mobilization business planning assistance that can be critical to economic success and survivability to reservist small businessowners. We continue to work with various offices and programs of the Department of Defense, including the National Committee for Employer Support of the Guard and Reserve (ESGR), with the Assistant Secretary for Reserve Affairs, Military Family Support Centers and 676 Committee, and we continue to support the Department of the Army in the envisioning and development of the proposed Army Advantage program. After the September 11, 2001 attacks on America, we established an SBA Committee to coordinate outreach and service delivery to Reservists. We created and have distributed more than 400,000 SBA Reserve and Guard fact sheets; and we established special web pages for reservist small businessowners, and began working with the Department of Defense. We have and continue to produce detailed business planning guides as part of our comprehensive Reserve and Guard Business Planning kits and have distributed more than 40,000 of these kits directly to Reserve and National Guard units, to reservists, to SBA Resource Partners, to Federal, state and local partners, and at hundreds of SBA sponsored events. Two years ago, we requested and secured the authority from Congress to include reservists **in** our definition of veteran for purposes of our comprehensive outreach effort, and we included veteran reservists **in** our Community

Express Loan Program to provide additional access to capital beyond our MREIDL program.

Again, I thank you for this opportunity to testify before you today. I am proud of the progress we have made **in** our knowledge of and assistance for aspiring and existing veteran entrepreneurs and I look forward to continuing to enhance these efforts.

This concludes my testimony, and I welcome your questions.

Prepared Statement of Scott F. Denniston, Director, Office of Small and Disadvantaged Business Utilization, and the Center for Veterans Enterprise, U.S. Department of Veterans Affairs

Madame Chairman and Committee Members, thank you for convening this hearing to assess the current state of the Federal Veterans' Entrepreneurship Program. I am honored to represent Secretary Nicholson, Deputy Secretary Mansfield and the dedicated employees throughout the Department of Veterans Affairs who serve our veterans daily.

I have good news to report. The Veterans' Business Program is working well in VA. Last Fiscal Year, our procurement budget was $10.3 billion. We spent $346 million with Service-Disabled Veteran-Owned Small Businesses (SDVOSBs), approximately 3.38 percent. We spent 6.35 percent of our total procurement dollars with Veteran-Owned Small Businesses (VOSBs). This amounts to approximately $651 million. I am even more pleased to report that VA will be the first Cabinet agency to sustain and increase our achievements.

We attribute our success to 4 principal factors. First, we are the Department of Veterans Affairs. Supporting veterans is our mission. Second, and most significantly, our leadership demands commitment to veterans in business. Third, our partners share our passion for ensuring veterans' success. Fourth, veterans doing business with our Department have proven themselves to be solid performers. We are now building on their successes.

As you know, VA puts veterans first. Our personnel are focused on veterans' success. Self-employment and businessownership are natural outcomes for the work accomplished in our healthcare and benefits administrations. VA offers numerous opportunities for new businesses through our micro-purchase program. We have thousands of actions under the simplified acquisition threshold where young businesses have the opportunity to flourish. We have regional and national contracting opportunities for more robust businesses. We also require large prime contractors to tell us how they will utilize veterans and service-disabled veterans in their performance. We have creative contracting officers who are recognized for their support of veterans in business. All these factors together have helped us achieve prominence in this program.

Small business programs are leadership-driven. VA was the first Federal agency to implement procurement goals for veterans and service-disabled veterans. We did this in 1984. VA was the first Federal agency to implement the landmark set-aside provisions of Public Law 108–183. This tool made a significant difference in VA's ability to comply with the mandatory 3 percent Service-Disabled Veteran-Owned Small Business procurement goal. VA organized the Executive Order 13360 Work Group to encourage alignment of Federal agency strategic plans to increase utilization of service-disabled veteran-owned small businesses. Our leadership requires that program executives personally report their accomplishments at our quarterly Senior Managers' Meetings. As a result of Public Law 109–461, VA is now the first agency to place service disabled veterans and veterans at the top of our priority source lists. Plus, this law provides VA with direct sourcing authority, a tool unique among Federal agencies. With this new program, we expect a marked increase in expenditures with service-disabled veterans and veterans in Fiscal Year 2009.

Visionary leadership is not exclusive to VA. Many of our accomplishments would not have been possible without the teaming provisions in the Small Business Administration's (SBA) Service-Disabled Veterans' rule. Also important are the Corporate Teaming Agreement guidelines from General Services Administration (GSA) and their Acquisition Letter #V–05–12, which permits evaluating socioeconomic status as a primary factor when making a best value determination when using the Federal Supply Schedules. This is evidence that support for veterans is wide-spread.

We celebrate and applaud the work of our partner organizations. Our first partnership was with the Association of Procurement Technical Assistance Centers (PTACs). Funded by the Defense Logistics Agency, these offices educate owners new

to the Federal marketplace. We include referrals to PTACs in our solicitation documents to ensure that owners understand our Federal and VA rules before they sign an offer or a contract with us. The PTAC program is fundamental to our success.

As you may know, VA operates the Center for Veterans Enterprise which staffs a national call center to assist veterans interested in businessownership or expansion. This office has 16 employees, 12 of whom are veterans. The staff in CVE talks with veterans, their families and their business partners daily. CVE's business coaches routinely refer callers to our partner organizations or to the volunteers who form the government or Corporate Advocates for Veterans Enterprise. One of our steadfast partners is the General Services Administration (GSA). We have cosponsored regional conferences with GSA and assisted in their Veterans Technology Services (VETS) governmentwide Acquisition Contract (GWAC). We look forward to using this vehicle for years to come when VA personnel need information services support. At all of our outreach programs, we distribute the tool kit for veteran-owned small businesses, which was jointly developed and co-branded by GSA and VA. It contains legislation and policy documents, information on how to market to Federal agencies, a list of Federal Veterans' Business Advocates and templates to assist businessowners. This tool has proven to be so successful it is now in its fourth edition.

We have received great support from the military services. The U.S. Air Force was the first department to offer assistance to us in 2000. They shared their resources with us, giving us several sessions on their cable television program, Opportunities Showcase. Mr. Tony DeLuca, then the Small and Disadvantaged Business Utilization Director, carried our message to audiences in each of his numerous presentations. Since then, we've continued our joint outreach efforts, conducting road shows with the Air Force, the SBA and VA to reach military program managers. We are in conversation about FY 2009 and beyond activities.

The Army's Small Business Program Office also has a sustained partnership with VA. We have jointly organized the National Veterans' Business Conference for the past 3 years. This year's program will be June 25–28 in Las Vegas. With the comprehensive support of the military community, a broad-base of its defense contractors, committed volunteers from a wide range of Federal agencies and the businessowners' community, last year's program was well-attended. More than 1200 participants joined together to focus on how to improve opportunities for veterans, especially service-disabled veterans, in prime and subcontracts. More importantly, the owners' community spread the word that the National Veterans' Business Conference is a must-attend event due to the caliber of program managers and executives and the quality of information exchanged in that forum. We are very pleased to assist in organizing the 3rd annual conference which we hope will be even more successful. Efforts with the Army continue throughout the year. The Corps of Engineers routinely dispatches advance announcements of forthcoming service-disabled veteran set-asides to owners in the VetBiz Vendor Information Pages database. These personnel conduct advance briefings to the community. As a result, you'll see many of their offices honored in our annual Champions' awards program.

We are seeing an explosion of exhibitors proudly displaying "SDVOSB" or "VOSB" on their conference banners. Some firms are enjoying rapid growth. GSA recently hired Len Johnson of JDG Communications for their Federal Supply Schedule advertising needs, a $25 Million award. SBA also hired JDG for their support in Business Gateway promotions. Quality Support won a $38.5 Million award from the State Department to process visa applications. The Army Corps of Engineers has awarded several Indefinite Delivery Indefinite Quantity (IDIQ) contracts using the Service-Disabled Veteran-Owned Small Business set-aside authority. VA recently awarded a Microsoft license support contract to MicroTech, using the Corporate Teaming Agreement provisions under Federal Supply Schedules. This award is valued at $56 Million a year for 7 years. As a result of matchmaking facilitated by the Center for Veterans Enterprise, a service-disabled veteran-owned joint-venture was established that successfully pursued a large construction project. VETCON1 won a $30 Million award to build a facility in Menlo Park. This is important to VA because many of our engineers mistakenly believe that disabled veteran-owned businesses cannot obtain bonding for our larger projects. Big awards help us get the attention of program managers who too often will say, "no small business can do my project." We also celebrate the smaller successes, like Joe Marchesani of Markee Distributors. We met Joe several years ago. He was trying to sell medical device batteries to VA but was having difficulty getting in. Now, he's happy to report he's in more than 100 of our locations, doing business on purchase cards.

VA's Center for Veterans Enterprise hosts the VetBiz.gov web portal which enables veterans to quickly link to our partner organizations. CVE manages the VetBiz.gov Vendor Information Pages (VIP), a database containing information

about products and services offered by veterans and service-disabled veterans. Veterans in this database may elect to receive daily extracts from FedBizOpps and extracts from VA's Forecast of Contract Opportunities. We also use the database to blast early alerts about future requirements or education conferences, such as the 3rd National Veterans Business Conference. Last month, the State of Washington announced a new program to promote utilization of service-disabled veterans in their state requirements. They will use the VIP database as their sourcing program. We hope to see other states adopt similar measures.

CVE offers free market research, training and other services as may be requested by our Federal partners and their prime contractors. We recognize their hard work in our annual Champions of Veterans Enterprise Awards program each June.

I am proud to report that our work is being well-received. The Veterans Business Journal is considered the premier trade magazine in the veterans' business community. Last September, it conducted its first readers' survey. CVE was voted the organization that provides the best support to veterans in business. We appreciate this vote of confidence and will strive to repeat this honor in 2007.

To promote awareness and utilization of veterans in business, CVE distributed more than 3,000 posters to prime contractors and government offices last October.

To expand awareness of startup assistance, we dispatched Operation business-ownership DVDs for use in Transition Assistance Program briefings. Both SBA and CVE are highlighted under "Small Business Resources" in the Vocational Rehabilitation and Employment Program pocket guide produced by VA's Veterans Benefits Administration. In the annual Federal Benefits for Veterans and Dependents' book, information about CVE appears under Transition Assistance. In addition, each year, VA's Compensation and Pension Service mails cost-of-living adjustment letters to disabled veterans. Veterans receive information about startup and expansion assistance from CVE in this letter. Army Knowledge Online's Web site reaches 660,000 personnel. Our web portal link is prominently displayed on that site, which we understand will soon become a DoD-wide site. We are also prominently displayed on Military.com's site which is generally used by veterans for a variety of information. The VetBiz.gov link also appears in USA.gov and on the OSDBU.gov web portals. We greatly value the assistance from these partner organizations as it expands our reach beyond our limited resources. We teach owners that business is about successful relationships. We think we have built some good ones.

In the commercial marketplace, more than 300 franchisors have joined the VetFran program, which VA and the International Franchise Association refreshed in 2002. Currently, more than 700 veterans have opened franchises under this program. In VetFran, veterans are eligible for reduced franchise fees and other support. One example is Little Caesar's Pizza. In November, they began a 12-month program of benefits to veterans and service-disabled veterans to help them open pizza shops. The benefit to a disabled veteran approaches $70,000. We are seeing renewed interest from the corporate community to outreach to veterans. At our June conference, we will be renewing partnership agreements with several Federal prime contractors who recognize that veterans in business are solid performers.

Before closing, I know you are interested in what more needs to be done. We encourage other Federal agencies to continue, and increase, their use of the service-disabled veteran set-aside tool. I would also recommend increased attention to conducting and documenting training of Federal agency personnel in using the tools available through the Federal Veterans Entrepreneurship program. Only when we have comprehensive awareness and buy-in for this program will we see global successes. Agencies are required to post their strategic improvement plans for enhancing achievements with service-disabled veterans in business. Veterans who call us want to see these plans, and the annual reports, posted in an easy to identify location. Many contracting activities are still struggling with a lack of capable businesses in specialized industries. A method to incentivize prime contractors to incubate new small businesses in these underrepresented fields will benefit all parties. Others will address, I'm sure, the chronic problem of access to capital. VA will also focus on subcontracting accomplishments.

I hope you will agree that opportunities for veterans in business are abundant and that there is widespread support for this program.

Madame Chairman, thank you again for convening today's hearing. I will submit my written statement for the record. I welcome your interest and I am prepared to answer any questions that you or the members may have.

Prepared Statement of Louis J. Celli, Jr., Chairman, Advisory Committee for Veterans Business Affairs, U.S. Small Business Administration, and Chief Executive Officer, Northeast Veterans Business Resource Center

EXECUTIVE SUMMARY

Veterans' entrepreneurship has come a long way over the last few years. In the 1930's and 1940's veteran status was highly regarded by the local, national and most importantly, the business community. Veterans' issues and veteran status usually follow the trend of the prevailing national climate.

In the late 1960's and early 1970's America, as a nation continued to grow and mature. As we did we experimented, tested boundaries and struggled for our sense of identity as individuals. As this evolving generation of Americans sought to be independent as individuals, we believed it necessary to rebel against authority. 200 years earlier America was a nation of rebels and in 1970 we were a nation of individuals rebelling.

One of the very unfortunate casualties of that time period was the American GI. Service members represented the closest thing that American individuals could identify with as the "government", and subsequently misdirected their anger and hostility toward American service members. This misguided stigma damaged the image of the American military for decades and residual damage from that time period can still be felt today.

While most of mainstream America understands the dedication, commitment and sacrifice of today's armed forces, transitioning service members and military veterans still face discrimination and missed opportunities with regard to employment and self employment endeavors.

When Congress passed the Veterans Entrepreneurship and Small Business Development Act 1999 (Public Law (PL) 106–50), it stated in its findings that America had not done nearly enough to 'assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.'

There are seven parts to PL 106–50 which were all designed to operate independently while working toward one common goal. Each of these entities; the SBA office of Veterans Business Development, the VA Center for Veteran Enterprise, the SBA Advisory Committee, the Veterans Corporation the Veterans Representative for SCORE and all of the others, would theoretically work cooperatively toward the common goal of assisting veteran businessowners AND SUPPORT EACH OTHER while WORKING TOGETHER. 106–50 was a 4 year plan, and at the pinnacle of the 4th year all of these agencies, idealistically would have been working together and supporting each other so they might serve a greater population of veterans as a team.

Herein lies the problem. Rather than work together, each of the agencies chose their own path and developed their own mission accordingly. Congress had intended that TVC be the core element at the center of this initiative and lead the veteran entrepreneurship mission with the assistance and support of the Federal agencies into the 21st century and beyond. What they could not have predicted was that in the absence of direct supervision, none of these separate entities felt obligated or responsible to cooperate. Thus, the VA went in their direction, the SBA in their direction, DoD never even showed up and TVC was left an orphan. A 12 million dollar orphan without any entrepreneurs or nonprofit experience to build this new business.

Oral Testimony

Good morning Chairwoman Herseth Sandlin, Ranking Member Boozman and Members of this Subcommittee. Thank you for the invitation to come before you and discuss veteran entrepreneurship.

It's been 7 years since the unanimous passage of Public Law 106–50, and this committee now asks "How are we doing?"

My name is Louis Celli and I am a 22 year veteran of the United States Army, a Service Disabled Veteran and have started two businesses. I am the Chairman of the SBA's Veterans Small Business Advisory Committee

You have assembled before you today some of the most renowned names in the veteran community, you have heard their testimony and you have listened to the needs of your constituents.

So now, what do we know? We know that the program hasn't hit the mark, not yet. We know that the Federal agencies and Federally funded programs charged with carrying forth this plan to promote and defend veteran entrepreneurship all believe that they are hitting the mark. We know that the veterans aren't so sure.

What does that mean and what can you do about it? It means that when you set your own goals, and standards by which success is measured, success is easily achieved.

I retired in 2002 as an Army Master Sergeant. When I was on active duty, my job was to take care of my soldiers, and when I was working with Army Recruiting Command, my job was to reassure the parents of the new soldiers joining the Army that their sons and daughters were going to be protected and taken care of. I was then, and I am still today proud of our armed forces and proud to have worn our uniform.

One of the hardest things for me now, is to be working with returning veterans as they process through Walter Reed and I feel a deep sense of guilt; I feel like I have let them down because I am not out there today in a hummvee protecting them. I have to keep reminding myself that it's not my job anymore, I've tried to go back but I can't, I am 40 percent disabled and I am no longer qualified to serve in the Army, and it's hard. These men and women are hurt and in some cases hurt bad.

Seven years ago, we passed a law that was meant to address the needs of American Service Men and Women who wanted to compete as businessowners in the American economy they fought so hard to protect.

Seven years ago we were riding high on a nation at peace and a full strength military.

Seven years ago, we knew that we hadn't done enough to assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises (PL 106–50).

Seven years later, were still not there.

Why? No program management.

You created the right tool but put in place no measures for success, oversight or accountability. You charged the VA, the SBA, TVC with building programs, told all of the other Federal agencies to support this effort and closed the book. No one was put in charge. Since no one was in charge, and no standards were set, who could say whether the agencies or the corporation was complying or not?

Well, based on the fact that we are here today and this is the third Congressional hearing in almost as many months regarding the same issue, it's apparent that your constituents are not satisfied, veterans and non veterans alike. This has become such an important issue that congressional leaders are working together in uncommon fashion as represented here today by the Honorable Congresswoman from California, Congresswoman Daily who has been asked to attend as a guest of this Committee.

It may be time that we take a good hard look at restructuring this program and assemble all of these independently moving parts into a cohesively, high functioning machine. We would save money, effort and time and it would finally put an end to the turf wars which have plagued this program from the beginning.

Congress needs to establish an office to manage the program, a "Veterans Business Program Management Office" and it should be an office with Federal authority. This office should be responsible for monitoring, assisting, management and oversight of;

- Veterans Entrepreneurship Advocacy
- Veterans Entrepreneurship Training
- Veterans Professional Skills Certification
- Veterans Federal Procurement
- And, assist and promote Veterans Procurement at the state level) Promotion of Public/Private Partnerships with regard to Veterans Entrepreneurship, Small Business and Employment
- Entrepreneurial Vocational Rehabilitation Case Management
- Compensated Work Therapy Training Directorate

This office should report directly to The President of the United States and to Congress. Either This Committee, the Small Business Committee or a new Committee comprised of representatives of each.

I have been approached by companies, small businesses and entrepreneurs, both veteran owned and non veteran owned who have offered to build complete companies with the sole intention of employing only disabled veterans. We need a program which assists them as well.

The written portion of this testimony contains detailed programs and suggestions for implementation. I would be happy to continue to work with your offices to build upon this very important and very necessary program.

Members of Congress, I can't protect these veterans any more, but you can. Help us. Help us build a program that will work and that will be around long after we

are gone, benefiting Americas warriors wounded and whole, the men and women who have sacrificed so much and to whom we owe so much in return.

We're not all Democrats, or Republicans, or Veterans, but we are all Americans. Each and every one of us in this room have benefited from the sacrifices of time, sweat and blood our American Service members have made and continue to make for us each day.

Thank you for holding this hearing and thank you for your continued interest in veterans entrepreneurship.

National Veterans Business Program Management Office

Program management office of

National Institute for Entrepreneurial Research and Development

(this is a very simplified overview of this suggestive program)

The National Institute for Entrepreneurial Research and Development will be the headquarters for the Entrepreneurial Doctrine Command.

The Entrepreneurial Doctrine Command will be the national authority for entrepreneurial development. This command will be assembled from a co-operative group of sources of both government and non-government representation.

All "policy" will be the result of recommendation from the advisory board but will be ultimate decided on by the command director.

Organizational Structure:

- Office of Economic Research
- Office of the Small Business Administration
- Office of Minority Development
- Office of Veteran's Affairs
- Office of Veterans Service Organizations
- Office of Federal Procurement
- Office of State Procurement
  - Department of Federal representation
  - Department of Defense
  - Department of the Interior
  - Department of Transportation
  - Department of (all)
- Procurement preparation and strategic positioning

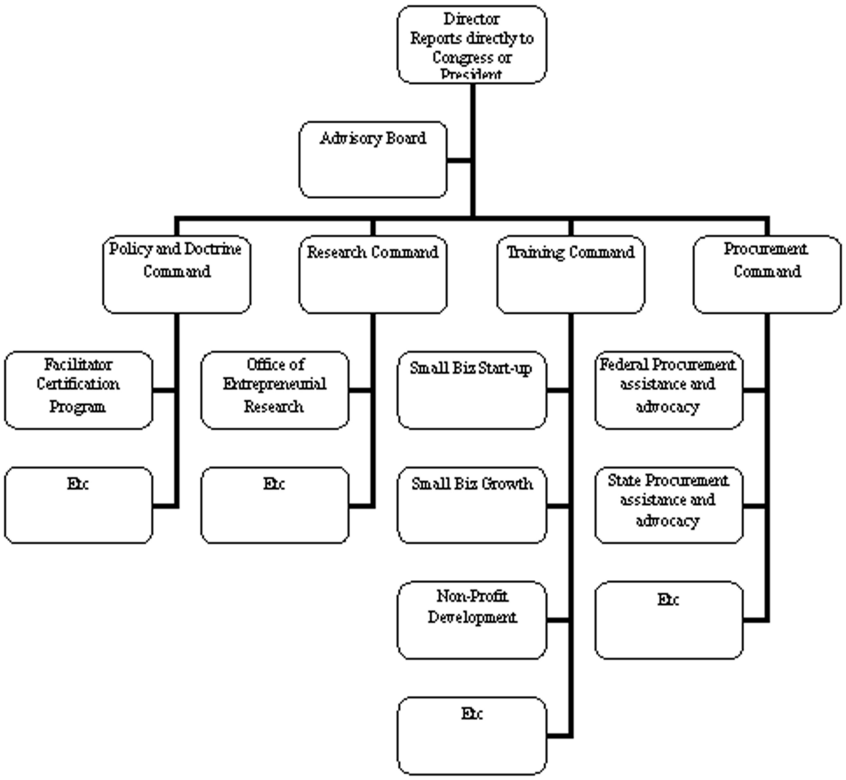
Major training commands:

- Federal Procurement
- State Procurement
- Small business startup
- Small business growth
- Independent contractor structure
- Facilitator certification
- Non-profit organization development
- Leadership College
- Severely Disabled Self-Employment Directorate
- Previously Incarcerated training Directorate
- Community Outreach Development and Community Based Organization Development program
- Inventors and New Market Product Concept College
- Real-estate
- Home based business
- Compensated Work Therapy
- Office of Public/Private Partnership

Training Programs:

- Business start up
- Business Growth
- Networking
- Time Management
- Business etiquette (speaking, eating, dressing)
- Public speaking
- Presentation delivery
- Asking for money

Sales
Marketing
Leadership
Business finances for the sole proprietor
Business finances for the small business
Business financial management
Federal contracting start-up
Marketing to Federal agencies
Grant writing
Concept Paper Writing
Proposal Writing
Answering an RFP (Request for Proposal)
Developing a Board of Directors
Public Relations
Benchmarking techniques and tracking
Small business discovery laboratories
Small business communications (letter writing and business etiquette)
Applying for a loan
Seeking funding from people you know
Seeking funding from investors
Business structure (legal structure, corp)
Small business and taxes (state and Federal)
Professional licensing, certifications and permits
Small business resources
Registering your Small business (Veteran,
Minority, Woman)
The Federal Register
Understand Fed Biz Ops
Small Business Liaison Officer Relationship
Management
Understanding the FAR (Federal Acquisition
Regulation)



Veteran Owned Business Development Action Plan

Extended deployment of our national Guard and Reserve forces has caused extreme hardship and has closed the doors of many of American Veteran Owned Business. This program is designed to assist the Veteran Small Business Owner to pre-

pare for the businesses continued operation and sets forth an action plan to assist and support the Veteran and their business should the businessowner be called upon to serve.

A detailed action plan will be developed as an Operations Order setting forth and addressing critical operational issues. At a minimum, the plan will have;

- A notarized Letter Of Instruction from the Veteran
- Business Owner
- An up to date business plan
- Checks and or bank cards
- Power of attorney
- Alert roster and contact phone numbers
- Financial template
- Assets and liabilities
- A video tape of the businessowner conveying his/her wishes and directives in their absence Copies of insurance policies, promissory notes, deeds, titles, articles of incorporation, etc.
- A Last Will and Testament
- Copies of deployment orders (where applicable)
- Contact numbers for military unit of assignment and branch manager
- Copies of all keys, access codes and combination numbers
- Back up electronic media data
- Any additional information or object that will assist in the smooth running of daily operation for the business

It is understood that successful execution of this plan will depend on the structure of the business having been built in the franchise model as a "Turn Key" business. In order to facilitate this, a well planned and detailed organization chart will be documented. Each duty and responsibility entered into the Organizational chart must have a complete job description and "employee manual" which details and explains the duties and responsibilities assigned that position.

The education and construction process of this program will require a unique commitment from the businessowner as well as a solid educational/mentorship program.

While the commercial programs exist to accomplish the intended results, these programs are lengthy (18 to 24 month programs) and expensive ($450.00/month X 24 months = $10,800./person). A streamlined, accelerated and more cost effective program can be developed. The resulting program would allow the Veteran to complete the process in 6 to 12 months.

Additionally, a Memorandum of Understanding or contract would be developed between the Veterans Business Resource Center (VBRC), the mentored business and the Small Business Administration (SBA) as a method of registering and tracking these businesses.

Eventually, businesses who successfully complete the Action Plan and have their plan registered with the VBRC and SBA would be available for emergency funding special tax consideration to assist and defray any costs associated with extended military deployment.

Guard and Reserve Business Tax Forbearance Initiative

Concept: protect Veteran businessowners who become activated pursuant to military orders IAW section 101 Title 10 United States Code from Business Tax Liability which may result in extreme financial hardship on the business and the veteran.

Action: To authorize a business tax forbearance whereby allowing the selected category of duty status military Member to deposit their estimated Federal business tax liability payments into an interest bearing trust account, thus authorizing tax forbearance for a period of time equal to the amount of active duty time performed plus 180 days. This forbearance is to begin upon the effective date of the service Member's orders and all tax obligations are to be satisfied in full no later than 180 days following the termination of such orders.

Intrest—Any and all interest realized from the deposits of this program are to be retained by the corporation and will not be considered capital gains or profit and should subsequently be tax exempt. The maximum allowable deposits subject to this protection shall not exceed two times the actual tax liability. Any deposits enjoying interest in excess of two times the finally established tax liability will be subject to standard taxation IAW the corporation's tax burden. (I allowed for up to two times the tax burden for two reasons, one—businesses pay an estimated tax based on sales forecasts and two—to provide businesses in this category an incentive to

establish a savings that will help to revitalize the business when they return to the business.

Failure—Failure to satisfy the existing tax obligation by the end of the 180th day following the return of the businessowner will result in the businesses being subject to the standard interest and penalties subject any business who fails to satisfy its tax obligation. The date that such interest and penalties will be assesses will be the 181st day following the termination of the duty orders to which the Member entered this forbearance.

Multiple and concurrent assignment—Each period of active duty will be treated as separate and independent actions if separated by more than three duty days (the establishment of a duty day needs to be addressed. This is important because in an effort to maximize training funds, a military unit may issue a consecutive series of active duty orders for 5 day periods to be paid for from one accounting method and pay the military member for the weekends using another payment account which does not necessarily require active duty orders. Further, home station active duty may be restricted to 5 day increments, again due to budget considerations). At no time will a unit create or extend active duty requirements for the sole purpose of qualifying a businessowner for participation in this program.

Inclusion of Veteran Owned Companies to Section 7 (j) of the Small Business Act

Recommendation

Draft resolution for amendment to U.S. Small Business Act 1953, section 7 (j), to include "Veterans" and "Veteran Owned or Operated".

Justification

Congress finds the following:

The United States has done too little to assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.

And

The United States must provide additional assistance and support to veterans to better equip them to form and expand small business enterprises, thereby enabling them to realize the American dream that they fought to protect. [PL 106–50, "Veterans Entrepreneurship and Small Business Development Act 1999"]

And

It is the declared policy of the Congress that the government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise and to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the government be placed with small-business enterprises. [The U.S. Small Business Act 1953]

Program Overview

http://www.sba.gov/gcbd/7j.html

The Program

The mission of the U.S. Small Business Administration's (SBA's) Office of Business Development (BD) is to assist economically and socially disadvantaged businesspersons achieve competitive viability in the marketplace. To that end, SBA has been authorized, under section seven(j) of the Small Business Act, to enter into grants, cooperative agreements or contracts, with public or private organizations that can deliver management or technical assistance to individuals and enterprises eligible for assistance under the Act. This assistance is delivered through the seven(j) Management and Technical Assistance Program to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low-income or firms owned by low-income individuals [add "or firms owned or operated by veterans" here].

SBA Regional Finance and Bond Surety

Veterans Small Business Advisory Councils

Recommendation

The Administrator of the SBA charges each Region to require their districts to assemble SBA sponsored Veterans Small Business Finance and Lending Advisory Councils consisting of a consortium of commercial lenders, bonding agents and Veteran businessowners for the purpose of:

1. Review, coordinate, and monitor plans and programs developed in the public and private sectors that affect the ability of small business concerns owned and controlled by veterans to obtain capital, credit and bond surety.
2. Promote the collection of business information and survey data as they relate to veterans and small business concerns owned and controlled by veterans regarding small business financing and bonding ability.
3. Develop and promote initiatives, policies, programs, and plans designed to foster small business financing and bonding programs owned and controlled by veterans.

Program Outcome

By getting finance and bonding professionals directly involved with the building and planning stage of Veteran Small Business Financing programs, they will instinctively support and promote Veterans Small Business Interests. The theory is the same as when a Non-Profit company invites community members to sit on their Board of Directors. The Board members take a personal interest in the promotion of the organization and put added emphasis into networking and the promotion of these organizations to assist in the organizations success.

The same theory applies here. The lending and bonding institutions responsible for developing "suggestions", "incentives", "programs" and other work on behalf of veterans will have a personal and professional stake in the success of the program thus giving the programs "top down" emphasis.

This Council would be by invitation only and participants should be "recognized" by the administration in a creative way which may include:

1. Certificate of participation signed by the President of the United States
2. Annual invitation and award recognition at the national SBA Small Business Week celebration
3. SBA Co-branding opportunities, SBA funded brochures
4. SCORE recognition and partnership opportunities

There are a number of more aggressive "incentives" these are some of the more cost effective and least legally cumbersome. Other incentives could include a more favorable rate for lenders who choose to participate or "preferred" processing incentives or discounted processing fees.

SUBMISSION FOR THE RECORD

Prepared Statement of Eric A. Hilleman, Deputy Director, National Legislative Service, Veterans of Foreign Wars of the United States

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

On behalf of the 2.4 million members of the Veterans of Foreign Wars of the U.S. (VFW) and our Auxiliaries, I would like to thank you for your invitation to testify at today's important hearing on veterans' entrepreneurship and self-employment.

Capitalism is one of the defining pillars of our culture and our democracy. The efficiency and ingenuity inspired by competition has driven the growth of our economy and the diversity in our marketplace. Small businesses make up the bulk of the American business landscape serving as a testament to the American dream. One person with an idea and the right mix of innovation, creativity, and dedication can rise from humble beginnings to build the Wal-Marts and Microsofts of tomorrow.

Starting, owning, and operating a business can be a daunting task. Service members need a set of transition tools to aid in moving from active duty military to civilian entrepreneur. Veteran entrepreneurs return home to take on a role in the family

business, purchase a franchise, or strike out on their own to build their business one brick at a time. Regardless of how they embark upon the road of entrepreneurship or at what stage of their lives, our Nation benefits from their efforts. The challenges this community of entrepreneurs face are particular and unique.

As the bulk of service members separate from the military, they benefit from: Transition Assistance Programs, employment center help, and veterans' hiring preferences. Veteran entrepreneurs, being a smaller sector of this population, lack such assistance. Many veteran entrepreneurs are able to benefit from government efforts to assist small businesses in general, but there is not a centralized source of information to aid the veteran entrepreneur population. Many of the sources of information are peppered throughout these sites: www.vetviz.gov, www.sba.gov, www.business.gov, www.dol.gov, www.acq.osd.mil, and www.veteranscorp.org. The VFW believes a comprehensive Web site containing the depth and breadth of information on veterans small businessownership would be ideal.

Along similar lines, we must also examine the assistance available to—and the specific needs of—Guard and Reserve members. By activating, they leave their businesses behind in order to do the work of their government. Currently the Small Business Administration (SBA) provides debt relief on SBA-direct or guaranteed loans, but education and outreach could provide assistance before a loan goes into default. We must carefully consider how and what we provide for this distinct group of service members. The Uniformed Services Employment and Reemployment Act (USERA) protects the jobs of deployed service members; so too, we need measures to prevent Guard and Reserve entrepreneurs from losing their livelihoods.

In the past, Congress has ordered Government Accountability Office studies of veterans' small business. However, these studies have often focused more on the efficacy of the National Veterans Business Development Corporation than on businessowners. We believe that the best interests of the country are served in launching a comprehensive review of the make-up of veteran-owned small business, the available programs, and the needs of this community.

The VFW feels it is prudent to consider legislative changes that will aid small businesses; and these changes must be developed and disseminated in a manner that is user friendly. Comprehensive changes to government contract standards, outreach programs, loans, service centers, web-based tools, education benefits, and mentorship programs are best considered once the veteran-owned small business community is better understood.

Understanding the veteran-owned small business community is essential to moving forward with both fundamental and substantive changes. We encourage Congress to examine the challenges and barriers that veteran entrepreneurs encounter. The study should address the existing programs that answer these questions, as well as how the government may deliver the benefits and services addressed in these questions:

- Where can one find information on starting a business?
- How to develop a sound business plan? Where/how to obtain financing for my business?
- How to grow a business and launch a marketing plan? What about client/customer development?
- What education benefits are available for building a business?
- How does one obtain contracts with the Federal Government?
- Where/when is bonding and/or insurance necessary for government contracting?

The Guard and Reserve members who own and operate small businesses face intense challenges in the lead-up to frequent deployments. A different set of concerns are addressed with the repeated, unexpected, and extended activations in Iraq, Afghanistan, and/or providing disaster relief:

- Who will run the business when the service Member is deployed?
- How does one care for a family with the loss in income from activation?
- The business is failing; what assistance is available?
- The current industry standards and information has changed during the deployment; what training is available to bring the service Member up to speed?
- Will the government provide training for a spouse to run a business?
- How does one rekindle a business? Are there loans or grants available to get back to work?

In studying the types of Guard and Reserve Member businesses, we can better provide remedial industry training, access to capital, and bridge assistance to the families of deployed members.

This hearing is an excellent step in the right direction. In order for Congress to act to on behalf of veterans and a grateful nation, we must clearly understand who these veterans/small business owners are. We must further understand the types of business that are affected by assistance programs and which types are excluded. Any barriers to assistance and/or challenges exclusive to the veterans' small business development must be addressed. The VFW urges careful consideration of these issues, keeping always at its heart, the best interests of America's veterans.

MATERIAL SUBMITTED FOR THE RECORD

Executive Order 13360—Providing Opportunities for Service-Disabled Veteran Businesses To Increase Their Federal Contracting and Subcontracting

Presidential Documents

Title 3—The President [Executive Order 13360 of October 20, 2004]

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in order to strengthen opportunities in Federal contracting for service-disabled veteran businesses, it is hereby ordered as follows:

Section 1. Policy. America honors the extraordinary service rendered to the United States by veterans with disabilities incurred or aggravated in the line of duty during active service with the armed forces. Heads of agencies shall provide the opportunity for service-disabled veteran businesses to significantly increase the Federal contracting and subcontracting of such businesses. To achieve that objective, agencies shall more effectively implement section 15(g) of the Small Business Act (15 U.S.C. 644(g)), which provides that the President must establish a goal of not less than 3 percent for participation by service-disabled veteran businesses in Federal contracting, and section 36 of that Act (15 U.S.C. 657f), which gives agency contracting officers the authority to reserve certain procurements for service-disabled veteran businesses.

Sec. 2. Duties of Agency Heads. To implement the policy set forth in section one, heads of agencies shall:

(a) develop a strategy to implement the policy set forth in section one;

(b) make the agency's strategy publicly available and report annually to the Administrator of the Small Business Administration on implementation of the agency's strategy;

(c) designate a senior-level official who shall be responsible for developing and implementing the agency's strategy;

(d) include development and implementation of the agency's strategy and achievements in furtherance of the strategy as significant elements in any performance plans of the agency's designated agency senior-level official, chief acquisition officer, and director of small and disadvantaged business utilization; and

(e) include in the agency's strategy plans for:

(i) reserving agency contracts exclusively for service-disabled veteran businesses;

(ii) encouraging and facilitating participation by service-disabled veteran businesses in competitions for award of agency contracts;

(iii) encouraging agency contractors to subcontract with service-disabled veteran businesses and actively monitoring and evaluating agency contractors' efforts to do so;

(iv) training agency personnel on applicable law and policies relating to participation of service-disabled veteran businesses in Federal contracting; and

(v) disseminating information to service-disabled veteran businesses that would assist these businesses in participating in awards of agency contracts.

Sec. 3. Additional Duties of Administrator of the Small Business Administration. The Administrator of the Small Business Administration shall:

(a) designate an appropriate entity within the Small Business Administration that shall, in coordination with the Veterans Affairs' Center for Veterans Enterprise (CVE), provide to service-disabled veteran businesses information and assistance concerning participation in Federal contracting;

(b) advise and assist heads of agencies in their implementation of section two of this order; and

(c) make available to service-disabled veteran businesses training in Federal contracting law, procedures, and practices that would assist such businesses in participating in Federal contracting.

Sec. 4. Additional Duties of Administrator of General Services. The Administrator of General Services shall:

(a) establish a governmentwide Acquisition Contract reserved for participation by service-disabled veteran businesses; and

(b) assist service-disabled veteran businesses to be included in Federal Supply Schedules.

Sec. 5. Additional Duties of the Secretary of Defense. The Secretary of Defense shall direct the Defense Acquisition University (DAU) to develop training on contracting with service-disabled veteran businesses and make this training available online through the DAU continuous learning program.

Sec. 6. Additional Duties of the Secretary of Veterans Affairs. The Secretary of Veterans Affairs shall assist agencies by making available services of the CVE and assist in verifying the accuracy of contractor registration databases with regard to service-disabled veteran businesses.

Sec. 7. Additional Duties of the Secretary of Labor and Secretary of Veterans Affairs. The Secretary of Labor and Secretary of Veterans Affairs shall, respectively, direct the Transition Assistance Program and the Disability Transition Assistance Program to educate separating service members as to the benefits available to service-disabled veteran businesses and as to potential entrepreneurial opportunities.

Sec. 8. Definitions. As used in this order:

(a) the term "agency" means an "executive agency" as that term is defined in section 105 of title five, United States Code, excluding an executive agency that has fewer than 500 employees, the government Accountability Office, or a Government corporation;

(b) the term "service-disabled" means, with respect to disability, that the disability was incurred or aggravated in the line of duty in the active service in the United States Armed Forces;

(c) the term "service-disabled veteran" means a veteran, as defined in 38 U.S.C. 101(2), with a disability that is service-connected, as defined in 38 U.S.C. 101(16);

(d) the term "service-disabled veteran business" means a small business concern owned and controlled by service-disabled veterans, as defined in section three(q) of the Small Business Act (15 U.S.C. 632(q)); and

(e) the term "small business concern" has the meaning specified in section three(a) of the Small Business Act (15 U.S.C. 632(a)) and the definitions and standards issued under that section.

Sec. 9. General Provisions. (a) Heads of agencies shall carry out duties assigned by sections three, four, five, six, and seven of this order to the extent consistent with applicable law and subject to the availability of appropriations.

(b) To the extent permitted by law, an agency shall disclose personally identifying information on service-disabled veterans to other agencies who require such information in order to discharge their responsibilities under this order.

(c) An agency that consists of a multi-member commission shall implement this order to the extent it determines appropriate to the accomplishment of the agency's mission.

(d) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, instrumentalities or entities, its officers, employees or agents, or any other person.

GEORGE W. BUSH
THE WHITE HOUSE,
October 20, 2004.

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